Divi's Laboratories Limited

Sustainable Chemistry

Striving for leadership through chemistry

27th Annual Report 2016-17

CONTENTS

Corporate Overview

Board of Directors	02
Corporate Information	03
Introduction	04
Sustainable Performance	06
Geographical Market Presence	08
Performance Highlights	09
Committed to Sustainability	10

Statutory Reports

Business Responsibility Report	28
Management Discussion and Analysis	36
Corporate Governance Report	44
Board's Report	58

Financial Statements

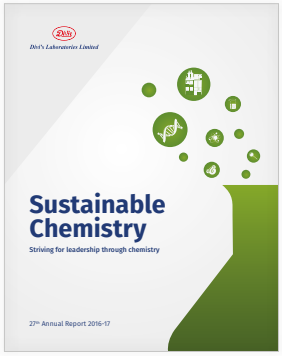
Independent Auditors' Report	84
Standalone Balance Sheet	90
Standalone Statement of Profit & Loss	91
Standalone Statement of Cash Flow	92
Statement of Changes in Equity	94
Notes to the Financial Statements	95
Consolidated Independent Auditors' Report	136
Consolidated Balance Sheet	138
Consolidated Statement of Profit & Loss	139
Consolidated Statement of Cash Flow	140
Consolidated Statement of Changes in Equity	142
Notes to the Consolidated Financial Statements	143
Notice of Annual General Meeting	180

Divis corporate office at Hyderabad, Telangana

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!



Sustainable chemistry operates within the broad framework of sustainable development to maximise resource efficiency and create continuous value for stakeholders. The cover design resonates the broad idea of sustainable chemistry, wherein the infographics represent the elements that effectively contribute towards leadership that we as an organisation strive for.

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
Additional (Whole-time)
Director

Dr. G. Suresh Kumar
Independent Director

R. Ranga Rao
Independent Director

K. V. K Seshavataram
Independent Director

S. Sridevi*
Independent Director

Dr. Ramesh B V Nimmagadda
Additional Independent
Director

Dr. S. Ganapaty
Additional Independent
Director

Independent Directors

* Retired w.e.f 22nd Jun 2017

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

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

Board of Directors

Refer page no. 2

Chief Financial Officer: L. Kishore Babu
Company Secretary: P. V. Lakshmi Rajani

Subsidiaries

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

BANKERS

State Bank of Hyderabad
State Bank of India

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

Founded in 1990, Divi's Laboratories is among the leading pharmaceutical companies in the world, based out of India, manufacturing Active Pharma Ingredients (APIs) and Intermediates. With four manufacturing facilities, market presence across several countries and a team of 9735 people, Divis continues to innovate to bring better manufacturing processes for facilitating affordable medicines.

Divis is engaged in manufacturing leading generic compounds, Nutraceutical ingredients and custom synthesis of APIs and intermediates for global innovator companies. Divis is among the largest pharmaceutical companies in India with a portfolio of 120 products across diverse therapeutic areas. The continuous innovation in processes is made possible with its three R&D centres comprising a team of well qualified people. It stays committed towards its goal of sustainable chemistry there by innovating processes and practices that protect and enhance human health and the environment.

Snapshot, FY2016-17

4,14,175
Total Revenue
(₹ in Lakhs)

1,51,375
EBIDTA
(₹ in Lakhs)

1,38,823
Profit before Tax
(₹ in Lakhs)

1,05,327
Profit after Tax
(₹ in Lakhs)

16,56,524
Market Capitalisation as on March 31, 2017
(₹ in Lakhs)

5,40,891
Net Worth as on March 31, 2017
(₹ in Lakhs)

2,43,724
Gross block as on March 31, 2017
(₹ in Lakhs)

39.68
Earnings per share
(₹)

Vision

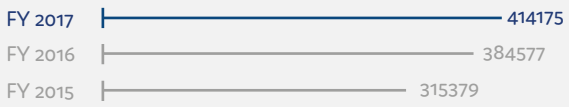
To maintain leadership in custom synthesis of APIs and Intermediates for health care and life sciences industry. To develop generic APIs for the late life cycle needs of the Industry and to be one of the top companies world-wide in this domain.

Mission

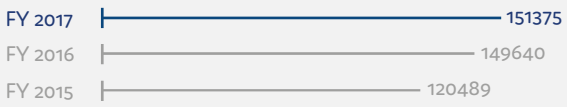
To be a good corporate citizen and not only add value in our core competency area of Pharma, but also serve the community at large through social, educational and environmental initiatives that would establish strong foundations for a better tomorrow.

SUSTAINABLE PERFORMANCE

TOTAL REVENUE
[₹ In Lakhs]



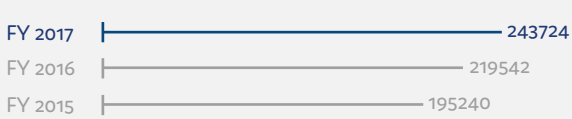
EBDIT
[₹ In Lakhs]



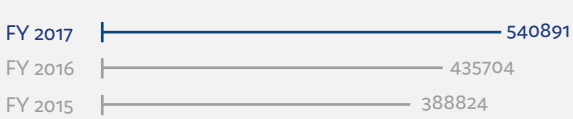
PBT
[₹ In Lakhs]

PAT
[₹ In Lakhs]

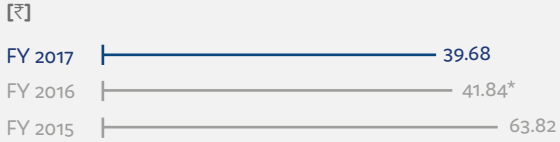
GROSS FIXED ASSETS
[₹ In Lakhs]



NETWORTH
[₹ In Lakhs]

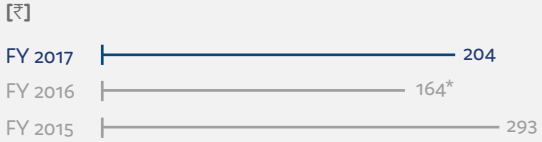


EPS
[₹]



* Post bonus issue

BOOK VALUE PER SHARE
[₹]

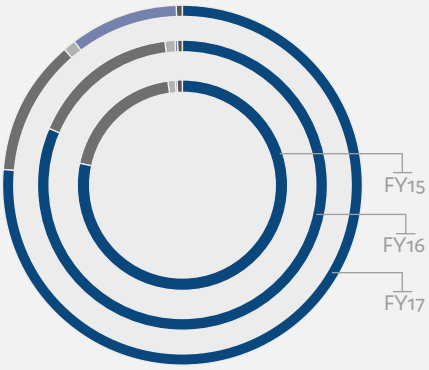


* Post bonus issue

DIVIDEND (Incl. of Tax)
[₹ In Lakhs]

MARKET CAPITALISATION
[₹ In Lakhs]

NATIONAL EXCHEQUER



₹ in Lakhs

	FY2015		FY2016		FY2017	
	₹	%	₹	%	₹	%
Tax Expenses	22012	71.67	26516	74.68	33540	76.43
Corporate Dividend Tax	5404	17.60	5404	15.22	5404	12.32
Other Direct Tax	306	1.00	362	1.02	502	1.14
Excise Duty	2776	9.04	3081	8.68	4231	9.64
Customs Duty	213	0.69	141	0.40	204	0.47
Total	**30711**	**100**	**35504**	**100**	**43881**	**100**

DIRECT ECONOMIC IMPACT

₹ in Lakhs

	FY2015	FY2016	FY2017
Total Revenue	315379	384577	414175
Exports	265677	325693	353148
Tax Expense	22012	26516	33540
Consumption of Material	121544	149447	154158
Employee Benefit Expenses	28315	35295	45916
Interest	186	301	226
Dividend & Dividend Tax	31951	31951	31951

EMPLOYEES

	FY2015	FY2016	FY2017
Cost towards wages / salaries (₹ in Lakhs)	26834	33730	43988
Other benefit costs (₹ in Lakhs)	1481	1565	1928
Total personnel costs (₹ in Lakhs)	28315	35295	45916
% of Sales Revenue	9.18%	9.60%	11.29%
Number of employees	8721	9481	9735

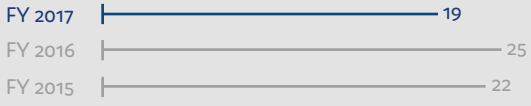
CUSTOMERS

₹ in Lakhs

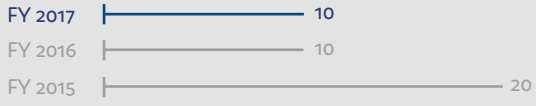
	FY2015	FY2016	FY2017
Total Revenue	315379	384577	414175
Debtors	82303	96612	100042
Payments received during the year	312240	370268	410745
Debtors' outstanding (in average number of days of turnover)	97	94	90

SHAREHOLDERS

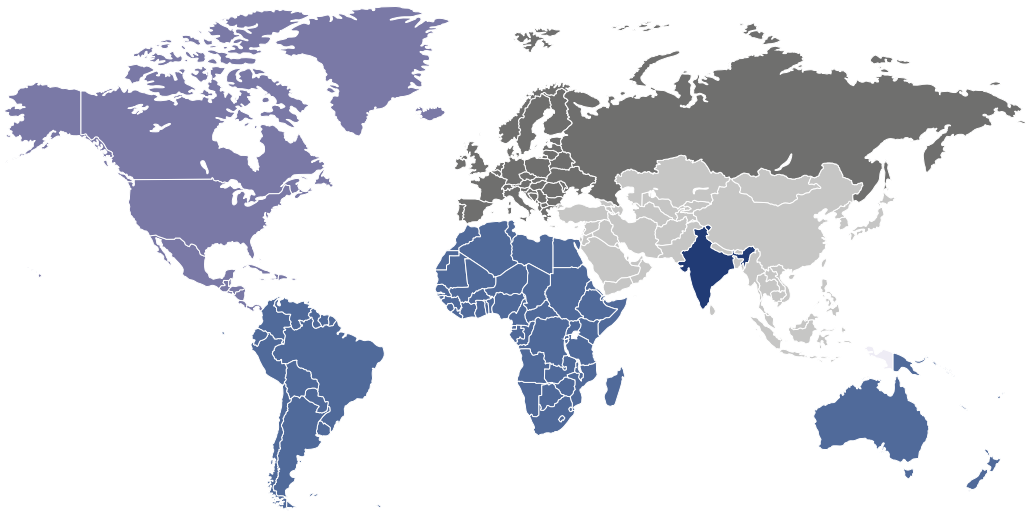
RONW
[In %]



DIVIDEND PER SHARE
[In ₹]



GEOGRAPHICAL MARKET PRESENCE



AMERICA

	FY2015	FY2016	FY2017
Sales ₹ Lakhs	116716	118581	133808
% Share	38.09%	31.68%	33.00%

EUROPE

	FY2015	FY2016	FY2017
Sales ₹ Lakhs	106880	160349	162825
% Share	34.88%	42.85%	40.16%

INDIA

	FY2015	FY2016	FY2017
Sales ₹ Lakhs	40711	47799	52097
% Share	13.29%	12.77%	12.85%

ASIA

	FY2015	FY2016	FY2017
Sales ₹ Lakhs	30849	39443	47284
% Share	10.07%	10.54%	11.66%

REST OF THE WORLD

	FY2015	FY2016	FY2017
Sales ₹ Lakhs	11231	8078	9460
% Share	3.67%	2.16%	2.33%

PERFORMANCE HIGHLIGHTS

₹ in Lakhs

	FY2013	FY2014	FY2015	FY2016	FY2017
Turnover and Profit					
Revenue#	213931	253226	311095	374985	406578
Revenue Growth (y-o-y)	15%	18%	23%	22%	8%
Other Income	5345	8390	4284	9592	7597
Total Revenue	219276	261616	315379	384577	414175
Total Income Growth (y-o-y)	14%	19%	21%	22%	8%
Profit before Interest,Depreciation and Tax.(EBDIT)	87026	110276	120489	149640	151375
EBDIT to Revenue	40%	42%	38%	39%	37%
EBDIT Growth (y-o-y)	14%	27%	9%	24%	1%
Finance Charges	178	206	186	301	226
Depreciation	7690	9206	13585	11810	12326
Profit before tax (PBT)	79158	100864	106718	137529	138823
PBT Growth (y-o-y)	14%	27%	6%	29%	1%
Provision for Taxation	18016	21692	22012	26445	33496
Profit After Tax (PAT) (before OCI)	61142	79172	84706	111084	105327
PAT Growth (y-o-y)	12%	29%	7%	31%	(5%)
Dividend, Share Capital and Capital Employed					
Dividend	750%	1000%	1000%	500%	500%
Dividend amount (Incl. of Tax)	23294	31059	31951	31951	31951
Equity Share Capital	2655	2655	2655	5309	5309
Reserves & Surplus	252673	300787	386169	430395	535582
Net Worth	255328	303442	388824	435704	540891
Net Worth growth (y-o-y)	17%	19%	17%	12%	24%
Gross Fixed Assets	133788	173979	195240	219542	243724
Net Fixed Assets	90850	122160	130873	143864	155895
Total Assets	319591	378396	444916	496549	621008
Key Financial Indicators					
Earnings per share (face value of ₹2/-each)	46.06	59.65	63.82	41.84*	39.68
Cash Earnings Per Share (face value of ₹2/-each)	51.86	66.58	74.05	46.29*	44.32
Gross Turnover Per share (face value of ₹2/-each)	165.20	197.10	237.60	144.87*	156.02
Book Value per share (face value of ₹2/-each)	192.36	228.61	292.93	164.13*	203.75
Total Debt to Equity	0.01	0.01	0.01	0.01	0.01
EBDIT / Gross Turnover	40%	42%	38%	39%	37%
Net Profit Margin	28%	30%	27%	29%	25%
RONW	24%	26%	22%	25%	19%

Inclusive of excise duty

* Post Bonus Issue

COMMITTED TO SUSTAINABILITY

At Divis, commercial success and financial performance is integral to the Company's ability to provide meaningful and long-term benefits to the communities around our manufacturing facilities.

Our long-term business sustainability is built on foundation of our efforts towards environment and corporate social responsibility. We play an active role in supporting local communities with initiatives that are aligned to our long-term business goals.

We leverage our position among country's leading pharmaceutical companies and support several programmes and causes that bring a positive change in lives of the people.

CSR at Divis in its modern sense, requires us to operate responsibly taking into account the economic, social and environmental impacts, and address key sustainable development challenges across our projects.

Key pillars in CSR and sustainability strategy at Divis:

Promoting Education

Support to Differently-Abled

Preventive Healthcare

Animal Welfare &
Dairy Development

Building Rural Infrastructure

Safe Drinking Water

Swachh Bharat

Environmental Sustainability

Wellness at work

PROMOTING EDUCATION

At Divis, we have always believed in an inclusive and holistic development of future generations. Our effort towards stimulating learning across a wide stakeholder group is recognized and appreciated in several nation wide forums. We continue to strongly focus on promoting and supporting formal educational needs of children.

While we provide several tangible benefits, we also support education with a team of volunteers known as Vidya Volunteers. Divis pays honararium to these volunteers who actively visit schools and provide education to several students.

HIGHLIGHTS, FY2017

66	108	79	42	6310
Villages covered	Scholarships provided	Schools covered	Active Vidya Volunteers	Students benefited

INITIATIVES CONDUCTED DURING THE YEAR

Empowering students for education forms an important foundation of our sustainability goals. We conducted several activities to empower education among the students. Some of them being:

Health & Hygiene

Children across several villages lack proper nutrition in addition to having access to basic education. Those children who get education are often forced to drop out due to lack of nutrition. At Divis, we realized this fact and made sincere efforts to enhance the nutrition levels of children.

Our '**once a day Horlicks'** programme helps plug the gap in nutrition levels for more than 6000 students across 60 villages. We distribute Horlicks sachets of 18 grams everyday to 60 schools across Krishna, Nalgonda, Visakhapatnam and Vijayanagaram districts at ₹6.44 Lakhs per month.

We also built toilets for girls and boys in several schools ensuring proper hygiene and sanitation levels.

To ensure that students stayed healthy and safe, we partnered with local doctors and conducted **health check-up camps at 56 schools** and also provided first-aid kits. This initiative ensured that diagnosis is given at the right time to prevent and protect the kids from any disease.

