# Sustainable Chemistry

Striving for leadership through chemistry

Divi's Laboratories Limited

28th Annual Report 2017-18

# Contents



## The formula for sustainability revolves around three key elements – innovation, efficiency, and value.

When innovation is stimulated across every sector, new product processes, chemicals and stewardship practices evolve.

When natural resources are efficiently utilised for human needs, a safer and effective environment is created.

When the value is put on enhancing human health and protecting the environment, sustainability is always the after effect!

Divi's has been instrumental in getting this formula of sustainable chemistry right, by committing our business model towards creating environmentally benign chemicals & processes and enhancing the quality of life all around us, thus leading to an all round sustainability – in our financial performance, environmental commitments and societal responsibilities!

# Board of Directors

## Executive Directors

**Dr. Murali. K. Divi**
*Chairman & Managing Director*

**N. V. Ramana**
*Executive Director*

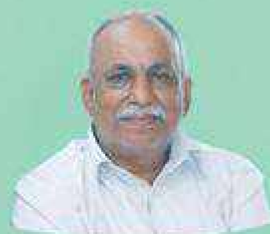
**Madhusudana Rao Divi**
*Whole-time Director*

**Kiran S. Divi**
*Whole-time Director*

**Nilima Motaparti**
*Whole-time Director*

## Independent Directors

**Dr. G. Suresh Kumar**
*Independent Director*



**R. Ranga Rao**
*Independent Director*

**K. V. K Seshavataram**
*Independent Director*

**Dr. Ramesh B V Nimmagadda**
*Independent Director*

**Dr. S. Ganapaty**
*Independent Director*

# Corporate Information

## Manufacturing Facilities

Choutuppal Unit:
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

## 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,
206, Raghava Ratna Towers, Chirag Ali Lane,
Hyderabad - 500 001.

Secretarial Auditor
V. Bhaskara Rao & Co, Company Secretaries,
6-2-1085/B, Flat No.- 203, Badam Sohana Apts.,
Raj Bhavan Road, Somajiguda,
Hyderabad - 500 082.

## 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

## Bankers

State Bank of India
C A G Branch, "Ozone", 2nd Floor
6-3-669, Punjagutta Main Road
Hyderabad – 500082.

## Subsidiaries

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

## Date, Time and Venue of AGM

10 September 2018, 10.00 AM
Global Peace Auditoriom, Brahma Kumaris,
Shanti Sarovar, Academy for Better World, Gachibowli,
Hyderabad- 500032.

## Registrar & Share Transfer Agent

Karvy Computershare Private Limited

Karvy Selenium Tower B, Plot No. 31-32,
Gachibowli, Financial Dist, Nanakramguda,
Hyderabad - 500032.
CIN: U74140TG2003PTC041636

## 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 Divis

Divi's Laboratories Limited is one of the leading pharmaceutical companies in the world. Established in 1990, we manufacture Active Pharmaceutical Ingredients (APIs) and Intermediates. With four manufacturing facilities, market presence across several countries and team of 10,658 people, we continue to innovate to bring better manufacturing processes that will facilitate affordable medicines.

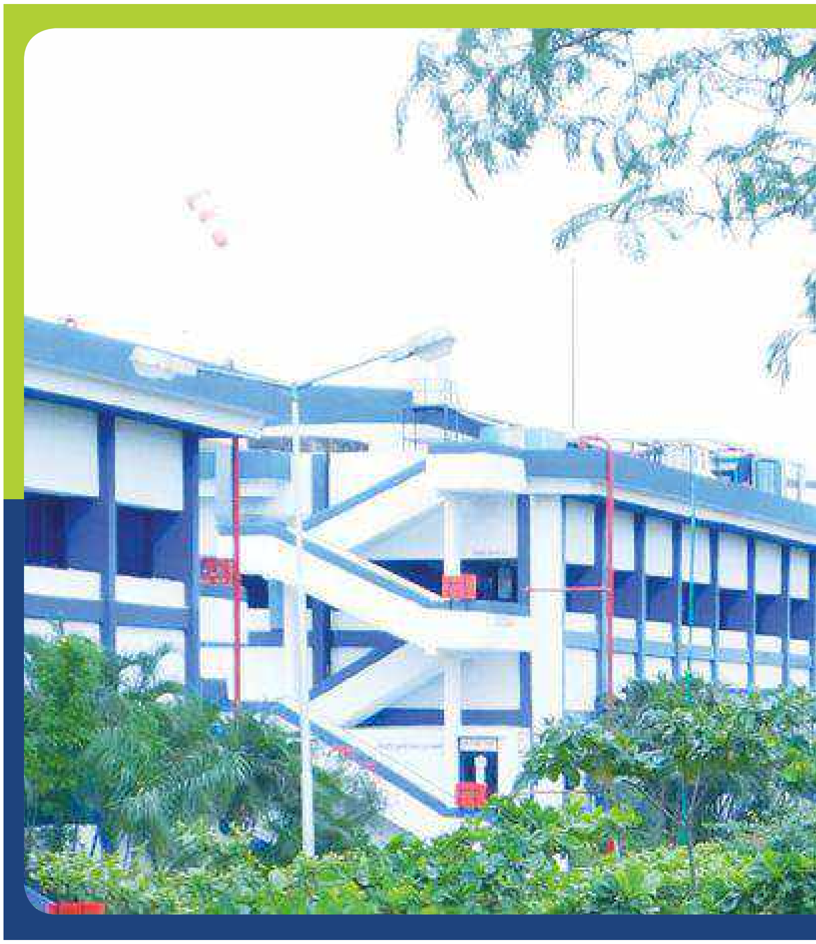
We are engaged in the manufacturing of leading generic compounds, Nutraceutical Ingredients and custom synthesis of APIs and Intermediates for global innovator companies. With a portfolio of 122 products across diverse therapeutic areas, we are one of the largest pharmaceutical companies in India. We have three R&D centres along with a team of competent and qualified people that help us to continuously innovate our processes. We are committed towards our goal of sustainable chemistry thereby optimizing our processes and practices that not only protect but also enhance human health and the environment.

## Vision

We envision to maintain leadership in custom synthesis of APIs and Intermediates for health care and life sciences industry. We also aim to develop generic APIs for the late life cycle needs of the industry and be one of the top companies in this domain across the globe.

## Mission

We aim to be a good corporate entity and not only add value in our core competency the area of Pharma, but also serve the community at large through social, educational and environmental initiatives that would establish a strong foundation for a better tomorrow.



## Snapshot, FY 2017-18

**394971**
Total Revenue
(₹ in lakhs)

**136311**
EBIDTA
(₹ in lakhs)

**2893608**
Market Capitalisation as on 31 March 2018
(₹ in lakhs)

**595965**
Networth
(₹ in lakhs)

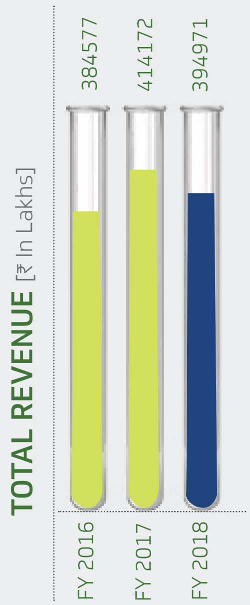
**121936**
Profit before tax
(₹ in lakhs)

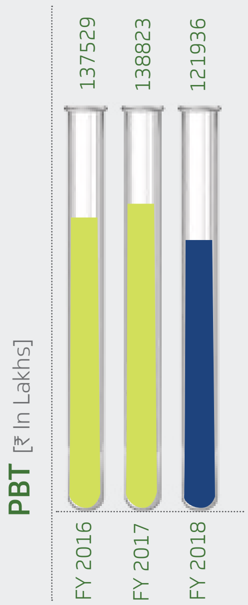
**86958**
Profit after tax
(₹ in lakhs)

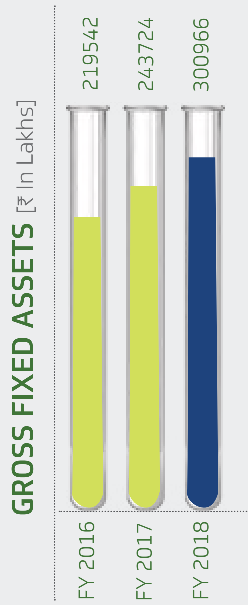
**300966**
Gross Block
(₹ in lakhs)

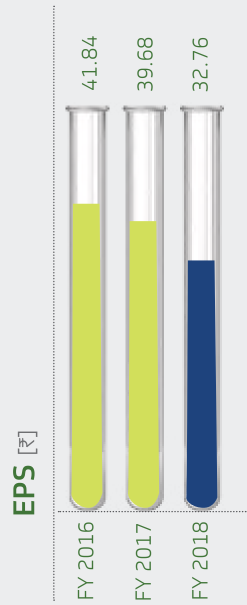
**32.76**
Earnings per share
(₹)

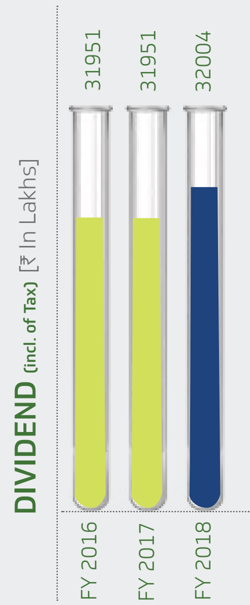
# Sustainable Performance

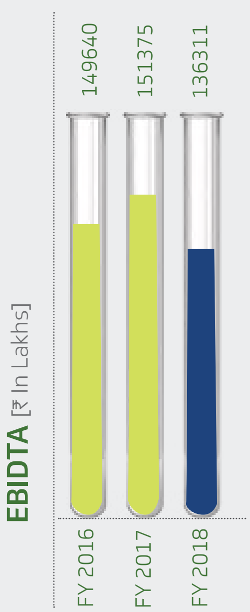


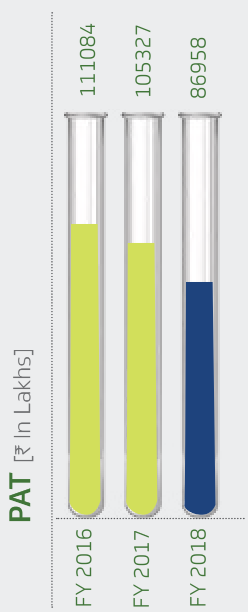



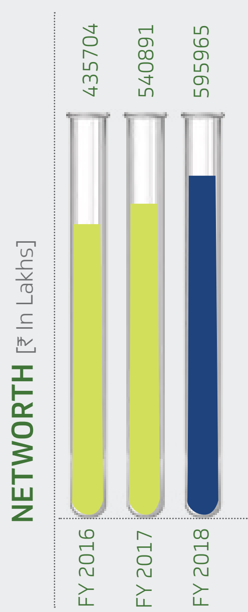



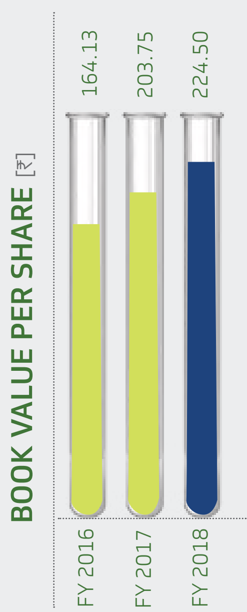



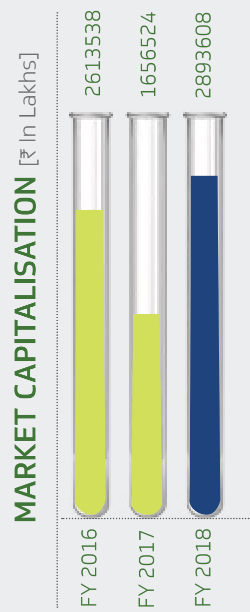



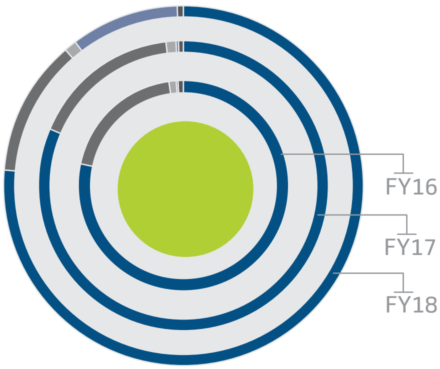



## NATIONAL EXCHEQUER




₹ in Lakhs

| | FY2016 | | FY2017 | | FY2018 | |
|---|---|---|---|---|---|---|
| | ₹ | % | ₹ | % | ₹ | % |
| Tax Expenses | 26516 | 74.7 | 33540 | 76.4 | 34951 | 81.0 |
| Corporate Dividend Tax | 5404 | 15.2 | 5404 | 12.3 | 5457 | 12.6 |
| Other Direct Tax | 362 | 1.0 | 502 | 1.1 | 461 | 1.1 |
| Excise Duty | 3081 | 8.7 | 4231 | 9.7 | 2136 | 4.9 |
| Customs Duty | 141 | 0.4 | 204 | 0.5 | 164 | 0.4 |
| Total | **35504** | **100** | **43881** | **100** | **43169** | **100** |

## DIRECT ECONOMIC IMPACT

₹ in Lakhs

| | FY2016 | FY2017 | FY2018 |
|---|---|---|---|
| Total Revenue | 384577 | 414172 | 394971 |
| Exports | 325693 | 353148 | 327927 |
| Tax Expense | 26516 | 33540 | 34978 |
| Consumption of Material | 149447 | 154158 | 150490 |
| Employee Benefit Expenses | 35295 | 45916 | 44627 |
| Interest | 301 | 226 | 133 |
| Dividend & Dividend Tax | 31951 | 31951 | 32004 |

## EMPLOYEES

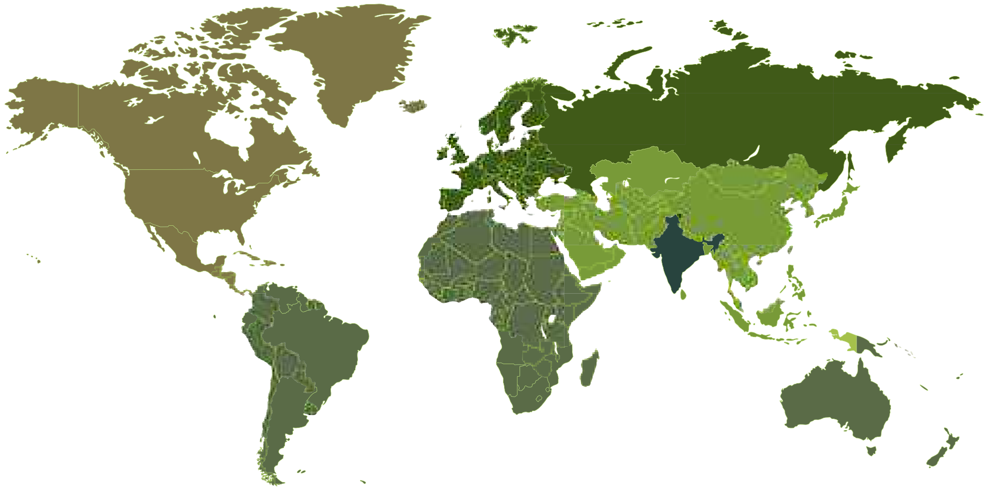
| | FY2016 | FY2017 | FY2018 |
|---|---|---|---|
| Cost towards wages / salaries (₹ in Lakhs) | 33730 | 43988 | 43065 |
| Other benefit costs (₹ in Lakhs) | 1565 | 1928 | 2541 |
| Total personnel costs (₹ in Lakhs) | 35295 | 45916 | 45606 |
| % of Sales Revenue | 9.6% | 11.3% | 11.6% |
| Number of employees | 9481 | 9735 | 10762 |

## CUSTOMERS

₹ in Lakhs

| | FY2016 | FY2017 | FY2018 |
|---|---|---|---|
| Total Revenue | 384577 | 414172 | 394971 |
| Debtors | 96612 | 100042 | 111211 |
| Payments received during the year | 370268 | 410745 | 383802 |
| Debtors' outstanding (in average number of days of turnover) | 94 | 90 | 103 |

# Geographical Market Presence



## AMERICA

| | FY2016 | FY2017 | FY2018 |
|---|---|---|---|
| Sales ₹ Lakhs | 118581 | 133808 | 108749 |
| % Share | 31.7% | 33.0% | 29.0% |

## EUROPE

| | FY2016 | FY2017 | FY2018 |
|---|---|---|---|
| Sales ₹ Lakhs | 160349 | 162825 | 163798 |
| % Share | 42.8% | 40.2% | 43.6% |

## INDIA

| | FY2016 | FY2017 | FY2018 |
|---|---|---|---|
| Sales ₹ Lakhs | 47799 | 52097 | 48014 |
| % Share | 12.8% | 12.8% | 12.8% |

## ASIA

| | FY2016 | FY2017 | FY2018 |
|---|---|---|---|
| Sales ₹ Lakhs | 39443 | 47284 | 34730 |
| % Share | 10.5% | 11.7% | 9.3% |

## REST OF THE WORLD

| | FY2016 | FY2017 | FY2018 |
|---|---|---|---|
| Sales ₹ Lakhs | 8078 | 9460 | 20028 |
| % Share | 2.2% | 2.3% | 5.3% |

# Performance Highlights

₹ in Lakhs

| | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 |
|---|---|---|---|---|---|
| **Turnover and Profit** | | | | | |
| Revenue# | 253226 | 311095 | 374985 | 406578 | 383723 |
| Revenue Growth (y-o-y) | 18% | 23% | 22% | 8% | (6%) |
| Other Income | 8390 | 4284 | 9592 | 7597 | 11248 |
| Total Revenue | 261616 | 315379 | 384577 | 414172 | 394971 |
| Total Income Growth (y-o-y) | 19% | 21% | 22% | 8% | (5%) |
| Profit before Interest,Depreciation and Tax.(EBDIT) | 110276 | 120489 | 149640 | 151375 | 136311 |
| EBDIT to Revenue | 42% | 38% | 39% | 37% | 35% |
| EBDIT Growth (y-o-y) | 27% | 9% | 24% | 1% | (10%) |
| Finance Charges | 206 | 186 | 301 | 226 | 133 |
| Depreciation | 9206 | 13585 | 11810 | 12326 | 14242 |
| Profit before tax (PBT) | 100864 | 106718 | 137529 | 138823 | 121936 |
| PBT Growth (y-o-y) | 27% | 6% | 29% | 1% | (12%) |
| Provision for Taxation | 21692 | 22012 | 26445 | 33496 | 34978 |
| Profit After Tax (PAT) (before OCI) | 79172 | 84706 | 111084 | 105327 | 86958 |
| PAT Growth (y-o-y) | 29% | 7% | 31% | (5%) | (17%) |
| **Dividend, Share Capital and Capital Employed** | | | | | |
| Dividend | 1000% | 1000% | 500% | 500% | 500% |
| Dividend amount (Incl. of Tax) | 31059 | 31951 | 31951 | 31951 | 32004 |
| Equity Share Capital | 2655 | 2655 | 5309 | 5309 | 5309 |
| Reserves & Surplus | 300787 | 386169 | 430395 | 535582 | 590656 |
| Net Worth | 303442 | 388824 | 435704 | 540891 | 595965 |
| Net Worth growth (y-o-y) | 19% | 17% | 12% | 24% | 10% |
| Gross Fixed Assets | 173979 | 195240 | 219542 | 243724 | 300966 |
| Net Fixed Assets | 122160 | 130873 | 143864 | 155895 | 199588 |
| Total Assets | 378396 | 444916 | 496549 | 621008 | 680778 |
| **Key Financial Indicators** | | | | | |
| Earnings per share (face value of ₹2/-each) | 59.65 | 63.82 | 41.84* | 39.68 | 32.76 |
| Cash Earnings Per Share (face value of ₹2/-each) | 66.58 | 74.05 | 46.29* | 44.32 | 38.12 |
| Gross Turnover Per share (face value of ₹2/-each) | 197.10 | 237.60 | 144.87* | 156.02 | 148.78 |
| Book Value per share (face value of ₹2/-each) | 228.61 | 292.93 | 164.13* | 203.75 | 224.50 |
| Total Debt to Equity | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 |
| EBDIT / Gross Turnover | 42% | 38% | 39% | 37% | 35% |
| Net Profit Margin | 30% | 27% | 29% | 25% | 22% |
| RONW | 26% | 22% | 25% | 19% | 15% |

# Inclusive of excise duty
* Post Bonus Issue

# Corporate Social Responsibility

We believe that doing business in a sustainable and responsible manner is integral to our future viability. At Divi's, being a responsible business is critical for our strategy. For us how we deliver success is as important as the results we achieve.

Our concern for people has always been an integral part of all our business activities. We have always focused on genuineness rather than generosity. We aim to improve the standard of living of members of the community, especially the unprivileged.

## Our focus areas of CSR

- Promoting Education
- Swachh Bharat
- Preventive Healthcare
- Empowering Women
- Rural Development
- Safe Drinking Water

## Promoting Education

Provided toilet facilities to

**38** schools

during the year

Distribution of Horlicks Sachets to

**5411** students

every day

Distributed

**7312**

Duel desk benches to schools

## Health for All

Health camps organized in

**13** villages

during the year

## Clean India

Provided support to build

**275**

individual toilets

## Skilled India

**200**

People provided with training in our skill development centres

## Safe Drinking Water

SUJALAM scheme benefitted

**1.7** lakhs in

**45** Villages

## Total Contribution

**17** Crores

Amount Incurred towards CSR activities (in ₹ crore)

Support to Differently Abled People

Animal Welfare

Environmental Sustainability

Livelihood Enhancement Projects

Eradicating Hunger Poverty and Malnutrition

# Promoting Education


**26,796**

Children benefitted during the year

We believe that education is central for a nation's growth and success and thus we have given more emphasis in this direction, especially in backward regions of our country. We have always focused towards providing good quality education through initiatives that align the government schools with private schools. Our aim is to deliver education that evolves a responsible and self-reliant youth. To inspire young minds and to motivate them to work hard, we provide uniforms, books, school bags, teaching aids, scholarships to students, infrastructure facilities to schools and special aids for differently abled children.

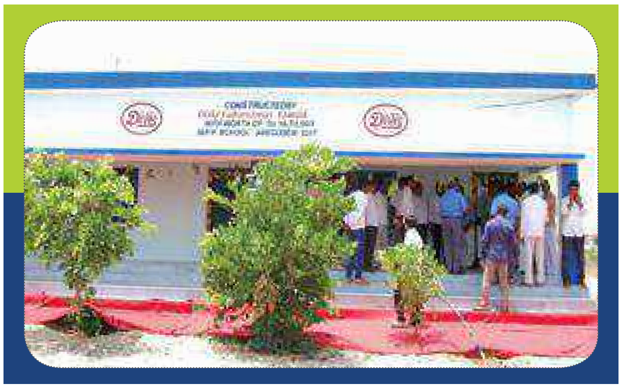
**Our aim is to deliver education that evolves a responsible and self-reliant youth**


# 368

Schools Benefitted

## Health and Hygiene

Lack of proper medical facilities in rural areas coupled with low income generation opportunities results in improper healthcare facilities in rural areas. Many school children especially from economically backward families face the problem of malnutrition. We provide schools with Horlicks which not only improve the nutrition level of the children but also improve attendance in schools. We also organize various health camps in schools in order to ensure good health among children. We have donated R.O plants to 55 schools in Kankipadu Mandal, Krishna district.



## School Infrastructure

One of the prerequisites to promote education is to develop schools with proper infrastructure facilities. Divi's extended the support to develop infrastructure in rural schools of Andhra Pradesh and Telangana states.This has increased the number of children enrolled in schools. During the year, we supported various schools to overcome their challenges related to infrastructure facilities by constructing school buildings, compound walls, computer labs, digital classrooms, libraries and toilets. We have donated **duel desk benches to 306 schools** in Telangana and Andhra Pradesh.

## Support to Mid-Day Meal

We have contributed towards mobile food testing van and base kitchen with a capacity of 30,000 meals per day to **Akshaya Patra Foundation** which provides food to schools in Vishakhapatnam and Vizianagaram districts.
We have donated ₹1.21 crores to HEAL PARADISE, NGO, Thotapally for upgradation of kitchen.

## Supporting Differently Abled

We believe that steps should also be taken to improve the quality of education provided to differently abled children. Towards this we provided financial, physical, and material support to help them focus on education and livelihood enhancement.

# Community Development

**During the year we took several initiatives to help uplift the lives of communities residing near our manufacturing facilities**

Community development is important to ensure better quality of life for people by providing them with solutions to various problems and means to improve their livelihood. During the year, we took several initiatives to help uplift the lives of communities residing near our manufacturing facilities. We continued to help the economically backward and elderly people through various activities.

## Sujalam

Sujalam is our flagship drinking water project where we provide R.O. systems for safe drinking water to villages around our manufacturing site. We handover the project to the village administration only after ensuring that it is properly installed and is fully functional. This scheme has benefitted around **1,70,000 people across 45 villages.**

## Skill Development

We believe that creating livelihood opportunities for rural youth is a challenge as well as an opportunity. During the year, we continued to equip people through our Skill Development Centre by conducting job oriented short-term programs aimed at securing them with employment opportunities or increase their income levels. This includes training in **general duty assistance, hospitality/hotel management, steward and operating sewing machine.**

## Women Empowerment

We took several initiatives to encourage women empowerment including workshops, training activities, etc. We have imparted training in **tailoring, book binding, arya work, embroidery, designing and beautification courses.**

# Swachh Bharat Initiatives


Swachh Bharat Abhiyan is one of the main campaigns in India focused towards safe drinking water, proper sanitation, and cleanliness across the country. To support this mission and promote overall health while reducing the occurrence of water borne diseases, creation of clean & hygienic environment, we supported for construction of individual and community toilets. We also provided bins for waste segregation, trolleys & tricycles for waste collection, and financial assistance to Gram Panchayats for construction of toilets.

*Shanti, a resident of village Chippada says "change in the culture and habits of people regarding issues like cleanliness are changing for the better. I wish the pace of this change is a little faster."*



**Swachh Bharat Abhiyan is one of the main campaigns in India**

# Preventive Healthcare



Health has always been a matter of concern for our country with huge gap in income levels of people, poor living conditions and limited access to preventive & curative health services. During the year, we organized several health camps for eye and dental care, fluorosis, Japanese Encephalitis, ORT training, and pulse polio campaigns. We also provided medicines and augmented facilities at Private health centres.

**During the year, we organized capacity building programme on cancer to Anganwadis and health staff**

**45,000**

People benefited from health initiatives

# Rural

**In India, a significant part of population reside in rural areas, making the growth and development of rural areas important for the country's growth as a whole**

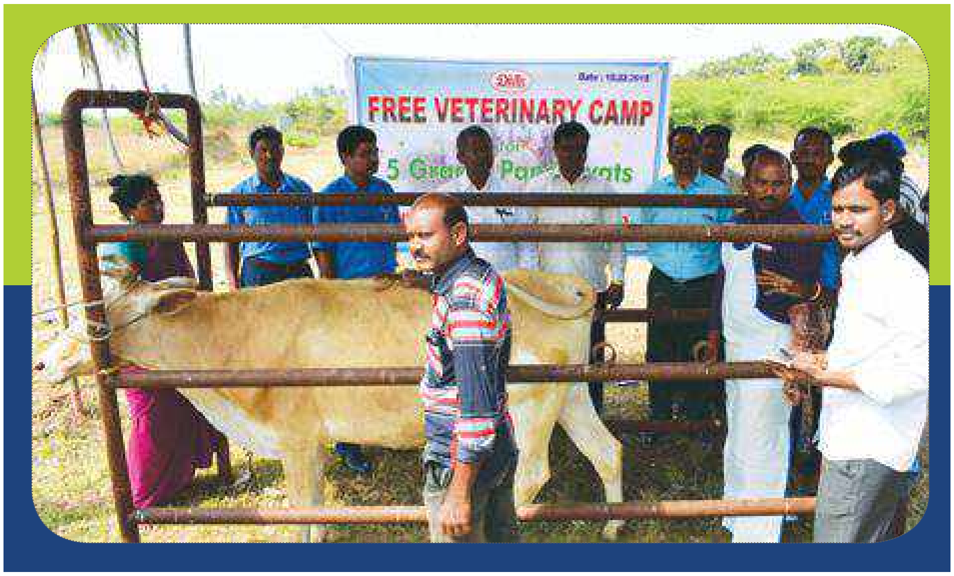
In India, a significant part of population reside in rural areas, making the growth and development of rural areas important for the country's growth as a whole. We took various efforts to improve the lives of rural people by helping farmers to optimize their assets and skills in order to increase their income and have a sustained source of livelihood. Our programs include providing expert advice on breeding, fodder & farming, propagation and training to farmers to increase their income through improvement in milk productivity and farm activities.

## Rural Infrastructure

During the year, we supported various initiatives that focused towards developing the infrastructure of rural areas. Some of the initiatives included construction of roads, drains, bus shelters, community halls, kitchens and traffic safety.

## Animal Welfare

Over the past few years, we initiated several rural interventions by conducting various camps on animal husbandry, dairy development, cattle feed and animal welfare. We also started improving veterinary dispensaries by contributing towards medical equipments, vaccines and medicines.






# Environmental Sustainability

Our company has always been aware about the effect of its methods/actions on the environment and regularly reviews processes to ensure that it follows the principles of Green Chemistry. We aspire for continual improvement by elimination of hazards, reduction of waste generation, recovery and recycling of reagents and solvents.

We have identified co-processing of hazardous waste as a better option than incineration. Co-Processing of harmful substances as an alternate fuel in the cement industry is beneficial option as waste is not only destroyed at higher temperature but also its inorganic content gets fixed with the clinker. We also practice the transportation of our acid effluents to fertilizer industry for urea preparation and alum industries for recycle.

# Operational Safety

Our company analyses and evaluates potential risks and develop effective strategies to dampen it. Some of such strategies include:

- Deployment of Standby Scrubber systems and Online dosing systems for critical operations involving hazardous gases.
- Upgradation of Safety Cleaning In Process to ensure risk-free environment.
- Change of Heat transfer fluid circulations from aqueous to non-aqueous for water reactive materials.
- Introduction of Booster pumps to handle critical exothermic reactions.
- Increase in number of Oxygen Analysers and toxic gas detectors.
- Introduction of additional glove boxes to restrict the exposure of the chemists to pyrophoric materials as well as material exposure to environment.
- Detailed reviews of containment measures to ensure total control over leaks.
- Installation of Online monitoring stations at several locations to continuously monitor the air quality and to ensure that emissions and waste generated are within the permissible limits.

Divi's believes in safeguarding employee's health by ensuring that processes are free from any potential risks and hazards. In order to achieve "zero incidents/accidents", the company examines critical processes, recognises and sets up its safety controls thereby minimising the potential risks and optimising operations. Moreover, it periodically examines the operational hazards and implements strategies to ensure safe handling of processes. Lately, the company has upgraded its Hazard Evaluation Laboratory by supplementing it with state-of-art equipment including MIT, MIE, Flash point/Fire point apparatus and Instruments for detecting flammability of chemicals among others. We also engage with industry to share experiences and expertise on safety and disaster management.

# 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,<br>Cyber Hills, Gachibowli,<br>Hyderabad – 500 032, India |
| 4. | Website | www.divislabs.com |
| 5. | E-mail Id | mail@divislabs.com |
| 6. | Financial Year reported | April 2017 to March 2018 |
| 7. | Sector(s) that the company is engaged (industrial activity code-wise) | Pharmaceuticals<br>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 offices for our nutraceutical products in USA and Europe |
| | 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 (INR) | ₹5309 Lakhs |
| 2. | Total Revenue (INR) | ₹394971 Lakhs |
| 3. | Total profit after taxes (INR) | ₹86958 Lakhs |
| 4. | Total spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%) | 1.95% |
| 5. | List of activities in which expenditure in 4 above has been incurred:- | Refer Page No. 65 & 66 |

## 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 | NA | Yes | Yes |
| 3. | Does the policy conform to any national / international standards? If yes, specify? | Yes* | Yes* | Yes* | Yes* | Yes* | Yes* | NA | 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 | NA | 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* | NA | 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 | NA | 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 | NA | Yes | Yes |
| 8. | Does the company have in-house structure to implement the policies? | Yes | Yes | Yes | Yes | Yes | Yes | NA | 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 | 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 | NA | 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.