School necessities

We empowered education of several students by providing them with basic necessities of school supplies. During the year, we **distributed notebooks, school shoes, uniforms and school bags** to several students in 26 schools.

40,000+
Notebooks supplied

1580+
School bags supplied

Empowering the talented

Children with passion and commitment always achieve greater heights. At Divis, we do our best to motivate them to reach higher scale of success. We provide scholarships for professional courses to meritorious students and we also provide scholarships to differently-abled students.

During the year, we gave **scholarships worth ₹7.50 Lakhs to 108 students** in various schools. We provided scholarships to 12 students from the age of 6-11 and also supported differently-abled children to complete their education.

Strengthening the infrastructure

One of the primary reasons for lower literacy rate in rural areas is lack of infrastructure facilities at the ground level. Kachha walls, no ventilation, small rooms and lack of space for co-curricular activities often made children disinterested.

At Divis, we helped this cause in more ways than one. We constructed make-shift open schools for ensuring continuation of education for school drop-outs. We made provision for safety grills on windows and constructed toilets in some schools. We helped develop infrastructure at Anganwadi Centres in Yadadri Bhuvanagiri and Visakhapatnam region. We also renovated MPP School at Nemalikaluva. We also donated several dual desk benches to 17 ZPH schools in Siddipet constituency.

Transforming education standards

With the evolution of education and knowledge, it is imperative to upgrade to modern day education standards. At Divis, we helped students in 7 rural area schools by providing **digital education**. We created **digital class room** and conducted several training sessions for villagers and students from those regions. For example, we brought in bank managers to conduct classes on digital payments and empowered villagers with modern day banking system.

We **installed computer laboratories in 3 schools** with more than 50 computers. Computer training classes were conducted regularly.

Skill Development

We also constructed a dedicated skill development centre at Chippada, Visakhapatnam to empower the youth with right skills for their future employment and self-employment needs. With more than 100 young men and women trained till date, the skill development centre has brought in positive change to their lives.

EMPOWERING THE DIFFERENTLY-ABLED

As our country makes strides towards emerging as a great nation, there is an increasing need to create a sense of equality and protect rights of all. There still constitutes a sizeable portion of the country's population with psychological or physical conditions.

At Divis, we recognize their talent and abilities, value them and give them an opportunity to be treated equally. From supporting them with Braille text books to appointing teachers, we undertook several initiatives to enhance their true abilities and take them closer to their dreams and aspirations.

HIGHLIGHTS, FY2017

190
Students being helped with several initiatives

2
Schools impacted

7
Staff members that helped students reach their potential

Some of the initiatives undertaken:

- Supplied Braille text books to the students of Govt Residential School for visually challenged
- Appointed additional teachers for Govt Residential school for visually challenged
- Extended admission support for continuing higher education (Intermediate & Degree)
- Established Computer Lab, Music Room and Health Room
- Created barrier free environment in the play ground
- Provided nutritious food to the students
- Conducted health check up camps
- Supplied 2 sets of uniforms to each student
- Provided utensils & water coolers
- Constructed toilets building
- Renovated kitchen

Netravidyalaya – A vision to the needy

Netravidyalaya is an educational institution for visually challenged. We provide assistance in various forms to the kids of this institute, empowering them to achieve their goals. During the year, we distributed 30 laptops to students of this institute and helped them reach their potential.

PREVENTIVE HEALTHCARE

Most of the people in rural India still suffer from basic and proper diagnosis for their medical needs. Unmet medical needs often lead to severe health issues and reduces their life expectancy significantly.

At Divis, we undertook several preventive health care initiatives within the communities we operate thereby improving their sanitation.

Some of the initiatives during the year:

- Free Eye and Dental care camps
- ORT training and pulse polio campaigns
- Additional incentives for Family Planning
- Awareness campaigns on HIV/ AIDS, epidemics and malaria
- Fluorosis health camps
- Prevention camps for Japanese Encephalitis
- Donation of Gluco meters and strips to Government Hospitals

PROMOTING ANIMAL WELFARE

Holistic development is often unbalanced until it includes equal relevance and development programmes for the animals as well. Often it has been found that animal welfare is not mainstreamed in development policy.

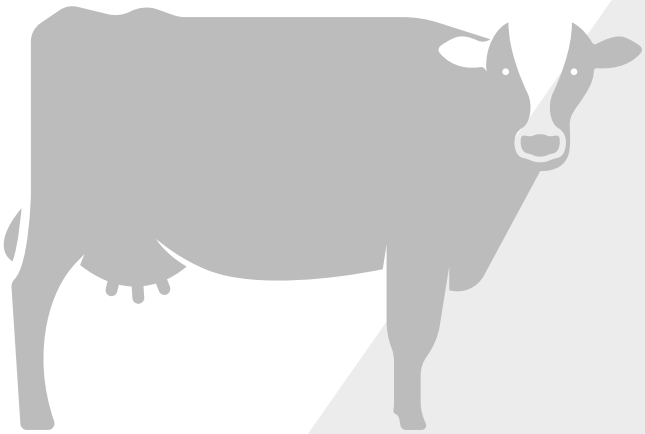
Our social responsibility initiative included number of activities that helped promote animal welfare and their holistic development. Some of the initiatives included:

- Conducting knowledge-based veterinary camps
- Providing expert advise through camps on dairy development, cattle feed and animal welfare
- Providing necessary medicines through veterinary dispensaries
- Contributing medical equipment, vaccination and medicines to veterinary hospitals

HIGHLIGHTS, FY2017

18
Number of villages reached

25000+
Number of farmers benefited



BUILDING RURAL INFRASTRUCTURE

Infrastructure plays a crucial role in our country's economic development. Rural areas account for the largest part of our country's geographical region with lakhs of villages providing shelter to millions of people. It is extremely important to develop the rural infrastructure in order to develop the country as a whole.

At Divis, we have made a conscious effort to contribute to the development of infrastructure in the rural parts of our country. We realized that there are many villages yet to be connected to towns and cities, hindering their overall development and growth. During the year, we undertook the following initiatives towards rural infrastructure development:

- Constructed roads, bus shelters, community halls, drains, dahana vaticas
- Renovated places of worship
- Dug agricultural bore wells
- Provided street lights and accessories
- De-silted tanks, canals & community ponds
- Distributed street lights
- Constructed drainages at appropriate places

HIGHLIGHTS, FY2017

9
Number of villages reached

30000
Number of people benefited from these initiatives

₹98 Lakhs
Amount handed over to district collector for construction of culverts

SUJALAM – PROTECTED DRINKING WATER SCHEME

In India, particularly in remote villages, safe drinking water is still a distant reality. There aren't any set guidelines and standards for drinking water to protect people against both naturally-occurring and man-made contaminations. There still persist number of threats to drinking water, like, animal waste, underground waste, improper disposal of chemicals and other natural contaminations. These threats pose significant health risks to the lives of people.

HIGHLIGHTS, FY2017

45
Number of villages reached

1.70 Lakhs
Number of people benefitted with clean drinking water

60
Number of RO plants installed

Initially, our CSR team was focused on providing safe drinking water to more than **1,70,000 people across 45 villages** through installation of treatment plants. Project 'Sujalam' is an initiative that implements our plan to **provide protected drinking water**.

Under this initiative, we have installed dedicated RO plants, wherein villagers are **provided 'smart card' to get drinking water**. During the year, we installed 60 RO plants near the vicinity of our manufacturing facilities. This system has provided transparency and accountability at Gram Panchayat level.

Apart from the installation of RO plants, we also supplied clean and hygienic water cans to a number of people. We helped install a dedicated water storage facility at Chippada, Visakhapatnam. We also dug bore wells at a number of places for having running water, thereby helping farmers in farming and irrigation.

SWACHH BHARAT – AN INITIATIVE FOR CLEAN INDIA

Launched by the Prime Minister on the birth anniversary of Mahatma Gandhi on 2nd October 2014, this mission seeks to attain his vision of 'Clean India' by his 150th birth anniversary in 2019. This initiative aims to deliver goals of social transformation, like eliminating open defecation, manual scavenging, building clean sanitation solutions, solid waste management and greater awareness of cleanliness.

Swachh Bharat in numbers

13

Number of tricycles provided for collection of waste

28

Number of locations with 'Swachh bins'

At Divis, we took forward this initiative with passion for betterment of our country. Some of the initiatives taken up are:

- Swatch Bharat bins implemented from NH 5 to DIVIS Labs, Chippada across the main road
- Waste will be collected from "Biodegradable & Recyclable" bins from villages
- A tricycle has been provided to each Grama Panchayat for collection of waste in villages
- Monthly wages are paid to scavengers for regular cleaning of Swatch Bins in all locations
- Constructed community toilets and provided financial assistance for individual toilets in various Grama Panchayats

ENVIRONMENTAL SUSTAINABILITY

Our efforts towards protecting the environment have exponentially increased each year. We understand that environmental sustainability is an exercise of constant improvement and therefore have developed several initiatives to strengthen the environment within the communities and areas of our operation.

HIGHLIGHTS, FY2017

2 Lakhs
Number of trees planted

Zero
Waste generated and disposed in external environment

At Divis, environmental sustainability comprises of the following key pillars:

- Maintaining ecological balance
- Waste management
- Controlling emissions
- Energy conservation

Maintaining ecological balance

During the year, we planted more than 2 lakh saplings around the sites of our operations. We provided solar power to street lights, schools, gram panchayats, offices and other government offices. We conducted several programmes for our team and nearby communities and promoted clean and green energy.

Waste management

Being in the business of chemistry, we continue to work towards ensuring efficient waste management. During the year, we carried out exhaustive review exercise across all our existing processes. The following initiatives helped us manage waste effectively:

E-Waste management

We structured our processes to stay committed to comply with E-waste (Management & Handling) Rules 2011. The actions for disposal of E-waste generated are in line with the said Rules.

Hazardous waste disposal

We adopted sincere steps towards co-processing the waste generated during our manufacturing processes. After identifying that some of the waste can be used as alternative fuel for cement production, we have partnered with cement plants near our operating facilities, thereby leading to complete thermal destruction of hazardous wastes, which were earlier incinerated in-house.

Water Management

Water continues to be of critical importance with increasing global warming across the world. At Divis, we strive to recycle the water generated from the effluents after effective treatment. The purpose is to reduce fresh water intake and use recycled water. To further strengthen our promise, we have also implemented rain water harvesting facilities, enabling effective recharge of ground water levels.

Biogas plant

Our recent commissioning of bio-gas plant at our Visakhapatnam unit helped us process kitchen waste and leftover food from canteen. This helped generate electricity and serve cooking needs.

Controlling emissions

Air emissions are measured in our manufacturing units through continuous Online Ambient Air Quality Monitoring Stations placed in the facilities. These stations monitor Nox, Sox, Carbon monoxide, Voc among other gases. The system is connected to State Pollution Control Board server with the readings being displayed at entrance of the manufacturing units. With regular monitoring, all the actions carried out in our processes allow us to maintain the emission levels well within the permissible limits.

Energy conservation

The energy saving and efficiency measures undertaken during the year, helped achieve reduction of energy consumption. Among the actions carried out, the notable actions were: installation of energy efficient machines, introduction of LED lights and improvement in insulation of plants and workshops among others. We follow the Central Electricity Authority (CEA) Grid emission factors, the World Resources Institute (WRI) / World Business Council for Sustainable Development (WBCSD) GHG Protocol and the Inter-Governmental Panel on Climate Change (IPCC) guidelines to keep a check on our carbon footprint.

WELLNESS AT WORK

HEALTH & SAFETY

We ensure that our team stays in the good health and takes effective safety measures thereby ensuring higher work productivity. A dedicated work health programme is conducted to improve the health and safety outcomes of all employees.

Some of the key initiatives that were taken up:

- We continuously evaluate and optimize our processes to achieve 'Zero Accidents'
- Conduct intense studies regularly and install relevant safety processes
- Carry out detailed study on materials and processes to arrive at relevant engineering and safety controls
- Process Safety Vigilance Team actively participates in continuous monitoring of critical operations

Training

Upgradation of knowledge and skills are the most important aspects for overall development of employees. We conduct periodic training sessions, external trainings (on various aspects to derive higher efficiency levels) at our manufacturing sites. The best practices followed at Divis are also being shared to other API companies during several external conferences and interactive sessions conducted by regulatory bodies.

Some of the proactive measures undertaken during the year:

a) Design and construction of isolated, dedicated manufacturing facilities for:
   - handling of Sodium Azide, which is a Shock Sensitive material
   - handling Hydrogenation reactions.
   - handling of Chloroform involved process / reactions.

b) Upgradation of existing hazard Evaluation Laboratory with powder testing instruments.

c) Introduction of Glove Boxes, FIBC handling, PTS, Hoppers, promoting Slurry transfers etc.

d) Closed Catalyst handling for safe handling of pyrophoric catalysts

e) Elimination of multiple number of drum handling activities to avoid the explosive atmosphere accumulation in the workplace by procuring the Materials in bulk tanks.

f) Introduction of antistatic liners for packing of the Intermediates in order to avoid static hazards.

g) Replacement of leaf filters with cricket filters.

h) Extension of portable and fixed detection systems for storage and handling areas.

i) Strengthening of procedures for measuring static electricity.

j) Provided Panel rooms with better safety measures like Fire Retardant coatings, CO_2 suppression systems, smoke extraction systems etc.

k) Introduction of explosion suppression bottles to powder transferring lines and HEPA filtered vacuum cleaners in powder processing areas.

l) Procurement of Nitrogen compressors to make the insertion practise more robust.

m) Introduction of in-line milling & sieving between filtration equipment and packing station for closed handling of powders i.e charging and offloading of powders is avoided.

n) Introduction of fire retardant PPE & uniform wherever hazardous operations / activities are being carried.

o) Shifted the inflammable day solvent tanks away from Production blocks for minimizing the inherent fire risks and eliminated flammable solvent charge tanks by arranging mass flow meters.

Improvement Programmes	
Reduction of Man-hours	44
Conservation of Natural Resources	9
Safety	42
General working condition	24
Others	15
Total	**134**

BUSINESS RESPONSIBILITY REPORT

Section A: General Information about the Company

1. **Corporate Identity Number (CIN) of the Company :** L24110TG1990PLC011854
2. **Name of the Company :** Divi's Laboratories Limited
3. **Registered Address :** Divi Towers, 1-72/23(P)/DIVIS/303, Cyber Hills, Gachibowli, Hyderabad – 500 032, India
4. **Website :** www.divislabs.com
5. **E-mail Id :** mail@divislabs.com
6. **Financial Year reported :** April 2016 to March 2017
7. **Sector(s) that the company is engaged (industrial activity code-wise) :** Pharmaceuticals NIC Code : 2100
8. **List of three products/services that the Company manufactures/ provides :** NAPROXEN, GABAPENTIN, DEXTROMETHORPHAN HBr
9. Total number of Locations where business activity is undertaken by the Company
   a. **Number of International Locations :** We have marketing 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 United States of America (USA), Europe and Asia

Section B: Financial details of the Company

1. **Paid-up Capital (INR) :** ₹5309.37 lakhs
2. **Total Revenue (INR) :** ₹414175.31 Lakhs
3. **Total profit after taxes (INR) :** ₹105326.99 Lakhs
4. **Total spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%) :** 1.54%
5. **List of activities in which expenditure in 4 above has been incurred :** Refer Page No 71 & 72.

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 : 00063843
Name : Mr. Madhusudhana Rao Divi
Designation : Whole-time Director
Telephone number : 91-40-23786339
e-mail id : kishore@divislabs.com

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

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

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Do you have a policy/policies for...	Yes	Yes	Yes	Yes	Yes	Yes	NA	Yes	Yes
2	Has the policy being formulated in consultation with the relevant stakeholders?	Yes	Yes	Yes	Yes	Yes	Yes		Yes	Yes
3	Does the policy conform to any national / international standards? If yes, specify? (50 words)	Yes, we have adopted a Code of Ethics and Business Conduct which conforms to national standards. This is applicable to all directors and employees	Yes, we adhere to all laws of land and follow industry best practices.	Yes, we follow the required labour laws of the Country	Yes, we adhere to all laws of land and follow industry best practices.	Yes, the policy confirms to national standards relating to Human rights	Yes		Yes, the policy is in line with national standards	Yes *
4	Has the policy been approved by the board? If yes, has it been signed by MD/owner/CEO/ appropriate Board Director?	Yes, it has been approved by the Board	Policies other than statutory policies are approved by the Management	Policies other than statutory policies are approved by the Management	Policies other than statutory policies are approved by the Management	Yes	Yes		Yes	Yes
5	Does the company have a specified committee of the Board/ Director/ official to oversee the implementation of the policy?	Yes	The responsibility of implementation of the policy lies with Production Head	The responsibility of implementation of the policy lies with HR Head	The responsibility of implementation of the policy lies with Business Head	The responsibility of implementation of the policy lies with HR Head	Yes		Yes	Yes
6	Indicate the link for the policy to be viewed online?	www.divislabs.com	Available on our Intranet	NA	www.divislabs.com	www.divislabs.com	www.divislabs.com		www.divislabs.com	Available on our Intranet
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Yes	Yes	Yes	Yes	Yes	Yes		Yes	Yes
8	Does the company have in-house structure to implement the policy/ policies?	Yes	Yes	Yes	Yes	Yes	Yes		Yes	Yes
9	Does the company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies?	Yes	Yes	Yes	Yes	Yes	Yes		NA	Yes
10	Has the company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Yes	Yes	Yes	Yes	Yes	Yes		Yes	Yes

*Divis has policies and procedures in place on which the company performs its activities. The policies comply with the national and international standards that are relevant to the type of industry and as prevalent.

Principle-wise Index:

P1 – Code of Ethics and Business Conduct

P2 – Product Lifecycle Sustainability

P3 – Employee Wellbeing

P4 – Stakeholder Engagement

P5 – Human Rights Statement

P6 – EHS Policy

P7 – Policy Advocacy statement

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%20Report%202015.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 is adopted pursuant to Clause 49 of the Listing Agreement with Stock Exchanges to set standards of corporate governance by complying with laws, rules and regulations and to fulfill the responsibilities to stakeholders and to set and implement high standards of transparency, integrity, accountability and corporate social responsibility in all dealings. Our Company is committed to maintaining the applicable standards of ethical conduct. Every Director, every member of the Senior Management and every employee reads and understands this Code and its application to the performance of his or her responsibilities.

   Our policy prohibits the receipt of gifts particularly from individuals or firms with which the company has business dealings. Employees shall neither receive nor offer or make, directly or indirectly, any legal payments, remuneration, gifts, donations or comparable benefits that are intended or perceived to obtain uncompetitive favors of the conduct of its business.

   We have procedures and reporting system to deal with violations of this Code of Ethics which will result in disciplinary action.

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, in about 50 words or so.**

   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.**

   a) Iopamidol
   b) 2,4-Thiazole methylamine
   c) 2-Acetyl-6-methoxy naphthalene

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?

   We constantly review our manufacturing processes aimed at optimum utilization of inputs and resources and improving the yields, which helped us in:

   - Overall yield improved significantly and this resulted in reduction of solvents
   - Eliminated usage of Chloroform and other Class 2 solvents
   - Recycling of intermediates from downstream stages
   - Wastage salts and effluent quantities reduced
   - Reagents mole ratio reduction
   - Reaction cycle times, temperatures reduced thereby savings in Energy

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 continuously puts efforts to increase sustainable sourcing of inputs. Supplier evaluation undergoes several processes by Purchase/Quality and EHS Representatives. On site audits/visits are made to review the practices followed at suppliers' site and 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 continuosly put efforts to increase the procuring of goods and services by the local and small producers including surrounding communities and towards this objective, established a community based skill development centre for upgrading their skills and business growth, which helped source food and other items/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, in about 50 words or so.**

   Yes, we have a mechanism to recycle the process solvents and allow our wastes to recycle at authorized offsite facilities.

   Divi's realized the best option of co-processing the hazardous wastes instead of incineration as the incineration process would still requires safe land fill of incinerator ash. The co-processing of hazardous substances as alternate fuel in cement industry is much beneficial option, 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 wastes.

   (a) Hazardous wastes generated as Organic/Distillation bottom residues which possess calorific value are sent to cement industry for recycle in their process kilns. Total 763 tons of organic solid wastes have been sent by the end of financial year for co-processing.

   (b) We also send acid effluent to fertilizer industry for urea preparation and alum industries for recycle.

   (c) 70% of the organic/distillation bottom residues are sent to other industry for co-processing. The remaining waste being incinerated.

   (d) The solvents used in the manufacturing process are recovered and re-used. >90% of the solvents are recovered & re-used by using Membrane Vapour Permeation System (MVPS) thus reducing indirect emissions to ~225 tCo2e.

Principle 3: Businesses should promote the wellbeing of all employees

Our company promotes the well-being of all employees by providing equal opportunities and by providing facilities and a workplace environment that is safe, hygienic, humane and which upholds the dignity of the employees. We have systems and practices in place to ensure a harassment free work place where employees feel safe and secure in discharging their responsibilities. We provide access to necessary learning opportunities to our employees for up-gradation of their skills. We ensure timely payment of wages to our employees. We comply with all applicable national and state labor laws.

We encourage participation of employees through various committees. We have given due recognition to our employees by encouraging their participation in the statutory Works Committee under the Industrial Disputes Act 1947. We have set up statutory Grievance Redressal committee for the resolution of disputes arising out of individual grievances. The committee consists of equal number of members from the management and the employees. The statutory local committee for dealing with sexual harassment complaints of women employees is also in place.

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 :** 9735

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

   Total number of contract labor : 4020

3. **Please indicate the Number of permanent women employees :** 501

4. **Please indicate the Number of permanent employees with disabilities:** 19

5. **Do you have an employee association that is recognized by management:** We do not have any employee association or a registered trade union of workers. We recognize the statutory works committee formed with the representatives of employees and management under Section 3 of the Industrial Disputes Act, 1947.

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?**

(a) Permanent Employees
(b) Permanent Women Employees
(c) Casual/Temporary/Contractual Employees
(d) Employees with Disabilities

All the permanent employees including women employees, employees with disabilities and contract labor of manpower contractor undergo safety training once in every year.

We have five types of training namely Induction, Refresher, On-the-job, additional and special training. All new employees including contract labor are given induction training. Refresher training is conducted once in a year for every employee and contract labor on a regular basis. In addition to On-the-job training to employees for updating the job skills, additional and special training are imparted depending upon the need and requirement of the job. Development opportunities for our employees are customized as per their need and their functions. We have in-house skill enhancement training programs and externally supported skill up-gradation training programs for employees.

100% of employees are given training in health & safety, current good manufacturing practices, environmental management system and ethics.

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 as below:

a. Employees
b. Community & Society
c. Investors & Shareholders
d. Vendors, Suppliers & Distributors
e. 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 are taken by the company to engage with the disadvantaged, vulnerable and marginalized 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 across all 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. All our Indian locations are ISO 14001:2004 and OHSAS 18001:2007 certified. Our EHS Management System follows the cycle of 'Plan-Do-Check-Act'. Apart from the above, Divi's is planning to implement 'RC (Responsible Care) 14001:2015'. RC is an ETHIC-Self-imposed Management system, which in turn improves safety culture, public awareness and building of trust.

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, Divi's Laboratories promotes and adopts 'green chemistry' processes for its products and services that consume less materials & energy, produce less waste and use less amount of harmful substances thus minimising impacts / risks.

   We address the Environmental issues with the guiding principle of "Sustainable Development". We have well-equipped solvent recovery and effluent treatment plants at our facility premises for Recovery, Reuse and Recycling.

   Green house gas emissions

   Our main sources of greenhouse gas (GHG) emissions include direct emissions from Boiler operations, indirect emissions from electricity consumption & transportation of finished product. The stacks of incinerator, boilers and Ambient Air Quality stations are connected to the State Pollution Control Board server and the readings are displayed at the entrance of the company which is visible to everyone. There have been no deviations from the limits specified, according to the applicable norms. We follow the Central Electricity Authority (CEA) Grid emission factors, the World Resources Institute (WRI)/ World Business Council for Sustainable Development (WBCSD) GHG Protocol, and the Inter-Governmental Panel on Climate Change (IPCC) Guidelines to track our carbon footprint.

   Hydrogen:

   Relocating Hydrogenation reactions to isolated area and in-house generation of Hydrogen resulted in

   - Reduction of inherent risk
   - Avoided 550,000 Valve Opening & Closings per year
   - 600,000 Nm3 of Hydrogen generated in-house
   - Eliminated handling of 90,000 cylinders per year
   - Reduced carbon footprint from indirect emissions, ~125 tCo2e

   Waste Management:

   We classify our waste generated as Hazardous and Non-Hazardous, according to government guidelines and such waste is segregated at source and disposed off to Government approved recyclers and vendors.

   Stand-by Scrubbers & Online dosing systems are provided for Toxic Gas scrubbing systems to avoid / mitigate the unforeseen Toxic Gas leak / Emissions hazard. Globally, Open Effluent drains are eliminated by facilitating Closed (Pipeline) Effluent drains.

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

   Yes, the company has Environment Management System (EMS) and HAZOP study processes, assess key environmental impacts to identify and assess potential environmental risks and implements appropriate controls to eliminate/mitigate the risks.

4. **Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?**

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

   We devised our processes, installed equipment and periodically upgrade these, for recovery of raw materials / catalysts like Iodine, Bromine, Raney Nickel and Palladium. We also improved our processes for several products to eliminate the isolation and drying operations and modified reactors and gear boxes to reduce GHG emissions.

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 and initiates its action towards Green Environment. Divi's EHS policy stresses on continuous technology and process upgradation to minimize risks and wastage by allocating resources for EHSMS. It gives utmost importance for conservation of energy with the objective of increased yields for the same quantity of inputs/energy by increasing overall system efficiency with modified techniques or achieve the same output for a reduced quantity of inputs/energy by minimizing the energy losses.

   Optimum utilization of energy is achieved through energy efficient systems/equipment, energy efficient lighting and appropriate upgradation in the supporting utilities.

   We also achieve water conservation by harvesting rain water, recycling process water, installing equipment and improving our processes to minimize water utilisation.

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 which 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-Indian 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; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)**

   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.**

   Divi's strongly believe that Industrial Growth needs to be inclusive and contribute to the upliftment of the society around. 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 towards promoting rural education, women empowerment, support to differently abled, livelihood enhancement, rural development, preventive health care and safe drinking water. All our programs and initiatives have complemented and supported the development priorities of the local communities. No local community has been displaced due to our business and manufacturing operations.

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 the designing of new programs and initiatives to address the 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.**

   The total expenditure incurred on community development initiatives during the financial year is ₹16.26 crores. The programs undertaken are as follows:

   (a) Construction of Reverse Osmosis plants
   (b) Plantation in villages and schools
   (c) Construction of toilets in schools for boys and girls and in villages
   (d) Livelihood enhancement programs for fishermen and rural community
   (e) Development of infrastructure in schools of local communities
   (f) Nutrition support programs to students of government rural schools
   (g) Livelihood enhancement programs for women
   (h) Set up skill development centre for rural women
   (i) Swach Bharat initiatives in villages

5. **Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.**

   The community development initiatives undertaken by Divi's are successfully adopted and continued by the local communities. All our CSR initiatives in community development aim at sustainability of the programs. We have adopted a collaborative and participatory approach in the formulation and implementation of community development program for ensuring continuity and sustainability. Some of our initiatives have exit strategy wherein we handover the program after operationalizing the same, 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 timely handled 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(additional information)**

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

3. **Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on the end of financial year. If so, provide details thereof, in about 50 words or so.**

   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. Industry Outlook

As per QuintilesIMS, Global spending on medicines will reach nearly $1.5 trillion in 2021 growing at 4-7% per annum – slightly slower than the 5.9% growth over the past five years, with growth expected to be more uniform and predictable in nature. The continued growth of global medicine spending over the past decade and in the next five years will be more than double the amount spent on medicines over that fifteen year period. Over that timeframe, the drivers of medicine spending and growth have shifted from the blockbuster drugs of the late 1990's, to the volume-driven growth in pharmerging markets and the developed markets patent cliff, and over the next five years to a continued boom in innovation-driven spending growth for breakthrough immunology treatments across a range of diseases. The U.S. will continue to be the leading global market, growing at 6.9% over the past five years and expected to grow by 6–9% over the next five years.

Life sciences sector growth is closely tied to global health care expenditures which in 2017 and in successive years, are expected to be fuelled by increasing demand from ageing population and the prevalence of chronic and communicable diseases. Other potential growth drivers include improved (if uneven) economic activity in key geographies, especially developing nations in the Middle East and Asia; continuing industry consolidation and collaboration; and new business models enabled by scientific and technology advances.

North America and Europe are still the largest markets for India's pharma exports followed by other pharmerging economies. Quality and regulatory compliance and speedy delivery mechanism, along with competitive cost structure are the other important factors propelling the growth of the API contract manufacturing segment.

2. Company Overview

Divi's Laboratories Limited started off during 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 for API and intermediates by setting up a multi-purpose manufacturing facility near Hyderabad with a modest initial investment of ₹71 crores.

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

2.1 Manufacturing Facilities

Unit I:

The First facility is located at village Lingojigudem in Yadadri Bhuvanagiri District near Hyderabad (Telangana) which started commercial operations during the year 1995, comprises 11 multi-purpose production blocks with finished product areas for APIs. Spread across 500 acres equipped with around 362 reactors totaling a capacity of 1762 m^3 supported with all utilities and services; and has periodically been upgraded and modernised.

Export Oriented Unit:

This second manufacturing site is located at village Chippada, Bheemunipatnam Mandal, about 30 KM from the port city of Visakhapatnam (Andhra Pradesh) on the east coast situated on a 100-acre site. The Unit has 8 production blocks with around 232 reactors totaling a capacity of 1721 m^3 with all utilities and services.

SEZ Unit:

Third facility is located at village Chippda situated on a sprawling 267-acre site which went into commercial operations during the year 2006 and is a Special Economic Zone (SEZ) Unit in Pharma Sector. The Unit has 9 production blocks with around 487 reactors totaling a capacity of 3244 m^3 with all required utilities and infrastructure.

DSN SEZ Unit:

Fourth facility is located at the company's Pharma SEZ at village Chippada. The Unit has 6 production blocks with around 299 reactors totaling a capacity of 2846 m^3 with all required utilities and infrastructure.

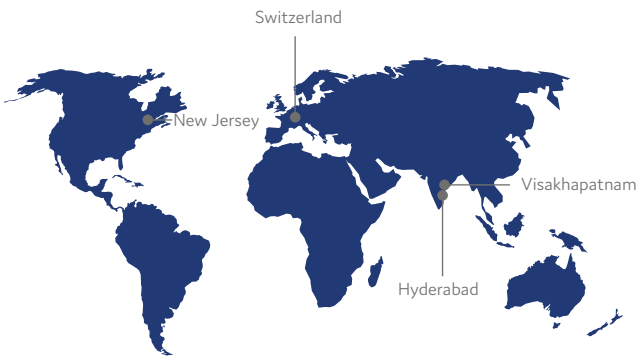
2.2 Research Centres

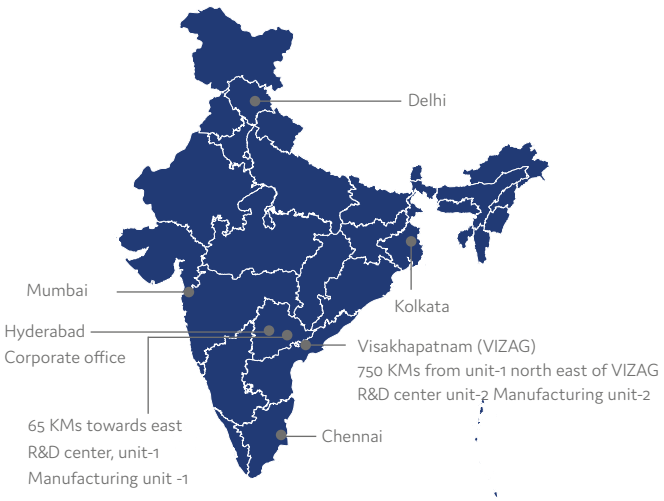
The company has Research Centers at Sanathnagar, Hyderabad and at the manufacturing sites. Research Centre at Sanathnagar primarly focuses on custom synthesis, contract research for MNC companies as also future generics involving processes like route design, route selection, establishing gram scale process and structural confirmation.

Research Centres at manufacturing sites 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. These Centres also review improvement of processes and gives process support to the Plant 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 effective implementation of internal control self assessment procedures and ensure compliance to policies, plans and statutory requirements.