**Divis 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: http://www.divislabs.com/inside/pdf/Sustainability.pdf

## 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?**

It 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.**

- Azide chemistry
- Bromine Recovery
- Oxygen Generation

**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 of design and process of the products, we have been able to achieve the following:

- Risk minimized with operations from the closed room and leak proof SS/Glass partition with explosion resistance doors, glove boxes and Mass flow meters for charging / transfer of materials and all major operations through HMI panel
- TCU with compatible Dowtherm oil for utilities
- Utility/process equipment failure alarms are programmed for alerts
- Efficiency through online NIR probe for monitoring hazardous gases and online pH meter with online dosing system for quenching
- Developed process for recovery of bromine from waste streams and reuse

- Reduction of Inherent risk in process
- Eliminated handling of large volume of Bromine bottles/ cylinders
- Reduced Carbon Footprint from indirect emissions
- Reduction in batch stage time cycle due to continuous flow of oxygen

**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 is in the path of increasing sustainable sourcing of inputs. Supplier evaluation by Purchase/Quality and EHS Representatives is in place. 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. 43% of Divi's procurement is from domestic producers and 57% from international producers.

Divi 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 :** 10,658

2. **Please indicate the Total number of employees hired on temporary/contractual/casual basis :** 4184

3. **Please indicate the number of permanent women employees:** 598

4. **Please indicate the number of permanent employees with disabilities:** 18

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 on end of the financial year |
|---|---|---|---|
| 1. | Child labor/ forced labor/ involuntary labor | Nil | Nil |

| | | | |
|---|---|---|---|
| 2. | Sexual harassment | Nil | 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. 100% of employees are given training in Health & Safety as well as skill upgradation.

## 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 & regulators.

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

   Yes. The main vulnerable stakeholders identified by us are local communities around our manufacturing sites. We have devised and implemented various welfare and development programs and livelihood and 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 taken by the company to engage with the disadvantaged, vulnerable and marginalized and stakeholders by providing books, 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.**

   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 and interested parties and ensures the 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.

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, energy efficient lighting. We also achieve water conservation by harvesting rain water and recycling process water and 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. 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 16.98 crores. 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 on 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 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 providing 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 behaviour 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 economic growth has shown an upswing during the second half of 2017 and the outlook for 2018 is forecast to be stable, but for issues relating to bilateral trade. Aggregate growth in emerging market and developing economies is projected to firm up further, with continued strong growth in emerging Asia and Europe and a modest upswing in commodity exports after three years of weak performance. All countries have room for structural reforms and fiscal policies that raise productivity and enhance inclusiveness by encouraging experimentation and diffusion of new technologies, increasing labor force participation, and investing in the youth to enhance their job opportunities.

Pharmaceutical drugs are subjected to various laws and regulations that deal with patenting, testing, safety, efficacy and compliances to current Good Manufacturing Practices, competitive environment besides marketing and distribution across the world. Issues around regulatory compliances, cost and pricing, clinical and operational innovation, customer and consumer engagement, and regulatory compliance have existed for decades. Life sciences sector growth is closely tied to global health care expenditures which, in 2018 and successive years, are expected to be fueled by increasing demand from an aging population and the prevalence of chronic and communicable diseases.

According to a market report by the QuintilesIMS Institute, expenses for drugs will amount to 1.5 trillion U.S. dollars globally in 2021. This equals an average annual growth rate of between four and seven percent in medication expenses. Despite political uncertainties regarding general healthcare, the U.S. will record the largest growth, while the so-called pharmerging markets will require about two-thirds of the entire drug volume.

Global medicine spending and growth will be driven by divergent patterns over the next five years. Developed markets will balance a substantial surge in spending on new medicines with cost controls, a focus on pricing and transparency across markets and the impact of patent expiries. Pharmerging countries have widely varying economic, social and healthcare environments and while they share a common theme of being driven by lower-cost medicines, they retain significant variations in the mechanisms with which they fund, manage and oversee healthcare and medicines. Spending will be concentrated in developed markets, with more than half for original brands and focused on non-communicable diseases. Specialty therapies will continue to be more significant in developed markets than in pharmerging markets and different traditional medicines will be used in developed markets compared to pharmerging markets.

## 2. Company Overview

Divi's Laboratories Limited started off during the year 1990 as an R&D and consultancy company for development of commercial processes for Active Pharmaceutical Ingredients ("API") and intermediates. During 1994, the Company forayed into manufacturing operations by setting up a multi-purpose manufacturing facility near Hyderabad with a modest initial investment.

Divi operates from its Headquarters and Registered Office at Hyderabad. The company now has four multi-purpose manufacturing facilities from two sites with all support infrastructure like Utilities, environment management and safety systems.

### 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 12 multi-purpose production blocks with finished product areas for manufacture of APIs and intermediates. Spread across 500 acres equipped with diverse equipment for handling various types of chemical reactions supported with all utilities and services; and has added capacities and been upgraded and modernized.

- Unit-II at village Chippada, Bheemunipatnam Mandal, about 30 KM from the port city of Visakhapatnam (Andhra Pradesh) on 490-acre site. This Unit houses:

  o An Export Oriented Unit, which has 8 production blocks which has been operating since the year 2003.

  o An SEZ Unit, which went into commercial operations during the year 2006 and has 9 production blocks with all required utilities and infrastructure.

- o DSN SEZ Unit, which has 6 production blocks and went into commercial operations during the year 2011.
- o All these Units have been adding capacities and been upgraded from time to time.

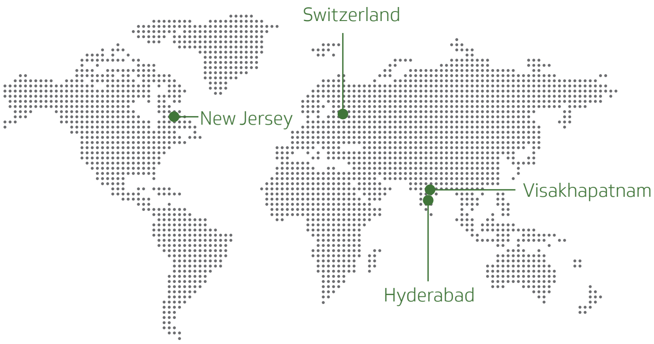
### 2.2 Research Centres

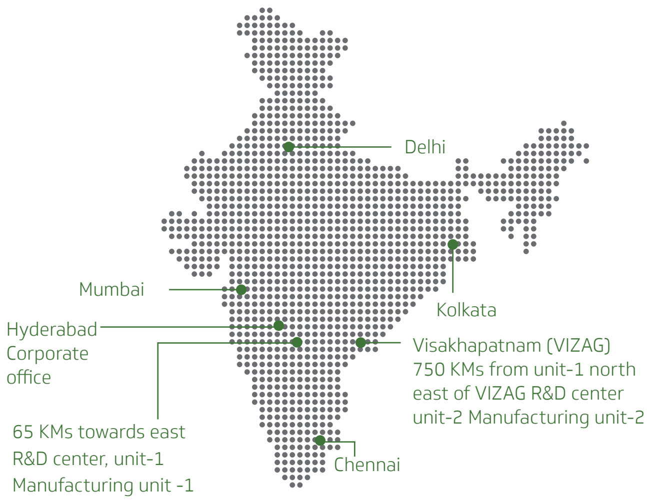
The company has Research Centers at Sanathnagar, Hyderabad and at the manufacturing sites. These centers are involved in development of manufacturing processes for both new compounds and improvement of processes for compounds on the market.

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. Divis Laboratories (USA) Inc., in the United States of America and M/s. Divi's Laboratories Europe AG in Switzerland for marketing its Nutra 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 and also has adequate internal financial control processes over financial reporting. 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 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. Internal control systems are also reviewed by the statutory auditors. They assess the adequacy of controls and make recommendations on how to improve internal controls. During the year, such controls were tested and no reportable material weakness in the implementation or operation was observed.

## 4. Risks and Concerns

Divi lays emphasis on risk management and has an enterprise-wide approach to risk management, which lays emphasis on identifying and managing key operational and strategic risks. 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 overall direction and control by the Board.

The Company continues its initiatives aimed at assessment and to mitigate or minimize 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 continuing assessment of these risks and devise appropriate controls, evaluating and reviewing the control mechanism and redesigning it from time to time in the light of its effectiveness.

## Risks and Risk Mitigation

### 4.1 Global markets

Divi 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 changing dynamics in the supply-chain of its products in the global market 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 developed cost competitive and fast delivery structure. Divi continues to work towards optimizing its processes and upgrading its plant capacities and capabilities and also addressing the anticipated or increasing business opportunities.

The company lays emphasis on the three leverages it has in order to counter competition from its peers in Europe and US:

- Being able to develop processes in the R&D using skilled scientists and professionals at competitive cost and speed of delivery
- Creation of equivalent capacity at a much lower cost
- Operating the infrastructure at competitive cost.
- Company evaluates competetion risks and continually reviews its process to mitigate such risks.

### 4.3 Regulatory 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 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 quality testing procedures and norms. Divi 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 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**

To ensure sustained growth of the organization, we consider employees as an integral part of our operations and we put in place appropriate compensation plans and 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 the consequent volatility of foreign exchange, and events outside the control or horizon of Indian companies, 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 is factoring its competitive positioning, and to ensure a foreign currency match between liabilities and earnings.

Our efforts are therefore on based on what is right from a competitiveness perspective, rather than from a treasury perspective. In any event, with the volatility, the company's approach is to minimize risk and not mitigation. The company is very cautious towards hedging as it has a cost as well as its own risks and assesses any cost-benefit in this regard besides engaging with customers addressing such 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 etc.

**4.8 Environment, health and safety**

Owing to the company's manufacturing activity, 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 continually strives to optimize the resources and upgrade its processes in order to reduce the environmental impact of its processes, products and services.

**4.9 Information Technology**

The company put in place an IT policy in order to ensure consistency and 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. IT-related risk management exercise is conducted using appropriate protocols and tools.

**4.10 Sustainability**

As part of our sustainability efforts, we assess the opportunities and risks associated with sustainable sourcing and utilization of resources and continually evaluate and implement processes for sustainable operations.

## 5. Regulatory Filings/Approvals

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

Divi has a total of 42 drug master files (DMFs) with US-FDA and 61 EDMFs with Europe and other agencies and 21 CEPs (Certificates of Suitability) issued by EDQM authorities. Divi has filed a total of 34 patents for generic products.

## 6. Business distribution

Our product portfolio comprises of two broad segments 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. Business has been growing decently across both these segments and is broadly equal distributed. Among Divi's well distributed products range, some of the components of the business is given below:

| Particulars | 2017-18 | 2016-17 |
|---|---|---|
| Exports | 87% | 87% |
| Imports (% of material consumption) | 52% | 58% |
| Largest Product | 15% | 16% |
| Top 5 Products | 46% | 43% |
| Top 5 Customers | 42% | 41% |
| Exports in $ terms | 86% | 85% |
| Exports in Pounds | 11% | 11% |
| Exports in Euro | 3% | 4% |

## 7. Performance and Operations Review

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

(₹ in Lakhs)

| Particulars | 2017-18 | 2016-17 |
|---|---|---|
| Revenue | 383723 | 406578 |
| Other Income | 11248 | 7594 |
| Total Revenues | 394971 | 414172 |
| Expenditure | 258660 | 262798 |
| PBDIT | 136311 | 151374 |
| Finance Cost | 133 | 225 |
| Depreciation | 14242 | 12326 |
| Profit before Tax (PBT) | 121936 | 138823 |
| Provision for tax: | | |
| Current Tax | 28713 | 28523 |
| Deferred Tax | 6265 | 4973 |
| Profit after Tax (PAT) | 86958 | 105327 |
| Other Comprehensive Income (net of tax) | 67 | (140) |
| Total Comprehensive Income | 87025 | 105187 |
| Earnings per Share (EPS) Basic & Diluted (₹) | 32.76 | 39.68 |

Operations for the year were impacted due to the Import Alert and Warning letter issued by the US-FDA on the company's Unit-II at Visakhapatnam subsequent to the inspection of Unit-II during November-December, 2016. Several products were exempted from the Import Alert. Total Revenue for the year has been impacted by 5% over the last year – as the company needed to set up protocols and procedures for release of export shipments as stipulated in the Import Alert issued by the US-FDA in March, 2017. In view of the Import Alert, the company had to realign its production programmes across its Units and also incur additional expenditure for remediation of the deficiencies observed by the FDA and for engaging external regulatory consultants, subject matter specialists and consultants for resolving the issues with the FDA.

Revenue for the year included export incentives under MEIS scheme availed by the company under the Foreign Trade Policy.

PBDIT for the year decreased by 10% to ₹136311 lakhs and Profit before Tax (PBT) for the year is lower by 12% at ₹121936 lakhs. We had lower margins during the year as the operations were affected due to the Import Alert of US-FDA and we had to incur higher expenses for remediation of the deficiencies and resolving the issues relating to the FDA inspection.

Tax provision has been higher during the year due to higher sales from the DTA Unit, lower exemption from SEZ/DSN Units.

Profit after Tax (PAT) before Other Comprehensive Income for the year amounted to ₹86958 lakhs as against a PAT of ₹105327 lakhs for the last year. Earnings Per Share of ₹2/-

each works out to ₹32.76 for the year as against ₹39.68 last year.

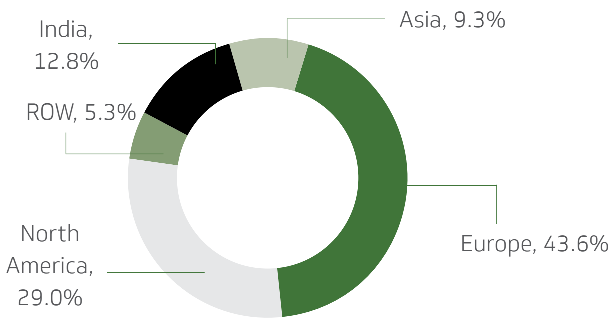
### 7.1 Exports

Exports constituted 87% of revenue during the year. Exports to advanced markets comprising Europe and America accounted for 73% of business.

### 7.2 Region-wise sales revenue

| Region | 2017-18 | | 2016-17 | |
|---|---|---|---|---|
| | Sales revenue ₹ lakhs | % Share | Sales revenue ₹ lakhs | % Share |
| Asia | 34730 | 9.3% | 47284 | 11.7% |
| Europe | 163798 | 43.6% | 162825 | 40.2% |
| North America | 108749 | 29.0% | 133808 | 33.0% |
| Rest of the World | 20028 | 5.3% | 9460 | 2.3% |
| India | 48014 | 12.8% | 52097 | 12.8% |
| **Total** | **375319** | **100%** | **405474** | **100%** |

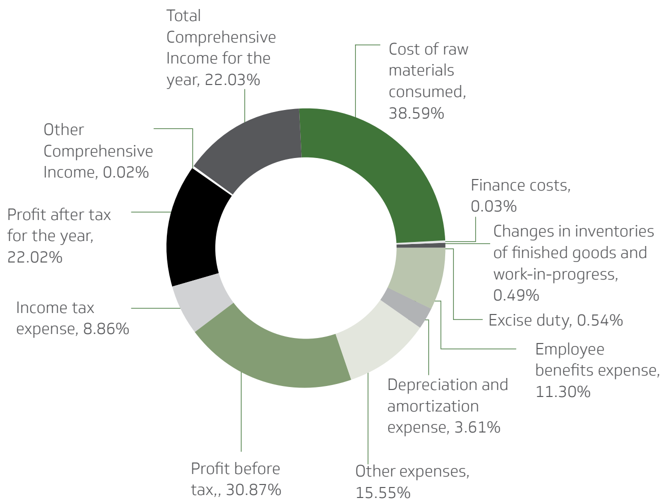
**Region-wise sales revenue**




### 7.3 Other Income

Other Income for the year amounted to ₹11248 lakhs as against ₹7594 lakhs last year. Gain on foreign currency transactions for the year amounted to ₹2460 lakhs as against a loss of ₹3910 lakhs (grouped under Other Expenses) last year.

### 7.4 Distribution of Total Revenue




### 7.5 Material Costs

₹ in Lakhs

| Particulars | 2017-18 | 2016-17 |
|---|---|---|
| Material consumption | 152428 | 156319 |
| Changes in inventories of finished goods and work-in-progress | (1938) | (2161) |
| Net Material Consumption | 150490 | 154158 |
| Total Revenue | 394971 | 414172 |
| % of consumption to total revenue | 38.1% | 37.2% |

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 38.1% of total revenue during the year as compared to 37.2% during the last year, variation being the result of product mix as each product will have a different material consumption

### 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 ₹44627 lakhs as against ₹49033 lakhs during the last year. Of this, remuneration to whole-time Directors including commission accounted to ₹7631 lakhs during the year as against ₹8875 lakhs last year.

Employee Expense for the last year included the one-time ex-gratia of ₹79 crores paid to employees and whole-time directors of the company on the occasion of completion of 25 years' formation of the company. 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 11.3% of revenue for the year.

### 7.7 Other Expenses

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

Other Expenses for the year accounted for ₹61444 lakhs as against ₹55414 during the last year. This year we have spent an amount of ₹4931 lakhs on Legal & Professional charges – and a major part of this expense relates to fee paid to consultants and subject matter specialists engaged for remediation of the deficiencies observed by the US-FDA during its inspection and resolving all issues relating to the Import Alert and Warning letter issued by the FDA. During the year, there has been increase in Power & Fuel, Repairs, Travelling Expenses & General Expenses due to the several regulatory inspections of the company's manufacturing sites.

During the year, we have discarded unserviceable assets and charged-off ₹626 lakhs for book deficit on such assets.

Other Expenses account for 16.1% of revenue of which Manufacturing expenses accounted for 9.7% of total revenue.

### 7.8 Taxation

#### Current Tax

For the current year, our tax liability came to ₹28713 lakhs as against ₹28523 lakhs last year.

#### Deferred Tax

Deferred Tax comprises of temporary differences arising between tax base of assets and liabilities and their carrying amounts in the financial statements. The main differences are on account of depreciation on assets and MAT credit utilisation.

Deferred tax for the year amounted to ₹6265 lakhs as against ₹4973 lakhs during the previous year.

### 7.9 Profit after Tax

Profit after Tax for the year accounted for ₹86958 lakhs as against ₹105327 lakhs during the previous year.

### 7.10 Earnings Per Share

Earnings Per Share for the year works out to ₹32.76 per share of ₹2 each as against ₹39.68 last year on Basic as well as Diluted basis.

### 7.11 Dividend

Your Board has recommended a dividend of ₹10 per share of face value ₹2 each i.e., 500% for the year aggregating to an amount of ₹26547 lakhs in addition to a Dividend Distribution Tax of ₹5457 lakhs.

### 7.12 Capital Expenditure

During the year, we have capitalized PPE and Intangible Assets valuing ₹58574 lakhs. Deductions of ₹1332 lakhs represent Assets discarded / sold during the year.

We are also making capacity additions at the existing manufacturing facilities and in this process we are building 2 additional production blocks at Unit-1 at Choutuppal. Capital WIP as at the year-end amounted to ₹11976 lakhs.

Capital expenditure incurred at the existing Units is to enhance capacities as well as upgrading utilities and infrastructure for compliances. As the company has significant accumulation of cash reserves, all capex has been funded with internal accruals.

### 7.13 Non-current Investments

Non-current Investment comprises of investment in equity of the subsidiaries as also fair value of interest free loan given to them, besides equity holding in Pattancheru Enviro-tech Ltd.,

₹ in Lakhs

| Particulars | 31-03-2018 | 31-03-2017 |
|---|---|---|
| Divis Laboratories (USA) Inc. (*) | 332 | 332 |
| Divi's Laboratories Europe AG (**) | 404 | 504 |
| Pattancheru Enviro-Tech Ltd | 1 | 1 |
| **Total** | **737** | **837** |

* Includes ₹87 lakhs (₹87 lakhs) being fair value of interest free loan

** includes ₹367 lakhs (₹467 lakhs) being fair value of interest free loan

### 7.14 Loans to Subsidiaries

Loans to subsidiaries classified as non-current and current:

₹ in Lakhs

| Particulars | 31-03-2018 | 31-03-2017 |
|---|---|---|
| Loans to Subsidiaries (non-current) | -- | 1856 |
| Loans to Subsidiaries (current) | 1469 | 526 |

Of the Loans outstanding from Europe Subsidiary, we have received a part of loan amounting to CHF 1,700,000.

### 7.15 Other Non-current Financial Assets

₹ in Lakhs

| Particulars | 31-03-2018 | 31-03-2017 |
|---|---|---|
| Security Deposits | 3394 | 2999 |
| Other Receivables | 491 | 844 |
| **Total** | **3885** | **3843** |

### 7.16 Other Non-current Assets

Non-current assets were as under:

₹ in Lakhs

| Particulars | 31-03-2018 | 31-03-2017 |
|---|---|---|
| Capital Advances | 8298 | 7505 |
| Prepaid expenses | 22 | 34 |
| Net Advance Taxes | 881 | 2766 |
| **Total** | **9201** | **10305** |

### 7.17 Current Investments

The company has been deploying its surplus cash accruals in short term funds of SBI Mutual Fund:

₹ in Lakhs

| Particulars | 31-03-2018 | 31-03-2017 |
|---|---|---|
| SBI Mutual Fund – short term direct fund | 188929 | 163072 |

The Company has earned a dividend income (net of tax) of ₹7162 lakhs during the year on these Investments as against an income of ₹6289 lakhs during the last year. Gain from redemption of mutual fund units amounted to ₹8 lakhs as against a gain of ₹99 lakhs last year.

### 7.18 Inventory position

Inventory position for the last two years is as under:

₹ in Lakhs

| Particulars | 31-03-2018 | 31-03-2017 |
|---|---|---|
| Raw Materials | 38631 | 38198 |
| Work-in-Progress | 70419 | 69394 |
| Finished Goods | 9346 | 8433 |
| Stores and Spares | 9743 | 9551 |
| **Total** | **128139** | **125576** |

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 manage the inventory cycle. 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.

### 7.19 Trade Receivables

₹ in Lakhs

| Particulars | 31-03-2018 | 31-03-2017 |
|---|---|---|
| Outstanding for a period exceeding six months from the date they became due for payment | 3106 | 3025 |
| Others | 108283 | 97387 |
| Less: Allowances for doubtful debts | 178 | 123 |
| **Total** | **111211** | **100289** |

Trade Receivables at the year end came to ₹111211 lakhs as against ₹100289 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 ₹3106 lakhs (₹3025 lakhs last year) constituting about 2.8% of total outstandings. Bad debts for the year amounted to ₹4.35 lakhs as against bad debts of ₹13.68 lakhs last year. Doubtful debts provided for the year amounted to ₹56.48 lakhs as against ₹96.56 lakhs last year.

### 7.20 Other Current Financial Assets

₹ in Lakhs

| Particulars | 31-03-2018 | 31-03-2017 |
|---|---|---|
| Loans to Employees | 17 | 27 |
| Export incentive receivable | 21 | 106 |
| Insurance claims receivable | 927 | 426 |
| Other receivables | 424 | 961 |
| **Total** | **1389** | **1520** |

### 7.21 Other Current Assets

₹ in Lakhs

| Particulars | 31-03-2018 | 31-03-2017 |
|---|---|---|
| Indirect Taxes- Input Credits | 10503 | 2317 |
| Prepaid Expenses | 577 | 524 |
| Advances to suppliers | 4026 | 3444 |
| **Total** | **15106** | **6285** |

### 7.22 Non-current Provisions

Long-Term provisions comprise leave encashment of employees aggregating to ₹1495 lakhs as against ₹1530 lakhs.

### 7.23 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 including MAT credits as of 31-03-2018 accounted to ₹19269 lakhs as against ₹13003 lakhs as of 31-03-2017.

### 7.24 Current Borrowings

Current borrowings representing Working capital loans (secured) as at the end of the year amounted to ₹6311 lakhs as against ₹3574 lakhs. Of this, an amount of ₹4601 lakhs has been utilized during the year as loan against a fixed deposit. This way, we will be paying interest on the borrowing only when there is shortfall of liquid funds or mismatch between inflows-outflows and we earn some interest on our deposits.

Utilisation at the year-end reflects outstanding cheques or overnight balances which will get cleared with fresh inflows of receivables on a day-to-day basis.

### 7.25 Trade Payables

Trade Payables for Raw Materials/Services amounted to ₹40565 lakhs as at the end of the year as against ₹44230 lakhs as at the end of last year.

### 7.26 Other Financial Liabilities

Other financial liabilities comprise of the following:

₹ in Lakhs

| Particulars | 31-03-2018 | 31-03-2017 |
|---|---|---|
| Creditors for Capital Works | 2150 | 2551 |
| Employee benefits payable | 10675 | 11114 |
| Unclaimed dividend | 83 | 57 |
| **Total** | **12908** | **13722** |

### 7.27 Other Current Liabilities

₹ in Lakhs

| Particulars | 31-03-2018 | 31-03-2017 |
|---|---|---|
| Advance from Customers | 3776 | 3059 |
| Statutory dues payable | 395 | 871 |
| **Total** | **4171** | **3930** |

### 7.28 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, is furnished below:

## 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 and suppliers.

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 conducting 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 ten directors, five of whom are Executive, including a woman director and remaining are Non-executive Independent directors. The Company has an Executive Chairman. The category of directors as on 31 March 2018 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 |

### 2.2 Attendance of Directors

Directors' attendance at the Board and General Meetings held during the financial year 2017-18 is as follows:

| Name of the Director | No. of Board Meetings | | Attendance at Last AGM |
|---|---|---|---|
| | Held | Attended | |
| Dr. Murali K. Divi | 5 | 5 | Yes |
| Mr. N. V. Ramana | 5 | 5 | Yes |
| Mr. Madhusudana Rao Divi | 5 | 4 | No |
| Mr. Kiran S. Divi | 5 | 3 | Yes |
| Ms. Nilima Motaparti^ | 5 | 4 | Yes |
| Dr. G. Suresh Kumar | 5 | 5 | No |
| Mr. R. Ranga Rao | 5 | 5 | Yes |
| Mr. K. V. K. Seshavataram | 5 | 5 | Yes |
| Dr. Ramesh B. V. Nimmagadda^ | 5 | 4 | Yes |
| Dr. S. Ganapaty@ | 5 | 2 | No |
| Ms. S. Sridevi* | 5 | 1 | No |

^ Appointed with effect from 27 June 2017
@ Appointed with effect from 22 July 2017
*Term ended on 22 June 2017

### 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 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 | 9 | - | - |
| Dr. G. Suresh Kumar | - | - | - |
| Mr. R. Ranga Rao | 1 | - | 1 |
| Mr. K. V. K. Seshavataram | - | - | - |
| Dr. Ramesh B. V. Nimmagadda | - | - | - |
| Dr. S. Ganapaty | - | - | - |

None of the Independent Directors of the Company serves as an Independent Director in more than seven listed companies and where any Independent Director is serving as whole time director in any listed company, such director is not serving as Independent Director in more than three listed companies.

### 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 five times, i.e. on 26 May 2017, 27 June 2017, 22 July 2017, 31 October 2017 and 27 January 2018.

**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 of 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 holds any equity shares in the Company.

**2.7 Meeting of Independent Directors**

During the year under review, the Independent Directors met on 27 January 2018, 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: http://www.divislabs.com/inside/pdf/Familiarisation%20Programs%20for%20Independent%20Directors.pdf

## 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 of any 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 five times during the year, i.e. on 26 May 2017, 27 June 2017, 22 July 2017, 31 October 2017 and 27 January 2018.

| Name | Designation | No. of Board Meetings | |
|---|---|---|---|
| | | Held | Attended |
| Mr. K. V. K. Seshavataram | Chairman | 5 | 5 |
| Dr. G. Suresh Kumar | Member | 5 | 5 |
| Mr. R. Ranga Rao | Member | 5 | 5 |

## 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.
- Carry out evaluation of every director's performance and support the Board and Independent Directors in evaluation of the performance of the Board, its committees and individual directors.
- 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 three times during the year, i.e. on 21 June 2017, 22 July 2017 and 27 January 2018. Attendance of each member of the Committee is as follows:

| Name of the Director | Designation | No. of Board Meetings | |
|---|---|---|---|
| | | Held | Attended |
| Dr. G. Suresh Kumar | Chairman | 3 | 3 |
| Mr. R. Ranga Rao | Member | 3 | 3 |
| Dr. Ramesh B. V. Nimmagadda^ | Member | 3 | 2 |
| Dr. S. Ganapaty@ | Member | 3 | 1 |
| Ms. S. Sridevi* | Member | 3 | 1 |

^ Appointed as member of the committee with effect from 27 June 2017
@Appointed as member of the committee with effect from 31 October 2017
*Term ended on 22 June 2017

**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 plans 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 | 18 | 3901 | 4020 |
| Mr. N. V. Ramana | 84 | 10 | 14 | 1951 | 2059 |
| Mr. Madhusudana Rao Divi | 78 | 9 | 12 | - | 99 |
| Mr. Kiran S. Divi | 78 | 9 | 15 | 1300 | 1402 |
| Ms. Nilima Motaparti | 37 | 4 | 10 | - | 51 |
| **Total** | **367** | **43** | **69** | **7152** | **7631** |

### 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 2017-18 is as follows:

₹ in Lakhs

| Name of the Non-Executive Director | Sitting Fees |
|---|---|
| Dr. G. Suresh Kumar | 11 |
| Mr. R. Ranga Rao | 11 |
| Mr. K. V. K. Seshavataram | 8 |
| Dr. Ramesh B. V. Nimmagadda^ | 6 |
| Dr. S. Ganapaty@ | 3 |
| Ms. S. Sridevi* | 1 |

^ Appointed with effect from 27 June 2017
@ Appointed with effect from 22 July 2017
* Term ended on 22 June 2017

## 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. Ms. P V Lakshmi Rajani, 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 2017, 22 July 2017, 31 October 2017 and 27 January 2018 and considered issue of duplicate share certificates, transfer / transmission of shares and other investor grievances.

| Name | Designation | No. of Board Meetings | |
|---|---|---|---|
| | | Held | Attended |
| Dr. Ramesh B. V. Nimmagadda^ | Chairman | 4 | 3 |
| Mr. K.V.K. Seshavataram | Member | 4 | 4 |
| Dr. S. Ganapaty@ | Member | 4 | 1 |
| Mr. L Kishore Babu | Member | 4 | 4 |
| Ms. S. Sridevi* | Chairman | 4 | 1 |

^ Appointed as Chairman of the Committee with effect from 27 June 2017
@ Appointed as member of the Committee with effect from 31 October 2017
* Term ended on 22 June 2017.