Divi encourages and recognizes improvements in work practices. The 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 statutory auditors, internal auditors and the Audit Committee. They assess whether the controls are properly designed, implemented and working effectively and make recommendations on how to improve internal control. During the year, such controls were tested and no reportable material weakness in the design 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. Through this approach, the company strives to identify opportunities that enhance organisational values while managing or mitigating risks that can adversely impact its future performance.

The Company continues its initiatives aimed at assessment and avoidance of various risks affecting its business and towards cost control and efficiency across its businesses and functions, taking appropriate measures and reviewing them from time to time. The company's risk management and control procedures involve prioritization and 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.

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 and upgrading its plant capacities and capabilities at its multi-purpose manufacturing facilities and also adding additional capacities aimed at 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.

4.3 Regulatory Compliances

The company devotes significant importance to the regulatory compliances as it access 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 compliance. 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 into its operating systems. The company constantly reviews its policies and procedures to adhere conformity of the various global regulatory approvals for its manufacturing facilities.

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 while augmenting our manpower, we put in place appropriate and continuing training skills in their functional areas. Employee relations are affable and harmonious with all round contribution and participation in the growth.

4.6 Financial Risks

With predominance of its exports, the company is exposed to financial risks comprising of risks relating to markets, credit, liquidity as well as foreign exchange and addresses them appropriately to mitigate or minimize these 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, it appears 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.

Under the circumstances, currency actions by companies should be decided 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 based more on minimizing risk rather than maximizing profits. 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 impacts of the currency volatility and engages 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 as also product liability.

4.8 Environment, health and safety

Divi's efforts, policies and values are directed in such a way that it adheres to all applicable regulations on the environment, employee health and safety while creating value for our stakeholders. Divi continually strives to optimize the resources and upgrade its processes in order to reduce the environmental impact of its processes, products and services.

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	2016-17	2015-16
Exports	87%	87%
Imports (% of material consumption)	58%	55%
Largest Product	16%	18%
Top 5 Products	43%	43%
Top 5 Customers	41%	38%
Exports in $ terms	85%	83%
Exports in Pounds	11%	14%
Exports in Euro	4%	3%

7. Performance and Operations Review

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

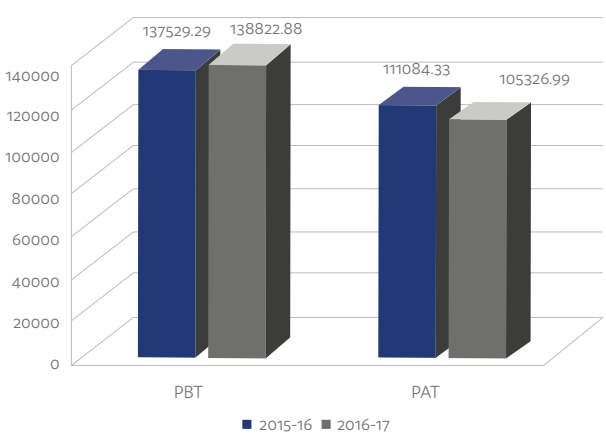
₹ in lakhs

Particulars	2016-17	2015-16
Revenue & Service Income	405473.50	374248.23
Other Operating Income	1104.16	736.71
Other Income	7597.65	9591.58
Total Revenues	414175.31	384576.52
Expenditure	262800.58	234936.34
PBDIT	151374.73	149640.18
Finance Cost	225.62	300.69
Depreciation	12326.23	11810.20
Profit before Tax (PBT)	138822.88	137529.29
Provision for tax:		
Current Tax	28522.55	28423.09
Deferred Tax	4973.34	(1978.13)
Profit after Tax (PAT)	105326.99	111084.33
Other Comprehensive Income (net of tax)	(140.02)	(301.24)
Total comprehensive Income	105186.97	110783.09
Earnings per Share (EPS) Basic & Diluted (₹)	39.68	41.84

Your company has achieved a growth of revenue of 8% for the year on the back of a growth of 21% achieved during the last year.

PBDIT for the year increased by a modest 1% at ₹151374.73 lakhs. Profit before Tax (PBT) for the year amounted to ₹138822.88 lakhs.

Profit after Tax (PAT) before Other Comprehensive Income for the year amounted to ₹105326.99 lakhs as against a PAT of ₹111084.33 lakhs for the last year. Earnings Per Share of ₹2/- each works out to ₹39.68 for the year as against ₹41.84 last year.



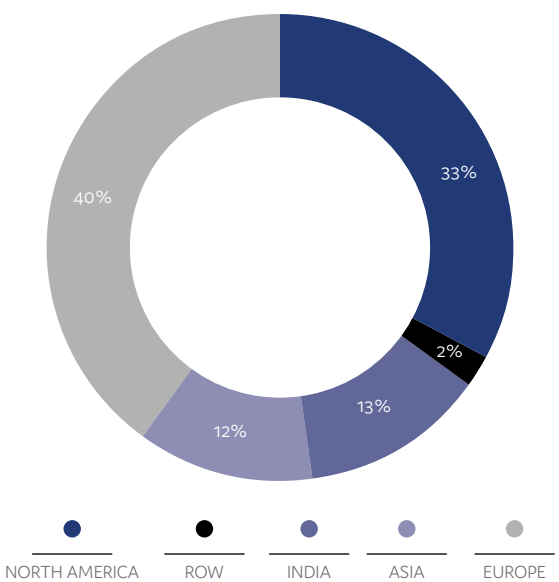
7.1 Exports

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

Particulars	2016-17		2015-16	
	Sales revenue ₹ in lakhs	% Share	Sales revenue ₹ in lakhs	% Share
Asia	47284.07	11.66%	39443.07	10.54%
Europe	162824.55	40.16%	160348.58	42.85%
North America	133808.16	33.00%	118580.55	31.68%
Rest of the World	9459.78	2.33%	8077.52	2.16%
India	52096.94	12.85%	47798.51	12.77%
Total	**405473.50**	**100.00%**	**374248.23**	**100.00%**

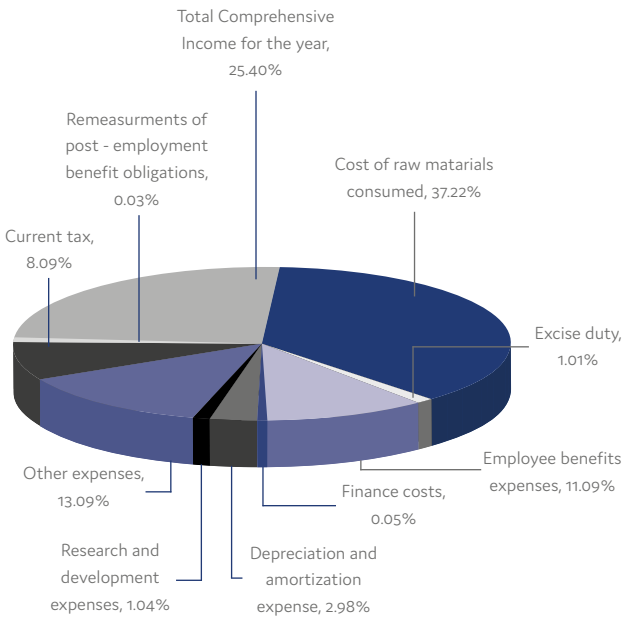
Region - wise sales revenue



7.3 Other Income

Other Income for the year amounted to ₹7597.65 lakhs as against ₹9591.58 lakhs last year. Due to volatility of exchange rate of major currencies during the year, we had a forex loss of ₹3909.68 lakhs (grouped under Other Expenses) as against a forex gain of ₹3404.69 lakhs last year.

7.4 Distribution of Total Revenue



7.5 Material Costs

₹ in lakhs

Particulars	2016-17	2015-16
Material consumption	156318.70	147243.34
Changes in inventories of finished goods, stock-in-trade and work-in-progress	(2160.86)	2203.31
Net Material Consumption	154157.84	149446.65
Total Revenue	414175.31	384576.52
% of consumption to total revenue	37.22%	38.86%

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

Material consumption net of increase/decrease in stocks is about 37.22% of total income during the year as compared to 38.86% 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 ₹45915.58 lakhs as against ₹35294.96 lakhs during the last year. Of this, remuneration to Directors including commission accounted to ₹8874.59 lakhs during the year as against ₹8460.85 lakhs last year.

Employee Expense for the year includes 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. Besides this, increase in salaries is on account of the induction of additional staff at the manufacturing facilities as well as pay revision of employees.

Employee cost for the year works out to about 11.09% 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, Environment Management Expenses and CSR Expenditure.

Other Expenses for the year accounted for ₹54223.34 lakhs as against ₹44250.57 during the last year. As stated elsewhere, we had a forex loss of ₹3909.68 during the year due to exchange rate fluctuation.

During the year, we have written off bad debts aggregating ₹13.68 lakhs, also provided for doubtful debts of ₹95.56 lakhs and provided for book deficit of ₹50.88 lakhs on assets discarded.

Other Expenses account for 13.09% of revenue of which Manufacturing expenses accounted for 8.11% of total revenue.

7.8 Taxation

Current Tax

For the current year, our tax liability came to ₹28522.55 lakhs as against ₹28423.09 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 entitlements.

Deferred tax for the year amounted to ₹4973.34 lakhs as against (₹1978.13) lakhs during the previous year.

7.9 Profit after Tax

Profit after Tax for the year accounted for ₹105326.99 lakhs as against ₹111084.33 lakhs during the previous year.

7.10 Earnings Per Share

Earnings Per Share for the year works out to ₹39.68 per share of ₹2 each as against ₹41.84 last year (on increased capital base) 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 ₹26546.86 lakhs in addition to a Dividend Distribution Tax of ₹5404.32 lakhs.

7.12 Capital Expenditure

During the year, we have capitalized PPE and Intangible Assets valuing ₹24411.23 lakhs. Deductions of ₹229.04 lakhs represent Assets discarded 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 ₹44356.94 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	31-03-2017	31-03-2016
Divis Laboratories (USA) Inc. (*)	332.27	514.46
Divi's Laboratories Europe AG (**)	503.37	503.37
Pattancheru Enviro-Tech Ltd	1.20	1.20
Total	**836.84**	**1019.03**

* Includes ₹86.83 lakhs (₹269.02 lakhs) being fair value of interest free loan

** includes ₹467.18 lakhs (₹467.18 lakhs) being fair value of interest free loan

7.14 Loans to Subsidiaries

Loans to subsidiaries classified as non-current and current:

Particulars	31-03-2017	31-03-2016
		₹ in Lakhs
Loans to Subsidiaries (non-current)	1856.15	2659.50
Loans to Subsidiaries (current)	526.03	658.45

Of the Loans given to subsidiaries and outstanding from last year, the company has received a part of the loan amounting to CHF 319,334 from Europe Subsidiary and the total outstanding of USD 1,303,107 from US subsidiary; aggregating to a total repayment of ₹1092.47 lakhs during the year.

7.15 Other Non-current Financial Assets

Particulars	31-03-2017	31-03-2016
		₹ in Lakhs
Security Deposits	2998.68	2646.48
Claims for VAT	846.84	553.06
Total	**3845.52**	**3199.54**

7.16 Other Non-current Assets

Non-current assets were as under:

Particulars	31-03-2017	31-03-2016
		₹ in Lakhs
Capital Advances	7505.28	12242.68
Prepaid expenses	34.00	24.89
Prepaid Taxes	2766.22	1338.05
Total	**10305.50**	**13605.62**

7.17 Current Investments

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

Particulars	31-03-2017	31-03-2016
		₹ in Lakhs
SBI Mutual Fund – short term direct fund	163072.20	80285.16

The Company has earned a dividend income (net of tax) of ₹6289.16 lakhs during the year on these Investments as against an income of ₹4675.39 lakhs during the last year. Gain from redemption of mutual fund units amounted to ₹99.26 lakhs as against a gain of ₹239.44 lakhs last year.

7.18 Inventory position

Inventory position for the last two years is as under:

Particulars	31-03-2017	31-03-2016
		₹ in Lakhs
Raw Materials	38198.26	32923.02
Work-in-Progress	69394.14	68068.72
Finished Goods	8432.54	7597.10
Stock-in-Trade	-	-
Stores and Spares	9551.43	7700.34
Total	**125576.37**	**116289.18**

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

Particulars	31-03-2017	31-03-2016
		₹ in Lakhs
Outstanding for a period exceeding six months from the date they became due for payment	3020.67	1800.57
Others	97144.09	94845.95
Less: Allowances for doubtful debts	122.75	34.24
Total	**100042.01**	**96612.28**

Trade Receivables at the year end came to ₹100042.01 lakhs as against ₹96612.28 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 ₹3020.67 lakhs (₹1800.57 lakhs last year) constituting about 3% of total outstandings. Bad debts for the year amounted to ₹13.68 lakhs as against bad debts of ₹17.22 lakhs last year. Doubtful debts provided for the year amounted to ₹96.56 lakhs as against ₹7.45 lakhs last year.

7.20 Other Current Financial Assets

Particulars	31-03-2017	₹ in Lakhs 31-03-2016
Export incentive receivable	106.44	168.68
Insurance claims receivable	425.86	2.05
Receivables on sale of spent	246.67	65.48
CST/VAT refunds receivable	509.78	672.51
Service tax receivable	450.77	420.05
Total	**1739.52**	**1328.77**

7.21 Other Current Assets

Particulars	31-03-2017	₹ in Lakhs 31-03-2016
Central Excise duty deposits	2317.57	1721.51
Prepaid Expenses	523.76	537.83
Advances to suppliers	2309.79	1272.73
Advances for expenses	1131.02	1154.23
Total	**6282.14**	**4686.30**

7.22 Non-current Provisions

Long-Term provisions comprise leave encashment of employees aggregating to ₹1530.45 lakhs as against ₹1156.51 lakhs.

7.23 Deferred Tax Liabilities

Deferred tax liabilities represent temporary differences arising between the tax base of assets using the liability method. Deferred tax liability including MAT credits as of 31-03-217 accounted to ₹13002.65 lakhs as against ₹8029.30 lakhs as of 31-03-2016.

7.24 Current Borrowings

Current borrowings representing Working capital loans (secured) as at the end of the year amounted to ₹3573.85 lakhs as against ₹4142.10 lakhs. Of this, an amount of ₹2504.65 lakhs has been utilized 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 sale proceeds on a day-to-day basis.

7.25 Trade Payables

Trade Payables being Sundry Creditors for Raw Materials/ Services amounted to ₹38155.94 lakhs as at the end of the year as against ₹23042.42 lakhs as at the end of last year.

7.26 Other Financial Liabilities

Other financial liabilities comprise of the following:

Particulars	31-03-2017	₹ in Lakhs 31-03-2016
Current maturity of long-term debt	--	58.30
Creditors for Capital Works	2550.94	2564.17
Employee benefits payable	11113.65	10744.74
Creditors for expenses	6074.47	5782.93
Unclaimed dividend	57.25	147.25
Total	**19796.31**	**19297.39**

7.27 Other Current Liabilities

Particulars	31-03-2017	₹ in Lakhs 31-03-2016
Advance from Customers	3058.43	3977.44
Statutory Liabilities	871.46	671.59
Total	**3929.89**	**4649.03**

7.28 Current Tax Liabilities

Particulars	31-03-2017	₹ in Lakhs 31-03-2016
Provision for income-tax	-	230.47
Provision for interest on Income Tax	-	33.50
Total	**-**	**263.97**

7.29 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 eight directors, four of whom are Executive and remaining are non-executive independent directors, including a woman director. The Company has an Executive Chairman. The category of directors as on 31st March 2017 is as follows:

Name of the Director	Designation	Category
Dr. Murali K. Divi	Chairman and Managing Director	Promoter and Executive Director
Sri. N V Ramana	Executive Director	Executive Director
Sri. Madhusudana Rao Divi	Whole-time Director	Executive Director
Sri. Kiran S Divi	Whole-time Director	Executive Director
Dr. G. Suresh Kumar	Director	Non-executive Independent Director
Sri. R. Ranga Rao	Director	Non-executive Independent Director
Sri. K. V. K. Seshavataram	Director	Non-executive Independent Director
Smt. S. Sridevi *	Director	Non-executive Independent Director

* Retired w.e.f 22nd June 2017

2.2 Attendance of Directors

Directors' attendance at the Board and General Meetings held during the financial year 2016-17 is as follows:

Name of the Director	No. of Board Meetings		Attendance at Last AGM
	Held	Attended	
Dr. Murali K. Divi	4	3	Yes
Sri. N. V. Ramana	4	3	Yes
Sri. Madhusudana Rao Divi	4	4	Yes
Sri. Kiran S. Divi	4	4	Yes
Dr. G. Suresh Kumar	4	3	Yes
Sri. R. Ranga Rao	4	4	Yes
Sri. K. V. K. Seshavataram	4	4	Yes
Smt. S. Sridevi *	4	4	Yes

* Retired w.e.f 22nd 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	-
Sri N. V. Ramana	-	-	-
Sri Madhusudana Rao Divi	-	-	-
Sri Kiran S. Divi	3	-	-
Dr. G. Suresh Kumar	-	-	-
Sri R. Ranga Rao	1	-	1
Sri K. V. K. Seshavataram	-	-	-
Smt. S. Sridevi *	-	-	-

* Retired w.e.f 22nd June 2017

None of the Independent Directors of the Company serve 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 four times, i.e. on 28th May 2016, 12th August 2016, 12th November 2016 and 4th February 2017.