### 6.2 Complaints / Grievances received and attended

During the year under review, company has received 37 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 four times during the year on 26 May 2017, 22 July 2017, 31 October 2017 and 27 January 2018. The attendance of each member of the Committee is as follows:

| Name | Designation | No. of Board Meetings | |
|---|---|---|---|
| | | Held | Attended |
| Mr. R. Ranga Rao | Chairman | 4 | 4 |
| Dr. Murali K. Divi | Member | 4 | 4 |
| Mr. N. V. Ramana | Member | 4 | 4 |
| Mr. Madhusudana Rao Divi | Member | 4 | 3 |

## 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 three times during the year on 17 July 2017, 25 September 2017 and 27 January 2018. The attendance of each member of the Committee is as follows:

| Name | Designation | No. of Board Meetings | |
|---|---|---|---|
| | | Held | Attended |
| Mr. Madhusudana Rao Divi | Chairman | 3 | 2 |
| Mr. N. V. Ramana | Member | 3 | 3 |
| Mr. Kiran S. Divi | Member | 3 | 3 |
| Mr. L. Kishore Babu | Member | 3 | 2 |
| Mr. L. Ramesh Babu | Member | 3 | 2 |

## 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

Particulars of last three Annual General Meetings:

| Year ended | Date & Time | Venue | Special Resolutions passed for |
|---|---|---|---|
| 31.03.2017 | 25 September 2017 at 10 AM | Global Peace Auditorium, Brahma Kumaris, Shanti Sarovar, Academy for Better World, Gachibowli, Hyderabad - 500 032 | NIL |
| 31.03.2016 | 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 |
| 31.03.2015 | 31 August 2015 at 10 AM | KLN Prasad Auditorium, FAPCCI Premises, 11-6-841, Red Hills, Hyderabad – 500 004 | NIL |

### Special Resolutions through Postal Ballot

No resolution was passed through postal ballot during the year.
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.
- The 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
- The 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 Corporate Compliance & Listing Centre.

## 12 General Shareholder Information

**Annual General Meeting**

| | |
|---|---|
| Date: | 10 September 2018 |
| Time: | 10.00 AM |
| Venue: | Global Peace Auditoriom, Brahma Kumaris, Shanti Sarovar, Academy for Better World, Gachibowli, Hyderabad- 500032. |

**E-Voting Dates**

Cut-off date for the purpose of determining the members eligible for e-voting is 3 September 2018
E-voting commences on 6 September 2018 at 9.00 AM and ends on 9 September 2018 at 5.00 PM

| | |
|---|---|
| **Financial Year** | 1 April 2017 to 31 March 2018 |
| **Dividend payment date** | On or before 19 September 2018 |
| **Book Closure Date** | 4 September 2018 to 10 September 2018 |

| | |
|---|---|
| **ISIN No** | INE361B01024 |
| **Listing on Stock Exchanges** | BSE Limited<br>Phiroze Jeejeebhoy Towers, Dalal Street,<br>Mumbai-400 001<br><br>National Stock Exchange of India Limited<br>Exchange Plaza, Bandra-Kurla Complex,<br>Bandra (East), Mumbai–400051. |
| **Stock Code** | BSE - 532488<br>NSE - DIVISLAB |

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

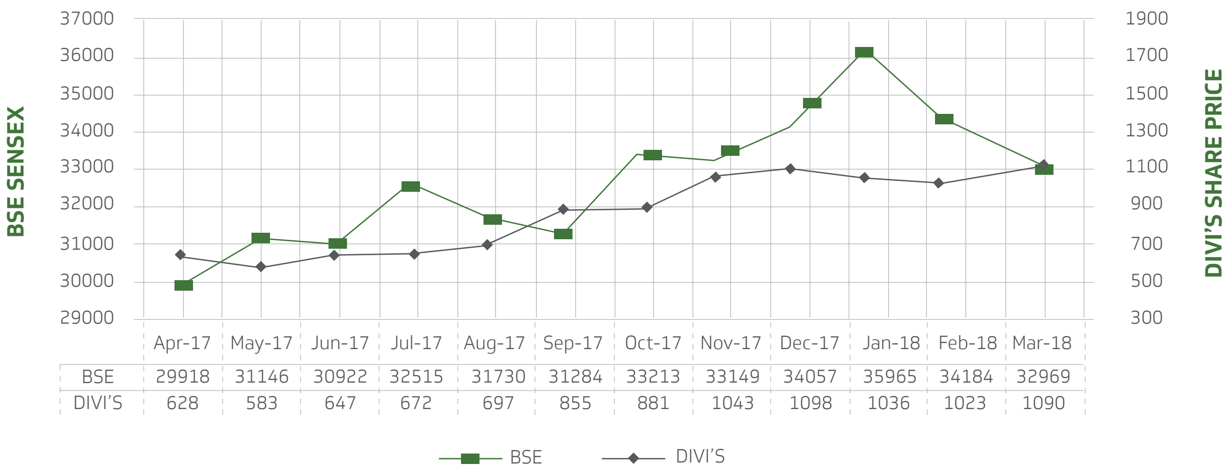
## 13 Market Price Data

Monthly high and low quotations as well as the volume of shares traded at BSE and National Stock Exchanges for the financial year 2017-18 are as follows:

| Month | BSE Limited | | | National Stock Exchange | | |
|---|---|---|---|---|---|---|
| | **Low (₹)** | **High (₹)** | **Volume** | **Low (₹)** | **High (₹)** | **Volume** |
| Apr-17 | 607.00 | 663.90 | 3221955 | 606.00 | 664.15 | 25063554 |
| May-17 | 533.10 | 644.45 | 3101341 | 532.65 | 644.70 | 30419662 |
| Jun-17 | 583.05 | 664.00 | 2610798 | 582.80 | 663.90 | 25891047 |
| Jul-17 | 648.15 | 816.15 | 9858633 | 647.55 | 760.80 | 23017923 |
| Aug-17 | 605.75 | 709.70 | 2178880 | 611.00 | 709.90 | 18987436 |
| Sep-17 | 691.25 | 1003.45 | 14095522 | 692.55 | 1004.35 | 148462801 |
| Oct-17 | 851.00 | 894.55 | 2024637 | 850.25 | 894.50 | 23429876 |
| Nov-17 | 882.00 | 1117.00 | 3353365 | 882.00 | 1117.60 | 36994975 |
| Dec-17 | 1001.00 | 1141.75 | 983914 | 999.05 | 1142.00 | 11916471 |
| Jan-18 | 1009.00 | 1134.55 | 1145564 | 1009.00 | 1135.40 | 15192307 |
| Feb-18 | 978.50 | 1067.65 | 1154031 | 978.35 | 1068.25 | 10898464 |
| Mar-18 | 981.05 | 1120.00 | 1225728 | 980.50 | 1124.80 | 11206319 |

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 (2017-18)**




| | Apr-17 | May-17 | Jun-17 | Jul-17 | Aug-17 | Sep-17 | Oct-17 | Nov-17 | Dec-17 | Jan-18 | Feb-18 | Mar-18 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| BSE | 29918 | 31146 | 30922 | 32515 | 31730 | 31284 | 33213 | 33149 | 34057 | 35965 | 34184 | 32969 |
| DIVI'S | 628 | 583 | 647 | 672 | 697 | 855 | 881 | 1043 | 1098 | 1036 | 1023 | 1090 |

## 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 25 September 2017 (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 ₹4.46 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:

| Financial Year | Date of declaration of dividend | Amount outstanding as on 31.03.2018 (₹ In lakhs) | Due for transfer to IEPF on |
|---|---:|---:|---:|
| 2010-2011 | 08.08.2011 | 8 | 07.09.2018 |
| 2011-2012 | 06.08.2012 | 6 | 05.09.2019 |
| 2012-2013 | 05.08.2013 | 5 | 04.09.2020 |
| 2013-2014 | 25.08.2014 | 14 | 24.09.2021 |
| 2014-2015 | 31.08.2015 | 6 | 30.09.2022 |
| 2015-2016 | 10.03.2016 (Interim) | 12 | 09.04.2023 |
| 2016-2017 | 25.09.2017 | 32 | 24.10.2024 |

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.

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 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 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, 2018

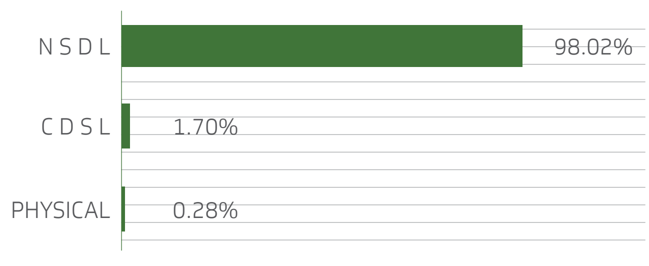
| Category | No. of shareholders | % of shareholders | No. of shares | % of shareholding |
|---|---|---|---|---|
| 1 – 5000 | 81660 | 97.93 | 9741178 | 3.67 |
| 5001 – 10000 | 662 | 0.79 | 2406890 | 0.91 |
| 10001 – 20000 | 445 | 0.53 | 3361880 | 1.26 |
| 20001 – 30000 | 133 | 0.16 | 1648688 | 0.62 |
| 30001 – 40000 | 92 | 0.11 | 1691931 | 0.64 |
| 40001 – 50000 | 51 | 0.06 | 1164397 | 0.44 |
| 50001 – 100000 | 122 | 0.15 | 4478819 | 1.69 |
| 100001 & above | 222 | 0.27 | 240974797 | 90.77 |
| **TOTAL** | **83387** | **100** | **265468580** | **100** |

## 17 (i) Shareholding Pattern

| Category | As on 31 March 2018 | | As on 31 March 2017 | |
|---|---|---|---|---|
| | No. of shares | % to share capital | No. of shares | % to share capital |
| Promoters | 138181232 | 52.05 | 138231232 | 52.07 |
| Mutual Funds | 41025312 | 15.45 | 36504582 | 13.75 |
| Banks/Financial institutions/NBFCs | 886347 | 0.33 | 1291426 | 0.49 |
| Foreign Portfolio Investors | 48862026 | 18.41 | 45717679 | 17.22 |
| Private Corporate Bodies | 10997986 | 4.14 | 13990371 | 5.27 |
| Indian Public | 22366479 | 8.43 | 25986597 | 9.79 |
| Non-Resident Indians/Foreign National | 1579752 | 0.60 | 1767937 | 0.67 |
| Clearing Members | 349352 | 0.13 | 806531 | 0.30 |
| Trusts | 662643 | 0.25 | 806471 | 0.30 |
| Alternative Investment Fund | 554069 | 0.21 | 365754 | 0.14 |
| IEPF | 3382 | 0.00 | -- | -- |
| **Grand Total** | **265468580** | **100** | **265468580** | **100** |

## (ii) Shareholding Profile as on 31 March 2018

| Mode of holding | No. of holders | No. of Shares | % to Equity |
|---|---|---|---|
| N S D L | 58183 | 260196954 | 98.02 |
| C D S L | 25146 | 4521173 | 1.70 |
| PHYSICAL | 58 | 750453 | 0.28 |
| **Total** | **83387** | **265468580** | **100** |



## 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.

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

The Company's 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 2018, 99.72 % 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,<br>Choutuppal Mandal<br>Nalgonda Dist. (TS),<br>Pin Code - 508 252. |
| EXPORT ORIENTED UNIT: | Chippada Village,<br>Bheemunipatnam Mandal<br>Visakhapatnam Dist. (A.P),<br>Pin Code - 531 163 |
| DIVI'S PHARMA SEZ: | Chippada Village,<br>Bheemunipatnam Mandal<br>Visakhapatnam Dist. (A.P),<br>Pin Code - 531 163 |
| DSN SEZ UNIT: | Chippada Village,<br>Bheemunipatnam Mandal<br>Visakhapatnam Dist. (A.P),<br>Pin Code - 531 163 |

## 22 Address for Correspondence

**Registrar and Share Transfer Agents:**

M/s. Karvy Computershare Private Limited
Karvy Selenium Tower B,
Plot No. 31 – 32, Gachibowli,
Financial District, Nanakramguda,
Hyderabad – 500 032,
Telangana, INDIA
CIN: U74140TG2003PTC041636
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 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:

- Political, tax or regulatory changes relating to its business or declaration of dividend
- Any material changes relating to the operations of the company or the economic and technological environment impacting the business of the Company
- Any significant change in the competitive conditions affecting the operations of the company, which might require dynamic changes in operations or making significant investments.
- 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**

- Interim dividend, if any, may be declared by the Board.
- Recommendation of dividend, if any, shall be done by the Board, usually at the Board meeting that considers and approves the annual financial statements.
- Dividend recommended by the Board is subject to approval by members at the annual general meeting of the Company.
- 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**

The 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. ( http://www.divislabs.com/inside/pdf/Related%20Party%20Policy.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: ( http://www.divislabs.com/inside/pdf/Policy%20Subsidiary.pdf )

**24** 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.

## 25 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. Certificate from Mr. V. Bhaskara Rao, Practicing Company Secretary, confirming compliance with the conditions of Corporate Governance is annexed.

The status of adoption of the discretionary requirements pursuant to regulations 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.

## 26 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 2017-18.

For and on behalf of the Board

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

Hyderabad
26 May 2018

## 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, 2018 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

Hyderabad
26 May 2018

**Dr. Murali K. Divi**
Chairman & Managing Director

**L Kishore Babu**
Chief Financial Officer

# 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 2018 as stipulated in Regulations 17 to 27 and clauses (b) to (i) of Regulations 46(2) and para C and D 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 and D of Schedule V of the 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

Hyderabad
26 May 2018

# BOARD'S REPORT

Dear Shareholders,

Your Directors have pleasure in placing before you the Twenty Eighth Annual Report of the Company together with the Audited Accounts for the year ended 31 March 2018.

## Financial Results

The Company's financial performance, for the year ended 31 March, 2018 is summarized below:

₹ in Lakhs

| Particulars | Standalone | | Consolidated | |
|---|---|---|---|---|
| | **2017-18** | **2016-17** | **2017-18** | **2016-17** |
| Revenue | 383723 | 406578 | 391278 | 410626 |
| Other Income | 11248 | 7594 | 11344 | 7489 |
| Total Revenues | 394971 | 414172 | 402622 | 418115 |
| Expenditure | 258660 | 262798 | 265107 | 266023 |
| Profit before depreciation, interest and tax (PBDIT) | 136311 | 151374 | 137515 | 152093 |
| Depreciation | 14242 | 12326 | 14249 | 12333 |
| Finance Cost | 133 | 225 | 133 | 225 |
| Profit before Tax (PBT) | 121936 | 138823 | 123133 | 139534 |
| **Provision for Tax:** | | | | |
| Current Tax | 28713 | 28523 | 28983 | 28523 |
| Deferred Tax | 6265 | 4973 | 6449 | 4969 |
| Total tax provision | 34978 | 33496 | 35432 | 33492 |
| Profit after Tax (PAT) | 86958 | 105327 | 87701 | 106042 |
| Other comprehensive Income (net of tax) | 67 | (140) | 990 | 367 |
| Total Comprehensive Income | 87025 | 105187 | 88691 | 106409 |
| Earnings per Share (EPS) Basic & Diluted (₹) | 32.76 | 39.68 | 33.04 | 39.95 |

## Operations

### Standalone

- Total Revenues for the year decreased by 5% to ₹394971 lakhs.
- Operating profit (PBDIT) for the year amounted to ₹136311 lakhs as against an operating profit of ₹151374 lakhs last year.
- Profit before Tax (PBT) for the year amounted to ₹121936 lakhs as against a PBT of ₹138823 lakhs for the last year.
- Tax Provision for the current year amounted to ₹34978 lakhs as against a tax provision of ₹33496 lakhs.
- Profit after Tax (PAT) before Other Comprehensive Income for the year amounted to ₹86958 lakhs as against a PAT of ₹105327 lakhs last year.
- Earnings Per Share of ₹2/- each works out to ₹32.76 for the year as against ₹39.68 last year.
- Out of the total revenue, 29% came from North America, 44% from Europe, 9% from Asia, 13% from India and 5% from rest of the World.

### Consolidated

Our total revenues on consolidated basis decreased by 4% to ₹402622 lakhs from ₹418115 lakhs in the previous year.

The operating profit before depreciation, finance charges and tax (PBDIT) amounted to ₹137515 lakhs as against ₹152093 lakhs in the previous year. Profit after Tax, before Other Comprehensive Income, for the year accounted to ₹87701 lakhs as against ₹106042 lakhs in the previous year.

## Subsidiaries

Our subsidiaries viz., M/s. Divis 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 ₹22593 lakhs as against ₹21678 lakhs in the previous year, reflecting a growth of 4% for the nutraceutical products in North America and Europe.

Subsidiaries have been into profitable operations for the last few years and with the additional capacities created at Visakhapatnam, the planned growth of nutraceutical business and the support from the parent, the company is confident of continuing profitability at the subsidiaries and recovery of the investments/advances made in the foreseeable future. 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:
http://www.divislabs.com/inside/pdf/Policy%20Subsidiary.pdf
Presently, the Company does not have any material subsidiary.

## Consolidated Accounts

As stipulated in the listing regulations and 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.

## Regulatory Inspections

We reported in the last Board's report that the company's Unit-II at Visakhapatnam was inspected by US-FDA during Nov-Dec, 2016 and that an Import Alert was issued to the company. The US-FDA also exempted several products from the Import Alert. Subsequently, the company received a warning letter from US-FDA, summarizing the deviations from current Good Manufacturing Practices (CGMP) for active pharmaceutical ingredients (APIs).

The company filed detailed responses and given updates to the Form-483 and the warning letter within the stipulated time. The company, along with its external regulatory consultants and subject matter experts, has taken up appropriate remediation measures to address the deficiencies observed by US-FDA. During July, 2017, the US-FDA has lifted the Import Alert under Clause 99-32 imposed on the company's Unit-II at Visakhapatnam.

The company's Unit-II was again inspected by the US-FDA during September 2017. This inspection was for full cGMP and verification of all corrective actions proposed against the previous Inspection observations. All previous observations have been confirmed as completed and resolved. On completion of the current inspection, the Investigators of US-FDA have issued a Form-483 with 6 observations and the company filed its response to the same within the stipulated time. During November, 2017, FDA has removed the import alert under clause 66-40 and also closed out the warning letter and issued Establishment Inspection Report (EIR) for the Unit-II.

Unit-II was inspected by HPRA (Ireland) and JAZMP (Slovenia) during July/August, 2017 and the inspection concluded successfully with no critical observations.

The company's Unit-I at Choutuppal, Telangana State has also been inspected by the US-FDA during May 2018. This was a general cGMP inspection by the FDA and the inspection was concluded without any observations.

## 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 ₹10/- per equity share of ₹2/- each, i.e., 500% for the financial year ended 31 March, 2018, subject to approval of members at the ensuing Annual General Meeting.

The total dividend payout for the current year amounts to ₹32004 lakhs (inclusive of tax of ₹5457 lakhs) as against ₹31951 lakhs in the previous year. Dividend (including dividend tax) as a percentage of profits is 37% as compared to 30% in the previous year.

## Transfer to Reserves

The Directors have decided to retain the entire profit of ₹87025 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 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 a part of this report.

## Internal Financial Controls

Information in respect of internal financial control 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 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 Obligations and Disclosure Requirements) Regulations, 2015 ("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 five times, i.e. on 26 May 2017, 27 June 2017, 22 July 2017, 31 October 2017 and 27 January 2018.

## Directors and Key Managerial Personnel

**Retirement:**
Smt. S. Sridevi has completed her tenure of appointment as Small Shareholder Independent Director on 22 June, 2017 and she is not eligible for re-appointment. Your Board appreciates the contribution made by her during her tenure as Director of the Company.

**Re- Appointment:**
As per the provisions of the Companies Act, 2013 Mr. N.V. Ramana, Executive Director and Mr. Madhusudana Rao Divi, Whole-time Director will retire by rotation at the ensuing 28th Annual General Meeting and, being eligible, offer themselves for re-appointment.

**Appointment:**
Mrs. Nilima Motaparti has been appointed as Whole-time Director of the company in the Annual General Meeting held on 25 September 2017 for a period of five years with effect from 27 June 2017.

Dr. Ramesh B.V. Nimmagadda and Dr. S. Ganapaty have been appointed as Independent Directors of the company in the Annual General Meeting held on 25 September 2017 for a period of five years with effect from 27 June 2017 and 22 July 2017 respectively.

Brief profile of the directors proposed for appointment/ re-appointment is given in the notice convening the 28th AGM for reference of the shareholders.

## 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 Personnel 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 personnel and create competitive advantage.

Policy on Nomination and Remuneration of Directors, Key / Senior Managerial Personnel may be accessed on the Company's website at: http://www.divislabs.com/inside/pdf/Nomination%20and%20Remuneration%20policy18.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. N. V. Ramana and Mr. Madusudana Rao Divi.

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: http://www.divislabs.com/inside/pdf/Whistle%20blower%20policy.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 shareholders 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 2017-18. The Secretarial Audit report for the financial year 2017-18 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.

## 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.
- No cases were filed 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 Board expresses its appreciation for the continued support received from Government authorities, Banks, customers, vendors and investors. The Board also appreciates and value the commitment and contribution of its employees at all levels.

**For and on behalf of the Board**

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

Hyderabad
26 May 2018

# 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 2018 | 31 March 2018 |
| 3 | Reporting Currency and Exchange rate as on the last date of the relevant financial year | USD = 65.0441 | CHF = 68.605 |
| 4 | Share Capital | 87 | 404 |
| 5 | Reserves & Surplus | (1445) | (1000) |
| 6 | Total assets | 7394 | 8929 |
| 7 | Total liabilities | 7394 | 8929 |
| 8 | Investments | - | - |
| 9 | Turnover | 11253 | 11675 |
| 10 | Profit / (Loss )before taxation | 362 | 835 |
| 11 | Provision for taxation | 221 | 233 |
| 12 | Profit / ( Loss) after taxation | 141 | 602 |
| 13 | Other Comprehensive Income after tax for the year | 923 | 0 |
| 14 | Total Comprehensive Income for the year | 1064 | 602 |
| 15 | Proposed Dividend | - | - |
| 16 | % of shareholding | 100% | 100% |

**For and on behalf of the Board**

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

Hyderabad
26 May 2018

# 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 2017-18, the percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary for the financial year 2017-18 are as below:

| Sr.No | Name of Director / KMP and Designation | Remuneration of Director/ KMP for financial year 2017-18 (₹ 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 2017-18 |
|---|---|---|---|---|
| 1 | Dr. Murali K. Divi<br>Chairman & Managing Director | 4020 | 1 : 0.0009622 | (13.48)% |
| 2 | Mr. N.V. Ramana<br>Executive Director | 2059 | 1 : 0.0018790 | (14.84)% |
| 3 | Mr. Madhusudana Rao Divi<br>Whole-time Director | 99 | 1 : 0.0389290 | (7.53)% |
| 4 | Mr. Kiran S. Divi<br>Whole-time Director | 1402 | 1 : 0.0027581 | (13.51)% |
| 5 | Ms. Nilima Motaparti<br>Whole-time Director | 51 | 1 : 0.0765536 | N.A. |
| 6 | Dr. G. Suresh Kumar *<br>Independent Director | 11 | 1 : 0.3675050 | 198.16% |
| 7 | Mr. R. Ranga Rao *<br>Independent Director | 11 | 1 : 0.3675050 | 89.64% |
| 8 | Mr. K.V.K. Seshavataram *<br>Independent Director | 8 | 1 : 0.4822930 | 98.76% |
| 9 | Dr. Ramesh B.V. Nimmagadda *<br>Independent Director | 6 | 1 : 0.7026322 | N.A. |
| 10 | Dr. S. Ganapaty*<br>Independent Director | 3 | 1 : 1.2893300 | N.A. |
| 11 | Mrs. S. Sridevi *<br>Independent Director | 1 | 1 : 3.8296931 | (59.96)% |
| 12 | Mr. L. Kishore Babu<br>Chief Financial Officer | 210 | N.A. | (41.05)% |
| 13 | Mrs. P. V. Lakshmi Rajani<br>Company Secretary | 22 | N.A. | (31.83)% |

* 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 0.70%

**(iii)** The Company has 3,991 permanent employees on the rolls of company as on 31 March 2018

**(iv)** Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year was (-13.69)% whereas the increase in the managerial remuneration was (15.12)%.

**(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)

Hyderabad
26 May 2018

# 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 | 67 | M. Pharm. Ph. D. | Chairman & Managing Director | 12-Oct-90 | 43 | 4020 | Managing Director, Cheminor Drugs Ltd. |
| Ramana. N.V. | 60 | B.Sc. (Chem) | Executive Director | 26-Dec-94 | 33 | 2059 | President, Enmark Exim Services Pvt. Ltd |
| Kiran S. Divi | 42 | M. Pharm. | Whole-time Director | 10-Aug-01 | 17 | 1402 | -- |
| Devendra Rao. S. | 56 | M. Sc. | General Manager | 10-Feb-95 | 35 | 169 | Senior Manager (Prod), Natco Laboratories Ltd. |
| Hemanth Kumar. G. | 58 | M. Sc. | General Manager | 1-Nov-94 | 35 | 169 | Sr. Prodn. Manager, Sumitra Pharma Ltd., |
| Kishore Babu. L. | 66 | B.Com, FCMA | Chief Financial Officer | 20-Nov-94 | 45 | 210 | Finance Manager, Nagarjuna Fert & Chem Ltd., |
| Madhu Babu. D | 57 | Masters in Planning | Vice President | 2-May-16 | 31 | 104 | Senior Vice President, IL&FS Cluster Development Initiative Limited |
| Prasad. Y.T.S. | 50 | B.E. | General Manager | 1-Nov-90 | 30 | 169 | Engineer (Devpt), Cheminor Drugs Ltd., |
| Ramakrishna. S. | 56 | M. Sc. | General Manager | 15-Feb-95 | 35 | 169 | General Manager (Works), Vera Laboratories Ltd. |
| Ramana. L.V | 48 | M. Sc. | General Manager | 12-Aug-91 | 26 | 123 | -- |
| Ramesh Babu. L. | 62 | M.Com, MBA, LLB | Vice President (Procurement) & CIO | 20-May-09 | 29 | 154 | Group Captain, Indian Air Force |
| Ramesh Babu. M. | 52 | B. Sc. | Chief Technologist | 1-Nov-90 | 32 | 169 | R&D Incharge, Cheminor Drugs Ltd., |
| Satya Prakash Divi | 41 | MS (CIS), MBA | Vice President (Sales & Marketing) | 1-Mar-13 | 16 | 210 | VP, Marketing & IT, EF International Academy, Switzerland |
| Srinivasa Rao. P | 53 | M. Pharm | Chief Technologist | 1-Nov-90 | 30 | 169 | 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 to 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)

Hyderabad
26 May 2018

# 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: http://www.divislabs.com/inside/pdf/Divi%27s%20CSR%20Policy.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) 135926
4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above) (₹ in Lakhs) 2719
5. Details of CSR spent during the financial year:

   (a) Total amount to be spent for the financial year (₹ in Lakhs) 2719

   (b) Amount unspent (₹ in Lakhs) 1021

   (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 2017-18:**

| (1) S. No | (2) CSR project or activity identified | (3) Sector in which the project is covered | (4) Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken | (5) Amount outlay (budget) Project or program wise (₹ in Lakhs) | (6) Amount spent on the projects or programs Sub heads: (1) Direct expenditure on projects or programs (2) Overheads (*) (₹ in Lakhs) | (7) Cumulative expenditure upto the reporting period (₹ in Lakhs) | (8) Amount spent: Direct or through implementing agency |
|---|---|---|---|---|---|---|---|
| **(1)** | **Direct Expenditure** | | | | | | |
| 1. | Promoting education | Promoting Education | | 1100 | 1035 | 1035 | |
| 2. | Public Health | Promoting health care | | 100 | 98 | 98 | |

| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
|---|---|---|---|---|---|---|---|
| **S. 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 | | 350 | 304 | 304 | Direct |
| 4. | Women Welfare & Economic Empowerment | Empowering Women | Local | 20 | 9 | 9 | |
| 5. | Support to differently abled | | State of Telangana | 50 | 30 | 30 | |
| 6. | Animal Welfare & Dairy Development | Animal Welfare | State of Andhra Pradesh | 5 | 3 | 3 | |
| 7. | Drinking water schemes | Safe Drinking Water | | 75 | 64 | 64 | |
| 8. | Environmental Sustainability | Environment Sustainability | | 60 | 57 | 57 | |
| 9. | Promotion of Rural Sports | Promotion of Rural Sports | | 10 | 9 | 9 | |
| 10. | Swachh Bharat | Swachh Bharat | | 50 | 34 | 34 | |
| 11. | Livelihood Enhancement | Livelihood Enhancement program | | 40 | 20 | 20 | |
| **(2)** | **Overheads** | | | | | | |
| | Administrative Expenses & Salaries | | | 40 | 35 | 35 | |
| | **Total** | | | **1900** | **1698** | **1698** | |

6. In case the company has failed to spend the two per cent, of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report.

   Divi's considers social responsibility as an integral part of its business activities and endeavors to utilize allocable CSR budget for the benefit of society. Divi's CSR initiatives are on the focus areas approved by the Board benefitting the community. However, several projects have been identified and are under implementation. These projects will be completed in the coming financial year.

7. 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.

**Sd/-**
**Dr. Murali K. Divi**
Chairman and Managing Director

**Sd/-**
**R. Ranga Rao**
Chairman, CSR Committee

# 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 using less of an energy service. It can be 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
- Improved power factor at the 132kv substation
- Reduction of Filtration time cycle by optimizing the reactor gear box ratio
- Installed Heat recovery exchangers for energy recovery
- 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 ₹432 lakhs

### B. Technology Absorption

| | | |
|---|---|---|
| 1. | Efforts in brief, made towards technology absorption | The company has its own R&D Centre which develops technologies and processes for Active Pharmaceutical Ingredients and drug intermediates and these technologies are absorbed and implemented at the company's Plants. |
| 2. | Benefits derived as a result of the above efforts | The company constantly has been executing process developments for its product range. Process optimization has been achieved in Production, which resulted in lower cost of production and substantial exports. The developments implemented brought more green chemistry by reducing reagents, minimize wastes and increasing recoveries. |
| 3. | Information 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 | 2017-18 | 2016-17 |
|---|---|---|
| Capital | 1134 | 608 |
| Recurring | 3177 | 4312 |
| Total | 4312 | 4919 |
| Total R&D Expenditure as a percentage of Sales Revenue | 1.12% | 1.21% |

### C. Foreign Exchange Earnings and Outgo

₹ in Lakhs

| Particulars | 2017-18 | 2016-17 |
|---|---|---|
| Foreign Exchange earnings | 323590 | 353839 |
| **Foreign Exchange outgo:** | | |
| - CIF Value of Imports | 84852 | 102595 |
| - Expenditure in Foreign Currency | 5571 | 139 |
| Net Foreign Exchange Earning (NFE) | 233167 | 251105 |
| NFE / Earnings % | 72% | 71% |

**For and on behalf of the Board**

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

Hyderabad
26 May 2018

# ANNEXURE VI

## FORM NO. MR-3

## SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

[Pursuant to section 204(1) of the Companies Act, 2013 and RuleNo.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 31.03.2018 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 31.03.2018, 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 thereunder 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 Securities and Exchange Board of India (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, 2009*;

e. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999and 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, 1998 *;

* 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;

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned as above. However, the company has spent an amount of Rs.16.98 Crores against the amount Rs.27.19 Crores to be spent during the year towards Corporate Social Responsibility for which an explanation has been provided in the Board's Report.

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 meetings.