2.5 Disclosure of relationship between Directors inter-se

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

As on 31st March 2017, Smt. S. Sridevi held 20,000 equity shares of the Company. None of the other Non-Executive Directors hold any equity shares in the Company.

2.7 Meeting of Independent Directors

During the year under review, the Independent Directors met on February 4, 2017, 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 Executive Director, the Chief Financial Officer, internal auditor and representatives of Statutory Auditors of the Company.

The Committee met four times during the year, i.e. on 28th May 2016, 12th August 2016, 12th November 2016 and 4th February 2017.

Name of the Director	Designation	No. of Board Meetings	
		Held	Attended
Sri. K. V. K. Seshavataram	Chairman	4	4
Dr. G. Suresh Kumar	Member	4	3
Sri. R. Ranga Rao	Member	4	4

4. Compensation, Nomination and Remuneration Committee

Compensation, Nomination and Remuneration Committee was constituted by the Board with three 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 two times during the year, i.e. on 12th August 2016 and 4th February 2017. 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	2	1
Smt. S. Sridevi *	Member	2	2
Sri. R. Ranga Rao	Member	2	2

* Retired w.e.f 22nd 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	90.00	10.80	120.09	4425.67	4646.56
Sri. N. V. Ramana	84.00	10.08	110.27	2212.84	2417.19
Sri. D. Madhusudana Rao	78.00	9.36	102.00	-	189.36
Sri. Kiran S. Divi	78.00	9.36	58.90	1475.22	1621.48
Total	**330.00**	**39.60**	**391.26**	**8113.73**	**8874.59**

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 2016-17 is as follows:

Name of the Non-Executive Director	₹ in Lakhs Sitting Fees
Dr. G. Suresh Kumar	3.50
Sri. R. Ranga Rao	5.00
Sri. K. V. K. Seshavataram	4.00
Smt. S. Sridevi *	3.00

* Retired w.e.f 22nd 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 two 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 28th May 2016, 12th August 2016, 12th November 2016 and 4th February 2017 and considered issue of duplicate share certificates, transfer / transmission of shares and other investor grievances.

Name of the Director	Designation	No. of Board Meetings	
		Held	Attended
Smt. S. Sridevi *	Chairman	4	4
Sri. K.V.K. Seshavataram	Member	4	4
Sri. L Kishore Babu	Member	4	4

* Retired w.e.f 22nd June 2017

6.2 Complaints / Grievances received and attended

During the year under review, company has received 22 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 three times during the year on 28th May 2016, 12th August 2016 and 12th November 2016. The attendance of each member of the Committee is as follows:

Name of the Director	Designation	No. of Board Meetings	
		Held	Attended
Sri. R. Ranga Rao	Chairman	3	3
Dr. Murali K. Divi	Member	3	3
Sri. N. V. Ramana	Member	3	3
Sri. Madhusudana Rao Divi	Member	3	3

8 Risk Management Committee

Risk Management Committee was constituted by the Board to review the processes and procedures for ensuring that all strategic and operational 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 four times during the year on 28th May 2016, 16th November 2016, 12th December 2016 and 4th February 2017. The attendance of each member of the Committee is as follows:

Name of the Director	Designation	No. of Board Meetings	
		Held	Attended
Sri. Madhusudana Rao Divi	Chairman	4	4
Sri. N. V. Ramana	Member	4	3
Sri. Kiran S. Divi	Member	4	3
Sri. L. Kishore Babu	Member	4	3
Sri. L. Ramesh Babu	Member	4	3

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
Sri. R. Ranga Rao	Independent Director	Member
Sri. 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
31.03.2016	29th 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	31st August, 2015 at 10 AM	KLN Prasad Auditorium, FAPCCI Premises, 11-6-841, Red Hills, Hyderabad – 500 004	NIL
31.03.2014	25th August, 2014 at 10 AM		Adoption of new Articles of Association

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 the 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: 25th September 2017
Time: 10.00 AM

Venue

Global Peace Auditorium, Brahma Kumaris,
Shanti Sarovar, Academy for Better World,
Gachibowli, Hyderabad – 500 032

Financial Year

1st April 2016 to 31st March 2017

Book Closure Date

19th September 2017 to 25th September 2017

Dividend payment date

On or before 10th October 2017

Listing on Stock Exchanges

BSE Limited
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001
National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai–400051

Stock Code

BSE - 532488
NSE - DIVISLAB

ISIN No

INE361B01024

Corporate Identity Number (CIN) of the company: **L24110TG1990PLC011854**

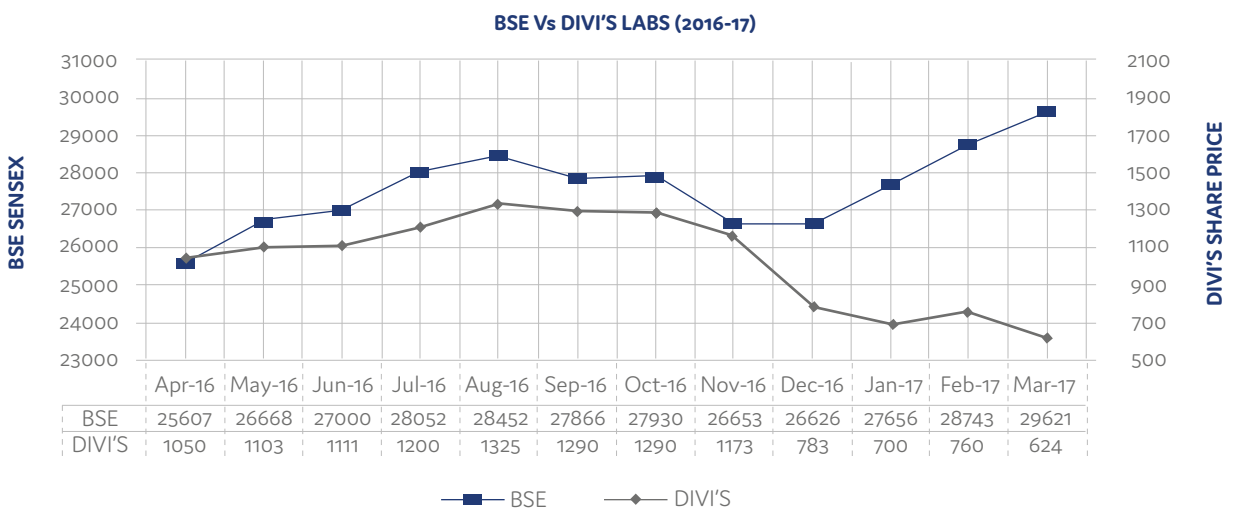
The Company has paid listing fees for the year 2017-18 to both the above Stock Exchanges.

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 2016-17 are as follows:

Month	BSE Limited			National Stock Exchange		
	Low (₹)	High (₹)	Volume	Low (₹)	High (₹)	Volume
Apr-16	972.80	1105.95	216095	971.85	1106.40	6004748
May-16	1013.60	1123.85	379634	1013.45	1123.30	6447338
Jun-16	1057.00	1167.30	2025251	1057.00	1168.50	7782215
Jul-16	1110.05	1228.50	622945	1110.00	1229.00	7070909
Aug-16	1140.95	1378.40	471643	1141.00	1381.60	9050862
Sep-16	1222.00	1380.00	951279	1220.00	1360.20	6866687
Oct-16	1215.00	1318.00	1478404	1211.00	1318.00	6736417
Nov-16	1111.00	1319.00	670264	1111.00	1297.00	7488414
Dec-16	745.00	1184.00	6417723	743.65	1184.00	59792126
Jan-17	672.20	811.05	7168320	671.50	811.45	52946367
Feb-17	686.00	784.00	3472226	685.05	779.00	28314179
Mar-17	611.60	795.00	7823677	611.45	795.00	60482383

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



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 29th August, 2016 (date of last Annual General Meeting) on the website of the Company, and also on the website of the Ministry of Corporate Affairs.

During the year under review, the company has credited ₹4.34 lakhs to the Investor Education and Protection Fund (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 31.03.2017 (₹ In lakhs)	Due for transfer to IEPF on
2009-2010	13.08.2010	5.01	12.09.2017
2010-2011	08.08.2011	8.42	07.09.2018
2011-2012	06.08.2012	6.13	05.09.2019
2012-2013	05.08.2013	4.89	04.09.2020
2013-2014	25.08.2014	14.60	24.09.2021
2014-2015	31.08.2015	6.13	30.09.2022
2015-2016	10.03.2016 (Interim)	12.07	09.04.2023

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 and published requisite advertisement in the newspaper. 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 as 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 31st March, 2017

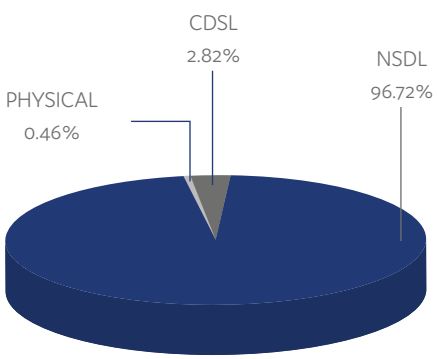
Category	No. of shareholders	% of shareholders	No. of shares	% of shareholding
1 – 5000	120752	98.26	13277458	5.00
5001 – 10000	819	0.67	2973620	1.12
10001 – 20000	527	0.43	4027899	1.52
20001 – 30000	174	0.14	2109480	0.79
30001 – 40000	121	0.10	2201481	0.83
40001 – 50000	68	0.05	1550937	0.58
50001 – 100000	145	0.12	5275312	1.99
100001 & above	279	0.23	234052393	88.17
Total	**122885**	**100**	**265468580**	**100**

17 (i) Shareholding Pattern

Category	As on 31.03.2017		As on 31.03.2016	
	No. of shares	% to share capital	No. of shares	% to share capital
Promoters	138231232	52.07	138261232	52.08
Mutual Funds	36504582	13.75	36260382	13.66
Banks/Financial institutions/NBFCs	1291426	0.49	940830	0.35
Foreign Portfolio Investors	45717679	17.22	51954149	19.57
Private Corporate Bodies	13990371	5.27	16143767	6.08
Indian Public	25986597	9.79	19606425	7.39
Non-Resident Indians/Foreign National	1767937	0.67	1448308	0.55
Clearing Members	806531	0.30	481153	0.18
Trusts	806471	0.30	372334	0.14
Alternative Investment Fund	365754	0.14	-	-
Grand Total	**265468580**	**100**	**265468580**	**100**

(ii) Shareholding Profile as on 31st March 2017

Mode of holding	No. of holders	No. of Shares	% to Equity
PHYSICAL	59	1221901	0.46
N S D L	77055	256752697	96.72
C D S L	45771	7493982	2.82
Total	**122885**	**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 March 31, 2017, 99.54 % of the shares were in demat mode.

19 Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, Conversion date and likely impact on equity

We have no GDRs/ADRs or any commercial instrument.

20 Commodity Price Risk or Foreign Exchange Risk and Hedging Activities

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

21 Plant Locations

Choutuppal Unit:
Lingojigudem Village,
Choutuppal Mandal
Yadadri Bhuvanagiri Dist. (TS),
Pin Code - 508 252

Export Oriented Unit:
Chippada Village
Bheemunipatnam Mandal
Visakhapatnam Dist. (A.P)
Pin Code - 531 163

Divi's Pharma SEZ:
Chippada Village
Bheemunipatnam Mandal
Visakhapatnam Dist. (A.P)
Pin Code - 531 163

DSN SEZ Unit:
Chippada Village
Bheemunipatnam Mandal
Visakhapatnam Dist. (A.P)
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 12th 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 in reserves 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 including the CFO, 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 a 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, 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 shall be approved 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.42 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 on dealing with Related Parties. The policy is 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. Certificates from Mr. V. Bhaskara Rao, Practicing Company Secretary, confirming compliance with the conditions of Corporate Governance are annexed.

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

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

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

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 the Code of ethics and business conduct for Directors and Senior Management. The code is comprehensive in nature and applicable to all Directors, Executive as well as Non-Executive and to Senior Management of the Company.

Copy of the said Code is available on the Company's website, www.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 2016-17.

For and on behalf of the Board

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

Hyderabad
27th June, 2017

CERTIFICATION BY CHAIRMAN AND MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER

We, Dr. 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 31st March, 2017 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
26th May, 2017

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 31st March 2017 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
27th June, 2017

BOARD'S REPORT

Dear Shareholders,

Your Directors have pleasure in placing before you the Twenty Seventh Annual Report of the Company together with the Audited Accounts for the year ended 31st March 2017.

Financial Results

The Company's financial performance, for the year ended 31st March, 2017 is summarized below:

₹ in Lakhs

Particulars	Standalone		Consolidated	
	2016-17	2015-16	2016-17	2015-16
Revenue	406577.66	374984.94	410626.01	380487.97
Other income	7597.65	9591.58	7489.30	9744.05
Total Revenue	414175.31	384576.52	418115.31	390232.02
Expenditure	262800.58	234936.34	266022.79	238751.22
Profit before depreciation, interest and tax (PBDIT)	151374.73	149640.18	152092.52	151480.80
Depreciation	12326.23	11810.20	12333.19	11818.13
Finance Cost	225.62	300.69	225.62	378.28
Profit before Tax (PBT)	138822.88	137529.29	139533.71	139284.39
Provision for Tax:				
Current Tax	28522.55	28423.09	28522.55	28423.09
Deferred Tax	4973.34	(1978.13)	4969.35	(1717.15)
Total tax provision	33495.89	26444.96	33491.90	26705.94
Profit after Tax (PAT)	105326.99	111084.33	106041.81	112578.45
Other comprehensive Income (net of tax)	(140.02)	(301.24)	322.24	(1577.57)
Total comprehensive Income	105186.97	110783.09	106408.61	111000.88
Earnings per Share (EPS) Basic & Diluted (₹)	39.68	41.84	39.95	42.41

Indian Accounting Standards (Ind-AS)

The Ministry of Corporate Affairs (MCA), vide its notification dated 16th February, 2015, notified the Indian Accounting Standards (Ind-AS) applicable to certain classes of companies replacing the previous Indian GAAP prescribed under the Companies Act, 2013. For our company, Ind AS is applicable from this financial year with a transition date of 1st April, 2015.

Major areas which had impact on account of transition to Ind AS are:

- Fair value of certain financial instruments like investments, loans to subsidiaries, deposits
- Remeasurement of post-employment benefit obligations
- Reporting Revenue inclusive of excise duty
- Deferred tax on GAAP adjustments
- Remeasurement of lease rentals

Reconciliation of the effect of transition from the previous Indian GAAP to Ind AS has been provided in Note No.46 in the notes to accounts in the standalone and Note No.45 to the consolidated financial statements.

Operations

Standalone

- Revenues for the year increased by 8% to ₹414175.31 lakhs.
- Operating profit (PBDIT) for the year amounted to ₹151374.73 lakhs as against an operating profit of ₹149225.94 lakhs last year.
- Profit before Tax (PBT) for the year amounted to ₹138822.88 lakhs as against a PBT of ₹137529.29 lakhs for the last year.
- Tax Provision for the current year amounted to ₹33495.89 lakhs as against a tax provision of ₹26444.96 lakhs).
- Profit after Tax (PAT) before Other Comprehensive Income for the year amounted to ₹105326.99 lakhs as against a PAT of ₹111084.33 lakhs last year.
- Earnings Per Share of ₹2/- each works out to ₹39.68 for the year as against ₹41.84 last year.
- Out of the total revenue, 33% came from North America, 40% from Europe, 12% from Asia, 13% from India and 2% from rest of the World.