Majority decision is 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: 26.05.2018

# 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 record 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. Whereeever 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: 26.05.2018

# ANNEXURE VII

## FORM NO. MGT-9

## EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31st March, 2018

[ 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<br>Cyber Hills, Gachibowli<br>HYDERABAD - 500 032, TELANGANA<br>Tel: 040-23786300 Fax: 040-23786460<br>mail@divislabs.com |
| vi) | Whether Listed Company | Yes |
| vii) | Name, Adrress & Contact details of Registrar and Transfer Agent | KARVY COMPUTER SHARE PVT. LTD<br>Karvy Selenium Tower B, Plot No. 31& 32<br>Gachibowli, Financial District Nanakramguda<br>HYDERABAD - 500 032, Telangana<br>Tel: 040-67161526<br>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 | 15% |

### 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.,<br>325 Columbia Turnpike Suite 305, Florham Park,<br>New Jersy 07932 | NA | Subsidiary | 100 | 2(87) |
| 2 | Divi's Laboratories Europe AG<br>Solothurnerstrasse 15<br>CH- Basle | NA | Subsidiary | 100 | 2(87) |

## 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 | 130181232 | 0 | 130181232 | 49.04 | 0.00 |
| | (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** | **138181232** | **0** | **138181232** | **52.05** | **0.00** |
| **(2)** | **Foreign** | | | | | | | | | |
| | (a) NRIs - Individuals | 50000 | 0 | 50000 | 0.02 | 0 | 0 | 0 | 0.00 | -0.02 |
| | (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 |
| | **Sub-total A(2) :** | **50000** | **0** | **50000** | **0.02** | **0** | **0** | **0** | **0.00** | **-0.02** |
| | **Total Shareholding of Promoter A=A(1)+A(2):** | **138231232** | **0** | **138231232** | **52.07** | **138181232** | **0** | **138181232** | **52.05** | **-0.02** |
| **B** | **Public Shareholding** | | | | | | | | | |
| **(1)** | **Institutions** | | | | | | | | | |
| | (a) Mutual Funds / UTI | 36504582 | 0 | 36504582 | 13.75 | 41025312 | 0 | 41025312 | 15.45 | 1.70 |
| | (b) Banks / Financial Institutions | 1198844 | 0 | 1198844 | 0.45 | 838261 | 0 | 838261 | 0.32 | -0.14 |
| | (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 | 45717679 | 0 | 45717679 | 17.22 | 48862026 | 0 | 48862026 | 18.41 | 1.18 |
| | (h) Foreign Venture Capital Investors | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| | (i) Others | 506 | 0 | 506 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| | **Sub-total B(1) :** | **83421611** | **0** | **83421611** | **31.42** | **90725599** | **0** | **90725599** | **34.18** | **2.75** |
| **(2)** | **Non-institutions** | | | | | | | | | |
| | (a) Bodies Corporate | | | | | | | | | |
| | i) Indian | 13990371 | 0 | 13990371 | 5.27 | 10997986 | 0 | 10997986 | 4.14 | -1.13 |
| | ii) Overseas | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| | (b) Individuals | | | | | | | | | |
| | i) Individual shareholders holding nominal share capital up to Rs.2 lakhs | 23171927 | 421101 | 23593028 | 8.89 | 19261085 | 400103 | 19661188 | 7.41 | -1.48 |
| | ii) Individual shareholders holding nominal share capital in excess of Rs.2 lakhs | 1592769 | 800800 | 2393569 | 0.90 | 2354941 | 350350 | 2705291 | 1.02 | 0.12 |
| | (c) Others | | | | | | | | | |
| | i) Non Resident Indians | 1767431 | 0 | 1767431 | 0.67 | 1579752 | 0 | 1579752 | 0.60 | -0.07 |
| | ii) Trusts | 806471 | 0 | 806471 | 0.30 | 662643 | 0 | 662643 | 0.25 | -0.05 |
| | iii) Clearing Members | 806531 | 0 | 806531 | 0.30 | 349352 | 0 | 349352 | 0.13 | -0.17 |
| | iv) NBFcs Registered with RBI | 92582 | 0 | 92582 | 0.03 | 48086 | 0 | 48086 | 0.02 | -0.02 |
| | v) Alternative Investment Fund | 365754 | 0 | 365754 | 0.14 | 554069 | 0 | 554069 | 0.21 | 0.07 |
| | vi) IEPF | 0 | 0 | 0 | 0.00 | 3382 | 0 | 3382 | 0.00 | 0.00 |

| | 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 | |
| | **Sub-total B(2) :** | **42593836** | **1221901** | **43815737** | **16.51** | **35811296** | **750453** | **36561749** | **13.77** | **-2.73** |
| | **Total Public Shareholding B=B(1)+B(2) :** | **126015447** | **1221901** | **127237348** | **47.93** | **126536895** | **750453** | **127287348** | **47.95** | **0.02** |
| **C** | **Shares held by Custodian for GDRs & ADRs** | **0** | **0** | **0** | **0.00** | **0** | **0** | **0** | **0.00** | **0.00** |
| | **GRAND TOTAL: [A+B+C]** | **264246679** | **1221901** | **265468580** | **100.00** | **264718127** | **750453** | **265468580** | **100.00** | **-** |

## ii) Shareholding of Promoters

| Sl No. | Shareholder's Name | Shareholding at the beginning of the year (As on 01-04-2017) | | | Shareholding at the end of the year (As on 31-03-2018) | | | % 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 | 46000000 | 17.33 | 0.00 | 0.00 |
| 3 | MURALI KRISHNA PRASAD DIVI | 15567000 | 5.86 | 0.00 | 15567000 | 5.86 | 0.00 | 0.00 |
| 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 | 584632 | 0.22 | 0.00 | 0.00 |
| 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 |
| 9 | SRI RAMACHANDRA RAO DIVI | 50000 | 0.02 | 0.00 | 0 | 0.00 | 0.00 | -0.02 |
| | **TOTAL** | **138231232** | **52.07** | | **138181232** | **52.05** | | **-0.02** |

## iii) Change in Promoters' Shareholding

| Sl no. | | Shareholding at the beginning of the year (As on 01-04-2017) | | Date | Increase/ Decrease in shareholding | Cumulative Shareholding during the year (01-04-2017 to 31-03-2018) | |
|---|---|---|---|---|---|---|---|
| | | No. of Shares | % of total Shares of the company | | | No. of Shares | % of total Shares of the company |
| | At the beginning of the year | 138231232 | 52.07 | | | | |
| | Date wise Increase/ Decrease in promoters shareholding during the year | | | 29-12-2017 | -30000 | 138201232 | 52.06 |
| | | | | 08-01-2018 | -20000 | 138181232 | 52.05 |
| | At the end of the year | | | 31-03-2018 | | 138181232 | 52.05 |

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

| SI No. | Name | Shareholding at the beginning of the year 01-04-2017 | | Cumulative Shareholding at the end of the year 31-03-2018 | |
|---|---|---|---|---|---|
| | | No. of Shares | % of total Shares of the company | No. of Shares | % of total Shares of the company |
| 1 | SBI MUTUAL FUND | 11563197 | 4.36 | 12252813 | 4.62 |
| 2 | RELIANCE CAPITAL TRUSTEE COMPANY LIMITED | 10573965 | 3.98 | 13425419 | 5.06 |
| 3 | ICICI PRUDENTIAL MUTUAL FUND* | 4583250 | 1.73 | 542396 | 0.20 |
| 4 | HDFC TRUSTEE CO LTD | 3602708 | 1.36 | 2311900 | 0.87 |
| 5 | PINEBRIDGE INVESTMENTS GF MAURITIUS LIMITED | 3503029 | 1.32 | 3060772 | 1.15 |
| 6 | GOVERNMENT PENSION FUND GLOBAL | 3290172 | 1.24 | 4546265 | 1.71 |
| 7 | HDFC STANDARD LIFE INSURANCE COMPANY LIMITED* | 2625843 | 0.99 | 1574447 | 0.59 |
| 8 | ADITYA BIRLA SUN LIFE TRUSTEE PRIVATE LIMITED* | 2590961 | 0.98 | 468900 | 0.18 |
| 9 | BARON EMERGING MARKETS FUND | 2000000 | 0.75 | 2769049 | 1.04 |
| 10 | M3 INVESTMENT PRIVATE LIMITED* | 1995700 | 0.75 | 2040700 | 0.77 |
| 11 | L AND T MUTUAL FUND TRUSTEE LTD** | 3920 | 0.00 | 3342596 | 1.26 |
| 12 | PINEBRIDGE GLOBAL FUNDS - PINEBRIDGE INDIA EQUITY** | 0 | 0.00 | 3227059 | 1.22 |
| 13 | DSP BLACKROCK TAX SAVER FUND** | 0 | 0.00 | 3107855 | 1.17 |
| 14 | AXIS MUTUAL FUND TRUSTEE LIMITED** | 570000 | 0.21 | 2910663 | 1.10 |

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

*Ceased to be in the list of Top 10 shareholders as on 31-03-2018. The same is reflected above since the shareholder was one of the Top 10 shareholders as on 01-04-2017.

**Not in the list of Top 10 shareholders as on 01-04-2017. The same is reflected above since the shareholder was one of the Top 10 shareholders as on 31-03-2018.

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 01-04-2017) | | Cumulative Shareholding during the year (01-04-2017 to 31-03-2018) | |
|---|---|---|---|---|---|
| | | 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**<br>**Chairman and Managing Director** | | | | |
| | At the beginning of the year | 15567000 | 5.86 | | |
| | At the end of the year | | | 15567000 | 5.86 |
| 2 | **N. V. RAMANA**<br>**Executive Director** | | | | |
| | At the beginning of the year | 923078 | 0.35 | | |
| | December 29, 2017- Gift to family members | -360000 | -0.14 | 563078 | 0.21 |
| | At the end of the year | | | 563078 | 0.21 |
| 3 | **MADHUSUDANA RAO DIVI**<br>**Whole-time Director** | | | | |
| | At the beginning of the year | 584632 | 0.22 | | |
| | At the end of the year | | | 584632 | 0.22 |
| 4 | **SATCHANDRA KIRAN DIVI**<br>**Whole-time Director** | | | | |
| | At the beginning of the year | 46000000 | 17.33 | | |
| | At the end of the year | | | 46000000 | 17.33 |
| 5 | **NILIMA MOTAPARTI**<br>**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**<br>**Independent Director** | - | - | - | - |
| 7 | **RANGA RAO RAVIPATI**<br>**Independent Director** | - | - | - | - |
| 8 | **KANTHETI VENKATA KRISHNA SESHAVATARAM**<br>**Independent Director** | - | - | - | - |
| 9 | **DR. RAMESH B.V. NIMMAGADDA***<br>**Independent Director** | - | - | - | - |
| 10 | **DR. GANAPATY SERU***<br>**Independent Director** | - | - | - | - |
| **B** | **KEY MANAGERIAL PERSONNEL** | | | | |
| 1 | **L.KISHORE BABU**<br>**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**<br>**Company Secretary** | - | - | - | - |

*The opening holding has been considered from the date on which they were appointed as independent 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 | 3574 | 0.00 | -- | 3574 |
| ii) Interest due but not paid | -- | -- | -- | -- |
| iii) Interest accrued but not due | -- | -- | -- | -- |
| **Total (i+ii+iii)** | **3574** | **--** | **--** | **3574** |
| **Change in Indebtedness during the financial year** | | | | |
| Addition | 2737 | 0 | -- | 2737 |
| Reduction | 0 | 0 | -- | 0 |
| **Net Change** | **2737** | **0** | **--** | **2737** |
| **Indebtedness at the end of the financial year** | | | | |
| i) Principal Amount | 6311 | 0 | -- | 6311 |
| ii) Interest due but not paid | -- | -- | -- | -- |
| iii) Interest accrued but not due | -- | -- | -- | -- |
| **Total (i+ii+iii)** | **6311** | **0** | **--** | **6311** |

## VI REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

(₹ in Lakhs)

| Sl 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 | 37 | 367 |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | 18 | 14 | 12 | 15 | 10 | 69 |
| | (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 | 3901 | 1951 | | 1300 | | 7152 |
| | - others | - | - | - | - | - | - |
| 5 | Others - PF | 11 | 10 | 9 | 9 | 4 | 43 |
| | **Total (A)** | **4020** | **2059** | **99** | **1402** | **51** | **7631** |
| | Ceiling as per the Act | ₹ 13003 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 | Mrs.S. Sridevi* | |
| 1 | **Independent Directors** | | | | | | | |
| | Fee for attending board / committee meetings | 11 | 11 | 8 | 6 | 3 | **1** | 40 |
| | Commission | - | - | - | - | - | **-** | - |
| | Others | - | - | - | - | - | **-** | - |
| | **Total (1)** | **11** | **11** | **8** | **6** | **3** | **1** | **40** |
| 2 | **Other Non-Executive Directors** | | | | | | | |
| | Fee for attending board / committee meetings | - | - | - | - | - | **-** | - |
| | Commission | - | - | - | - | - | **-** | - |
| | Others | - | - | - | - | - | - | - |
| | **Total (2)** | | | | | | | |
| | **Total (B) = (1)+(2)** | **11** | **11** | **8** | **6** | **3** | **1** | **40** |
| | **Total Mangerial Remuneration** | | | | | | | **7671** |
| | **Overall Ceiling as per the Act** | **₹ 14303 lakhs (being 11% of the net profits of the Company calculated as per Section 198 of the Companies Act, 2013)** | | | | | | |

*Retired w.e.f 22 June 2017

**C. Remuneration to Key Managerial Personnel other than Md/Manager/Wtd**

(₹ in Lakhs)

| Sl No. | Particulars of Remuneration | Key Managerial Personnel | | | |
|---|---|---|---|---|---|
| | | CEO | Company Secretary ( P V Lakshmi Rajani) | CFO (L Kishore Babu) | Total Amount |
| 1 | **Gross Salary** | | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | | 22 | 205 | 226 |
| | (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** | | **22** | **210** | **232** |

## 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)

Hyderabad
26 May 2018

# INDEPENDENT AUDITORS' REPORT

To
The Members of
**DIVI'S LABORATORIES LIMITED**

## Report on the Standalone Indian Accounting Standards (Ind AS) Financial Statements

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, 2018, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

## Management's Responsibility for the Standalone Ind AS Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements to give a true and fair view of the financial position, financial performance (including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) 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 Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditors' Responsibility

3. Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

4. We have taken into account the provisions of the Act and the Rules made thereunder including the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

5. We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.

7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

## Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted

in India, of the state of affairs of the Company as at March 31, 2018, and its total comprehensive income (comprising of profit and other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

## Other Matter

9. The Ind AS financial statements of the Company for the year ended March 31, 2017, were audited by another firm of chartered accountants under the Companies Act, 2013 who, vide their report dated May 26, 2017, expressed an unmodified opinion on those financial statements. Our opinion is not qualified in respect of this matter.

## Report on Other Legal and Regulatory Requirements

10. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act ("the Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order.

11. 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 Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

    (d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian 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, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 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 Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:

        i. The Company has disclosed the impact, if any, of pending litigations as at March 31, 2018 on its financial position in its standalone Ind AS financial statements – Refer Note 40;

        ii. The Company has long-term contracts as at March 31, 2018 for which there were no material foreseeable losses. The company did not have any derivative contracts as at March 31, 2018.

        iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended March 31, 2018.

        iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Company for the year ended March 31, 2018.

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

**Sunit Kumar Basu**
Partner
Membership Number: 55000

Place: Hyderabad
Date: May 26, 2018

# ANNEXURE A TO INDEPENDENT AUDITORS' REPORT

**Referred to in paragraph 11(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, 2018**

## Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls over financial reporting of Divi's Laboratories Limited ("the Company") as of March 31, 2018 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 over financial reporting 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 over financial reporting 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 over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 over financial reporting.

   Referred to in paragraph 11(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, 2018

## Meaning of Internal Financial Controls Over Financial Reporting

6. A company's internal financial control over financial reporting 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 control over financial reporting 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 Over Financial Reporting

7. Because of the inherent limitations of internal financial controls over financial reporting, 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 over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting 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 over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, 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
Chartered Accountants

**Sunit Kumar Basu**
Partner
Membership Number: 55000

Place: Hyderabad
Date: May 26, 2018

# ANNEXURE B TO INDEPENDENT AUDITORS' REPORT

**Referred to in paragraph 10 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, 2018**

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 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 regular in depositing the undisputed statutory dues, including provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess, goods and service tax with effect from July 1, 2017 and other material statutory dues, as applicable, with the appropriate authorities.

(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 and value added tax which have not been deposited on account of any dispute. The particulars of dues of income tax, duty of customs and duty of excise as at March 31, 2018 which have not been deposited on account of a dispute, are as follows:

| Name of the Statue | Nature of Dues | Disputed Amount (Rs.) | Amount deposited (Rs.) | Period to which the amount relates | Forum where the dispute is pending |
|---|---|---|---|---|---|
| Customs Act, 1962 | Penalty | 30,000 | - | August, 2005 | Customs, Excise and Service Tax Appellate Tribunal, South Zonal Bench, Bangalore. |
| 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 | - | June, 2006 to December, 2008 | Customs, Excise and Service Tax Appellate Tribunal, South Zonal Bench, Bangalore. |
| Customs Act, 1962 | Custom duty and Penalty | 3,669,894 | - | March, 2012 | Customs, Excise and Service Tax Appellate Tribunal, South Zonal Bench, Bangalore. |

| Name of the Statue | Nature of Dues | Disputed Amount (Rs.) | Amount deposit-ed (Rs.) | Period to which the amount relates | Forum where the dispute is pending |
|---|---|---|---|---|---|
| Customs Act, 1962 | Custom duty and Penalty | 6,314,711 | - | November, 2012 | Customs, Excise and Service Tax Appellate Tribunal, South Zonal Bench, Bangalore. |
| 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 | Custom duty | 5,460,816 | 5,460,816 | May, 2014 to Feb-ruary, 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 De-cember, 2011 | Excise, Customs and Service Tax (Appeals), Vishakapat-nam. |
| Central Excise Act, 1944 | Excise duty and Penalty | 1,391,965 | 94,910 | December, 2013 to September, 2014 | Commissioner of Central Excise, Customs & Service Tax, Vishakapatnam. |
| Central Excise Act, 1944 | Excise duty and Penalty | 332,501 | 25,000 | October, 2014 to September, 2015 | Commissioner of Customs, (Appeals) Custom House, Port Area, Vishakapatnam. |
| Central Excise Act, 1944 | Excise duty and Penalty | 92,722 | 6,328 | August, 2013 | Commissioner of Customs, (Appeals) Custom House, Port Area, Vishakapatnam. |
| Central Excise Act, 1944 | Excise duty and Penalty | 59,469 | 4,055 | September, 2013 to October, 2013 | Commissioner of Customs, (Appeals) Custom House, Port Area, Vishakapatnam. |
| 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, Khairatabad |
| 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 in to Local areas Act, 2001 | Entry Tax | 4,630,657 | 820,083 | 2004-05 to 2016-17 | Sales Tax appellate tribunal, Hyderabad |
| Income Tax Act, 1961 | Interest | 40,512 | - | 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 financial statements as required under Accounting Standard (AS) 18, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014/ 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
Chartered Accountants

**Sunit Kumar Basu**
Partner
Membership Number: 55000

Place: Hyderabad
Date: May 26, 2018

# STANDALONE BALANCE SHEET

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

| Particulars | Note | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 1,98,933 | 1,55,570 |
| Capital work-in-progress | 3 | 11,976 | 44,357 |
| Intangible assets | 4 | 655 | 325 |
| Financial assets | | | |
| (i) Investments | 5 | 737 | 837 |
| (ii) Loans | 6 | - | 1,856 |
| (iii) Other financial assets | 7 | 3,885 | 3,843 |
| Other non-current assets | 8 | 9,201 | 10,305 |
| **Total Non-current assets** | | **2,25,387** | **2,17,093** |
| **Current assets** | | | |
| Inventories | 9 | 1,28,139 | 1,25,576 |
| Financial assets | | | |
| (i) Investments | 10 | 1,88,929 | 1,63,072 |
| (ii) Trade receivables | 11 | 1,11,211 | 1,00,289 |
| (iii) Cash and cash equivalents | 12 | 417 | 855 |
| (iv) Bank balances other than (iii) above | 13 | 8,731 | 5,792 |
| (v) Loans | 14 | 1,486 | 553 |
| (vi) Other financial assets | 15 | 1,372 | 1,493 |
| Other current assets | 16 | 15,106 | 6,285 |
| **Total Current assets** | | **4,55,391** | **4,03,915** |
| **TOTAL ASSETS** | | **6,80,778** | **6,21,008** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 17(a) | 5,309 | 5,309 |
| **Other equity:** | | | |
| (i) Reserves and surplus | 17(b) | 5,90,656 | 5,35,582 |
| **Total Equity** | | **5,95,965** | **5,40,891** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Provisions | 18 | 1,495 | 1,530 |
| Deferred tax liabilities (net) | 19 | 19,269 | 13,003 |
| **Total Non-current liabilities** | | **20,764** | **14,533** |
| **Current liabilities** | | | |
| Financial liabilities | | | |
| (i) Borrowings | 20 | 6,311 | 3,574 |
| (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 | | 40,565 | 44,230 |
| (iii) Other financial liabilities | 22 | 12,908 | 13,722 |
| Other current liabilities | 23 | 4,171 | 3,930 |
| Provisions | 18 | 94 | 128 |
| **Total current liabilities** | | **64,049** | **65,584** |
| **TOTAL LIABILITIES** | | **84,813** | **80,117** |
| **TOTAL EQUITY AND LIABILITIES** | | **6,80,778** | **6,21,008** |

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**
Chartered Accountants
Firm registration number: 012754N/N500016

**Sunit Kumar Basu**
Partner
Membership number: 55000

Place : Hyderabad
Date : 26.05.2018

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

**Dr. Murali. K. Divi**
Chairman and Managing Director

**N. V. Ramana**
Executive Director

**L. Kishorebabu**
Chief Financial Officer

**P. V. Lakshmi Rajani**
Company Secretary

# STANDALONE STATEMENT OF PROFIT AND LOSS

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

| Particulars | Note | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|---|
| **Revenue** | | | |
| Revenue from operations | 24 | 3,83,723 | 4,06,578 |
| Other income | 25 | 11,248 | 7,594 |
| **Total Revenue** | | **3,94,971** | **4,14,172** |
| **Expenses** | | | |
| Cost of raw materials consumed | 26 | 1,52,428 | 1,56,319 |
| Changes in inventories of finished goods and work-in-progress | 27 | (1,938) | (2,161) |
| Excise duty | | 2,129 | 4,193 |
| Employee benefits expense | 28 | 44,627 | 49,033 |
| Finance costs | 29 | 133 | 225 |
| Depreciation and amortization expense | 30 | 14,242 | 12,326 |
| Other expenses | 31 | 61,414 | 55,414 |
| **Total Expenses** | | **2,73,035** | **2,75,349** |
| **Profit before tax** | | **1,21,936** | **1,38,823** |
| **Income Tax expense** | 32 | | |
| Current tax | | 28,713 | 28,523 |
| Deferred tax | | 6,265 | 4,973 |
| **Profit after tax for the year** | | **86,958** | **1,05,327** |
| **Other Comprehensive Income** | | | |
| **(A) Items that will not be reclassified to profit or loss** | | | |
| -Remeasurements of post-employment benefit obligations | | 94 | (185) |
| **(B) Items that will be reclassified to profit or loss** | | - | - |
| Total Other Comprehensive Income before Tax | | **94** | **(185)** |
| Current tax relating to OCI | | (27) | 45 |
| **Other Comprehensive Income after tax for the year** | | **67** | **(140)** |
| **Total Comprehensive Income for the year** | | **87,025** | **1,05,187** |
| **Earnings per share (Par value of ₹2 each)** | | | |
| -Basic and Diluted | | 32.76 | 39.68 |

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**
Chartered Accountants
Firm registration number: 012754N/N500016

**Sunit Kumar Basu**
Partner
Membership number: 55000

Place : Hyderabad
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Chief Financial Officer

**P. V. Lakshmi Rajani**
Company Secretary

# STANDALONE STATEMENT OF CASH FLOW

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

| | Note | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Profit before income tax | | 1,21,936 | 1,38,823 |
| Adjustments for: | | | |
| Depreciation and amortisation expense | 30 | 14,242 | 12,326 |
| Unrealised foreign exchange loss (net) | | (3,536) | 2,244 |
| Interest Income | 25 | (674) | (657) |
| Dividend classified as investing cash flows | 25 | (7,612) | (6,289) |
| Gain on sale of investments | 25 | (8) | (99) |
| Provision for doubtful debts | 31 | 57 | 97 |
| Bad debts written off | 31 | 4 | 14 |
| Finance costs | 29 | 133 | 225 |
| Changes in fair value of mutual funds | 25 | (260) | 201 |
| Loss on disposal / discard of assets | 31 | 626 | 48 |
| | | **1,24,908** | **1,46,933** |
| **Change in operating assets and liabilities** | | | |
| (Increase) in trade receivables | 11 | (6,486) | (5,906) |
| (Increase) in inventories | 9 | (2,563) | (9,287) |
| Increase / (Decrease) in trade payables | 21 | (4,357) | 15,633 |
| Decrease in other non current financial assets | 6 | 1,814 | 157 |
| Decrease / (Increase) in other non current asset | 8 | 12 | (9) |
| (Increase) / Decrease in other current financial assets | 14,15 | (980) | (292) |
| (Increase) in other current asset | 16 | (8,821) | (1,596) |
| Increase / (Decrease) in long term employee benefit obligation | 18 | (35) | 374 |
| (Decrease) / Increase in short term employee benefit obligation | 18 | 33 | (274) |
| Increase in other financial liabilities | 22 | (439) | 465 |
| (Decrease) / Increase in other current liabilities | 23 | 241 | (1,117) |
| **Cash generated from operations** | | **1,03,327** | **1,45,081** |
| Income taxes paid | | 26,855 | 30,170 |
| **Net cash inflow from operating activities** | | **76,472** | **1,14,911** |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (27,387) | (37,653) |
| Proceeds from sale of property, plant and equipment | | 13 | 5 |
| Gain on Sale of investments | 25 | 8 | 99 |
| Payments for purchase of Investments | 10 | (74,500) | (1,25,206) |
| Proceeds out of sale of Investments | 10 | 48,903 | 42,400 |
| Dividend received | 25 | 7,612 | 6,289 |
| Interest received | 25 | 711 | 657 |
| Investment in deposits | 13 | (2,949) | (332) |
| **Net cash (outflow)from investing activities** | | **(47,589)** | **(1,13,741)** |

# STANDALONE STATEMENT OF CASH FLOW

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

| | Note | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Proceeds from working capital loans | 20 | 641 | 463 |
| Interest paid | 29 | (133) | (225) |
| Dividends paid to company's shareholders (Including Corporate Dividend tax) | | (31,925) | 89 |
| **Net cash inflow / (outflow) from financing activities** | | **(31,417)** | **327** |
| **Net increase (decrease) in cash and cash equivalents** | | **(2,534)** | **1,497** |
| Cash and cash equivalents at the beginning of the financial year | | (1,650) | (3,147) |
| **Cash and cash equivalents at end of the year** | | **(4,184)** | **(1,650)** |
| **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) | | 417 | 855 |
| Bank Overdrafts (Refer Note 20) | | (4,601) | (2,505) |
| **Balances as per Statement of Cash flows** | | **(4,184)** | **(1,650)** |

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**
Chartered Accountants
Firm registration number: 012754N/N500016

**Sunit Kumar Basu**
Partner
Membership number: 55000

Place : Hyderabad
Date : 26.05.2018

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

**Dr. Murali. K. Divi**
Chairman and Managing Director

**N. V. Ramana**
Executive Director

**L. Kishorebabu**
Chief Financial Officer

**P. V. Lakshmi Rajani**
Company Secretary

# STANDALONE STATEMENT OF CHANGES IN EQUITY

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

## a. Equity share capital

| | Number of Shares | Amount |
|---|---|---|
| As at April 01, 2016 | 26,54,68,580 | 5,309 |
| Changes in equity share capital | | - |
| **As at April 1, 2017** | 26,54,68,580 | 5,309 |
| Changes in equity share capital | - | - |
| **As at March 31, 2018** | 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, 2016** | 7,988 | - | 1,00,000 | 3,22,407 | 4,30,395 |
| Profit for the year | - | | - | 1,05,327 | 1,05,327 |
| Other comprehensive income for the year, net of income tax | - | - | - | (140) | (140) |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **1,05,187** | **1,05,187** |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Transfer to Special Economic Zone Re-investment reserve | - | 19,900 | - | (19,900) | - |
| **Balance at March 31, 2017** | **7,988** | **19,900** | **1,00,000** | **4,07,694** | **5,35,582** |
| **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** |

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**
Chartered Accountants
Firm registration number: 012754N/N500016

**Sunit Kumar Basu**
Partner
Membership number: 55000

Place : Hyderabad
Date : 26.05.2018

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

**Dr. Murali. K. Divi**
Chairman and Managing Director

**N. V. Ramana**
Executive Director

**L. Kishorebabu**
Chief Financial Officer

**P. V. Lakshmi Rajani**
Company Secretary

# NOTES TO STANDALONE 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 in Bombay Stock Exchange Limited (BSE) 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 26, 2018.

## 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 amendments to Ind AS 7 require disclosure of changes in liabilities arising from financing activities.

#### (iv) Current and non-current classification

An asset is classified as current if:

(i) It is expected to be realized or sold or consumed in the Company's normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) It 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.

All other assets are classified as non-current.

A liability is classified as current if:

(i) It is expected to be settled in normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be settled within twelve months after the reporting period;

(iv) It has no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other 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.

# NOTES TO STANDALONE FINANCIAL STATEMENTS

**(v) Recent Accounting Pronouncements:**

Ind AS 115- Revenue from Contract with Customers: The Company is in the process of assessing the detailed impact of Ind AS 115. Presently, the company is not able to reasonably estimate the impact that application of Ind AS 115 is expected to have on its financial statements, except that adoption of Ind AS 115 is not expected to significantly change the timing of the company's revenue recognition for product sales. Consistent with the current practice, recognition of revenue will continue to occur when the significant risks and rewards of ownership have been transferred to the buyer, which is also when the control of the asset is transferred to the customer under Ind AS 115.

The company intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 April 2018 and that comparatives will not be restated.

Appendix B to Ind AS 21 Foreign currency transactions and advance consideration: Management has assessed the effects of applying the appendix to its foreign currency transactions for which consideration is received in advance. The Company expects this change not to have a significant impact and the company intends to adopt the amendments prospectively to items in scope of the appendix that are initially recognised on or after the beginning of the reporting period in which the appendix is first applied (i.e. from 1 April 2018).

**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.

**(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 are measured in terms of historical cost in a foreign currency, using the exchange rate at the date of the transaction. 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 the 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:**

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, revenue can be measured reliably, the costs incurred can be measured reliably,

# NOTES TO STANDALONE FINANCIAL STATEMENTS

it is probable that the economic benefits associated to the transaction will flow to the entity and there is no continuing management involvement with the goods. Transfer of risks and rewards vary depending on the individual terms of contract of sale.

**(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) Dividend Income:**

Dividend income on investments is accounted for when the right to receive the payment is established, which is generally when shareholders approve the dividend.

**(iv) Interest Income:**

For all financial instruments measured at amortised cost, interest income is recognised using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in Other Income in the Statement of Profit and Loss.

**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

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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.

**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 cost 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 cost 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

# NOTES TO STANDALONE FINANCIAL STATEMENTS

debt investments when and only when its business model for managing those assets changes.

**(ii) Measurement**

At initial recognition, the Company measures a financial asset at its fair value, 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. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in Other income using the effective interest rate method.

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

The Company subsequently measures all equity investments 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.

**(iii) 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.

# NOTES TO STANDALONE FINANCIAL STATEMENTS

### (iv) 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 of the financial asset, it 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 transition to Ind AS, the Company has 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 / under development as at the balance sheet date.

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

Depreciation on fixed assets 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.

# NOTES TO STANDALONE FINANCIAL STATEMENTS

### 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 has 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.

#### (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 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 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.

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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 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 Company operates the following post-employment schemes:

(a) Defined benefit plans such as gratuity and;

(b) Defined contribution plans such as provident fund.

(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.

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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.

(d) 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.

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.

**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.

**(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 leasse arrangement.

# NOTES TO STANDALONE FINANCIAL STATEMENTS

**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.

**As a Lessor:**

Lease income from operating leases where the Company is a lessor is recognised in other income on straight-line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increases. The respective leased assets are included in the balance sheet based on their nature.

**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 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 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 financial statements.

# NOTES TO STANDALONE FINANCIAL STATEMENTS

**The areas involving critical estimates or judgements are:**

(i) Estimation of current tax expense and payable

(ii) Estimation of defined benefit obligations

(iii) Estimation of useful life of fixed assets

(iv) Estimation of useful life of intangible assets

(v) 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 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:**

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 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 ₹ Lakhs, except equity shares and per share data unless otherwise stated)

## Note 3: Property, plant and equipment

| | 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, 2017** | | | | | | | | | | |
| **Gross carrying amount (Refer Note (iii) below)** | | | | | | | | | | |
| Cost as at April 1, 2016 | 2,724 | 1,03,795 | 37,491 | 2,094 | 389 | 1,189 | 6,451 | 584 | 1,54,717 | 26,391 |
| Additions | 4,902 | 11,891 | 4,891 | 869 | 199 | 392 | 816 | 226 | 24,186 | 42,152 |
| Disposals/Transfers | - | (205) | - | - | (23) | (1) | - | - | (229) | (24,186) |
| **Closing gross carrying amount** | **7,626** | **1,15,481** | **42,382** | **2,963** | **565** | **1,580** | **7,267** | **810** | **1,78,674** | **44,357** |
| **Accumulated depreciation (Refer Note (iii) below)** | | | | | | | | | | |
| Opening accumulated depreciation | - | 8,531 | 1,396 | 72 | 59 | 54 | 935 | 99 | 11,146 | - |
| Depreciation charge during the year | - | 8,914 | 1,505 | 274 | 67 | 269 | 955 | 150 | 12,134 | - |
| Disposals | - | (155) | - | - | (21) | - | - | - | (176) | - |
| **Closing accumulated depreciation** | **-** | **17,290** | **2,901** | **346** | **105** | **323** | **1,890** | **249** | **23,104** | **-** |
| **Net carrying amount as at March 31, 2017** | **7,626** | **98,191** | **39,481** | **2,617** | **460** | **1,257** | **5,377** | **561** | **1,55,570** | **44,357** |
| **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 |
| Transfers | - | - | - | - | - | - | - | - | - | (57,999) |
| Disposals | - | (593) | (26) | - | (13) | - | (1) | (6) | (639) | - |
| **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** |

Note

(i) Property, plant and equipment pledged as security

Refer Note 20(a) for information on property, 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) The gross carrying amount as at April 01, 2016 is net off the accumulated depreciation as at April 01, 2015 aggregating to ₹ 64,306 to present the deemed cost exemption availed by the Company at the time of first time adoption in the opening balance sheet i.e. as at April 01, 2015.

(iv) Capital work-in-progress majorly consists of Buildings and Plant & Machinery.

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

## Note 4: Intangible assets

| | Computer Software |
|---|---|
| **Year ended March 31, 2017** | |
| **Gross carrying amount (Refer Note (i) below)** | |
| Cost as at April 1, 2016 | 458 |
| Additions | 225 |
| Disposals | - |
| **Closing gross carrying amount** | **683** |
| **Accumulated amortisation (Refer Note (i) below)** | |
| Opening accumulated amortisation | 166 |
| Amortisation chrages during the year | 192 |
| Disposals | - |
| **Closing accumulated amortisation** | **358** |
| **Net carrying amount as at March 31, 2017** | **325** |
| **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 charge during the year | 245 |
| **Closing accumulated amortisation** | **603** |
| **Net carrying amount as at March 31, 2018** | **655** |

**Note:**

(i) The gross carrying amount as at April 01, 2016 is net off the accumulated depreciation as at April 01, 2015 aggregating to ₹61 to present the deemed cost exemption availed by the Company at the time of first time adoption in the opening balance sheet i.e. as at April 01, 2015.

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

## Note 5: Non-Current Investments

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **(Un quoted, fully paid up)** | | |
| **Investment in equity instruments in subsidiary companies (at cost)** | | |
| 2000 ordinary shares of US$ 0.01 each (March 31,2017:2000) of Divis Laboratories (USA ) Inc * | 332 | 332 |
| 200 ordinary shares of CHF 500 each (March 31,2017:200), of Divi's Laboratories Europe AG ** | 404 | 504 |
| **Investment in equity instruments in other companies ( at FVPL)** | | |
| 12000 Equity Shares of ₹10/- each ( March 31, 2017:12000) of Pattan Cheru Enviro Tech Limited | 1 | 1 |
| **Total (equity instrument)** | **737** | **837** |
| **Total Non-current investments** | **737** | **837** |
| Aggregate amount of unquoted investments | 737 | 837 |
| Aggregate amount of impairment in the value of investment | - | - |

* ₹87 (2017: ₹87) included in the cost of investment is on account of fair valuation of interest free loans given to subsidiary.

** ₹367 (2017: ₹467) included in the cost of investment is on account of fair valuation of interest free loans given to subsidiary.

## Note 6: Non-Current Loans

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Unsecured, considered good** | | |
| Loans to a subsidiary (Refer note 39) | - | 1,856 |
| **Total non-current loans** | **-** | **1,856** |

## Note 7: Other Non-Current Financial assets

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Security Deposits | 3,394 | 2,999 |
| Other Receivables | 491 | 844 |
| **Total other non-current financial assets** | **3,885** | **3,843** |

## Note 8: Other non-current assets

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Capital advances | 8,298 | 7,505 |
| Pre-paid expenses | 22 | 34 |
| Net Advance tax (Refer 8(a)& (b) below) | 881 | 2,766 |
| **Total other non-current assets** | **9,201** | **10,305** |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

## Note 8(a): Reconciliation of Net Advance Tax

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Advance Tax | 157,112 | 130,128 |
| Provision for tax | (156,231) | (127,362) |
| **Total other non-current assets** | **881** | **2,766** |

## Note 8(b): Movement in Tax

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Opening Net Advance Taxes | 2,766 | 1,338 |
| Add: Advance tax paid including tax deducted at source | 26,855 | 30,170 |
| Less :Others | - | (174) |
| Less: Current tax provision | (28,740) | (28,568) |
| **Net Advance Taxes** | **881** | **2,766** |

## Note 9: Inventories (Valued at lower of cost and net realisable value)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Raw materials [including stock in transit of ₹7,872 (March 31, 2017: ₹5,241)] | 38,631 | 38,198 |
| Work-in-progress | 70,419 | 69,394 |
| Finished goods [including stock in transit of ₹5,540 (March 31, 2017:Nil)] | 9,346 | 8,433 |
| Stores and spares | 9,743 | 9,551 |
| **Total inventories** | **1,28,139** | **1,25,576** |

## Note 10: Current investments

| | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| | Units | Amount | Units | Amount |
| Investment in Quoted Mutual Funds (at FVPL) | | | | |
| SBI Mutual Fund - SBI-SHF-Ultra short term fund (direct daily dividend plan) | 1,61,37,146 | 1,62,663 | 1,62,04,051 | 1,63,072 |
| SBI Treasury Advantage Fund (direct daily dividend plan) | 25,94,596 | 26,266 | - | - |
| **Total current investments** | | **1,88,929** | | **1,63,072** |
| Aggregate amount of quoted investments and market value there of | | 1,88,929 | | 1,63,072 |
| Aggregate amount of unquoted investments | | - | | - |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

## Note 11: Trade receivables

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Trade receivables | 96,697 | 86,351 |
| Receivables from related parties (Refer note 35) | 14,692 | 14,061 |
| Less: Allowance for doubtful debts | 178 | 123 |
| **Total trade receivables** | **1,11,211** | **1,00,289** |
| Current portion | 1,11,211 | 1,00,289 |
| Non-current portion | - | - |

**Break-up of security details**

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Secured, considered good | - | - |
| Unsecured, considered good | 1,11,211 | 1,00,289 |
| Doubtful | 178 | 123 |
| **Total** | **1,11,389** | **1,00,412** |
| Less: Allowance for doubtful debts | 178 | 123 |
| **Total trade receivables** | **1,11,211** | **1,00,289** |

## Note 12: Cash and cash equivalents

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Balances with banks - in current accounts | 407 | 837 |
| Cash on hand | 10 | 18 |
| **Total cash and cash equivalents*** | **417** | **855** |

*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, 2018 | March 31, 2017 |
|---|---|---|
| Unclaimed dividend | 83 | 57 |
| Balances with banks to the extent held as margin money (Towards margin on Letter 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) | 8,648 | 5,735 |
| **Total Bank balances other than cash and cash equivalents** | **8,731** | **5,792** |

* Amount is below the rounding off norm adopted by the company

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

## Note 14: Current Loans

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Unsecured, considered good | | |
| Loans to employees | 17 | 27 |
| Loans to a subsidiary (Refer note 35) | 1,469 | 526 |
| **Total Current Loans** | **1,486** | **553** |

## Note 15: Other Current Financial assets

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Export incentive receivable | 21 | 106 |
| Insurance claims receivable | 927 | 426 |
| Other Receivables | 424 | 961 |
| **Total Other Current Financial assets** | **1,372** | **1,493** |

## Note 16: Other current assets

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Indirect Taxes- Input Credits | 10,503 | 2,317 |
| Prepaid expenses | 577 | 524 |
| Advances to suppliers | 4,026 | 3,444 |
| **Total other current assets** | **15,106** | **6,285** |

## 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, 2016** | 30,00,00,000 | 6,000 |
| Movement during the year | - | - |
| **As at March 31, 2017** | 30,00,00,000 | 6,000 |
| Movement during the year | - | - |
| **As at March 31, 2018** | **30,00,00,000** | **6,000** |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

| | Number of shares | Amount |
|---|---|---|
| **As at April 1, 2016** | 26,54,68,580 | 5,309 |
| Movement during the year | - | - |
| **As at March 31, 2017** | 26,54,68,580 | 5,309 |
| Movement during the year | - | - |
| **As at March 31, 2018** | **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 preceeding 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.

**(ii) Details of shareholders holding more than 5% shares in the company**

| | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| | Number of Shares | % holding | Number of Shares | % holding |
| **Promoters Group** | | | | |
| Dr. Murali Krishna Prasad Divi | 1,55,67,000 | 5.86% | 1,55,67,000 | 5.86% |
| Mr. Satchandra Kiran Divi | 4,60,00,000 | 17.33% | 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 | 1,34,25,419 | 5.06% | 1,05,73,965 | 3.98% |

## Note 17 (b): Reserves and surplus

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Securities premium reserve | 7,988 | 7,988 |
| General reserve | 1,00,000 | 1,00,000 |
| Retained earnings | 4,76,192 | 4,07,694 |
| Special Economic Zone Re-investment reserve | 6,476 | 19,900 |
| **Total reserves and surplus** | **5,90,656** | **5,35,582** |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

**(i) Securities premium reserve**

| | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Opening balance | 7,988 | 7,988 |
| Adjustments | - | - |
| **Closing Balance** | **7,988** | **7,988** |

**(ii) General Reserve**

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Opening balance | 1,00,000 | 1,00,000 |
| Adjustments | - | - |
| **Closing Balance** | **1,00,000** | **1,00,000** |

**(iii) Retained earning**

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Opening balance | 4,07,694 | 3,22,407 |
| Net profit for the Year | 86,958 | 1,05,327 |
| Transfer to General reserve | - | - |
| Transfer to Special Economic Zone Re-investment reserve | (8,927) | (19,900) |
| Utilization of Special Economic Zone Re-investment reserve | 22,351 | - |
| Dividend | (26,547) | - |
| Corporate Dividend Tax | (5,404) | - |
| Items of other comprehensive income recognised directly in retained earnings: | | |
| - Remeasurement of post employment benefit obligation, net of tax | 67 | (140) |
| **Closing balance** | **4,76,192** | **4,07,694** |

**(iv) Special Economic Zone Re-investment reserve**

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Opening balance | 19,900 | - |
| Transfer from Retained Earnings | 8,927 | 19,900 |
| Utilization of Special Economic Zone Re-investment reserve | (22,351) | - |
| **Closing Balance** | **6,476** | **19,900** |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ 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 reserve is used for strengthening the financial position and meeting future contingencies and losses.

**Special Economic Zone Re-investment reserve:**

Under the SEZ scheme, the unit which begins providing services on or after April 1, 2005 will be eligible for deductions of 100% of profits or gains derived from export of 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 provisons of the Income Tax Act, 1961. (Refer Note 41)

## Note 18: Provisions - Employee Benefit Obligations

| | March 31, 2018 | | | March 31, 2017 | | |
|---|---|---|---|---|---|---|
| | Current | Non-Current | Total | Current | Non-Current | Total |
| Leave encashment | 94 | 1,495 | 1,589 | 89 | 1,530 | 1,619 |
| Gratuity | - | - | - | 39 | - | 39 |
| | 94 | 1,495 | 1,589 | 128 | 1,530 | 1,658 |

**(i) Post-employement 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 day 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. The company does not fully fund the liability and maintains a target level of funding to be maintained over a period of time based on estimations of expected gratuity payments.

**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, 2016 | 1,313 | 1,168 | 145 |
| Current service cost | 26 | - | 26 |
| Interest expense/(income) | 105 | - | 105 |
| **Amount recognized in Statement of profit and loss** | **1,444** | **1,168** | **276** |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

| | Present Value of obligation | Fair Value of Plan Assets | Net amount |
|---|---|---|---|
| **Remeasurements** | | | |
| Return on plan assets, excluding amounts included in interest expense/(income) | - | (104) | (104) |
| Actuarial (gain) / loss | - | - | - |
| (Gain)/loss from change in demographic assumptions | - | - | - |
| (Gain)/loss from change in financial assumptions | 186 | - | 186 |
| Experience (gains)/loss | 102 | - | 102 |
| **Total amount recognized in other comprehensive income** | **288** | **(104)** | **184** |
| **Total amount recognized in Statement of Profit and Loss** | **1,444** | **1,272** | **27** |
| Employer contributions | - | 421 | (421) |
| Benefit payments | (18) | (18) | - |
| **As at March 31, 2017** | **1,714** | **1,675** | **39** |

| | 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 | - | 120 |
| Amount recognized in Statement of profit and loss | 2,143 | 1,675 | 468 |
| **Remeasurements** | - | - | - |
| Return on plan assets, excluding amounts included in interest expense/(income) | - | (115) | (115) |
| 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** | **2,143** | **1,790** | **314** |
| Employer contributions | - | 343 | (343) |
| Benefit payments | (24) | (24) | - |
| **As at March 31, 2018** | **2,035** | **2,119** | **(84)** |

**The net liability disclosed above relates to funded and unfunded plans are as follows:**

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Present value of funded obligations | 2,035 | 1,714 |
| Fair value of plan assets | 2,119 | 1,675 |
| Deficit/ (Surplus) of funded plans | (84)* | 39 |

* Included under note 16 'Other current assets'

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

**Significant estimates: Acturial assumptions and sensitivity**

The significant acturial assumptions were as follows:

| | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Discount rate | 7.71% | 7% |
| 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 Furture Services | 29 years | 30 years |
| Mortality Table | IALM(2006-08) | IALM(2006-08) |

**Sensitivity analysis**

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Defined Benefit Obligation | 2,035 | 1,714 |
| Discount rate:(% change compared to base due to sensitivity) | | |
| Increase : +1% | (217) | (187) |
| Decrease: -1% | 260 | 225 |
| Salary Growth rate:(% change compared to base due to sensitivity) | | |
| Increase : +1% | 235 | 220 |
| Decrease: -1% | (203) | (192) |
| Attrition rate:(% change compared to base due to sensitivity) | | |
| Increase : +50% | 58 | 112 |
| Decrease: -50% | (69) | (126) |
| Mortality rate:(% change compared to base due to sensitivity) | | |
| Increase : +10% | 3 | 1 |
| Decrease: -10% | (3) | (1) |

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 acturial 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 balancesheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

**(ii) 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

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

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 their investments and liabilities and also periodically review their 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 in 2017 consists of government and corporate bonds, although they also invests in equities, cash and mutual funds. The plan asset mix is in compliance with the requirments of the respective local regulations.

**The major categories of plans assets are as follows:**

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Central Govt Securities | 441 | 429 |
| State Govt Securities | 961 | 486 |
| SCD /Bonds | 583 | 501 |
| Equity | 43 | 149 |
| Fixed Deposits | 77 | 85 |
| Others | 14 | 25 |
| | **2,119** | **1,675** |

The weighted average duration of the defined benefit obligation is 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, 2018 | | | | | |
| Defined benefit obligation-gratuity | 162 | 164 | 463 | 6,500 | 7,289 |

**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 of illiquid assets not being sold in time.

**Salary Escalation Risk:** The present value of the defined benefit plan is 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.

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

**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 is 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.

**(iii) 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 ₹1032 (March 31, 2017- ₹987)

**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 ₹242 (March 31, 2017- ₹119 )

## Note 19: Deferred tax liabilities (net)

**The balance comprises temperory differences attributable to:**

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Deferred Tax Liability / (Asset) : | | |
| Property, plant and equipment | 20,594 | 17,173 |
| Employee Benefits | (1,018) | (787) |
| MAT Credit Entitlement | - | (3,107) |
| Others | (307) | (276) |
| **Net deferred tax liabilities / (Asset ) net** | **19,269** | **13,003** |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

**Movement in Deferred tax liabilities /(Asset)**

| | Property, plant and equipment | Other items | Total |
|---|---|---|---|
| As at April 01, 2017 | 17,173 | (4,170) | 13,003 |
| Charged/(credited) to profit and loss | 3,421 | 2,845 | 6,266 |
| **As at March 31, 2018** | **20,594** | **(1,325)** | **19,269** |

## Note 20: Current borrowings

| | Maturity Date and Terms of Payment | Interest Rate | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|---|---|
| Secured | | | | |
| Working Capital Loans from Banks | Payable on demand | 8.35% | 1,710 | 1,069 |
| Bank Overdrafts | Payable on demand | 5.25% | 4,601 | 2,505 |
| **Total Current Borrowings** | | | **6,311** | **3,574** |

**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, 2018 | March 31, 2017 |
|---|---|---|
| **First Charge** | | |
| Inventory | 1,28,139 | 1,25,576 |
| Accounts receivables | 1,11,211 | 1,00,289 |
| Other Current Assets | 2,16,041 | 1,78,050 |
| | **4,55,391** | **4,03,915** |
| **Second Charge** | | |
| Property, Plant and Equipment ( Movable) | **1,49,049** | **1,08,463** |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

## Note 20: (b) Debt reconciliation

**This section sets out the changes in liabilities arising from financing activities in the statement of cashflows:**

| | March 31, 2018 |
|---|---|
| **Current Borrowings*** | |
| Opening balance | 1,069 |
| Add: Proceeds from borrowings | 641 |
| Less: Repayments of borrowings | - |
| Add: Interest expense | -** |
| Less: Repayments of Interest | -** |
| **Closing balance** | **1,710** |

*Bank Overdrafts balance is not included above as it is considered as cash and cash equivalents.

** Amount is below the rounding off norm adopted by the company

## Note 21: Trade payables

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Current** | | |
| Total outstanding dues of micro enterprises and small enterprises (Refer Note 42) | - | - |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | 40,565 | 44,230 |
| **Total trade payables** | **40,565** | **44,230** |

## Note 22: Other Financial liabilities

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Current** | | |
| Capital creditors | 2,150 | 2,551 |
| Other Payables | 10,675 | 11,114 |
| Unclaimed dividend | 83 | 57 |
| **Total other financial liabilities** | **12,908** | **13,722** |

## Note 23: Other current liabilities

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Statutory dues payable | 395 | 871 |
| Advance from customers | 3,776 | 3,059 |
| **Total other current liabilities** | **4,171** | **3,930** |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

## Note 24: Revenue from operations

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Sale of products (including excise duty) | 3,72,220 | 4,05,257 |
| **Sale of Services:** | | |
| Contract research fee | 3,099 | 217 |
| **Other Operating Revenue:** | | |
| Export incentives | 6,518 | 206 |
| Sale of scrap out of manufacturing process | 1,886 | 898 |
| **Total revenue from operations** | **3,83,723** | **4,06,578** |

## Note 25: Other income

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Interest income from financial assets at amortized cost | 674 | 657 |
| Dividend income from investments mandatorily measured at fair value through profit or loss | 7,612 | 6,289 |
| Net gain on foreign currency transactions and translations | 2,460 | - |
| Net gain on financial assets mandatorily measured at fair value through profit or loss | 260 | - |
| Net gain on sale of investments | 8 | 99 |
| Sale of other scrap | 231 | 102 |
| Insurance claims received | - | 318 |
| Other non-operating income | 3 | 129 |
| **Total other income** | **11,248** | **7,594** |

## Note 26: Cost of raw materials consumed

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Raw materials at the beginning of the year | 38,198 | 32,923 |
| Add: Purchases | 1,52,861 | 1,61,594 |
| Less: Raw materials at the end of the year | 38,631 | 38,198 |
| **Total cost of raw materials consumed** | **1,52,428** | **1,56,319** |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

## Note 27: Changes in inventories of finished goods and work-in-progress

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| **Opening Balance:** | | |
| Finished goods | 8,433 | 7,597 |
| Work-in-progress | 69,394 | 68,069 |
| | **77,827** | **75,666** |
| **Closing Balance:** | | |
| Finished goods | 9,346 | 8,433 |
| Work-in-progress | 70,419 | 69,394 |
| | **79,765** | **77,827** |
| **Total changes in inventories of finished goods and work-in-progress** | **(1,938)** | **(2,161)** |

## Note 28: Employee benefits expense

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Salaries, wages, bonus and other allowances* | 42,178 | 46,986 |
| Contribution to provident fund and other funds | 1,032 | 987 |
| Contribution to to ESI | 242 | 119 |
| Staff welfare expenses | 1,175 | 941 |
| **Total employee benefits expense** | **44,627** | **49,033** |

* Includes Contract Labour wages of ₹8,297 ( Previous year: ₹8,658)

## Note 29: Finance costs

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Interest and finance charges on financial liabilities carried at amortised cost | 53 | 117 |
| Interest on Income tax | 2 | 2 |
| Other borrowing costs | 78 | 106 |
| **Total Finance costs** | **133** | **225** |

## Note 30: Depreciation and amortisation expense

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Depreciation on property, plant and equipment | 13,997 | 12,134 |
| Amortisation of intangible assets | 245 | 192 |
| **Total depreciation and amortisation expense** | **14,242** | **12,326** |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

## Note 31: Other expenses

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Consumption of stores and spare parts | 3,468 | 3,455 |
| Packing materials consumed | 3,665 | 3,274 |
| Power and fuel | 22,873 | 19,880 |
| Repairs and maintenance- buildings | 1,823 | 1,410 |
| Repairs and maintenance- machinery | 6,458 | 5,561 |
| Repairs and maintenance- others | 128 | 104 |
| Insurance | 503 | 558 |
| Rates and taxes, excluding taxes on income | 626 | 745 |
| Directors sitting fees | 39 | 16 |
| Printing and stationery | 457 | 408 |
| Rental charges | 741 | 712 |
| Communication expenses | 130 | 111 |
| Travelling and conveyance | 1,382 | 764 |
| Vehicle maintenance | 48 | 245 |
| Payments to Auditors (Refer note 31(a) below) | 43 | 71 |
| Legal and professional charges | 4,931 | 322 |
| Factory upkeep | 315 | 348 |
| Environment management expenses | 1,373 | 1,606 |
| Advertisement | 21 | 32 |
| Research and development expenses (Refer note 31 (c ) below) | 1,011 | 1,194 |
| Sales commission | 746 | 863 |
| Carriage outward | 5,070 | 5,087 |
| General expenses | 3,078 | 2,636 |
| Bad debts written off | 4 | 13 |
| Provision for doubtful debts | 57 | 96 |
| Donations | 2 | 10 |
| Corporate Social Responsbility (Refer note 31(b) below) | 1,698 | 1,626 |
| Loss on disposal / discard of assets | 626 | 48 |
| Changes in fair value of mutual funds | - | 201 |
| Net loss on foreign currency transactions and translations | - | 3,910 |
| Bank charges | 98 | 108 |
| **Total other expenses** | **61,414** | **55,414** |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

## Note 31(a): Details of payments to auditors

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| **Payment to auditors** | | |
| As Statutory Auditor | 26 | 26 |
| For Quarterly Reviews | 16 | 15 |
| For Certification | - | 8 |
| Taxation matters | - | 21 |
| Re-imbursement of expenses | 1 | 1 |
| **Total payments to auditors** | **43** | **71** |

## Note 31 (b): Corporate social responsibility expenditure

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Amount required to be spent as per section 135 of the Act | 2,719 | 2,451 |
| Amount spent during the year on | | |
| (i) Construction/acquisition of any asset | - | - |
| (ii) On purposes other than (i) above | | |
| Promoting education | 1,035 | 288 |
| Promoting healthcare | 98 | 13 |
| Rural Development | 304 | 171 |
| Empowering Women | 9 | - |
| Animal Welfare | 3 | 4 |
| Safe drinking water | 64 | 952 |
| Environmental sustainability | 57 | 49 |
| Promotion of rural sports | 9 | 2 |
| Swatch Bharat programme | 34 | 40 |
| Support to Differently abled | 30 | 24 |
| Livelihood Enhancement | 20 | 53 |
| Others | 35 | 30 |
| **Total Corporate social responsibility expenditure** | **1,698** | **1,626** |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

## Note 31(c): Research and development expenditure

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Raw materials consumed | 51 | 67 |
| Salaries,wages,bonus and other allowances | 2064 | 2999 |
| Contribution to provident and other funds | 67 | 112 |
| Contribution to ESI | 7 | 4 |
| Staff welfare expenses | 28 | 2 |
| Stores consumed | 227 | 305 |
| Power and fuel | 163 | 226 |
| Repairs to buildings | 64 | 35 |
| Repairs to machinery | 267 | 166 |
| Repairs to other assets | 143 | 150 |
| Rates and taxes, excluding taxes on income | 42 | 32 |
| Printing and stationery | 19 | 22 |
| Communication expenses | - | 1 |
| Travelling and conveyance | 1 | 1 |
| Professional and consultancy charges | 4 | 134 |
| Miscellaneous expenses | 30 | 55 |
| Bank charges and commission | - | 1 |
| **Total Research and development expenses** | **3177** | **4312** |

* Research and development expenditure to the extent of Rs. 2,166 (2017: Rs. 3,117) 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 Rs. 1,011 (2017: Rs. 1,195) is grouped under other expenses.

## Note 32: Income tax expense

This note provides an analysis of the company's income tax expense, shows 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.

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **(a) Income tax expense** | | |
| Current tax | | |
| Current tax on profits for the year | 28,713 | 28,523 |
| **Total current tax expense** | **28,713** | **28,523** |
| Deferred tax | 6,265 | 4,973 |
| **Total Deferred tax expense/(benefit)** | **6,265** | **4,973** |
| **Income tax expense recognised in statement of profit and loss** | 34,978 | 33,496 |
| **Current tax (income) / expense recognised in other comprehensive income** | 27 | (45) |
| **Total income tax expense** | **35,005** | **33,451** |

Entire deferred tax for the year ended March 31, 2018 and March 31, 2017 relates to origination and reversal of temporary differences.

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

**(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 ten years from the date of commencement of operations. Under the SEZ scheme, the unit which begins providing services on or after April 1, 2005 will be eligible for deductions of 100% of profits or gains derived from export of 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 provisons of the Income Tax Act, 1961.

**(c ) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:**

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Profit from operations before income tax expenses | 1,21,936 | 1,38,823 |
| **Tax at the Indian tax rate of 34.608%** | **42,200** | **48,044** |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Expenses not deductible for tax purpose | 614 | 1,376 |
| Income not considered for tax purpose | (10,770) | (17,526) |
| Investment allowance | - | (577) |
| Adjustments for current tax of prior periods | - | (71) |
| MAT Credit utilised | 3,107 | 2,422 |
| Others | (146) | (127) |
| **Income tax expenses** | **35,005** | **33,541** |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

**Financial Instruments and Risk Management**

## Note 33: Categories of Financial Instruments

| | Notes | Level | As at March 31, 2018 | | As at March 31, 2017 | |
|---|---|---|---|---|---|---|
| | | | Carrying Value | Fair Value | Carrying Value | Fair Value |
| **A. Financial assets** | | | | | | |
| **a) Measured at amortised cost** | | | | | | |
| i) Cash and cash equivalents | 12 | 2 | 417 | 417 | 855 | 855 |
| ii) Other bank balances | 13 | 2 | 8,731 | 8,731 | 5,792 | 5,792 |
| iii) Loans | 6,14 | 2 | 1,486 | 1,486 | 2,409 | 2,409 |
| iv) Other financial assets | 7,15 | 2 | 5,257 | 5,257 | 5,336 | 5,336 |
| v) Trade receivables | 11 | 2 | 1,11,211 | 1,11,211 | 1,00,289 | 1,00,289 |
| **Sub - total** | | | **1,27,102** | **1,27,102** | **1,14,681** | **1,14,681** |
| **b) Mandatorily measured at fair value through profit or loss** | | | | | | |
| i) Investment in mutual funds | 10 | 1 | 1,88,929 | 1,88,929 | 1,63,072 | 1,63,072 |
| ii) Investment in equity instruments in other companies | 5 | 3 | 1 | 1 | 1 | 1 |
| **Sub - total** | | | **1,88,930** | **1,88,930** | **1,63,073** | **1,63,073** |
| **Total financial assets** | | | **3,16,032** | **3,16,032** | **2,77,754** | **2,77,754** |
| **B. Financial liabilities** | | | | | | |
| **a)** Measured at amortised cost | | | | | | |
| i) Trade payables | 21 | 2 | 40,565 | 40,565 | 44,230 | 44,230 |
| ii) Borrowings | 20 | 2 | 6,311 | 6,311 | 3,574 | 3,574 |
| iii) Other financial liabilities | 22 | 2 | 12,908 | 12,908 | 13,722 | 13,722 |
| **Sub - total** | | | **59,784** | **59,784** | **61,526** | **61,526** |
| **Total financial liabilities** | | | **59,784** | **59,784** | **61,526** | **61,526** |

**Notes**:

(i) The carrying amounts of trade payables, other financial liabilities, cash and cash equivalents, other bank balances, trade receivables and other financial assets are considered to be the same as their fair values due to their short term nature.

(ii) Loan balances consist of loans to related parties where by the fair value is considered to be the carrying value.

(iii) Other financial assets consist of certain non current portion relating to deposits with Government authorities where the fair value is considered to be the carrying value.

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

## Note 34: Fair Value Heirarchy

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 prices 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 cashflow 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 main Level 3 inputs for investment in equity shares are derived using the discounted cash flow analysis.

## 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 provison | 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 |
| | | Loans to a subsidiary |
| | | Other Non-Current Financial assets |
| | | Other Current Financial assets |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

Expected credit loss for security deposits and loans:

| | March 31, 2018 | | | March 31, 2017 | | |
|---|---|---|---|---|---|---|
| **Asset Group** | **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 | 3,394 | - | 3,394 | 2,999 | - | 2,999 |
| Loans to employees | 17 | - | 17 | 27 | - | 27 |
| Loans to a subsidiary | 1,469 | - | 1,469 | 2,382 | - | 2,382 |
| Other Non-Current Financial assets | 491 | - | 491 | 844 | - | 844 |
| Other Current Financial assets | 1,372 | - | 1,372 | 1,493 | - | 1,493 |

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 regulary 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 characterstics 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 analyzing individual receivables.