Consolidated

Our total revenues on consolidated basis increased to ₹418115.31 lakhs from ₹390232.02 lakhs in the previous year, reflecting a growth of 7%.

The operating profit before depreciation, finance charges and tax (PBDIT) amounted to ₹152092.52 lakhs as against ₹151480.80 lakhs in the previous year. Profit after Tax, before Other Comprehensive Income, for the year accounted to ₹106041.81 lakhs as against ₹112578.45 lakhs in the previous year.

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 31st March, 2017, subject to approval of members at the ensuing Annual General Meeting.

The total dividend payout for the current year amounts to ₹31951.17 lakhs (inclusive of tax of ₹5404.32 lakhs) as against ₹31951.17 lakhs in the previous year. Dividend (including dividend tax) as a percentage of profits is 30% as compared to 29% in the previous year.

Transfer to Reserves

The company proposes to retain the entire amount of ₹407694.36 lakhs in the Profit and Loss Account.

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 ₹21677.72 lakhs as against previous year turnover of ₹18856.54 lakhs, reflecting a growth of 14.96% for the nutraceutical products in North America and Europe.

Subsidiaries have achieved growth in operating profit. Gain on forex currency translation for the year accounted to ₹254.94 lakhs for US subsidiary and ₹194.79 lakhs for Europe subsidiary. With significant efforts having been made in the operations, market reach and qualifications from several customers, the company is confident of achieving profitability at the subsidiaries and recovery of the investments/advances made in the next couple of years. 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.

Kakinada Project

Your company proposes to set up a new manufacturing facility at Kakinada in the state of Andhra Pradesh with an initial investment of ₹700 crores for augmenting capacities as also de-risking its operations; and in this regard, has approached the Government of Andhra Pradesh for allotment of suitable land. The Government has allotted 505 acres of land at Ontimamidi Village (Kona), Thondangi Mandal, East Godavari District, in the State of Andhra Pradesh and gave us advance possession of the land, pending procedural formalities. The company has spent an amount of ₹3435.22 lakhs during the year towards the cost of land and minor civil works at the site. Government has registered land of an extent of 351.72 acres in favour of the company.

While we started the preliminary procedures for securing the land and applications for permissions for setting up the facility, several farmers/earlier owners whose land has been acquired/resumed by the Government have filed writ petitions before the Hon'ble High Court of Telangana and Andhra Pradesh contesting such acquisition/resumption or seeking additional compensation. The company hopes that the Government would resolve the legal issue with the contestants paving the way for registration of the balance land after which the company would be able to set up its manufacturing facility.

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.

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.

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.

FDA Inspection

The Company has received a warning letter from US-FDA for its Unit-II at Visakhapatnam subsequent to inspection of the facility during Nov-Dec, 2016 and issue of an Import Alert. The US-FDA has also exempted several products from the Import Alert. The warning letter summarized the deviations from current Good Manufacturing Practices (cGMP) for active pharmaceutical ingredients (APIs) and also that its Investigators documented that the company limited and/or refused an FDA inspection.

The company responded to the observations in Form-483 issued by the US-FDA and also to the warning letter within the stipulated time. The company engaged reputed consultants and subject matter experts for advising on the deviations observed and have initiated the remediation measures to comply with the cGMP requirements.

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.

Risk Management

The Company has an enterprise-wide approach to risk management, which lays emphasis on identifying and managing key operational and strategic risks. Through this approach, the company strives to identify opportunities that enhance organisational values while managing or mitigating risks that can adversely impact its future performance. The company has been addressing various risks impacting the company and the policy of the company on risk management is provided elsewhere in this annual report in Management Discussion and Analysis.

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.

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.

Directors and Key Managerial Personnel

Re-appointment:
As per the provisions of the Companies Act, 2013 Mr. Kiran S. Divi, Whole-time Director will retire by rotation at the ensuing 27th Annual General Meeting and, being eligible, offers himself for re-appointment.

Retirement:
Smt. S. Sridevi has completed her tenure of appointment as Small shareholder Independent Director on 22nd 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.

Appointment:
Your Board has appointed Mrs. Nilima Motaparti as an Additional Director designated as Whole-time Director, at its meeting held on 27th June, 2017 on the recommendation of the Nomination and Remuneration Committee and the Audit Committee. Mrs. Nilima has been working in the management cadre of the company as Chief Controller (Commercial) since July, 2012 as approved by the members at their meeting held on 6th August, 2012. The Board commends her appointment as Whole-time Director for your approval.

Your Board has appointed Dr. Ramesh B.V. Nimmagadda as an Additional Independent Director, at its meeting held on 27th June, 2017 on the recommendation of the Nomination and Remuneration Committee. The

Board commends his appointment as an Independent Director for your approval.

Brief profile of the directors proposed for appointment/re-appointment are given in the notice convening the 27th AGM for reference of the shareholders.

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 four times, i.e. on 28th May 2016, 12th August 2016, 12th November 2016 and 4th February 2017.

Delaration 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.

Audit Committee

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.

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. The performance evaluation of independent directors shall be done by the entire Board of Directors (excluding the director being evaluated).

Policy on Directors' Appointment and Remuneration

The Policy on appointment and remuneration of Directors, Key Managerial Persons and Senior Management including criteria for determining qualifications, positive attributes and directors' 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 is annexed herewith as "**Annexure II**".

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-III**" and forms part of this Report.

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.42 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.

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 behaviour, 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

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-IV**" 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-V**" 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-VI**" to this report.

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

Under Section 139 of the Companies Act, 2013 and Rules made there under, it is mandatory for the Company to rotate current statutory auditors on completion of maximum term permitted under the Section.

M/s. PVRK Nageswara Rao & Co, Chartered Accountants, the statutory auditors of the Company, hold office till the conclusion of this 27th Annual General Meeting of the Company and pursuant to Section 139(2) and the rules notified in this regard, they are not eligible for re-appointment.

Your Board of Directors, on the recommendation of the Audit Committee, do recommend the appointment of M/s. Price Waterhouse Chartered Accountants LLP (Firm Registration No. 012754N/N500016) as the Statutory Auditors of the Company, for a term of five consecutive years from the conclusion of the 27th Annual General Meeting of the Company scheduled to be held in the year 2017 till the conclusion of the 32nd Annual General Meeting to be held in the year 2022, subject to the ratification of their appointment at every AGM.

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 2016-17. The Secretarial Audit report for the financial year 2016-17 is annexed herewith as "**Annexure-VII**".

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.

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-VIII**" 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.

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
27th June, 2017

ANNEXURE – I

STATEMENT OF SUBSIDIARIES

₹ in Lakhs

Sl. No	Particulars	Divis Laboratories (USA) Inc	Divi's Laboratories Europe AG.
1	The date since when Subsidiary was acquired	1st February 2006	6th February 2006
2	Reporting period for the Subsidiary	31st March 2017	31st March 2017
3	Reporting Currency and Exchange rate as on the last date of the relevant financial year	USD = 64.8386	CHF = 64.745
4	Share Capital	86.85	503.37
5	Reserves & Surplus	(3333.40)	(1818.51)
6	Total assets	6777.57	7893.09
7	Total liabilities	6777.57	7893.09
8	Investments	-	-
9	Turnover	10028.66	11649.06
10	Profit / (Loss)before taxation	(165.72)	876.56
11	Provision for taxation	18.04	(22.03)
12	Profit / (Loss) after taxation	(183.76)	898.59
13	Other Comprehensive Income after tax for the year	254.94	251.87
14	Total Comprehensive Income for the year	71.18	1150.46
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
27th June, 2017

ANNEXURE – II

NOMINATION AND REMUNERATION POLICY

1. Introduction

The company would require the services of several staff, executives, managers and directors for conducting its business. The company is into development and manufacture of active pharma ingredients and Nutraceuticals. The company has several functional areas such as Research & Development, QC/Analytical Labs, Manufacturing, Projects, Maintenance, Sales, Marketing, Logistics, Procurement, Accounting, Finance, Taxation, Secretarial, Personnel, Administration, Legal, Regulatory Compliances etc.

2. Objective and purpose of the Policy

In pursuance of the Company's policy to consider human resources as its invaluable assets, to pay equitable remuneration to all Directors, Key / Senior Management Personnel, executives and staff of the Company, to harmonize the aspirations of human resources consistent with the goals of the Company and in terms of the provisions of the Companies Act, 2013 ("the Act") and the SEBI Listing Regulations as amended from time to time, this policy on nomination and remuneration of Directors, Key / Senior Managerial Personnel 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, its financial position, 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 for their effort, performance, dedication and achievement relating to the Company's operations.
- To retain, motivate and promote talent to ensure long term sustainability of talented managerial persons and create competitive advantage.

3. Criteria for determining Qualifications, Positive Attriubutes and Independence of Directors

The Nomination and Remuneration Committee ('the Committee"), along with the Board, reviews on an annual basis, appropriate skills, characteristics and experience required of the Board as a whole and its individual members. The objective is to have a Board with diverse background and experience in business, government, academics, technology and in areas that are relevant for the Company's operations and to ensure a transparent board nomination process with the diversity of thought, experience, knowledge, perspective and gender in the Board.

In addition, Directors must be willing to devote sufficient time and energy in carrying out their duties and responsibilities effectively. They must have the aptitude to critically evaluate management's working as part of a team in an environment of collegiality and trust.

- Should possess adequate qualification, knowledge, skills and experience for the position he / she is considered for appointment.
- The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.

Positive attributes

- Possessing highest level of personal and professional ethics, integrity, values
- Willingness to learn and contribute
- Commitment and Compliances to various regulations
- Capability to make well informed and good decisions
- Ability to listen, to make critical assessment and judgement
- Having courage, openness, honesty and tact

Independence of Directors

Independence refers to the avoidance of being unduly influenced by vested interest and being free from any constraints that would prevent a correct course of action being taken. Members of the Board and key executives should be required to disclose to the board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the company.

The Board and top management should conduct themselves so as to meet the expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information in order to foster a culture for good decision-making.

The Nomination and remuneration Committee shall assess the independence of Directors at the time of appointment/ re-appointment. The Board shall assess the same annually by taking

appropriate disclosure from the Directors. Independent Directors should satisfy the requirements of the Companies Act, 2013 and SEBI Listing Regulations with respect to independence of directors. Independent Directors should be capable of exercising independent judgement at times where there is a potential for conflict of interest.

4. Policy for Appointment and Removal of Directors, KMP and Senior Management

4.1 Appointment criteria and qualifications

4.1.1) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or Senior Management Personnel and recommend his / her appointment to the Board.

4.1.2) The Committee shall consider the expertise of the director in managing significant risks that may directly or indirectly affect the organization. Examples include:

- Regulatory and legal requirements
- Concentrations (e.g., suppliers and customers)
- Market and competitive trends
- Financing and liquidity needs
- Financial exposures
- Business Continuity
- Organisation reputation
- Strategy execution
- Management capabilities
- Management override
- Fraud control
- Organisation pressures

4.1.3) The Company shall not appoint or continue the employment of any person as Whole-time Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

4.1.4) The Company should ensure that the person so appointed as Director/ Independent Director, KMP, Senior Management Personnel shall not be disqualified under the Companies Act, 2013 and the rules made there under, SEBI Listing Regulations or any other enactment for the time being in force.

4.1.5) The Director/ Independent Director/Senior Management Personnel/KMP shall be appointed as per the procedure laid down under the provisions of the Companies Act, 2013 and the rules made thereunder, SEBI Listing Regulations or any other enactment for the time being in force.

4.2 Term/ Tenure

4.2.1) Managing Director/Whole-time Director:

The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Whole-time Director not exceeding a term of five years. No re-appointment shall be made earlier than one year before the expiry of term.

4.2.2) Independent Director:

An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's Report.

No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

At the time of appointment of Independent Director, it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies and three listed companies in case such person is serving as a Whole-time Director of a listed company or such other number as may be prescribed under the Act.

The company shall familiarize the independent directors with the company, including their roles, rights, responsibilities in the company, nature of the industry in which the company operates, business model of the company, etc., through various programs.

4.3 Evaluation

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular intervals (half-yearly/yearly).

4.4 Removal

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

4.5 Retirement

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. However, the Board will have the discretion to retain the services of any Director, KMP, Senior Management Personnel in any capacity even after attaining the retirement age, for the benefit of the Company.

5. Policy on Remuneration of Directors, Key Managerial Personnel and other Employees

5.1. Applicability

This Remuneration Policy shall continue to guide all future employment of Directors, Company's Senior Management including Key Managerial Personnel and other employees.

Any deviation from the policy can be undertaken only with the approval of the Board of Directors, subject to the prior/post approval of the shareholders of the Company and the Central Government, wherever required.

6. Policy

6.1 General:

The remuneration policy provides a framework for remuneration paid to the members of the Board of Directors ("Board"), Key Managerial Personnel ("KMP") and the Senior Management Personnel ("SMP"), executives and other employees of the Company.

6.1.1) Remuneration to the Whole-time Directors, KMPs and Senior Management Personnel will be determined by the Nomination and Remuneration Committee ("the committee") and recommended to the Board for approval. The remuneration shall be subject to approval of the shareholders of the Company and the Central Government, wherever required.

6.1.2) Remuneration and commission to be paid to the Whole-time Director shall be within the percentage/ slabs/ceiling/ conditions as laid down in the Articles of Association of the Company and as per the provisions of the Act.

6.1.3) Increments and/or revision to the existing remuneration/ compensation structure may be recommended by the Committee to the Board which should be within the slabs/ ceiling/ approved by the Shareholders in the case of Whole-time Directors.

6.1.4) Where any insurance is taken by the Company on behalf of its Whole-time Director, Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

6.2 Remuneration to Whole-time / Executive / Managing Director:

The term of office and remuneration of Whole Time Directors are subject to the approval of the Board of Directors, shareholders and the limits laid down under the Companies Act from time to time.

a) Fixed pay:

The Whole-time Director/ KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee.

b) Perquisites, Allowances and other benefits:

In addition to the fixed pay, they shall also be eligible for any perquisites and allowances including company's contribution to Provident Fund, pension scheme, superannuation fund, rent free furnished accommodation or house rent allowance in lieu thereof, medical expenses, mediclaim/personal accident insurance, club fees, ex-gratia, rewards, incentives, gratuity and other retirement benefits etc., as may be decided and approved by the Board/ the Person authorized by the Board on the recommendation of the Committee; within the overall limits as approved by the shareholders and Central Government, wherever required.

c) Minimum Remuneration:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time Director in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.

d) Provisions for excess remuneration:

If any Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without the prior sanction of the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

6.3 Remuneration to Non- Executive / Independent Director:

a) Sitting Fees:

The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof as approved by the Board. Provided that the amount of such fees shall not exceed the limits prescribed under the Act or such amount as may be prescribed by the Central Government from time to time.

b) Remuneration:

Any remuneration to the non-executive / Independent directors shall be, as approved by the Committees, the Board and members of the company; and subject to the slabs and conditions mentioned in the Articles of Association of the Company and the Act.

c) Stock Options:

An Independent Director shall not be entitled to any stock option of the Company.

6.4 Remuneration to KMP and Senior Management Personnel:

Appointment of KMP & Senior Management Personnel (one level below the Board) and cessation of their service are subject to the approval of the Nomination & Remuneration Committee and the Board of Directors. Remuneration of KMP and other senior management personnel is approved by the Chairman & Managing Director (CMD) on the recommendation of the Management, and any Committee of the Board as may be required, broadly based on the Remuneration Policy. Total remuneration broadly comprises of:

a) Fixed pay:

The KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee.

b) Perquisites, Allowances and other benefits:

Perquisites and allowances such as contribution to PF, pension, superannuation fund, medical expenses, mediclaim/personal accident insurance, gratuity, etc., are paid as per the rules of the Company.

c) Motivation /Reward:

A performance appraisal is carried out periodically and promotion / revision / increment/ reward/ incentives / ex-gratia are approved by the Chairman and Managing Director, based on the appraisal and recommendation of the Management as per the company's policies and practices.

d) Severance payments:

In accordance with terms of employment and applicable statutory requirements, if any.