**Following are the Expected credit loss for trade receivables under simplified approach:**

| | **March 31, 2018** | **March 31, 2017** |
|---|---|---|
| Gross carrying amount | 1,11,389 | 1,00,412 |
| Expected credit losses ( Loss allowance provision) | 178 | 123 |
| Net carrying amount of trade receivables | 1,11,211 | 1,00,289 |

**Expected credit loss for trade receivables under simplified approach:**

| **Ageing** | **Not due** | **Outstanding** FOR < 90 days | **Outstanding** 90 days & < 180 days | **Outstanding** FOR > 6 Ms | **Total** |
|---|---|---|---|---|---|
| Gross carrying amount of trade receivables | 77,667 | 27,986 | 3,307 | 2,429 | 1,11,389 |
| Provision for doubtful debts (Specific) | - | - | - | 163 | 163 |
| Expected credit losses ( Loss allowance provision) | 11 | 4 | -* | - | 15 |
| Net carrying amount of trade receivables | 77,656 | 27,982 | 3,307 | 2,266 | 1,11,211 |

* Amount is below the rounding off norms adopted by the company

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

**(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.

**(i) Foreign currency risk exposure:**

| | | As at March 31, 2018 | | As at March 31, 2017 | |
|---|---|---|---|---|---|
| | Currency | Amount in Foreign Currency | Amount in ₹ | Amount in Foreign Currency | Amount in ₹ |
| Receivables | ACU | 2 | 160 | 3 | 222 |
| | CHF | 3 | 191 | - | - |
| | EUR | 79 | 6,346 | 98 | 6,767 |
| | GBP | 141 | 13,035 | 120 | 9,713 |
| | USD | 1,135 | 73,837 | 1,129 | 73,190 |
| Advance from Customer | EUR | -* | (23) | (1) | (94) |
| | GBP | (4) | (408) | (12) | (963) |
| | USD | (49) | (3,193) | (30) | (1,935) |
| Loan to Subsidiaries | CHF | 21 | 1,469 | 37 | 2,382 |
| Payable to suppliers and services | USD | (314) | (20,396) | (316) | (20,482) |
| | EUR | (6) | (474) | (3) | (205) |
| | GBP | -* | (1) | (3) | (264) |
| Advances to suppliers/service providers | USD | 35 | 2,302 | 11 | 706 |
| | EUR | 1 | 82 | 5 | 367 |
| | GBP | -* | 2 | -* | 3 |
| | CHF | 1 | 37 | 2 | 145 |
| | JPY | 2 | 1 | 23 | 13 |
| **Net Foreign currency exposure Asset/(Liability)** | | | **72,967** | | **69,565** |

* Amount is below the rounding off norm adopted by the company

| | Impact on profit after tax (Income) / Expense | |
|---|---|---|
| | March 31, 2018 | March 31, 2017 |
| **USD Sensitivity:** | | |
| INR/USD -Increase by 1% | (344) | (337) |
| INR/USD -Decrease by 1% | 344 | 337 |
| **ACU Sensitivity:** | | |
| INR/ACU -Increase by 1% | (1) | (1) |
| INR/ACU -Decrease by 1% | 1 | 1 |
| **CHF Sensitivity:** | | |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

| | Impact on profit after tax (Income) / Expense | |
|---|---|---|
| | March 31, 2018 | March 31, 2017 |
| INR/CHF -Increase by 1% | (11) | (17) |
| INR/CHF -Decrease by 1% | 11 | 17 |
| **EUR Sensitivity:** | | |
| INR/EUR -Increase by 1% | (39) | (45) |
| INR/EUR -Decrease by 1% | 39 | 45 |
| **GBP Sensitivity:** | | |
| INR/GBP -Increase by 1% | (83) | (55) |
| INR/GBP -Decrease by 1% | 83 | 55 |
| **JPY Sensitivity:** | | |
| INR/JPY -Increase by 1% | -* | -* |
| INR/JPY -Decrease by 1% | -* | -* |

* Amount is below the rounding off norm adopted by the company

**(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 cashflow due to the increase/decrease in the interest rates with all other variables held constant.

| | Impact on profit after tax (Income) / Expense | |
|---|---|---|
| | March 31, 2018 | March 31, 2017 |
| **Short term Borrowing:** | | |
| Interest rate-increase by 100 basis points | 41 | 23 |
| Interest rate-Decrease by 100 basis points | (41) | (23) |
| **Fixed Deposits:** | | |
| Interest rate-increase by 100 basis points | (57) | (38) |
| Interest rate-Decrease by 100 basis points | 57 | 38 |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

### (iii) 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 conservatibe 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 | |
|---|---|---|
| | As at March 31, 2018 | As at March 31, 2017 |
| **SBI Mutual Fund - SBI-SHF-Ultra short term fund( direct daily dividend plan)** | | |
| -Increase in NAV by 1% | (1,627) | (1,631) |
| -Decrease in NAV by 1% | 1,627 | 1,631 |
| **SBI Treasury Advantage Fund( direct daily dividend plan)** | | |
| -Increase in NAV by 1% | (263) | - |
| -Decrease in NAV by 1% | 263 | - |

### (C) 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.

### (i) Financing Arrangement:

The company has access to the following undrawn borrowing facilities at the end of the reporting period:

| Particulars | March 31, 2018 |
|---|---|
| **Expiring within one year (bank overdraft and other facilities):** | |
| Working Capital Loans | 290 |
| Bank Overdraft | 3,500 |

### (ii) Maturities of financial liabilities:

| Contractual maturities of financial liabilities 31 March 2018 | Less than 12 months | Greater than 12 months | Total |
|---|---|---|---|
| Current Borrowings | 6311 | - | 6311 |
| Trade payables | 40,565 | - | 40,565 |
| Other financial liabilities | 12,908 | - | 12,908 |
| **Total** | **59,784** | **-** | **59,784** |

| Contractual maturities of financial liabilities 31 March 2017 | Less than 12 months | Greater than 12 months | Total |
|---|---|---|---|
| Current Borrowings | 3,574 | - | 3,574 |
| Trade payables | 44,230 | - | 44,230 |
| Other financial liabilities | 13,722 | - | 13,722 |
| **Total** | **61,526** | **-** | **61,526** |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

## 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, 2018 | March 31, 2017 |
|---|---|---|
| Net debt | 6,311 | 3574 |
| Total Equity | 5,95,965 | 5,40,891 |
| Net debt to Equity ratio | 1% | 1% |

**(b) Dividends:**

**Dividend paid on Equity shares:**

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Dividends paid: | | |
| Final Dividend | 31,951 | 63,902 |
| Interim Dividend | - | - |

**Proposed dividends not recognised at the end of the reporting period:**

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| On Equity Shares of ₹2 each | | |
| Amount of dividend proposed | 26,547 | 26,547 |
| Amount of Dividend Tax | 5,457 | 5,404 |
| Dividend per equity share | 10 | 10 |

## 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 has been provided in the Consolidated Financial Statements of the Company and therefore no separate disclosure on segment informationis given in these standalone financial statements.

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

## 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 ₹741 (Previous Year is ₹712 )

## Note 39: Related Party Transactions

| | |
|---|---|
| **(a) Subsidiaries** | : Divi's 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 (w.e.f. 22.06.2017) |
| | : Mr. K V K Seshavataram |
| | : Mr. R Ranga Rao |
| | : Dr.G Suresh Kumar |
| | : Mrs. S Sri Devi (resigned w.e.f 22.06.2017) |
| | : Dr Ramesh B V Nimmagadda (w.e.f. 22.06.2017) |
| | : Dr S Ganapaty (w.e.f. 22.07.2017) |
| | |
| **(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 |
| | : Miss. N. Monisha |
| | : Mrs. Jhansi Lakshmi Pendyala |
| | : Mr. N. Prashanth |
| | : Mrs. L. Vijaya Lakshmi |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ 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:

The Company had undertaken to provide financial assistance to its wholly owned subsidiary Viz., Divi's Laboratories Europe AG by way of Interest free loan before 1.04.2014. The loan is subordinated to other creditors to the extent of CHF 10 equivalent to Rs. 686 (Previous year CHF 30 equivalent to Rs. 1,942). Effective April 01, 2017, the company is charging interest @4.50% p.a. on the outstanding loan amount.

| | Balances as on | | Maximum Balance Outstanding during the year | |
|---|---|---|---|---|
| **Name of the entity** | **As at March 31, 2018** | **As at March 31, 2017** | **As at March 31, 2018** | **As at March 31, 2017** |
| Divis Laboratories (USA) Inc | - | - | - | 659 |
| Divi's Laboratories Europe AG | 1,469 | 2,382 | 2,382 | 2,659 |

Management is confident to maintain the profitability and continued development of current and new sales bases and the introduction of new profitable products in its current markets. Based on improved market, the Company's management is confident to achieve good progress on turnover and profitability of its subsidiary. As per the projections/ cash in-flows submitted by the wholly owned subsidiary, the accumulated losses will be recovered in future. The advance will be repaid by the subsidiary in near future. In view of the above, no provision for decline in value of investment /advances has been made in accounts for the year ended March 31, 2018 and March 31, 2017.

**(d) 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 |

**(e) Summary of Related Party transactions and balances:**

| | | As at March 31, 2018 | | As at March 31, 2017 | |
|---|---|---|---|---|---|
| | | **Amount (Transactions)** | **Outstanding balance as at March 31, 2018** | **Amount (Transactions)** | **Outstanding balance as at March 31, 2017** |
| (i) | Managerial Remuneration and Short term employee benefits to Key Management Personnel -refer 39(f) (i) | 7,631 | 7,173 | 8,875 | 8,131 |
| (ii) | Sitting fees to non-executive directors-refer 39(f) (i) | 39 | | 16 | |
| (iii) | Dividend paid to Key Management Personnel -refer 39(f) (ii) | 11,707 | - | - | - |
| (iv) | Dividend paid to Relatives of Key Management Personnel -refer 39(f) (iii ) | 1,528 | - | - | - |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

| | As at March 31, 2018 | | As at March 31, 2017 | |
|---|---|---|---|---|
| | Amount (Transactions) | Outstanding balance as at March 31, 2018 | Amount (Transactions) | Outstanding balance as at March 31, 2017 |
| (v) Salary and Allowances to Relatives of Key Management Personnel - Mrs Nilima Motaparti | - | - | 39 | 2 |
| (vi) Dividend paid to Company in which Key Management Personnel have Significant Influence - M/s Divi's Biotech Private Limited | 800 | - | - | - |
| (vii) Lease Rent to a Company in which Key Management Personnel have Significant Influence - M/s Divi's Properties Private Limited | 719 | - | 690 | - |
| (viii) Rent Deposit to a Company in which Key Management Personnel have Significant Influence - Divi's Properties Private Limited | - | 325 | - | 333 |
| (ix) Advance from Subsidiary -Divi's Laboratories Europe AG | 914 | 1,469 | 1,092 | 2,382 |
| (x) Interest received / receivable on loan to subsidiary- Divi's Laboratories Europe AG | 131 | 96 | - | - |
| (xi) Interest received / receivable on loan to subsidiary- Divis Laboratories (USA) Inc | 32 | - | - | - |
| (xii) Sales / Receivable - Subsidiary- Divi's Laboratories Europe AG | 6,452 | 6,551 | 8,303 | 6,398 |
| (xiii) Sales / Receivable - Subsidiary- Divis Laboratories (USA) Inc | 6,730 | 8,141 | 6,894 | 7,663 |
| (xiv) Purchase / payable -Materials from Subsidiary -Divis Laboratories (USA) Inc. | 6 | 2 | 3 | 3 |

**(f) Transactions with Related Parties:**

| | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| | Amount (Transactions) | Outstanding balance as at March 31, 2018 | Amount | Outstanding balance as at March 31, 2017 |
| **(i) Managerial Remuneration and Short term employee benefits to Key Management Personnel** | | | | |
| 1. Dr Murali k Divi | 4,020 | 3,906 | 4,647 | 4,430 |
| 2. Sri N.V.Ramana | 2,059 | 1,955 | 2,417 | 2,217 |
| 3. Sri.Madhusudana Rao Divi | 99 | 4 | 189 | 4 |
| 4. Sri.Kiran S Divi | 1,402 | 1,305 | 1,622 | 1,480 |
| 5. Mrs Nilima Motaparti | 51 | 3 | - | - |
| | **7,631** | **7,173** | **8,875** | **8,131** |
| **Sitting fees to non-executive directors** | | | | |
| 6. Sri.K.V.K.Seshavataram | 8 | - | 4 | - |
| 7. Dr.G Suresh Kumar | 11 | - | 4 | - |
| 8. Sri R Ranga Rao | 11 | - | 6 | - |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

| | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| | Amount (Transactions) | Outstanding balance as at March 31, 2018 | Amount | Outstanding balance as at March 31, 2017 |
| 9. Smt. S. Sridevi | 1 | - | 2 | - |
| 10. Dr.S.Ganapaty | 3 | - | - | - |
| 11. Dr.Ramesh B V Nimmagadda | 5 | - | - | - |
| | **39** | **-** | **16** | **-** |
| **(ii) Dividend paid to Key Management Personnel** | | | | |
| 1. Dr Murali k Divi | 1,557 | - | - | - |
| 2. Sri.Kiran S Divi | 4,600 | - | - | - |
| 3. Mrs Nilima Motaparti | 5,400 | - | - | - |
| 4. Sri.Madhusudana Rao Divi | 58 | - | - | - |
| 5. Sri N.V.Ramana | 92 | - | - | - |
| | **11,707** | **-** | **-** | **-** |
| **(iii) Dividend paid to Relatives of Key Management Personnel** | | | | |
| Babu Rajendra Prasad Divi | 3 | - | - | - |
| Divi Radha Krishna Rao | -* | - | - | - |
| Sri Ramachandra Rao Divi | 5 | - | - | - |
| Jhansilakshmi Pendyala | 1 | - | - | - |
| Divi Swarna Latha | 1400 | - | - | - |
| Divi Raja Kumari | 2 | - | - | - |
| Divi Satyasayee Babu | 36 | - | - | - |
| Shanti Chandra Attaluri | 53 | - | - | - |
| Nimmagadda Nirmala Kumari | 8 | - | - | - |
| N. Chandrika Ramana | -* | - | - | - |
| N. Venkata Aniruddh | -* | - | - | - |
| N. Monisha | 15 | - | - | - |
| N. Prashanth | 4 | - | - | - |
| L. Vijaya Lakshmi | 1 | - | - | - |
| | **1528** | **-** | **-** | **-** |

* Amount is below the rounding off norms adopted by the company

**(g) Terms and Conditions**

Transactions relating to dividends were on the same terms and conditions that applied to other stake holders.

## Note 40: Contingent Liabilities and contingent assets

| | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| On account of Letter of Credit and Guarantees issued by the bankers. | 11,806 | 11,629 |
| Claims against the Company not acknowledged as debts in respect of: | | |
| a) Indirect Taxes | 783 | 572 |
| b) Income Tax | 22 | 218 |

Note: 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.

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

## Note 41: Commitments

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Property, Plant and Equipment:** | | |
| (a) Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) | 8,803 | 6,562 |
| (b) Capital commitment towards Special Economic Zone Re-investment Obligation | 6,476 | 19,900 |
| **Others:** | | |
| (a) On account of bonds and / or legal agreements executed with Central Excise/ Customs authorities/ Development Commissioners | 22,400 | 14,900 |

## 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, 2018 | March 31, 2017 |
|---|---|---|
| **(a) Basic EPS** | | |
| Basic earnings per share attributable to the equity holders of the company | 32.76 | 39.68 |
| **(b) Diluted EPS** | | |
| Diluted earnings per share attributable to the equity holders of the company | 32.76 | 39.68 |

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **(c ) Reconciliation of earnings used in calculating earnings per share** | | |
| **Basic earnings per share** | | |
| Profit attributable to the equity holders of the company used in calculating basic earnings per share | 86,958 | 1,05,327 |
| **Diluted earnings per share** | | |
| Profit attributable to the equity holders of the company used in calculating diluted earnings per share | 86,958 | 1,05,327 |

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **(d) Weighted average number of shares used as the denominator** | | |
| | | |
| 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 |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

## Note 44: Disclosures relating to Specified Bank Notes* (SBNs) held and transacted during the period from8 November 2016 to 30 December 2016

| Particulars | SBN | Other denomination notes | Total |
|---|---|---|---|
| Closing cash in hand as on 8 November 2016 | 27 | 26 | 53 |
| (+) Permitted receipts | - | 20 | 20 |
| (-) Permitted payments | 0 | 65 | 65 |
| (-) Amount deposited in Banks | 27 | - | 27 |
| Cash withdrawn | - | 39 | 39 |
| **Closing cash in hand as on 30 December 2016** | - | 20 | 20 |

* Specified Bank Notes (SBNs) mean the bank notes of denominations of the existing series of the value of five hundred rupees and thousand rupees as defined under the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs no. S.O. 3407(E), dated the 8th November, 2016.

## Note 45: Previous year figures have been regrouped /reclassified to conform to current year classification.

Accompanying notes are an integral part of the financial statements

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

**Sunit Kumar Basu**
Partner
Membership number: 55000

Place : Hyderabad
Date : 26.05.2018

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

**Dr. Murali. K. Divi**
Chairman and Managing Director

**N. V. Ramana**
Executive Director

**L. Kishorebabu**
Chief Financial Officer

**P. V. Lakshmi Rajani**
Company Secretary

# CONSOLIDATED FINANCIAL STATEMENTS

# CONSOLIDATED INDEPENDENT AUDITORS' REPORT

To
The Members of
**DIVI'S LABORATORIES LIMITED**

## Report on the Consolidated Indian Accounting Standards (Ind AS) Financial Statements

1. We have audited the accompanying consolidated Ind AS financial statements of Divi's Laboratories Limited ("hereinafter referred to as the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), (refer Note 1 to the attached consolidated financial statements), comprising of the consolidated Balance Sheet as at March 31, 2018, the consolidated Statement of Profit and Loss (including Other Comprehensive Income), the consolidated Cash Flow Statement for the year then ended and the consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information prepared based on the relevant records (hereinafter referred to as "the Consolidated Ind AS Financial Statements").

## Management's Responsibility for the Consolidated Ind AS Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated cash flows and consolidated changes in equity of the Group in accordance with accounting principles generally accepted in India including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Act. The Holding Company's Board of Directors is also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of consolidated Ind AS financial statements. 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; the selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which has been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

## Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act and the Rules made thereunder including the accounting standards and matters which are required to be included in the audit report.

4. We conducted our audit of the consolidated Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated Ind AS financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Holding Company's preparation of the consolidated Ind AS financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.

6. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph 10 of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

## Opinion

7. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group as at March 31, 2018, and their consolidated total comprehensive income (comprising of consolidated profit and consolidated other comprehensive income), their consolidated cash flows and consolidated changes in equity for the year ended on that date.

## Other Matter

8. The financial statements of two subsidiaries located outside India, included in the consolidated Ind AS financial statements, which constitute total assets of Rs. 14,610 lakhs and net assets of Rs. 3,485 lakhs in negative as at March 31, 2018, total revenue of Rs. 7,555 lakhs, total comprehensive income (comprising of profit and other comprehensive income) of Rs. 1,666 lakhs and net cash inflow amounting to Rs. 875 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 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 Ind AS 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.

9. The consolidated Ind AS financial statements of the Company for the year ended March 31, 2017, were audited by another firm of chartered accountants under the Companies Act, 2013 who, vide their report dated May 26, 2017, expressed an unmodified opinion on those financial statements. Our opinion is not qualified in respect of this matter.

## Report on Other Legal and Regulatory Requirements

10. As required by Section143(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 Ind AS financial statements.

   (b) In our opinion, proper books of account as required by law maintained by the Holding Company, its subsidiaries included in the Group including relevant records relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books and records of the Holding Company and the reports of the other auditors.

   (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including other comprehensive income), Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained by the Holding Company, its subsidiaries included in the Group, including relevant records relating to the preparation of the consolidated Ind AS financial statements.

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

   (e) As there are no subsidiaries incorporated in India, this report does not contain a separate report on the internal financial controls over financial reporting of the Group under Clause (i) of Sub-section 3 of Section 143 of the Act.

   (f) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2018 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, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.

(g) With respect to the other matters to be included in the Auditors' 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 consolidated Ind AS financial statements disclose the impact, if any, of pending litigations as at March 31, 2018 on the consolidated financial position of the Group– Refer Note 39 to the consolidated Ind AS financial statements.

ii. The Group had long-term contracts as at March 31, 2018 for which there were no material foreseeable losses. The group did not have any derivative contracts as at March 31, 2018.

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, 2018.

iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Group for the year ended March 31, 2018.

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

**Sunit Kumar Basu**
Partner
Membership Number: 55000

Place: Hyderabad
Date: May 26, 2018

# CONSOLIDATED BALANCE SHEET

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

| Particulars | Note No. | AS at March 31, 2018 | As at March 31, 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 198,964 | 155,593 |
| Capital work-in-progress | 3 | 11,976 | 44,357 |
| Intangible assets | 4 | 655 | 326 |
| Financial assets | | | |
| (i) Investments | 5 | 1 | 1 |
| (ii) Loans | | - | - |
| (iii) Other financial assets | 6 | 3,903 | 3,862 |
| Deferred tax aset | | 103 | 356 |
| Other non-current assets | 7 | 9,201 | 10,307 |
| **Total Non-current assets** | | **224,803** | **214,802** |
| **Current assets** | | | |
| Inventories | 8 | 135,067 | 131,991 |
| Financial assets | | | |
| (i) Investments | 9 | 188,928 | 163,072 |
| (ii) Trade receivables | 10 | 101,436 | 90,092 |
| (iii) Cash and cash equivalents | 11 | 2,515 | 2,079 |
| (iv) Bank balances other than (iii) above | 12 | 8,731 | 5,791 |
| (v) Loans | 13 | 17 | 27 |
| (vi) Other financial assets | 14 | 1,373 | 1,492 |
| Other current assets | 15 | 15,445 | 6,507 |
| **Total Current assets** | | **453,512** | **401,051** |
| **TOTAL ASSETS** | | **678,315** | **615,853** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity:** | | | |
| Equity share capital | 16(a) | 5,309 | 5,309 |
| **Other equity:** | | | |
| (i) Reserves and surplus | 16(b) | 586,248 | 530,430 |
| (ii) Other Reserves | | 923 | - |
| **Total Equity** | | **592,480** | **535,739** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Provisions | 17 | 1,495 | 1,530 |
| Deferred tax liabilities (net) | 18 | 19,268 | 12,639 |
| **Total Non-current liabilities** | | **20,763** | **14,169** |
| **Current liabilities** | | | |
| Financial liabilities | | | |
| (i) Borrowings | 19 | 6,311 | 3,574 |
| (ii) Trade payables | 20 | | |
| -Total outstanding dues of micro enterprises and small enterprises | | - | - |
| -Total outstanding dues of creditors other than micro enterprises and small enterprises | | 41,121 | 44,580 |
| (iii) Other financial liabilities | 21 | 12,908 | 13,722 |
| Other current liabilities | 22 | 4,638 | 3,941 |
| Provisions | 17 | 94 | 128 |
| **Total current liabilities** | | **65,072** | **65,945** |
| **TOTAL LIABILITIES** | | **85,835** | **80,114** |
| **TOTAL EQUITY AND LIABILITIES** | | **678,315** | **615,853** |

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**
Chartered Accountants
Firm registration number: 012754N/N500016

**Sunit Kumar Basu**
Partner
Membership number: 55000

Place : Hyderabad
Date : 26.05.2018

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

**Dr. Murali. K. Divi**
Chairman and Managing Director

**N. V. Ramana**
Executive Director

**L. Kishorebabu**
Chief Financial Officer

**P. V. Lakshmi Rajani**
Company Secretary

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS

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

| Particulars | Note | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|---|
| **Revenue** | | | |
| Revenue from operations | 23 | 391,278 | 410,626 |
| Other income | 24 | 11,344 | 7,489 |
| **Total Revenue** | | **402,622** | **418,115** |
| **Expenses** | | | |
| Cost of raw materials consumed | 25 | 152,857 | 157,275 |
| Purchse of stock in trade | | 216 | 207 |
| Changes in inventories of finished goods and work-in-progress | 26 | 333 | (4,082) |
| Excise duty | | 2,129 | 4,192 |
| Employee benefits expense | 27 | 45,606 | 49,990 |
| Finance costs | 28 | 133 | 225 |
| Depreciation and amortization expense | 29 | 14,249 | 12,333 |
| Other expenses | 30 | 63,966 | 58,441 |
| **Total Expenses** | | **279,489** | **278,581** |
| **Profit before tax** | | **123,133** | **139,534** |
| **Income Tax expense** | 31 | | |
| Current tax | | 28,983 | 28,523 |
| Deferred tax | | 6,449 | 4,969 |
| **Profit after tax for the year** | | **87,701** | **106,042** |
| **Other Comprehensive Income** | | | |
| **(A) Items that will not be reclassified to profit or loss** | | | |
| -Remeasurements of post-employment benefit obligations | | 94 | (185) |
| **(B) Items that will be reclassified to profit or loss** | | | |
| -Exchange differences in translating the financial statements of foreign operations | | 923 | 507 |
| **Total Other Comprehensive Income before Tax** | | **1,017** | **322** |
| Current tax relating to OCI | | (27) | 45 |
| **Other Comprehensive Income after tax for the year** | | **990** | **367** |
| **Total Comprehensive Income for the year** | | **88,691** | **106,409** |
| **Earnings per share (Par value of ₹2 each)** | | | |
| -Basic and Diluted | | 33.04 | 39.95 |

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**
Chartered Accountants
Firm registration number: 012754N/N500016

**Sunit Kumar Basu**
Partner
Membership number: 55000

Place : Hyderabad
Date : 26.05.2018

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

**Dr. Murali. K. Divi**
Chairman and Managing Director

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Executive Director

**L. Kishorebabu**
Chief Financial Officer

**P. V. Lakshmi Rajani**
Company Secretary

# CONSOLIDATED STATEMENT OF CASH FLOW

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

| | Note | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Profit before income tax | | 123,133 | 139,534 |
| Adjustments for: | | | |
| Depreciation and amortisation expense | 29 | 14,249 | 12,333 |
| Unrealised foreign exchange loss (net) | | (3,535) | 3,083 |
| Interest Income | 24 | (435) | (548) |
| Dividend classified as investing cash flows | 24 | (7,612) | (6,289) |
| Gain on sale of investments | 24 | (8) | (99) |
| Provision for doubtful debts | 30 | 57 | 97 |
| Bad debts written off | 30 | 4 | 14 |
| Finance costs | 28 | 133 | 225 |
| Changes in fair value of mutual funds | 24 | (260) | 201 |
| Loss on disposal / discard of assets | 30 | 626 | 370 |
| | | **126,352** | **148,921** |
| **Change in operating assets and liabilities** | | | |
| (Increase) in trade receivables | 10 | (6,908) | (4,072) |
| (Increase) in inventories | 8 | (2,424) | (11,209) |
| Increase / (Decrease) in trade payables | 20 | (4,127) | 14,666 |
| Decrease in other non current financial assets | 6 | 612 | (645) |
| Decrease / (Increase) in other non current asset | 7 | (243) | (9) |
| (Increase) / Decrease in other current financial assets | 13,14 | (139) | (446) |
| (Increase) in other current asset | 15 | (8,938) | (1,647) |
| Increase / (Decrease) in long term employee benefit obligation | 17 | (35) | 374 |
| (Decrease) / Increase in short term employee benefit obligation | 17 | 33 | (89) |
| Increase in other financial liabilities | 21 | (439) | 479 |
| (Decrease) / Increase in other current liabilities | 22 | 967 | (1,116) |
| **Cash generated from operations** | | **104,711** | **145,207** |
| Income taxes paid | | 27,125 | 30,170 |
| **Net cash inflow from operating activities** | | **77,586** | **115,037** |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (27,388) | (37,670) |
| Proceeds from sale of property, plant and equipment | | 13 | 5 |
| Gain on Sale of investments | 24 | 8 | 99 |
| Payments for purchase of Investments | | (74,500) | (125,388) |
| Proceeds out of sale of Investments | | 48,904 | 42,400 |
| Dividend received | 24 | 7,612 | 6,289 |
| Interest received | 24 | 472 | 548 |
| Investment in deposits | 12 | (2,951) | (243) |
| **Net cash (outflow) from investing activities** | | **(47,830)** | **(113,960)** |

# CONSOLIDATED STATEMENT OF CASH FLOW

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

| | Note | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Proceeds from working capital loans | 19 | 641 | 463 |
| Interest paid | 28 | (133) | (225) |
| Dividends paid to company's shareholders (Including Corporate Dividend tax) | | (31,924) | - |
| **Net cash (outflow) from financing activities** | | **(31,416)** | **238** |
| **Net increase (decrease) in cash and cash equivalents** | | (1,660) | 1,315 |
| Cash and cash equivalents at the beginning of the financial year | | (426) | (1,741) |
| **Cash and cash equivalents at end of the year** | | **(2,086)** | **(426)** |
| **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) | | 2,515 | 2,079 |
| Bank Overdrafts (Refer Note 20) | | (4,601) | (2,505) |
| **Balances as per Statement of Cash flows** | | **(2,086)** | **(426)** |

1. The Consolidated statement of Cash flow 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 Consolidated Cash Flow statement referred to in our report of even date

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

**Sunit Kumar Basu**
Partner
Membership number: 55000

Place : Hyderabad
Date : 26.05.2018

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

**Dr. Murali. K. Divi**
Chairman and Managing Director

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Executive Director

**L. Kishorebabu**
Chief Financial Officer

**P. V. Lakshmi Rajani**
Company Secretary

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

## a. Equity share capital

| | Number of Shares | Amount |
|---|---|---|
| As at April 01, 2016 | 265,468,580 | 5,309 |
| Changes in equity share capital | | - |
| **As at April 1, 2017** | 265,468,580 | 5,309 |
| Changes in equity share capital | - | - |
| **As at March 31, 2018** | **265,468,580** | **5,309** |

## b. Other Equity

| | Reserves & surplus | | | | Other reserves | |
|---|---|---|---|---|---|---|
| | Securities Premium | Special Economic Zone Re-investment reserve | General reserve | Retained earnings | Foreign Currency Translation Reserve | Total Equity |
| **Balance at April 1, 2016** | 7,988 | - | 100,000 | 316,033 | - | 424,021 |
| Profit for the year | - | | - | 106,042 | - | 106,042 |
| Other comprehensive income for the year, net of income tax | - | - | - | 367 | - | 367 |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **106,409** | **-** | **106,409** |
| **Transactions with owners in their capacity as owners:** | | | | | | |
| Transfer to Special Economic Zone Re-investment reserve | - | 19,900 | - | (19,900) | - | - |
| **Balance at March 31, 2017** | **7,988** | **19,900** | **100,000** | **402,542** | **-** | **530,430** |
| **Balance at April 1, 2017** | 7,988 | 19,900 | 100,000 | 402,542 | - | 530,430 |
| 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** | **100,000** | **471,784** | **923** | **587,171** |

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**
Chartered Accountants
Firm registration number: 012754N/N500016

**Sunit Kumar Basu**
Partner
Membership number: 55000

Place : Hyderabad
Date : 26.05.2018

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

**Dr. Murali. K. Divi**
Chairman and Managing Director

**N. V. Ramana**
Executive Director

**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' "the Holding 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 in Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) in India. The Company has two subsidiaries i.e., Divis Laboratories USA, Inc., ("Divis 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 26, 2018.

## 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 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 amendments to Ind AS 7 require disclosure of changes in liabilities arising from financing activities.

#### (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.

  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 gains/losses are also eliminated unless the transaction provides evidence of an impairment of 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 is classified as current if:

(i) It is expected to be realized or sold or consumed in the group's normal operating cycle;

(ii) It is held primarily for the purpose of trading;

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) It 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.

All other assets are classified as non-current.

A liability is classified as current if:

(i) It is expected to be settled in normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be settled within twelve months after the reporting period;

(iv) It has no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other 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:

**Ind AS 115- Revenue from Contract with Customers:** The group is in the process of assessing the detailed impact of Ind AS 115. Presently, the group is not able to reasonably estimate the impact that application of Ind AS 115 is expected to have on its financial statements, except that adoption of Ind AS 115 is not expected to significantly change the timing of the group's revenue recognition for product sales. Consistent with the current practice, recognition of revenue will continue to occur when the significant risks and rewards of ownership have been transferred to the buyer, which is also when the control of the asset is transferred to the customer under Ind AS 115.

The group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 April 2018 and that comparatives will not be restated.

**Appendix B to Ind AS 21 Foreign currency transactions and advance consideration:** Management has assessed the effects of applying the appendix to its foreign currency transactions for which consideration is received in advance. The group expects this change not to have a significant impact and the group intends to adopt the amendments prospectively to items in scope of the appendix that are initially recognised on or after the beginning of the reporting period in which the appendix is first applied (i.e. from 1 April 2018).

### 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 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 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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 are measured in terms of historical cost in a foreign currency, using the exchange rate at the date of the transaction. 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.