6.5 Executives and other employees

The remuneration of Executives and other employees is fixed by the Management of the company from time to time as per objectives of this policy and considering industry standards, individual's contribution and capabilities and cost of living etc. In addition to basic salary and allowances, the employees may also be provided rewards/ incentives/ bonus / perquisites and retirement benefits as per schemes of the Company and statutory requirements, where applicable.

7. Disclosure

Information on the total remuneration of members of the Company's whole-time and other Directors and key managerial personnel/senior management personnel may be disclosed in the Company's annual financial statements as per statutory requirements.

For and on behalf of the Board

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

Hyderabad
27th June, 2017

ANNEXURE – III

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 2016-17, the percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary in the financial year 2016-17 and the comparison ofthe each remuneration of the Key Managerial Personnel against the performance of the company are as below:

Sr.No	Name of Director / KMP and Designation	Remuneration of Director/ KMP for financial year 2016-17 (₹ in lakhs)	Ratio of remuneration of each Director to median remuneration of employees of the company for the financial year	% increase in remuneration in the financial year 2016-17
1	Dr. Murali K. Divi	4646.56	1 : 0.0008266	3.27%
	Chairman & Managing Director			
2	Mr. N.V. Ramana	2417.19	1 : 0.0015890	5.13%
	Executive Director			
3	Mr. Madhusudana Rao Divi	189.36	1 : 0.0202837	90.58%
	Whole-time Director			
4	Mr. Kiran S. Divi	1621.48	1 : 0.0023688	3.75%
	Whole-time Director			
5	Dr. G. Suresh Kumar*	Nil	--	--
	Independent Director			
6	Mr. R. Ranga Rao*	Nil	--	--
	Independent Director			
7	Mr. K.V.K.Seshavataram*	Nil	--	--
	Independent Director			
8	Mrs. S. Sridevi*	Nil	--	--
	Independent Director			
9	Mr. L. Kishore Babu	355.50	Not Applicable	105.27%
	Chief Financial Officer			
10	Mrs. P. V. Lakshmi Rajani	32.77	Not Applicable	30.76%
	Company Secretary			

* Independent Directors were paid sitting fees for attending the Meetings

(ii) Percentage increase in the median remuneration of employees in the financial year was 10.86%

(iii) The Company has 3,765 permanent employees on the rolls of company as on 31st March 2017

(iv) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year was 47.84% whereas the increase in the managerial remuneration was 6.97%.

(v) The key parameters for the variable component of remuneration availed by the directors are considered by the Board of Directors based on the recommendations of the Nomination and Remuneration Committee as per the Remuneration Policy for Directors, Key Managerial Personnel and other Employees.

(vi) 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
27th June, 2017

ANNEXURE – IV

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] (₹ crores)	Last employment
Dr. Murali K. Divi	66	M. Pharm, Ph. D.	Chairman & Managing Director	12-Oct-90	42	46.47	Managing Director, Cheminor Drugs Ltd.
Ramana. N.V.	59	B.Sc. (Chem)	Executive Director	26-Dec-94	32	24.17	President, Enmark Exim Services Pvt. Ltd
Madhusudana Rao Divi	73	M.E. (Structural Engg.)	Whole-time Director	14-Oct-94	48	1.89	Executive Director, Sadah General Trading & Const Co., Kuwait
Kiran S. Divi	41	M. Pharm.	Whole-time Director	10-Aug-01	16	16.21	--
Balaji Siripurapu	53	B.Sc.,	Deputy General Manager	11-02-95	32	1.03	Assistant Manager, Natco Laboratories Ltd.
Devendra Rao. S.	55	M. Sc.	General Manager	10-Feb-95	34	2.87	Senior Manager (Prod), Natco Laboratories Ltd.
Hemanth Kumar. G.	57	M. Sc.	General Manager	1-Nov-94	34	2.87	Sr. Prodn. Manager, Sumitra Pharma Ltd.,
Kishore Babu. L.	65	B.Com, FCMA	Chief Financial Officer	20-Nov-94	44	3.56	Finance Manager, Nagarjuna Fert & Chem Ltd.,
Dr. M.N.A. Rao	66	M. Pharm, Ph.D.,	General Manager (R&D)	17-Apr-97	44	1.06	Principal, College of Pharmacy, Manipal
Naga Sekhar. V	51	B.E (Mech)	Deputy General Manager	23-Mar-95	27	1.28	Vera Laboratories Ltd.
Dr. Nageswara Rao. B.	58	M.Sc., Ph.D.,	General Manager (R&D)	1-Nov-90	29	1.20	Manager R&D, Cheminor Drugs Ltd.,
Prasad. Y.T.S.	49	B.E.	General Manager	1-Nov-90	29	2.87	Engineer (Devpt), Cheminor Drugs Ltd.,
Punna Rao. A.M.L	47	M.Sc.,	Deputy General Manager-QC	01-Mar-2000	25	1.13	Asst. Manager - QC, Vera Laboratories Ltd.,
Ramaiah Chowdary. P	54	B.E.	General Manager	15-Nov-94	30	1.71	Maint Manager, Natco Laboratories Ltd.
Ramakrishna. S.	55	M. Sc.	General Manager	15-Feb-95	34	2.87	General Manager (Works), Vera Laboratories Ltd.
Ramana. L.V	47	M. Sc.	General Manager	12-Aug-91	25	2.07	--
Ramesh Babu. L.	61	M.Com, MBA, LLB	Vice President (Procurement) & CIO	20-May-09	28	1.70	Group Captain, Indian Air Force
Ramesh Babu. M.	51	B. Sc.	Chief Technologist	1-Nov-90	31	2.87	R&D Incharge, Cheminor Drugs Ltd.,
Satya Prakash Divi	40	MS (CIS), MBA	Vice President (Sales & Marketing)	1-Mar-13	15	1.91	VP, Marketing & IT, EF International Academy, Switzerland
Srinivasa Rao. P	52	M. Pharm	Chief Technologist	1-Nov-90	29	2.87	Sr. Chemist, Cheminor Drugs Ltd.

Name	Age (yrs)	Qualifications	Designation	Date of commencement of employment	Experience (yrs)	Gross remuneration[1] (₹ crores)	Last employment
Subba Rao. K	53	M.P.M., LLB	Deputy General Manager	01-Oct-94	30	1.28	Personnel Officer, P. R. Cements Limited
Sudhakar. P	51	B.Com	Deputy General Manager	01-Oct-94	30	1.28	--
Veeraiah Chowdary. G	50	B.Sc Chemistry, MBA- TQM	Deputy General Manager	01-Jun-95	29	1.28	Officer (QC), Vera Laboratories Limited

Notes:

1) Remuneration includes salary, allowances, ex-gratia, 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, Chief Information Officer and Vice President (Procurement) is related Mr. L. Kishore Babu, Chief Financial Officer of the company.
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
27th June, 2017

ANNEXURE – V

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 should be 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 neighbouring communities in enhancing quality of life and economic well-being of the local populace.
- To facilitate a holistic approach based on a sustainable improvement in the social, economic and environmental situation of the needy and underserved.
- Also embedded in this objective is to support 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:**

   As detailed in the Corporate Governance Report

3. Average net profit of the company for last three financial years (₹ in lakhs) — 122554.88

4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above) (₹ in lakhs) — 2451.10

5. Details of CSR spent during the financial year:

   (a) Total amount to be spent for the financial year (₹ in lakhs) — 1625.82

   (b) Amount unspent (₹ in Lakhs) — 378.68

   (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 2016-17:

(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		396.50	288.05	288.05	
2.	Public Health	Promoting health care		13.20	13.20	13.20	
3.	Village Development	Rural development		466.61	171.01	171.01	

(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
4.	Women Welfare & Economic Empowerment	Empowering Women	Local	7.66	0.16	0.16	Direct
5.	Support to differently abled		State of Telangana	24.13	24.13	24.13	
6.	Animal Welfare & Dairy Development	Animal Welfare	State of Andhra Pradesh	3.84	3.84	3.84	
7.	Drinking water schemes/ Sanitation facilities	Safe Drinking Water		1300.91	951.91	951.91	
8.	Environmental Sustainability	Environment Sustainability		86.27	48.76	48.76	
9.	Promotion of Rural Sports	Promotion of Rural Sports		1.85	1.85	1.85	
10.	Swachh Bharat	Swachh Bharat		47.29	39.69	39.69	
11.	Construction of Skill development Centre	Livelihood Enhancement program		72.95	52.95	52.95	
(2)	**Overheads**						
	Administrative Expenses & Salaries			30.27	30.27	30.27	
	Total			**2451.48**	**1625.82**	**1625.82**	

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.

   The company has been identifying appropriate CSR projects and programs in the villages and communities around its manufacturing sites by involving the local bodies and elected representatives, village communities, self-governing organisations and Government agencies. Several projects have been identified and are under implementation. Company has laid out a clear road map for achieving the desired results enunciated in its CSR policy and is confident of meeting the statutory requirement.

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 - VI

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:

- Installation of Variable Frequency Drives in production blocks to reduce power consumption.
- Replacement of the standard efficient motors (IE1 & IE2) with energy efficient IE3 motors.
- Installation of new energy efficient brine screw compressors in Air-cooled chillers instead of reciprocating compressors.
- Installation of capacitors banks nearer to the usage points
- Energy efficient lighting
- Installation of plate heat exchanges for energy recovery

(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 fuel for efficient energy consumption.
- Effluent evaporation using Solar Evaporation system.
- Solar street lighting /solar fencing

(iii) The capital investment on energy conservation equipments

S. No.	Block	Description	Previous system	Present/ implemented system	Total investment (₹ in lakhs)
1	Service Blocks	Air Supply System	Reciprocating type compressors	Screw Type Compressors	757.36
2	Service Blocks	Brine Supply System	Reciprocating type compressors	Screw Type Compressors	915.77

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

Particulars	2016-17	2015-16
		₹ in lakhs
Capital	607.65	762.96
Recurring	4311.75	3092.35
Total	**4919.40**	**3855.31**
Total R&D Expenditure as a percentage of Sales Revenue	**1.21%**	**1.04%**

C. Foreign Exchange Earnings and Outgo

Particulars	2016-17	2015-16
		₹ in lakhs
Foreign Exchange earnings	353838.53	322704.00
Foreign Exchange outgo:		
- CIF Value of Imports	102594.88	86541.14
- Expenditure in Foreign Currency	1391.95	1204.00
Net Foreign Exchange Earning (NFE)	249851.70	234958.86
NFE / Earnings %	70.61%	72.81%

ANNEXURE - VII

Form No. MR-3
SECRETARIAL AUDIT REPORT

for the financial year ended 31st March 2017

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

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 M/s. Divi's Laboratories Limited (here in 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 31.03.2017 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 31.03.2017, according to the provisions of:

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

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

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

(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 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 :

c. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;

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, 1999 and the Securities and Exchange Board of India(Share Based Employee Benenfits) 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) Explosive Act, 1884

(w) Indian Boilers Act, 1923

(x) The Patents Act 1970

(y) Biological Diversity Act, 2002

(z) Food Safety and Standards Act, 2006

(aa) Special Economic Zones Act 2005

(bb) Drug and Cosmetics Act 1940

(cc) Narcotic Drugs and Psychotropic Substances Act, 1985

(dd) Employee's State Insurance Act, 1948

(ee) Andhra Pradesh Factories and Establishment (National, Festival and Other Holidays) Act, 1974

(ff) The Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013

(gg) The Andhra Pradesh Labour Welfare Fund Act, 1987

(hh) 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

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. There were no changes in the composition of the Board of Directors during the period under review.

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

Majority 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 during the audit period, the company has received an Import Alert and a warning letter from US-FDA for its Unit-II at Visakhapatnam after inspection of the facility during Nov-Dec, 2016 and informed to us that company has responded to the observations in Form -483 issued by the US-FDA for remediation measures.

For **V.Bhaskara Rao and Co**
Company Secretaries

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

Hyderabad
27th June, 2017

ANNEXURE - VIII

Form No. MGT-9
EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31st March, 2017

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. Registration and Other Details

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

II. Principal Business Activities of the Company

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

SI No.	Name and description of main products / services	NIC code of the Product / Service	% to total turnover of the company
1	Naproxen	29183090	16%

III. Particulars of Holding, Subsidiaries and Associate Companies

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

SI No.	Name and address of the Company	CIN/ GLN	Holding / Subsidiary / Associate	% of shares held	Applicable Section
1	Divis Laboratories (USA) Inc., 325 Columbia Turnpike Suite 305, Florham Park, New Jersy 07932, USA	NA	Subsidiary	100	2(87)
2	Divi's Laboratories Europe AG Solothurnerstrasse 15 CH- Basle, Switzerland	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	130161232	0	130161232	49.03	130181232	0	130181232	49.04	0.01
(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) :	**138161232**	**0**	**138161232**	**52.04**	**138181232**	**0**	**138181232**	**52.05**	**0.01**
(2) Foreign									
(a) NRIs - Individuals	100000	0	100000	0.04	50000	0	50000	0.02	-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) :	**100000**	**0**	**100000**	**0.04**	**50000**	**0**	**50000**	**0.02**	**-0.02**
Total Shareholding of Promoter A=A(1)+A(2) :	**138261232**	**0**	**138261232**	**52.08**	**138231232**	**0**	**138231232**	**52.07**	**-0.01**
B. Public Shareholding									
(1) Institutions									
(a) Mutual Funds / UTI	36260382	0	36260382	13.66	36504582	0	36504582	13.75	0.09
(b) Banks/Financial Institutions	934530	0	934530	0.35	1198844	0	1198844	0.45	0.10
(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) Foreign Institutional Investors	51954149	0	51954149	19.57	45717679	0	45717679	17.22	-2.35
(h) Foreign Venture Capital Investors	0	0	0	0.00	0	0	0	0.00	0.00
(i) Others	324	0	324	0.00	506	0	506	0.00	0.00
Sub-total B(1) :	**89149385**	**0**	**89149385**	**33.58**	**83421611**	**0**	**83421611**	**31.42**	**-2.16**
(2) Non-institutions									
(a) Bodies Corporate									
i) Indian	16143747	20	16143767	6.08	13990371	0	13990371	5.27	-0.81
ii) Overseas	0	0	0	0.00	0	0	0	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	
(b) Individuals									
i) Individual shareholders holding nominal share capital up to ₹2 lakh	15562940	436141	15999081	6.03	23171927	421101	23593028	8.89	2.86
ii) Individual shareholders holding nominal share capital in excess of ₹2 lakh	2806544	800800	3607344	1.36	1592769	800800	2393569	0.90	-0.46
(c) Others									
i) Non Resident Indians	1427984	20000	1447984	0.55	1767431	0	1767431	0.67	0.12
ii) Trusts	372334	0	372334	0.14	806471	0	806471	0.30	0.16
iii) Clearing Members	481153	0	481153	0.18	806531	0	806531	0.30	0.12
iv) NBFcs Registered with RBI	6300	0	6300	0.00	92582	0	92582	0.03	0.03
v) Alternative Investment Fund	0	0	0	0	365754	0	365754	0.14	0.14
Sub-total B(2) :	**36801002**	**1256961**	**38057963**	**14.34**	**42593836**	**1221901**	**43815737**	**16.51**	**2.17**
Total Public Shareholding B=B(1)+B(2):	**125950387**	**1256961**	**127207348**	**47.92**	**126015447**	**1221901**	**127237348**	**47.93**	**0.01**
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]	**264211619**	**1256961**	**265468580**	**100.00**	**264246679**	**1221901**	**265468580**	**100.00**	**0.00**

ii) Shareholding of Promoters

Sl No.	Shareholder's Name	Shareholding at the beginning of the year (As on 01-04-2016)			Shareholding at the end of the year (As on 31-03-2017)			% 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	564632	0.21	0.00	584632	0.22	0.00	0.01
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	100000	0.04	0.00	50000	0.02	0.00	-0.02
	TOTAL	**138261232**	**52.08**		**138231232**	**52.07**		**-0.01**

iii) Change in Promoters' Shareholding

	Shareholding at the beginning of the year (As on 01-04-2016)		Date	Increase/ Decrease in shareholding	Cumulative Shareholding during the year (01-04-2016 to 31-03-2017)	
	No. of Shares	% of total Shares of the company			No. of Shares	% of total Shares of the company
At the beginning of the year	138261232	52.08				
Date wise Increase/ Decrease in promoters shareholding during the year			17-08-2016	-50000	138211232	52.06
			28-12-2016	20000	138231232	52.07
At the end of the year			31-03-2017		138231232	52.07

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

Sl No.	Name	Shareholding at the beginning of the year 01-04-2016		Cumulative Shareholding at the end of the year 31-03-2017	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
1	Reliance Capital Trustee Co Ltd	11466386	4.32	10573965	3.98
2	ICICI Prudential Mutual Fund	6972634	2.63	4583250	1.73
3	SBI Mutual Fund	4126069	1.55	11563197	4.36
4	HDFC Standard Life Insurance Company Limited	4104813	1.55	2625843	0.99
5	Pinebridge Investments GF Mauritius Limited**	0	0.00	3503029	1.32
6	Abu Dhabi Investment Authority *	3491821	1.32	1023814	0.39
7	HDFC Trustee Co Ltd	2742840	1.03	3602708	1.36
8	Reliance Nippon Life Insurance Co. Ltd	2690944	1.01	1771337	0.67
9	Government Pension Fund Global	2592614	0.98	3290172	1.24
10	Birla Sun Life Trustee Company Private Limited **	1500877	0.57	2590961	0.98
11	Credit Suissee (Singapore) Limited*	2378353	0.90	105053	0.04
12	Wasatch Small Cap Growth Fund*	2003520	0.75	0	0.00
13	Baron Emerging Markets Fund**	1650000	0.62	2000000	0.75
14	M3 Investment Private Limited*	2000000	0.75	1995700	0.75

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 31-03-2017. The same is reflected above since the shareholder was one of the Top 10 shareholders as on 01-04-2016.