The results and financial position of foreign operations 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 the 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:

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, revenue can be measured reliably, the costs incurred can be measured reliably, it is probable that the economic benefits associated to the transaction will flow to the entity and there is no continuing management involvement with the goods. Transfer of risks and rewards vary depending on the individual terms of contract of sale.

#### (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) Dividend Income:

Dividend income on investments is accounted for when the right to receive the payment is established, which is generally when shareholders approve the dividend.

#### (iv) Interest Income:

For all financial instruments measured at amortised cost, interest income is recognised using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in Other Income in the Statement of Profit and Loss.

### 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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 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.

**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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

**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 cost 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 cost 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 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) Measurement**

At initial recognition, the group measures a financial asset at its fair value, 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. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in Other income using the effective interest rate method.

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The group subsequently measures all equity investments 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 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.

### (iii) 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.

### (iv) 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 of the financial asset, it 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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 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 has 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 / under development as at the balance sheet date.

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

Depreciation on fixed assets 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 | 10-15 years |
| Vehicles 8-10 years | 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 has 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.

#### (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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**(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 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 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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 such as gratuity and;

(b) Defined contribution plans such as provident fund.

(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 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.

(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.

(C) Defined contribution plans

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

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.

**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 leasse 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 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.

As a Lessor:

Lease income from operating leases where the group is a lessor is recognised in other income on straight-line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increases. The respective leased assets are included in the blance sheet based on their nature.

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 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 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 financial statements.

The areas involving critical estimates or judgements are:

(i) Estimation of current tax expense and payable

(ii) Estimation of defined benefit obligations

(iii) Estimation of useful life of fixed assets

(iv) Estimation of useful life of intangible assets

(v) 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.

**2.25 Government grant:**

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## Note 3: Property, plant and equipment

| | Land | Plant and Machinery | Roads and Buidings | Furniture and Fixtures | Vehicles | Office Equipments | Laboratory Equipments | Computer and data processing units | Total | Capital work-in-progress |
|---|---|---|---|---|---|---|---|---|---|---|
| **Year ended March 31, 2017** | | | | | | | | | | |
| **Gross carrying amount (Refer Note (iii ) below)** | | | | | | | | | | |
| Deemed Cost as at April 1, 2016 | 2,724 | 103,795 | 37,492 | 2,100 | 389 | 1,193 | 6,451 | 594 | 154,738 | 26,391 |
| Additions | 4,902 | 11,891 | 4,891 | 872 | 199 | 394 | 816 | 238 | 24,203 | 42,152 |
| Disposals/Transfers | - | (205) | - | - | (23) | (1) | - | - | (229) | (24,186) |
| **Closing gross carrying amount** | **7,626** | **115,481** | **42,383** | **2,972** | **565** | **1,586** | **7,267** | **832** | **178,712** | **44,357** |
| Accumulated depreciation (Refer Note (iii ) below) | | | | | | | | | | |
| Opening accumulated depreciation | - | 8,531 | 1,396 | 74 | 59 | 55 | 935 | 104 | 11,154 | - |
| Depreciation charge during the year | - | 8,914 | 1,505 | 275 | 67 | 270 | 955 | 155 | 12,141 | - |
| Disposals | - | (155) | - | - | (21) | - | - | - | (176) | - |
| **Closing accumulated depreciation** | **-** | **17,290** | **2,901** | **349** | **105** | **325** | **1,890** | **259** | **23,119** | **-** |
| **Net carrying amount as at March 31, 2017** | **7,626** | **98,191** | **39,482** | **2,623** | **460** | **1,261** | **5,377** | **573** | **155,593** | **44,357** |
| **Year ended March 31, 2018** | | | | | | | | | | |
| Gross carrying amount | | | | | | | | | | |
| Opening Gross carrying amount | 7,626 | 115,481 | 42,383 | 2,972 | 565 | 1,586 | 7,267 | 832 | 178,712 | 44,357 |
| Additions | 2,591 | 41,335 | 10,573 | 306 | 131 | 294 | 2,538 | 233 | 58,001 | 25,618 |
| Adjustments | - | - | - | 6 | - | 5 | - | 12 | 23 | - |
| Transfers | - | - | - | - | - | - | - | - | - | (57,999) |
| Disposals | - | (593) | (26) | - | (13) | - | (1) | (6) | (639) | - |
| **Closing gross carrying amount** | **10,217** | **156,223** | **52,930** | **3,284** | **683** | **1,885** | **9,804** | **1,071** | **236,097** | **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 | - |
| Adjustments | - | | | 5 | - | 3 | - | 2 | 10 | - |
| **Closing accumulated depreciation** | **-** | **27,652** | **4,667** | **664** | **187** | **650** | **2,861** | **452** | **37,133** | **-** |
| **Net carrying amount as at March 31, 2018** | **10,217** | **1,28,571** | **48,263** | **2,620** | **496** | **1,235** | **6,943** | **619** | **198,964** | **11,976** |

Note

(i) Property, plant and equipment pledged as security

Refer Note 19(a) for information on property, plant and equipment pledged as security by the group.

(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) The gross carrying amount as at April 01, 2016 is net off the accumulated depreciation as at April 01, 2015 aggregating to ₹64,352 to present the deemed cost exemption availed by the Group at the time of first time adoption in the opening balance sheet i.e. as at April 01, 2015.

(iv) Capital work-in-progress balances majorly consists of Plant & Machinery and Buildings.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## Note 4: Intangible assets

| | Computer Software |
|---|---|
| **Year ended March 31, 2017** | |
| **Gross carrying amount (Refer Note (i )below)** | |
| Cost as at April 1, 2016 | 458 |
| Additions | 225 |
| Disposals | - |
| **Closing gross carrying amount** | **683** |
| **Accumulated amortisation (Refer Note (i )below)** | |
| Opening accumulated amortisation | 166 |
| Amortisation chrages during the year | 191 |
| Disposals | - |
| **Closing accumulated amortisation** | **357** |
| **Net carrying amount as at March 31, 2017** | **326** |
| **Year ended March 31, 2018** | |
| **Gross carrying amount** | |
| Opening Gross carrying amount | 683 |
| Additions | 574 |
| **Closing gross carrying amount** | **1,257** |
| **Accumulated amortisation** | |
| Opening accumulated amortisation | 357 |
| Amortisation charge during the year | 245 |
| **Closing accumulated amortisation** | **602** |
| **Net carrying amount as at March 31, 2018** | **655** |

**Note:**

(i) The gross carrying amount as at April 01, 2016 is net off the accumulated depreciation as at April 01, 2015 aggregating to ₹61 to present the deemed cost exemption availed by the Group at the time of first time adoption in the opening balance sheet i.e. as at April 01, 2015.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## Note 5: Non-Current Investments

| | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| **(Un quoted, fully paid up)** | | |
| **Investment in equity instruments in other companies ( at FVPL)** | | |
| 12000 Equity Shares of ₹10/- each ( March 31, 2017:12000) of Pattan Cheru Enviro Tech Limited | 1 | 1 |
| **Total (equity instrument)** | **1** | **1** |
| **Total Non-current investments** | **1** | **1** |
| Aggregate amount of unquoted investments | 1 | 1 |
| Aggregate amount of impairment in the value of investment | - | - |

## Note 6: Other Non-Current Financial assets

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Security Deposits | 3,413 | 3,015 |
| Other Receivables | 490 | 847 |
| **Total other non-current financial assets** | **3,903** | **3,862** |

## Note 7: Other non-current assets

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Capital advances | 8,298 | 7,505 |
| Pre-paid expenses | 292 | 36 |
| Net Advance tax (Refer 7(a)& (b) below) | 611 | 2,766 |
| **Total other non-current assets** | **9,201** | **10,307** |

## Note 7(a): Reconciliation of Net Advance Tax

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Advances Tax | 157,112 | 130,128 |
| Provision for Income tax | (156,501) | (127,362) |
| **Net Advance Taxes** | **611** | **2,766** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## Note 7(b): Movement in Taxes

| | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Opening Net Advance Taxes | 2,766 | 1,338 |
| Add: Advance tax paid including tax deducted at source | 26,855 | 30,170 |
| Less :Others | - | (174) |
| Less: Current tax provision | (29,010) | (28,568) |
| **Net Advance Tax** | **611** | **2,766** |

## Note 8: Inventories (Valued at lower of cost and net realisable value)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Raw materials [including stock in transit of ₹7,872 (March 31, 2017: ₹5,241)] | 39,412 | 38,274 |
| Work-in-progress | 71,231 | 69,394 |
| Finished goods [including stock in transit of ₹5,540 (March 31, 2017:Nil)] | 10,356 | 10,127 |
| Stock in trade | 4,258 | 4,579 |
| Stores and spares | 9,810 | 9,617 |
| **Total inventories** | **135,067** | **131,991** |

## Note 9: Current investments

| | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| | Units | Amount | Units | Amount |
| Investment in Quoted Mutual Funds (at FVPL) | | | | |
| SBI Mutual Fund - SBI-SHF-Ultra short term fund( direct daily dividend plan) | 16,137,146 | 162,662 | 16,204,051 | 163,072 |
| SBI Treasury Advantage Fund (direct daily dividend plan) | 2,594,596 | 26,266 | - | - |
| **Total current investments** | | **188,928** | | **163,072** |
| Aggregate amount of quoted investments and market value there of | | 188,928 | | 163,072 |
| Aggregate amount of unquoted investments | | - | | - |

## Note 10: Trade receivables

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Trade receivables | 101,614 | 90,215 |
| Less: Allowance for doubtful debts | 178 | 123 |
| **Total trade receivables** | **101,436** | **90,092** |
| Current portion | 101,436 | 90,092 |
| Non-current portion | - | - |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

**Break-up of security details**

| | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Secured, considered good | - | - |
| Unsecured, considered good | 101,436 | 90,092 |
| Doubtful | 178 | 123 |
| **Total** | **101,614** | **90,215** |
| Less: Allowance for doubtful debts | 178 | 123 |
| **Total trade receivables** | **101,436** | **90,092** |

## Note 11: Cash and cash equivalents

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Balances with banks - in current accounts | 2,505 | 2,060 |
| Cash on hand | 10 | 19 |
| **Total cash and cash equivalents*** | **2,515** | **2,079** |

*There are no repatriation restrictions with regard to cash and cash equivalents as at the end of the reporting period and prior period.

## Note 12: Bank balances other than cash and cash equivalents

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Unclaimed dividend | 83 | 57 |
| Balances with banks to the extent held as margin money(Towards margin on Letter 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) | 8,648 | 5,734 |
| **Total Bank balances other than cash and cash equivalents** | **8,731** | **5,791** |

* Amount is below the rounding off norm adopted by the group.

## Note 13: Current Loans

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Unsecured, considered good** | | |
| Loans to employees | 17 | 27 |
| **Total Current Loans** | **17** | **27** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## Note 14: Other Current Financial assets

| | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Export incentive receivable | 21 | 106 |
| Insurance claims receivable | 927 | 426 |
| Other Receivables | 425 | 960 |
| **Total Other Current Financial assets** | **1,373** | **1,492** |

## Note 15: Other current assets

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Indirect Taxes- Input Credits | 10,503 | 2,318 |
| Prepaid expenses | 622 | 575 |
| Advances to suppliers | 4,320 | 3,614 |
| **Total other current assets** | **15,445** | **6,507** |

## Note: Equity share capital and other equity

## Note16 (a): Equity share capital

**Authorised equity share capital**

| | Number of shares | Amount |
|---|---|---|
| **As at April 1, 2016** | 300,000,000 | 6,000 |
| Movement during the year | - | - |
| **As at March 31, 2017** | 300,000,000 | 6,000 |
| Movement during the year | - | - |
| **As at March 31, 2018** | **300,000,000** | **6,000** |

**(i) Movements in paid-up equity share capital**

| | Number of shares | Amount |
|---|---|---|
| **As at April 1, 2016** | 265,468,580 | 5,309 |
| Movement during the year | - | - |
| **As at March 31, 2017** | 265,468,580 | 5,309 |
| Movement during the year | - | - |
| **As at March 31, 2018** | **265,468,580** | **5,309** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

**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 preceeding 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.

**(iii) Details of shareholders holding more than 5% shares in the company**

| | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| | Number of shares | % holding | Number of shares | % holding |
| **PROMOTERS GROUP** | | | | |
| Dr. Murali Krishna Prasad Divi | 15,567,000 | 5.86% | 15,567,000 | 5.86% |
| Mr. Satchandra Kiran Divi | 46,000,000 | 17.33% | 46,000,000 | 17.33% |
| Mrs. Swarnalatha Divi | 14,000,000 | 5.27% | 14,000,000 | 5.27% |
| Ms. Nilima Motaparti | 54,000,000 | 20.34% | 54,000,000 | 20.34% |
| **Other than Promoters** | | | | |
| Reliance Capital Trustee Company Limited | 13,425,419 | 5.06% | 10,573,965 | 3.98% |

## Note 16 (b): Reserves and surplus

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Securities premium reserve | 7,988 | 7,988 |
| General reserve | 100,000 | 100,000 |
| Retained earnings | 471,784 | 402,542 |
| Special Economic Zone Re-investment reserve | 6,476 | 19,900 |
| **Total reserves and surplus** | **586,248** | **530,430** |

**(i) Securities premium reserve**

| | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Opening balance | 7,988 | 7,988 |
| Adjustments | - | - |
| **Closing Balance** | **7,988** | **7,988** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

**(ii) General Reserve**

| | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Opening balance | 100,000 | 100,000 |
| Adjustments | - | - |
| **Closing Balance** | **100,000** | **100,000** |

**(iii) Retained earning**

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Opening balance | 402,542 | 316,033 |
| Net profit for the Year | 87,701 | 106,042 |
| Transferred to Special Economic Zone Re-investment reserve | (8,927) | (19,900) |
| Utilisation of Special Economic Zone Re-investment reserve | 22,351 | - |
| Dividend | (26,546) | - |
| Corporate Dividend Tax | (5,404) | - |
| Items of other comprehensive income recognised directly in retained earnings: | 94 | (140) |
| - Remeasurement of post employment benefit obligation, net of tax | (27) | 507 |
| **Closing balance** | **471,784** | **402,542** |

**(iv) Special Economic Zone Re-investment reserve**

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Opening balance | 19,900 | - |
| Transfer from Retained earnings | 8,927 | 19,900 |
| Utilisation of Special Economic Zone Re-investment reserve | (22,351) | - |
| **Closing Balance** | **6,476** | **19,900** |

## 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 reseve is used for strengthening the financial position and meeting future contingencies and losses.

**Special Economic Zone Re-investment reserve:**

Under the SEZ scheme, the unit which begins providing services on or after April 1, 2005 will be eligible for deductions of 100% of profits or gains derived from export of 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 provisons of the Income Tax Act, 1961. [Refer Note 41(a)].

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## Note 17: Provisions - Employee Benefit Obligations

| | As at March 31, 2018 | | | As at March 31, 2017 | | |
|---|---|---|---|---|---|---|
| | Current | Non-Current | Total | Current | Non-Current | Total |
| Leave encashment | 94 | 1,495 | 1,589 | 89 | 1,530 | 1,619 |
| Gratuity | - | - | - | 39 | - | 39 |
| | 94 | 1,495 | 1,589 | 128 | 1,530 | 1,658 |

**(i) Post-employement obligations- Gratuity**

The group provides gratuity for employees in India and other qualifying employees 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 day salary multiplied for the number of years of service. The gratuity plan is a funded plan and the group makes contributions to recognised funds in India. The group does not fully fund the liability and maintains a target level of funding to be maintained over a period of time based on estimations of expected gratuity payments.

**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, 2016 | 1,313 | 1,168 | 145 |
| Current service cost | 26 | - | 26 |
| Interest expense/(income) | 105 | - | 105 |
| **Amount recognized in Statement of profit and loss** | **1,444** | **1,168** | **276** |
| **Remeasurements** | | | |
| Return on plan assets, excluding amounts included in interest expense/(income) | - | (104) | (104) |
| Actuarial (gain) / loss | - | - | - |
| (Gain)/loss from change in demographic assumptions | - | - | - |
| (Gain)/loss from change in financial assumptions | 186 | - | 186 |
| Experience (gains)/loss | 102 | - | 102 |
| **Total amount recognized in other comprehensive income** | **288** | **(104)** | **184** |
| **Total amount recognized in Statement of Profit and Loss** | **1,444** | **1,272** | **27** |
| Employer contributions | - | 421 | (421) |
| Benefit payments | (18) | (18) | - |
| **As at March 31, 2017** | **1,714** | **1,675** | **39** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Indian ₹ 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, 2017** | 1,714 | 1,675 | 39 |
| Current service cost | 309 | - | 309 |
| Interest expense/(income) | 120 | - | 120 |
| **Amount recognized in Statement of profit and loss** | **2,143** | **1,675** | **468** |
| **Remeasurements** | | | |
| Return on plan assets, excluding amounts included in interest expense/(income) | - | (115) | (115) |
| 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 | 2,143 | 1,790 | 314 |
| Employer contributions | - | 343 | (343) |
| **Benefit payments** | **(24)** | **(24)** | **-** |
| **As at March 31, 2018** | **2,035** | **2,119** | **(84)** |

**The net liability disclosed above relates to funded and unfunded plans are as follows:**

| | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Present value of funded obligations | 2,035 | 1,714 |
| Fair value of plan assets | 2,119 | 1,675 |
| Deficit/ (Surplus) of funded plans | (84)* | 39 |

* Included under note 15 'Other current assets

**Significant estimates: Acturial assumptions and sensitivity**

The significant acturial assumptions were as follows:

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Discount rate | 7.71% | 7% |
| 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 Furture Services | 29 years | 30 years |
| Mortality Table | IALM(2006-08) | IALM(2006-08) |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

**Sensitivity analysis**

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

| | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Defined Benefit Obligation | 2,035 | 1,714 |
| Discount rate:(% change compared to base due to sensitivity) | | |
| Increase : +1% | (217) | (187) |
| Decrease: -1% | 260 | 225 |
| Salary Growth rate:(% change compared to base due to sensitivity) | | |
| Increase : +1% | 235 | 220 |
| Decrease: -1% | (203) | (192) |
| Attrition rate:(% change compared to base due to sensitivity) | | |
| Increase : +50% | 58 | 112 |
| Decrease:-50% | (69) | (126) |
| Mortality rate:(% change compared to base due to sensitivity) | | |
| Increase : +10% | 3 | 1 |
| Decrease: -10% | (3) | (1) |

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 acturial 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 balancesheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

**Defined benefit liability and employer contributions**

The group 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 group. Any deficit in the assets arising as a result of such valuation is funded by the group. The group 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 group 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 their investments and liabilities and also periodically review their 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 in 2017 consists of government and corporate bonds, although they also invests in equities, cash and mutual funds. The plan asset mix is in compliance with the requirments of the respective local regulations.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

**The major categories of plans assets are as follows:**

| | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Central Govt Securities | 441 | 429 |
| State Govt Securities | 961 | 486 |
| SCD /Bonds | 583 | 501 |
| Equity | 43 | 149 |
| Fixed Deposits | 77 | 85 |
| Others | 14 | 25 |
| | **2,119** | **1,675** |

The weighted average duration of the defined benefit obligation is 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, 2018** | | | | | |
| Defined benefit obligation-gratuity | 162 | 164 | 463 | 6,500 | 7,289 |

**Risk exposure**

Through its defined benefit plans, the group is exposed to a number of risks, the most significant of which are detailed below:

**Interest Rate Risk:** The plan exposes the group 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 group 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 holding of illiquid assets not being sold in time.

**Salary Escalation Risk:** The present value of the defined benefit plan is 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 group has used certain mortality and attrition assumptions in valuation of the liability. The group 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 group 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 is 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 group 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 group intends to maintain the investment mix in the continuing years.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

**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.

**(iii) 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 group 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 ₹1032 (March 31, 2017- ₹1078)

**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 Holding Company's location. This Corporation is administered by the Government and the obligation of the group 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 ₹242 (March 31, 2017- ₹118 )

## Note 18: Deferred tax liabilities (net)

**The balance comprises temperory differences attributable to:**

| | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| **Deferred Tax Liability / (Asset) :** | | |
| Property, plant and equipment | 20,594 | 17,173 |
| Employee Benefits | (1018) | (786) |
| MAT Credit Entitlement | - | (3,107) |
| Others | 308 | (641) |
| **Net deferred tax liabilities / (Asset ) net** | **19,268** | **12,639** |

**Movement in Deferred tax liabilities /(Asset)**

| | Property, plant and equipment | Other items | Total |
|---|---|---|---|
| As at April 01, 2017 | 17,173 | (4,534) | 12,639 |
| Charged/(credited) to profit and loss | 3,421 | 3,208 | 6,629 |
| **As at March 31, 2018** | **20,594** | **(1,326)** | **19,268** |

## Note 19: Current borrowings

| | Maturity Date and Terms of Payment | Interest rate | 31 March 2018 | March 31, 2017 |
|---|---|---|---|---|
| **Secured** | | | | |
| Working Capital Loans from Banks | Payable on demand | 8.35% | 1,710 | 1,069 |
| Bank Overdrafts | Payable on demand | 5.25% | 4,601 | 2,505 |
| **Total Current Borrowings** | | | **6,311** | **3,574** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

**Secured borrowings and assets pledged as security**

Secured by pari-passu first charge on inventories, receivables and other current assets of the Holding Company and pari-passu second charge on movable fixed assets 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 19(a)

## Note 19 (a): Assets pledged as security

**The carrying amounts of Holding Company's assets pledged as security for working capital loans from banks:**

| | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| **First Charge** | | |
| Inventory | 128,139 | 125,576 |
| Accounts receivables | 111,211 | 100,289 |
| Other Current Assets | 216,041 | 178,050 |
| | **455,391** | **403,915** |
| **Second Charge** | | |
| Property, Plant and Equipment ( Movable) | **149,049** | **108,463** |

## Note 19 (b): Debt reconciliation

**This section sets out the changes in liabilities arising from financing activities in the statement of cashflows:**

| | As at March 31, 2018 |
|---|---|
| **Current Borrowings*** | |
| Opening balance | 1,069 |
| Add: Proceeds from borrowings | 641 |
| Less: Repayments of borrowings | - |
| Add: Interest expense | -** |
| Less: Repayments of Interest | -** |
| **Closing balance** | **1,710** |

*Bank Overdrafts balance is not included above as it is considered as cash and cash equivalents.

** Amount is below the rounding off norm adopted by the group

## Note 20: Trade payables

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Current** | | |
| Total outstanding dues of micro enterprises and small enterprises | - | - |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | 41,121 | 44,580 |
| **Total trade payables** | **41,121** | **44,580** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## Note 21: Other Financial liabilities

| | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| **Current** | | |
| Capital creditors | 2,150 | 2,551 |
| Employee benefits payable | 10,675 | 11,114 |
| Unclaimed dividend | 83 | 57 |
| **Total other financial liabilities** | **12,908** | **13,722** |

## Note 22: Other current liabilities

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Statutory dues payable | 685 | 882 |
| Advance from customers | 3,953 | 3,059 |
| **Total other current liabilities** | **4,638** | **3,941** |

## Note 23: Revenue from operations

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Sale of products (including excise duty) | 379,775 | 409,305 |
| **Sale of Services:** | - | |
| Contract research fee | 3,099 | 217 |
| **Other Operating Revenue:** | - | |
| Export incentives | 6,518 | 206 |
| Sale of scrap out of manufacturing process | 1,886 | 898 |
| **Total revenue from operations** | **391,278** | **410,626** |

## Note 24: Other income

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Interest income from financial assets at amortized cost | 435 | 548 |
| Dividend income from investments mandatorily measured at fair value through profit or loss | 7,612 | 6,289 |
| Net gain on foreign currency transactions and translations | 2,795 | 3 |
| Net gain on financial assets mandatorily measured at fair value through profit or loss | 260 | - |
| Net gain on sale of investments | 8 | 99 |
| Sale of other scrap | 231 | 102 |
| Provision for doubtful debs no longer required written back | - | 8 |
| Insurance claims received | 2 | 318 |
| Other non-operating income | 1 | 122 |
| **Total other income** | **11,344** | **7,489** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

### Note 25: Cost of raw materials consumed

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Raw materials at the beginning of the year | 38,274 | 33,033 |
| Add: Purchases | 153,972 | 162,516 |
| Less: Raw materials at the end of the year | 39,389 | 38,274 |
| **Total cost of raw materials consumed** | **152,857** | **157,275** |

### Note 26: Changes in inventories of finished goods and work-in-progress

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Opening Balance:** | | |
| Finished goods | 10,127 | 8,471 |
| Stock-in-trade | 4,579 | 3,478 |
| Work-in-progress | 69,394 | 68,069 |
| | **84,100** | **80,018** |
| **Closing 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** |
| **Total changes in inventories of finished goods and work-in-progress** | **333** | **(4,082)** |

### Note 27: Employee benefits expense

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Salaries, wages, bonus and other allowances* | 43,157 | 47,853 |
| Contribution to provident fund and other funds | 1,032 | 1,078 |
| Contribution to to ESI | 242 | 118 |
| Staff welfare expenses | 1,175 | 941 |
| **Total employee benefits expense** | **45,606** | **49,990** |

* Includes Contract Labour wages of ₹8,297 ( Previous year: ₹8,658)

### Note 28: Finance costs

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Interest and finance charges on financial liabilities carried at amortised cost | 53 | 117 |
| Interest on Income tax | 2 | 2 |
| Other borrowing costs | 78 | 106 |
| **Total Finance costs** | **133** | **225** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## Note 29: Depreciation and amortisation expense

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Depreciation on property, plant and equipment | 14,004 | 12,141 |
| Amortisation of intangible assets | 245 | 192 |
| **Total depreciation and amortisation expense** | **14,249** | **12,333** |

## Note 30: Other expenses

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Consumption of stores and spare parts | 3,468 | 3,455 |
| Packing materials consumed | 3,721 | 3,354 |
| Job work charges | 1,266 | 1,215 |
| Power and fuel | 22,873 | 19,880 |
| Repairs and maintenance- buildings | 1,823 | 1,410 |
| Repairs and maintenance- machinery | 6,458 | 5,561 |
| Repairs and maintenance- others | 130 | 110 |
| Insurance | 560 | 611 |
| Rates and taxes, excluding taxes on income | 631 | 761 |
| Directors sitting fees | 39 | 16 |
| Printing and stationery | 486 | 450 |
| Rental charges | 825 | 801 |
| Communication expenses | 163 | 142 |
| Travelling and conveyance | 1,526 | 907 |
| Vehicle maintenance | 75 | 267 |
| Payments to Auditors (Refer note 30(a) below) | 43 | 72 |
| Legal and professional charges | 5,043 | 529 |
| Factory upkeep | 315 | 348 |
| Environment management expenses | 1,373 | 1,606 |
| Advertisement | 73 | 96 |
| Research and development expenses (Refer note 30(c ) below) | 1,011 | 1,195 |
| Sales commission | 807 | 940 |
| Carriage outward | 5,522 | 5,712 |
| General expenses | 3,244 | 2,927 |
| Bad debts written off | 4 | 14 |
| Provision for doubtful debts | 57 | 97 |
| Donations | 2 | 10 |
| Corporate Social Responsbility (Refer note 30(b) below) | 1,698 | 1,626 |
| Loss on disposal / discard of assets | 626 | 51 |
| Changes in fair value of mutual funds | - | 201 |
| Net loss on foreign currency transactions and translations | - | 3,966 |
| Bank charges | 104 | 111 |
| **Total other expenses** | **63,966** | **58,441** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## Note 30(a): Details of payments to auditors

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| **Payment to auditors** | | |
| As Statutory Auditor | 26 | 26 |
| For Quarterly Reviews | 16 | 15 |
| For Certification | - | 9 |
| Taxation matters | - | 21 |
| Re-imbursement of expenses | 1 | 1 |
| **Total payments to auditors** | **43** | **72** |

## Note 30 (b): Corporate social responsibility expenditure

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Amount required to be spent as per section 135 of the Act | 2,719 | 2,451 |
| Amount spent during the year on | | |
| (i) Construction/acquisition of any asset | - | - |
| (ii) On purposes other than (i) above | | |
| Promoting education | 1,035 | 288 |
| Promoting healthcare | 98 | 13 |
| Rural Development | 304 | 171 |
| Empowering Women | 9 | - |
| Animal Welfare | 3 | 4 |
| Safe drinking water | 64 | 952 |
| Environmental sustainability | 57 | 49 |
| Promotion of rural sports | 9 | 2 |
| Swatch Bharat programme | 34 | 40 |
| Support to Differently abled | 30 | 24 |
| Livelihood Enhancement | 20 | 53 |
| Others | 35 | 30 |
| **Total Corporate social responsibility expenditure** | **1,698** | **1,626** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## Note 30 (c): Research and development expenditure

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Raw materials consumed | 51 | 67 |
| Salaries,wages,bonus and other allowances | 2064 | 2999 |
| Contribution to provident and other funds | 67 | 112 |
| Contribution to ESI | 7 | 4 |
| Staff welfare expenses | 28 | 2 |
| Stores consumed | 227 | 305 |
| Power and fuel | 163 | 226 |
| Repairs to buildings | 64 | 35 |
| Repairs to machinery | 267 | 166 |
| Repairs to other assets | 143 | 150 |
| Rates and taxes, excluding taxes on income | 42 | 32 |
| Printing and stationery | 19 | 22 |
| Communication expenses | - | 1 |
| Travelling and conveyance | 1 | 1 |
| Professional and consultancy charges | 4 | 134 |
| Miscellaneous expenses | 30 | 55 |
| Bank charges and commission | - | 1 |
| **Total Research and development expenses** | **3177** | **4312** |

* Research and development expenditure to the extent of ₹2,166 (2017:₹3,117) 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 the remaining research and development expenditure amounting to ₹1,011 (2017:₹1,195) is grouped under other expenses.

## Note 31: Income tax expense

This note provides an analysis of the group's income tax expense, shows 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.

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **(a) Income tax expense** | | |
| Current tax | | |
| Current tax on profits for the year | 28,983 | 28,523 |
| **Total current tax expense** | **28,983** | **28,523** |
| Deferred tax | 6,449 | 4,969 |
| **Total Deferred tax expense/(benefit)** | **6,449** | **4,969** |
| **Income tax expense recognised in statement of profit and loss** | 35,432 | 33,492 |
| **Current tax (income) / expense recognised in other comprehensive income** | 27 | (45) |
| **Total income tax expense** | **35,459** | **33,447** |

Entire deferred tax for the year ended March 31, 2018 and March 31, 2017 relates to origination and reversal of temporary differences.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

**(b) Significant estimates (tax calculation note)**

In calculating the tax expense for the current period, the Holding Company has treated certain expenditures as deductible and non-deductible based on prior year completed assessments for tax purposes. The Holding 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 ten years from the date of commencement of operations. Under the SEZ scheme, the unit which begins providing services on or after April 1, 2005 will be eligible for deductions of 100% of profits or gains derived from export of 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 provisons of the Income Tax Act, 1961.

**(c ) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:**

| | For the year ended March 31, 2018 | For the year ended March 31, 2017 |
|---|---|---|
| Profit from operations before income tax expenses | 123,133 | 139,534 |
| **Tax at the Indian tax rate of 34.608%** | **42,614** | **48,290** |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Expenses not deductible for tax purpose | 614 | 1,376 |
| Income not considered for tax purpose | (10,770) | (17,526) |
| Investment allowance | - | (577) |
| Adjustments for current tax of prior periods | - | (71) |
| MAT Credit utilised | 3,107 | 2,422 |
| Income charged at different tax rate | 40 | (340) |
| Others | (146) | (127) |
| **Income tax expenses** | **35,459** | **33,447** |

# NOTES TO STANDALONE FINANCIAL STATEMENTS

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

**Financial Instruments and Risk Management**

## Note 32: Categories of Financial Instruments

| | Notes | Level | As at March 31, 2018 | | As at March 31, 2017 | |
|---|---|---|---|---|---|---|
| | | | Carrying Value | Fair Value | Carrying Value | Fair Value |
| **A. Financial assets** | | | | | | |
| **a) Measured at amortised cost** | | | | | | |
| i) Cash and cash equivalents | 11 | 2 | 2,515 | 2,515 | 2,079 | 2,079 |
| ii) Other bank balances | 12 | 2 | 8,731 | 8,731 | 5,791 | 5,791 |
| iii) Loans | 13 | 2 | 17 | 17 | 27 | 27 |
| iv) Other financial assets | 6,14 | 2 | 5,276 | 5,276 | 5,354 | 5,354 |
| v) Trade receivables | 10 | 2 | 101,436 | 101,436 | 90,092 | 90,092 |
| **Sub - total** | | | **117,976** | **117.976** | **103,343** | **103,343** |
| **b) Mandatorily measured at fair value through profit or loss** | | | | | | |
| i) Investment in mutual funds | 9 | 1 | 188,928 | 188,928 | 163,072 | 163,072 |
| ii) Investment in equity instruments in other companies | 5 | 3 | 1 | 1 | 1 | 1 |
| **Sub - total** | | | **188,929** | **188,929** | **163,073** | **163,073** |
| **Total financial assets** | | | **306,905** | **306,905** | **266,416** | **266,416** |
| **B. Financial liabilities** | | | | | | |
| **a)** Measured at amortised cost | | | | | | |
| i) Trade payables | 20 | 2 | 41,121 | 41,121 | 44,580 | 44,580 |
| ii) Borrowings | 19 | 2 | 6,311 | 6,311 | 3,574 | 3,574 |
| ii) Other financial liabilities | 21 | 2 | 12,908 | 12,908 | 13,722 | 13,722 |
| **Sub - total** | | | **60,340** | **60,340** | **61,876** | **61,876** |
| **Total financial liabilities** | | | **60,340** | **60,340** | **61,876** | **61,876** |

**Notes:**

(i) The carrying amounts of trade payables, other financial liabilities, cash and cash equivalents, other bank balances, trade receivables and other financial assets are considered to be the same as their fair values due to their short term nature.

(ii) Loan balances consist of loans to related parties where by the fair value is considered to be the carrying value.

(iii) Other financial assets consist of certain non current portion relating to deposits with Government authorities where the fair value is considered to be the carrying value.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## Note 33: Fair Value Heirarchy

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 is 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 cashflow 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 main Level 3 inputs for investment in equity shares are derived using the discounted cash flow analysis.

## Note 34: Financial Risk Management

The group's activities expose it to market risk, price risk, liquidity risk and credit risk. The group emphasis 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 device 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 invest in deposits and mutual funds with nationalised banks, thereby minimising its risk.

II. Credit risk on security deposits, investments, loans given to employees and trade receivables are evaluated as follows:

Expected credit loss for security deposits and loans:

| Category | Basis for recognition of expected credit loss provison | 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 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Expected credit loss for security deposits and loans:

| | As at March 31, 2018 | | | As at March 31, 2017 | | |
|---|---|---|---|---|---|---|
| **Asset Group** | **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 | 3,413 | - | 3,413 | 3,015 | - | 3,015 |
| Loans to employees | 17 | - | 17 | 27 | - | 27 |
| Other Non-Current Financial assets | 490 | - | 490 | 847 | - | 847 |
| Other Current Financial assets | 1,373 | - | 1,373 | 1,492 | - | 1,492 |

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 Company 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 regulary 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 characterstics 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 analyzing individual receivables.

**Following are the Expected credit loss for trade receivables under simplified approach:**

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Gross carrying amount | 101,614 | 90,215 |
| Expected credit losses ( Loss allowance provision) | 178 | 123 |
| Net carrying amount of trade receivables | 101,436 | 90,092 |

**Expected credit loss for trade receivables under simplified approach:**

| Ageing | Not due | Outstanding FOR < 90 days | Outstanding > 90 days & < 180 days | Outstanding FOR > 6 Ms | Total |
|---|---|---|---|---|---|
| Gross carrying amount of trade receivables | 67,128 | 28,566 | 3,398 | 2,522 | 101,614 |
| Provision for doubtful debts (Specific) | - | - | - | 163 | 163 |
| Expected credit losses ( Loss allowance provision) | 11 | 4 | -* | - | 15 |
| Net carrying amount of trade receivables | 67,117 | 28,562 | 3,398 | 2,359 | 101,436 |

* Amount is below the rounding off norms adopted by the group

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

**(B) Market Risk:**

The group has substantial exposure to foreign currency risk due to the significant exports made. 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 impacts of the currency volatility and engages with customers addressing such risks.

**(i) Foreign currency risk exposure:**

| | | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|---|
| | Currency | Amount in Foreign Currency | Amount in ₹ | Amount in Foreign Currency | Amount in ₹ |
| Receivables | ACU | 2 | 160 | 3 | 222 |
| | CHF | 3 | 191 | - | - |
| | EUR | 34 | 2,716 | 40 | 2,646 |
| | GBP | 141 | 13,035 | 120 | 9,713 |
| | USD | 998 | 64,905 | 1,035 | 67,114 |
| Advance from customer | EUR | -* | (23) | (1) | (94) |
| | GBP | (4) | (408) | (12) | (963) |
| | USD | (49) | (3,193) | (30) | (1,935) |
| Payable to suppliers and services | USD | (314) | (20,396) | (316) | (20,503) |
| | EUR | (12) | (951) | (5) | (376) |
| | CHF | (1) | (44) | - | - |
| | GBP | -* | (1) | (3) | (264) |
| Advances to suppliers/service providers | USD | 35 | 2,302 | 11 | 706 |
| | EUR | 1 | 82 | 5 | 367 |
| | GBP | -* | 2 | -* | 3 |
| | CHF | 1 | 37 | 2 | 145 |
| | JPY | 2 | 1 | 23 | 13 |
| **Net Foreign currency exposure Asset/(Liability)** | | | **58,415** | | **56,794** |

* Amount is below the rounding off norm adopted by the group

| | Impact on profit after tax (Income) / Expense | |
|---|---|---|
| | As at March 31, 2018 | As at March 31, 2017 |
| **USD Sensitivity:** | | |
| INR/USD -Increase by 1% | (285) | (297) |
| INR/USD -Decrease by 1% | 285 | 297 |
| **ACU Sensitivity:** | | |
| INR/ACU -Increase by 1% | (1) | (1) |
| INR/ACU -Decrease by 1% | 1 | 1 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

| | Impact on profit after tax (Income) / Expense | |
|---|---|---|
| | As at March 31, 2018 | As at March 31, 2017 |
| **CHF Sensitivity:** | | |
| INR/CHF -Increase by 1% | (1) | (1) |
| INR/CHF -Decrease by 1% | 1 | 1 |
| **EUR Sensitivity:** | | |
| INR/EUR -Increase by 1% | (12) | (17) |
| INR/EUR -Decrease by 1% | 12 | 17 |
| **GBP Sensitivity:** | | |
| INR/GBP -Increase by 1% | (83) | (55) |
| INR/GBP -Decrease by 1% | 83 | 55 |
| **JPY Sensitivity:** | | |
| INR/JPY -Increase by 1% | -* | 0 |
| INR/JPY -Decrease by 1% | -* | (0) |

* Amount is below the rounding off norm adopted by the group

### (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 cashflow due to the increase/decrease in the interest rates with all other variables held constant.

| | Impact on profit after tax (Income) / Expense | |
|---|---|---|
| | March 31, 2018 | March 31, 2017 |
| **Short term Borrowing:** | | |
| Interest rate-increase by 100 basis points | 41 | 23 |
| Interest rate-Decrease by 100 basis points | (41) | (23) |
| **Fixed Deposits:** | | |
| Interest rate-increase by 100 basis points | (57) | (38) |
| Interest rate-Decrease by 100 basis points | 57 | 38 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

**(iii) Price Risk:**

(i) 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 conservatibe 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 | |
|---|---|---|
| | As at March 31, 2018 | As at March 31, 2017 |
| **SBI Mutual Fund - SBI-SHF-Ultra short term fund( direct daily dividend plan)** | | |
| -Increase in NAV by 1% | (1,627) | (1,631) |
| -Decrease in NAV by 1% | 1,627 | 1,631 |
| **SBI Treasury Advantage Fund( direct daily dividend plan)** | | |
| -Increase in NAV by 1% | (263) | - |
| -Decrease in NAV by 1% | 263 | - |

**(C) 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.

**(i) Financing Arrangement:**

The group has access to the following undrawn borrowing facilities at the end of the reporting period:

| Particulars | March 31, 2018 |
|---|---|
| **Expiring within one year (bank overdraft and other facilities):** | |
| Working Capital Loans | 290 |
| Bank Overdraft | 3,500 |

**(ii) Maturities of financial liabilities:**

| Contractual maturities of financial liabilities 31 March 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 | 12,908 | - | 12,908 |
| **Total** | **60,340** | **-** | **60,340** |

| Contractual maturities of financial liabilities 31 March 2017 | Less than 12 months | Greater than 12 months | Total |
|---|---|---|---|
| Current Borrowings | 3,574 | - | 3,574 |
| Trade payables | 44,580 | - | 44,580 |
| Other financial liabilities | 13,722 | - | 13,722 |
| **Total** | **61,876** | **-** | **61,876** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## Note 35: 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**

| | As at March 31, 2018 | As at March 31, 2017 |
|---|---|---|
| Net debt | 6311 | 3574 |
| Total Equity | 592480 | 535739 |
| Net debt to Equity ratio | 1% | 1% |

**(b) Dividends:**

**Dividend paid on Equity shares:**

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Dividends paid: | | |
| Final Dividend | 31,951 | 63,902 |
| Interim Dividend | - | - |

**Proposed dividends not recognised at the end of the reporting period:**

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| On Equity Shares of ₹2 each | | |
| Amount of dividend proposed | 26,547 | 26,547 |
| Amount of Dividend Tax | 5,457 | 5,404 |
| Dividend per equity share | 10 | 10 |

## Note 36: Interest in Other Entities

The Company's subsidiaries as at March 31, 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of equity shares that are held directly by the Company.

| | | Ownership interest held by the Company | | Ownership interest held by Non-Controlling interests | | |
|---|---|---|---|---|---|---|
| Name of the entity | Place of Business/ Country of incorporation | March 31, 2018 | March 31, 2017 | March 31, 2018 | March 31, 2017 | Principal activity |
| Divis Laboratories (USA) Inc | USA | 100% | 100% | 0% | 0% | Manufacturing and Trading of API |
| Divis Laboratories Europe AG | SWITZERLAND | 100% | 100% | 0% | 0% | Manufacturing and Trading of API |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## Note 37: Segment Information

**(a) Description of segments and principal activities**

The Chairman & 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 manufacturing and sale of Active Pharma Ingredients and Intermediates and operates in a single operating segment.

The amount of revenue and non-current assets broken down by location of the customers and assets respectively:

| | India | | Other Countries | |
|---|---|---|---|---|
| | As at March 31, 2018 | As at March 31, 2017 | As at March 31, 2018 | As at March 31, 2017 |
| Revenue | 56,425 | 53,213 | 334,853 | 357,413 |
| Non-current Assets | 220,154 | 207,792 | 31 | 25 |

The revenue from transactions with one external customer exceed 10% of the total revenue of the company for each of the two years ended March, 31 2018 and March, 31 2017

## Note 38: Foreign subsidiaries considered for consolidation

| Name of the entity | Place of Business/ Country of incorporation | 31 March 2018 | 31 March 2017 |
|---|---|---|---|
| Divis Laboratories (USA) Inc | USA | 100% | 100% |
| Divi's Laboratories Europe AG | SWITZERLAND | 100% | 100% |

## Note 39: Contingent Liabilities and contingent assets

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| On account of Letter of Credit and Guarantees issued by the bankers. | 11,806 | 11,629 |
| Claims against the Company not acknowledged as debts in respect of: | | |
| a) Indirect Taxes | 783 | 572 |
| b) Income Tax | 22 | 218 |

Note: 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 ₹ 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 (w.e.f. 27.06.2017) |
| | : Mr. K V K Seshavataram |
| | : Mr. R Ranga Rao |
| | : Dr.G Suresh Kumar |
| | : Mrs. S Sri Devi (resigned w.e.f 22.06.2017) |
| | : Dr Ramesh B V Nimmagadda (w.e.f. 22.06.2017) |
| | : Dr S Ganapaty (w.e.f. 22.07.2017) |
| | |
| **(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 |
| | : Miss. N. Monisha |
| | : Mr. N. Prashanth |
| | : Mrs. Jhansi Lakshmi Pendyala |
| | : Mrs. L. Vijaya Lakshmi |

**(c) List of Related Parties 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 | |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

**(d) Summary of Related Party transactions and balances:**

| | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| | Amount (Transactions) | Outstanding balance as at March 31, 2018 | Amount (Transactions) | Outstanding balance as at March 31, 2017 |
| (i) Managerial Remuneration and Short term employee benefits to Key Management Personnel -refer 40(e) (i) | 7,631 | 7,173 | 8,875 | 8,131 |
| (ii) Sitting fees to non-executive directors-refer 40(e) (ii) | 39 | - | 16 | - |
| (iii) Dividend paid to Key Management Personnel --refer 40(e) (iii) | 11,707 | - | - | - |
| (iv) Dividend paid to Relatives of Key Management Personnel -refer 40(e) (iv ) | 1,528 | - | - | - |
| (v) Salary and Allowances to Relatives of Key Management Personnel - Mrs Nilima Motaparti | - | - | 39 | 2 |
| (vi) Dividend paid to Company in which Key Management Personnel have Significant Influence - M/s Divi's Biotech Private Limited | 800 | - | - | - |
| (vii) Lease Rent to a Company in which Key Management Personnel have Significant Influence - M/s Divi's Properties Private Limited | 719 | - | 690 | - |
| (viii) Rent Deposit to a Company in which Key Management Personnel have Significant Influence - Divi's Properties Private Limited | - | 325 | - | 333 |

**(e) Transactions with Related Parties:**

| | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| | Amount (Transactions) | Outstanding balance as at March 31, 2018 | Amount (Transactions) | Outstanding balance as at March 31, 2017 |
| (i) Managerial Remuneration and Short term employee benefits to Key Management Personnel | | | | |
| 1. Dr Murali k Divi | 4,020 | 3,906 | 4,647 | 4,430 |
| 2. Sri N.V.Ramana | 2,059 | 1,955 | 2,417 | 2,217 |
| 3. Sri.Madhusudana Rao Divi | 99 | 4 | 189 | 4 |
| 4. Sri.Kiran S Divi | 1,402 | 1,305 | 1,622 | 1,480 |
| 5. Mrs Nilima Motaparti | 51 | 3 | - | - |
| | **7,631** | **7,173** | **8,875** | **8,131** |
| (ii) Sitting fees to non-executive directors | | | | |
| 1. Sri.K.V.K.Seshavataram | 8 | - | 4 | - |
| 2.Dr.G Suresh Kumar | 11 | - | 4 | - |
| 3.Sri R Ranga Rao | 11 | - | 6 | - |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

| | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| | Amount (Transactions) | Outstanding balance as at March 31, 2018 | Amount (Transactions) | Outstanding balance as at March 31, 2017 |
| 4 Smt. S. Sridevi | 1 | - | 2 | - |
| 5.Dr.S.Ganapaty | 3 | - | - | - |
| 6.Dr.Ramsh B V Nimmagadda | 5 | - | - | - |
| | **39** | **-** | **16** | **-** |
| (iii) Dividend paid to Key Management Personnel | | | | |
| 1. Dr Murali k Divi | 1,557 | - | - | - |
| 2. Sri.Kiran S Divi | 4,600 | - | - | - |
| 3. Mrs Nilima Motaparti | 5,400 | - | - | - |
| 4. Sri.Madhusudana Rao Divi | 58 | - | - | - |
| 5. Sri N.V.Ramana | 92 | - | - | - |
| | **11,707** | **-** | **-** | **-** |
| (iv)Dividend paid to Relatives of Key Management Personnel | | | | |
| Babu Rajendra Prasad Divi | 3 | - | - | - |
| Divi Radha Krishna Rao | -* | - | - | - |
| Sri Ramachandra Rao Divi | 5 | - | - | - |
| Jhansilakshmi Pendyala | 1 | - | - | - |
| Divi Swarna Latha | 1,400 | - | - | - |
| Divi Raja Kumari | 2 | - | - | - |
| Divi Satyasayee Babu | 36 | - | - | - |
| Shanti Chandra Attaluri | 53 | - | - | - |
| Nimmagadda Nirmala Kumari | 8 | - | - | - |
| N. Chandrika Ramana | -* | - | - | - |
| N. Venkata Aniruddh | -* | - | - | - |
| N. Monisha | 15 | - | - | - |
| N. Prashanth | 4 | - | - | - |
| L. Vijaya Lakshmi | 1 | - | - | - |
| | **1,528** | **-** | **-** | **-** |

*Amount is below the rounding off norms adopted by the group

(f) Terms and Conditions:

Transactions relating to dividend's were on the same terms and conditions that applies to other stakeholders

## Note 41 (a): Commitments

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Property, Plant and Equipment:** | | |
| (a) Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) | 8,803 | 6,562 |
| (b)Capital commitment towards Special Economic Zone Re-investment Obligation | 6,476 | 19,900 |
| **Others:** | | |
| (a)On account of bonds and / or legal agreements executed with Central Excise/ Customs authorities/ Development Commissioners | 22,400 | 14,900 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## Note 41 (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 ₹741 (Previous Year is ₹712 )

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, 2018 | March 31, 2017 |
|---|---|---|
| Not later than one year | 72 | 39 |
| Later than one year but not later than five years | 45 | 40 |
| Later than five years | - | - |

## Note 41 (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.

## Note 42: Other disclosures:

### (a) Additional Information required by Schedule III

**March 31, 2018**

| | 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 | 100.59% | 595,965 | 99.15% | 86,958 | 6.77% | 67 | 98% | 87,025 |
| **Subsidiaries(Foreign):** | | | | | | | | |
| Divis Laboratories (USA) Inc | (0.34%) | (2,004) | 0.16% | 141 | 93.23% | 923 | 1% | 1,064 |
| Divi's Laboratories Europe AG | (0.25%) | (1,481) | 0.69% | 602 | 0.00% | - | 1% | 602 |

(b) The subsidiaries are engaged in distribution of the nutraceutical ingredients manufactured and supplied by the company and had negative networh aggregating an amount of ₹3485. The company, as parent, has been supporting the operations of the subsidiaries and will continue to support the subsidiaries by supplying nutra ingredients. Subsidiaries have been having continuing business of distribution of the ingredients, earning profits from operations for the last few years and have been repaying the loans provided by the Holding company.

In view of the robust financial strength of the Holding company and the market penetration particularly of the nutraceutical ingredients, the business operations of the subsidiaries will be continuing with the support of the Holding company.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## Note 43: Earnings per share

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **(a) Basic EPS** | | |
| Basic earnings per share attributable to the euity holders of the company | 33.04 | 39.95 |
| **(b) Diluted EPS** | | |
| Diluted earnings per share attributable to the euity holders of the company | 33.04 | 39.95 |

**(c ) Reconciliation of earnings used in calculating earnings per share**

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Basic earnings per share** | | |
| Profit attributable to the equity holders of the company used in calculating basic earnings per share | 87,701 | 106,042 |
| **Diluted earnings per share** | | |
| Profit attributable to the equity holders of the company used in calculating diluted earnings per share | 87,701 | 106,042 |

**(d) Weighted average number of shares used as the denominator**

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Weighted average number of equity shares used as the denominator in calculating basic earnings per share** | 265,468,580 | 265,468,580 |
| Adjustments for calculation of diluted earnings per share: | - | - |
| **Weighted average number of equity shares used as the denominator in calculating diluted earnings per share** | **265,468,580** | **265,468,580** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

## Note 44: Disclosures relating to Specified Bank Notes* (SBNs) held and transacted during the period from8 November 2016 to 30 December 2016

| Particulars | SBN | Other denomination notes | Total |
|---|---|---|---|
| Closing cash in hand as on 8 November 2016 | 27 | 26 | 53 |
| (+) Permitted receipts | - | 20 | 20 |
| (-) Permitted payments | 0 | 65 | 65 |
| (-) Amount deposited in Banks | 27 | - | 27 |
| Cash withdrawn | - | 39 | 39 |
| **Closing cash in hand as on 30 December 2016** | - | 20 | 20 |

* Specified Bank Notes (SBNs) mean the bank notes of denominations of the existing series of the value of five hundred rupees and one thousand rupees as defined under the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs no. S.O. 3407(E), dated the 8th November, 2016.

## Note 45: 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**
Chartered Accountants
Firm registration number: 012754N/N500016

**Sunit Kumar Basu**
Partner
Membership number: 55000

Place : Hyderabad
Date : 26.05.2018

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

**Dr. Murali. K. Divi**
Chairman and Managing Director

**N. V. Ramana**
Executive Director

**L. Kishorebabu**
Chief Financial Officer

**P. V. Lakshmi Rajani**
Company Secretary

# Notice OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Eighth Annual General Meeting (AGM) of the Members of DIVI'S LABORATORIES LIMITED will be held on Monday, 10 September 2018 at 10.00 A.M. at Global Peace Auditorium, Brahma Kumaris, Shanti Sarovar, Academy for Better World, Gachibowli, Hyderabad – 500032 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 2018 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 2018

**Item No. 3 – Appointment of Mr. N.V. Ramana as Director**

To re-appoint Mr. N.V. Ramana (DIN: 00005031), who retires by rotation and being eligible, offers himself for reappointment as a Director

**Item No. 4 – Appointment of Mr. Madhusudana Rao Divi as Director**

To re-appoint Mr. Madhusudana Rao Divi (DIN: 00063843), who retires by rotation and being eligible, offers himself for reappointment as a Director

For and on behalf of the Board

Hyderabad
26 May 2018

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

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. Relevant details as required under Regulation 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and Secretarial Standard on General Meetings issued by the Institute of Company Secretaries of India, in respect of Directors seeking appointment/ re-appointment at this annual general meeting are 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 person or 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. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote

5. Members / proxies / authorized representatives are requested to bring the attendance slips duly filled in for attending the meeting

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 4 September 2018 to 10 September 2018 (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 26 May 2018 has recommended a dividend of Rs.10/- per equity share of Rs.2/- as final dividend for the financial year 2017-18. 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 3 September 2018.

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. Bank particulars:

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

(i) Name of the Sole / First joint holder and the Folio Number.

(ii) Particulars of Bank account, viz.,

- Name of the Bank
- Name of the Branch
- Complete address of the Bank with Pin Code Number
- Account type, whether Savings (SB) or Current account (CA)
- Bank Account Number allotted by the Bank

9. Shareholders holding shares in electronic form may kindly note that their Bank account details as furnished by their Depositories to the Company will be printed on their Dividend Warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such shareholders for deletion of/ change in such Bank details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in the electronic mode. Shareholders are requested to intimate immediately any change in their address or bank mandates to their depository participants with whom they are maintaining their demat accounts or to the company's share transfer agent, M/s. Karvy Computershare Private Limited, if the shares are held in physical form.

10. Non-Resident Indian Shareholders are requested to inform the registrars, M/s. Karvy Computershare Private Limited immediately:

a. the change in the Residential status on return to India for permanent settlement.

b. the particulars of the Bank Account maintained in India with complete name, branch, account type, account number and address of the Bank, if not furnished earlier.

11. M/s. Karvy Computershare Private Limited, 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.

12. Members are advised to register/ update their address, e-mail addresses 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 Computershare Private Limited in case shares are held in physical form.

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 Computershare Private Limited.

14. Pursuant to the provisions of Section 124 of the Act, the unpaid or unclaimed dividend for the Financial year 2010-11 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) 2010-11, 2011-12, 2012-13, 2013-14, 2014-15, 2015-16 (interim dividend) and 2016-17 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 25 September 2017 (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 2017-18 is being sent through email to those members who have opted to receive electronic communication or who have registered their email addresses with the Company/depository participants. 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 Company/ depository participant. Members will be entitled to a physical copy of the annual report for the financial year 2017-18 upon sending a request to the Company. Notice of the 28th AGM and the Annual Report 2017-18 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. from the Company 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 Agents, 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 Secretarial Standards on General Meetings (SS2) issued by the Institute of Company Secretaries of India, Divi's Laboratories Limited ("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 Computershare 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 M/s. Karvy Computershare Private Limited ('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. |

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 numbers 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 6 September 2018

ii. End of remote e-voting: up to 5.00 p.m. on 9 September 2018

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 26 May 2018 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., 3 September 2018. 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., 3 September 2018, 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., 3 September 2018 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.

**Details of Directors seeking appointment/ re-appointment at the Annual General Meeting:**

Details of Directors seeking appointment/ re-appointment as required under Regulation 36(3) of SEBI Listing Regulations and Secretarial Standard on General Meetings issued by the Institute of Company Secretaries of India:

**Item No. 3**

Mr. N.V. Ramana (60 years) is a graduate in chemistry from Osmania University, Hyderabad and is a Member of American Chemical Society. He joined the Board of the company on 01.10.1994 and has been its Whole-time Director designated as Executive Director of the Company.

He has over 25 years of experience in Pharmaceutical Industry and handled varied functions in the active ingredients business.

Mr. Ramana is responsible for overall operations including strategy planning, business development and nutraceuticals business.

He is not holding Directorship in any other Companies. He is neither a Member nor Chairman of Committees of other Companies. He holds 5,63,078 equity shares of the Company as on March 31, 2018.

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. N.V. Ramana 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**

Mr. Madhusudana Rao Divi (74 years) is a post-graduate in Structural Engineering from Mysore University. He worked with M/s Howe India and M/s. Towell Construction Company and has executed several offshore construction contracts such as Vizag Outer Harbour Project, Defence and Civil construction contracts in Saudi Arabia, Iraq and Kuwait. Between 1990-1996, he was Executive Director of Sadah General Trading and Contracting Co., Kuwait and implemented several offshore and on-shore construction projects.

He joined the Board of the Company on 14.10.1994 and has been a Whole-time director since the year 1997. Mr. Rao Divi looks after project implementation, production planning, environment management and regulatory affairs. He is responsible for implementation of new Projects under capital expenditure plans of the company, plant up-gradation to comply with FDA requirements, environment management and overseeing logistics at Plant.

He is not holding Directorship in any other Companies. He is neither a Member nor Chairman of Committees of other Companies. He holds 5,84,632 equity shares of the Company as on March 31, 2018.

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. Madhusudana Rao Divi and Dr. Murali K. 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.

For and on behalf of the Board

Hyderabad
26 May 2018

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

Registered Office:
1-72/23(P)/DIVIS/303,
Divi Towers, Cyber Hills,
Gachibowli, Hyderabad – 500 032
CIN: L24110TG1990PLC011854
e-mail: mail@divislabs.com

# NOTES

# 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 Computershare Private Limited, Karvy Selenium Tower B, Plot No 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500 032
CIN : U74140TG2003PTC041636

## 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 28th 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 Monday, 10 September 2018.

## SIGNATURE OF THE MEMBER OR THE PROXY ATTENDING THE MEETING

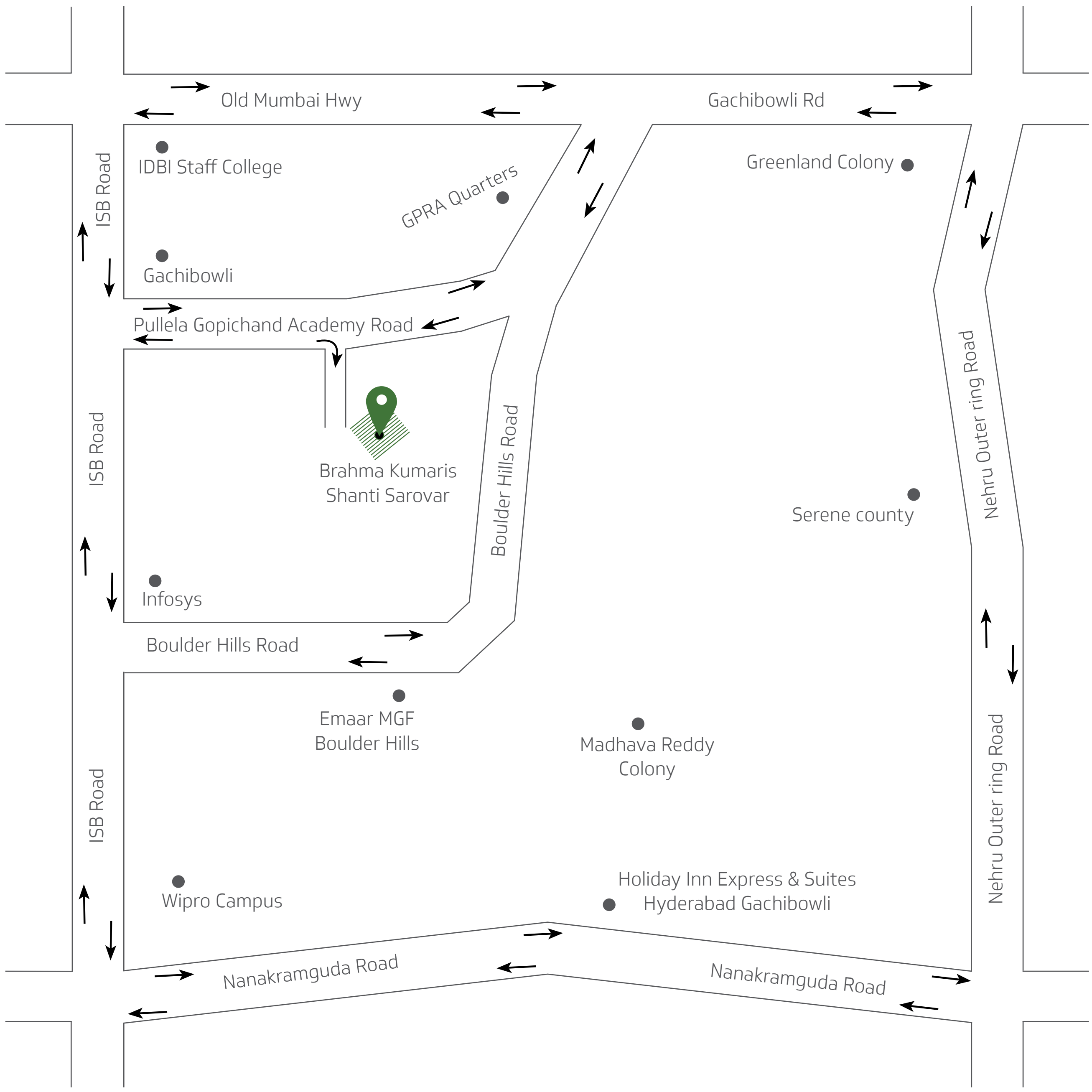
............................................................................ ............................................................................

**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



# DIVI'S LABORATORIES LIMITED

CIN : L24110TG1990PLC011854
Divi Towers, 1-72/23(P)/DIVIS/303, Cyber Hills, Gachibowli, Hyderabad-500032, 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 Computershare Private Limited, Karvy Selenium Tower B, Plot No 31-32,
Gachibowli, Financial District, Nanakramguda, Hyderabad-500032
CIN : U74140TG2003PTC041636

## 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 28th 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 Monday, 10 September 2018 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 2018 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 2018 | | | |
| 3 Re-appointment of Mr. N.V. Ramana (DIN: 00005031), who retires by rotation and being eligible, offers himself for re-appointment | | | |
| 4 Re-appointment of Mr. Madhusudana Rao Divi (DIN: 00063843), who retires by rotation and being eligible, offers himself for re-appointment | | | |

Signed this........................day of.........................2018.

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 person or 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.

To view the report online Please log on to
www.divislabs.com

Divi's Laboratories Limited

**Registered office:**
Divi Towers, 1-72/23(P)/DIVIS/303, Cyber Hills, Gachibowli, Hyderabad - 500 032, India
Phone : 040 - 2378 6300, Fax : 040 - 2378 6460, E-mail : mail@divislabs.com, www.divislabs.com