**Not in the list of Top 10 shareholders as on 01-04-2016. The same is reflected above since the shareholder was one of the Top 10 shareholders as on 31-03-2017.

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 01-04-2016)		Date	Increase/ Decrease in shareholding	Reason	Cumulative Shareholding during the year (01-04-2016 to 31-03-2017)	
		No. of Shares	% of total Shares of the company				No. of Shares	% of total Shares of the company
A	**Directors**							
1	**Murali Krishna Prasad Divi**							
	Chairman and Managing Director							
	At the beginning of the year	15567000	5.86	1-Apr-16				
	At the end of the year			31-Mar-17			15567000	5.86
2	**N. V. Ramana**							
	Executive Director							
	At the beginning of the year	923078	0.35	1-Apr-16				
	At the end of the year			31-Mar-17			923078	0.35
3	**Madhusudana Rao Divi**							
	Whole-time Director							
	At the beginning of the year	564632	0.21	1-Apr-16				
				28-Dec-16	20000	Purchase	584632	0.22
	At the end of the year			31-Mar-17			584632	0.22
4	**Satchandra Kiran Divi**							
	Whole-time Director							
	At the beginning of the year	46000000	17.33	1-Apr-16				
	At the end of the year			31-Mar-17			46000000	17.33
5	**Dr. G. Suresh Kumar**							
	Independent Director							
	At the beginning of the year	-	-	1-Apr-16				
	At the end of the year			31-Mar-17			-	-
6	**Ranga Rao. R**							
	Independent Director							
	At the beginning of the year	-	-	1-Apr-16				
	At the end of the year			31-Mar-17			-	-
7	**K.V.K. Seshavataram**							
	Independent Director							
	At the beginning of the year	-	-	1-Apr-16				
	At the end of the year			31-Mar-17			-	-
8	**S. Sridevi**							
	Independent Director							
	At the beginning of the year	20000	0.01	1-Apr-16				
	At the end of the year			31-Mar-17			20000	0.01
B	**Key Managerial Personnel**							
1	**L. Kishore Babu**							
	Chief Financial Officer							
	At the beginning of the year	250	-	1-Apr-16				
	At the end of the year			31-Mar-17			250	-
2	**P V Lakshmi Rajani**							
	Company Secretary							
	At the beginning of the year	-	-	1-Apr-16				
	At the end of the year			31-Mar-17			-	-

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	4142.10	46.70	-	4188.80
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	**4142.10**	**46.70**	**-**	**4188.80**
Change in Indebtedness during the financial year				
Addition	463.15	-	-	463.15
Reduction	1031.4	46.70	-	1078.10
Net Change	**(568.25)**	**(46.70)**	**-**	**(614.95)**
Indebtedness at the end of the financial year				
i) Principal Amount	3573.85	-	-	3573.85
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	**3573.85**	**-**	**-**	**3573.85**

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	
1	Gross Salary					
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	90.00	84.00	78.00	78.00	330.00
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	18.09	14.27	12.00	13.90	58.26
	(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	4425.67	2212.84	-	1475.22	8113.73
	others	-	-	-	-	-
5	Others					
	PF	10.80	10.08	9.36	9.36	39.60
	Exgratia	102.00	96.00	90.00	45.00	333.00
	Total (A)	**4646.56**	**2417.19**	**189.36**	**1621.48**	**8874.59**
	Ceiling as per the Act	₹14752.25 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	Mrs.S. Sridevi	
1	**Independent Directors**					
	Fee for attending board / committee meetings	3.53	5.04	4.03	3.03	15.63
	Commission	-	-	-	-	-
	Others	-	-	-	-	-
	Total (1)	**3.53**	**5.04**	**4.03**	**3.03**	**15.63**
2	**Other Non-Executive Directors**					
	Fee for attending board / committee meetings	-	-	-	-	-
	Commission	-	-	-	-	-
	Others	-	-	-	-	-
	Total (2)	**-**	**-**	**-**	**-**	**-**
	Total (B) = (1)+(2)	**3.53**	**5.04**	**4.03**	**3.03**	**15.63**
	Total Mangerial Remuneration					**8890.22**
	Overall Ceiling as per the Act	₹16227.47 lakhs (being 11% of the net profits of the Company calculated as per Section 198 of the Companies Act, 2013)				

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
1	Gross Salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961		26.09	186.04	212.13
	(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		-	-	-
2	Stock Option	Not Applicable	-	-	-
3	Sweat Equity		-	-	-
4	Commission				
	as % of profit		-	-	-
	others				
5	Others				
	PF		0.62	4.46	5.08
	Exgratia		6.06	165.00	171.06
	Total		**32.77**	**355.50**	**388.27**

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
27th June, 2017

STANDALONE FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To
The Members of
DIVI'S LABORATORIES LIMITED

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of **DIVI'S LABORATORIES LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, and 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 significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Ind AS Financial Statements

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 that give a true and fair view of the state of affairs (financial position), profit or loss (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 (Ind AS) prescribed under Section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with provisions of the Act for safeguarding 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.

Auditor's Responsibility

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

We have taken into account the provisions of the Act, 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.

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. Those Standards 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.

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 auditor's 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.

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

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 including the Ind AS, of the state of affairs (financial position) of the Company as at 31st March, 2017, and its profit (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of Section143(11) of the Act, we give in "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. 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 purpose 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, the Cash Flow Statement and 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 prescribed under Section 133 of the Act.

   (e) On the basis of written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 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 over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B".

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

   i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer Note No.43 to the financial statements;

   ii. The Company did not have any long-term contracts with material foreseeable losses and did not have any long-term derivative contracts as at 31st March, 2017;

   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 31st March, 2017.

   iv. The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. Based on audit procedures and relying on the management representation we report that the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management – Refer Note No.49.

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

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

Hyderabad
26.05.2017

ANNEXURE A TO INDEPENDENT AUDITORS' REPORT

Referred to in Paragraph 1 under the heading of 'Report on Other Legal and Regulatory Requirements' of our report of even date

1 (a) The company has maintained proper records showing full particulars, including quantitative details and situation of Fixed Assets.

(b) The fixed assets have been physically verified by the management according to the phased programme designed to cover all the fixed assets on rotation basis. In respect of fixed assets verified according to this programme, which is considered reasonable, no material discrepancies were noticed on such verification.

(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.

2 The inventories of the company have been physically verified by the Management during the year at reasonable intervals except stocks lying with others which have been verified with reference to confirmations, certificates and other relevant documents where available. The discrepancies noticed on physical verification of stocks as compared to book records, which in our opinion were not material, have been properly dealt with in the books of account.

3 The Company has 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 Companies Act, 2013 ("the Act"). Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the Order are not applicable to the Company.

4 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 of the Act. Therefore, the provisions of Clause 3(iv) of the Order are not applicable to the Company.

5 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.

6 We have broadly reviewed the books of account maintained by the company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under Sub-section (1) of Section 148 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been maintained and are being made up. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

7 (a) According to the records of the Company and as per the information and explanations given to us, the company is generally regular in depositing 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 and any other statutory dues applicable to it with appropriate authorities. In respect of these statutory dues, there are no outstanding dues as on 31.03.2017 which are outstanding for a period of more than six months from the date they became payable.

(b) According to the records of the Company and as per the information and explanations given to us, there are no dues of sales tax or value added tax which has not been deposited on account of dispute as on 31.03.2017, except income tax, service tax, duty of customs and duty of excise the details of which are as given below:

Name of the Statute	Period to which the amount relates	Nature of dues	Amount ₹ in Lakhs	Forum where dispute is pending
Customs Act, 1962	August, 2005	Penalty	0.30	Customs, Excise and Service Tax Appellate Tribunal, South Zonal Bench, Bangalore.
Customs Act, 1962	January, 2007	Penalty	10.00	Customs, Excise and Service Tax Appellate Tribunal, South Zonal Bench, Chennai.
Customs Act, 1962	June, 2006 to December, 2008	Custom duty and Penalty	18.00	Customs, Excise and Service Tax Appellate Tribunal, South Zonal Bench, Bangalore.
Customs Act, 1962	March, 2012	Custom duty and Penalty	36.70	Customs, Excise and Service Tax Appellate Tribunal, South Zonal Bench, Bangalore.
Customs Act, 1962	November, 2012	Custom duty and Penalty	63.15	Customs, Excise and Service Tax Appellate Tribunal, South Zonal Bench, Bangalore.

Name of the Statute	Period to which the amount relates	Nature of dues	Amount ₹ in Lakhs	Forum where dispute is pending
Customs Act, 1962	June,2009 to March,2010	Penalty	1.25	Customs, Excise and Service Tax Appellate Tribunal, South Zonal Bench, Bangalore.
Central Excise Act, 1944	September,2006 to December,2008	Excise duty and Penalty	244.09	Customs, Excise and Service Tax Appellate Tribunal, South Zonal Bench, Bangalore.
Central Excise Act, 1944	July, 2009 to March,2010	Excise duty and Penalty	9.37	Customs, Excise and Service Tax Appellate Tribunal, South Zonal Bench, Bangalore.
Central Excise Act, 1944	June, 2010 to March, 2011	Excise duty and Penalty	39.04	Customs, Excise and Service Tax Appellate Tribunal, South Zonal Bench, Bangalore.
Central Excise Act, 1944	May, 2011 to December, 2011	Excise duty and Penalty	18.46	Excise, Customs and Service Tax (Appeals), Vishakapatnam.
Central Excise Act, 1944	December, 2013 to September, 2014	Excise duty and Penalty	12.97	Commissioner of Central Excise, Customs & Service Tax, Vishakapatnam.
Central Excise Act, 1944	October, 2014 to September, 2015	Excise duty and Penalty	3.08	Commissioner of Customs, (Appeals) Custom House, Port Area, Vishakapatnam.
Central Excise Act, 1944	August, 2013	Excise duty and Penalty	0.86	Commissioner of Customs, (Appeals) Custom House, Port Area, Vishakapatnam.
Central Excise Act, 1944	September, 2013 to October, 2013	Excise duty and Penalty	0.55	Commissioner of Customs, (Appeals) Custom House, Port Area, Vishakapatnam.
Central Excise Act, 1944	April, 2012 to March, 2013	Service tax and Penalty	32.44	Assistant Registrar, The Customs, Excise & Service Tax Appellate Tribunal, Khairatabad.
Central Excise Act, 1944	April, 2010 to March, 2011	Service tax and Penalty	45.18	Commissioner (Appeal-III), Customs, Central Excise & Service Tax, Hyderabad.
Income Tax Act, 1961	2005-06	Interest	0.41	Additional Commissioner of Income Tax, Range-I, Hyderabad.
Income Tax Act, 1961	2007-08	Income Tax and Interest	7.08	Income Tax Appellate Tribunal, Hyderabad.
Income Tax Act, 1961	2011-12	Income Tax and Interest	130.27	Commissioner of Income Tax, (Appeals)-V, Hyderabad.
Income Tax Act, 1961	2012-13	Income Tax and Interest	134.98	Assistant Commissioner of Income Tax, Circle-17(1), Hyderabad

8 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 as at the balance sheet date. There was no amount raised by the Company through the issue of Debentures.

9 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.

10 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.

11 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.

ANNEXURE A TO INDEPENDENT AUDITORS' REPORT (CONTD..)

12 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.

13 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 Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified under Section 133 of the Act.

14 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.

15 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.

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

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

Hyderabad
26.05.2017

ANNEXURE B TO INDEPENDENT AUDITORS' REPORT

Referred to in Paragraph 2(f) under the heading of 'Report on Other Legal and Regulatory Requirements' of our report of even date

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of DIVI'S LABORATORIES LIMITED ("the Company") as of 31st March, 2017 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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 Companies Act, 2013.

Auditors' Responsibility

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, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, 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 Institute of Chartered Accountants of India. 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.

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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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.

Meaning of Internal Financial Controls over Financial Reporting

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

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

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 31st March, 2017, 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 **P. V. R. K. NAGESWARA RAO & CO.,**
Chartered Accountants
Firm's Registration Number: 002283S

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

Hyderabad
26.05.2017

STANDALONE BALANCE SHEET

As at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Particulars	Note No.	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Assets				
Non-current assets				
Property, plant and equipment	3	155570.28	143571.04	130477.13
Capital work-in-progress	3	44356.94	26391.36	21818.23
Intangible assets	4	325.39	292.70	395.42
Financial assets				
(i) Investments	5	836.84	1019.03	1019.03
(ii) Loans	6	1856.15	2659.50	2821.53
(iii) Other financial assets	7	3845.52	3199.54	2079.05
Other non-current assets	8	10305.50	13605.62	5513.89
Total Non-current assets		**217096.62**	**190738.79**	**164124.28**
Current assets				
Inventories	9	125576.37	116289.18	111489.51
Financial assets				
(i) Investments	10	163072.20	80285.16	73501.10
(ii) Trade receivables	11	100042.01	96612.28	82303.05
(iii) Cash and cash equivalents	12	855.33	389.28	906.46
(iv) Bank balances other than (iii) above	13	5791.56	5548.44	4946.57
(v) Loans	14	552.64	670.96	1099.89
(vi) Other financial assets	15	1739.52	1328.77	1869.73
Other current assets	16	6282.14	4686.30	4675.40
Total Current assets		**403911.77**	**305810.37**	**280791.71**
Total Assets		**621008.39**	**496549.16**	**444915.99**
Equity and Liabilities				
Equity:				
Equity share capital	17(a)	5309.37	5309.37	2654.69
Other equity:				
(i) Reserves and surplus	17(b)	535582.00	430395.03	386168.98
Total Equity		**540891.37**	**435704.40**	**388823.67**
Liabilities				
Non-current liabilities				
Financial liabilities				
(i) Borrowings	18	-	46.70	105.00
Provisions	19	1530.45	1156.51	699.16
Deferred tax liabilities (net)	20	13002.65	8029.30	10007.42
Total Non-current liabilities		**14533.10**	**9232.51**	**10811.58**
Current liabilities				
Financial liabilities				
(i) Borrowings	21	3573.85	4142.10	2507.12
(ii) Trade payables:				
-total outstanding dues to micro and small enterprises (Refer Note- 45)		-	-	-
-total outstanding dues to other than micro and small enterprises	22	38155.94	23042.42	22437.82
(iii) Other financial liabilities	23	19796.31	19297.39	15655.09
Other current liabilities	24	3929.89	4649.03	4617.92
Provisions	19	127.93	217.34	62.79
Current tax liabilities (net)	25	-	263.97	-
Total current liabilities		**65583.92**	**51612.25**	**45280.74**
Total Liabilities		**80117.02**	**60844.76**	**56092.32**
Total Equity and Liabilities		**621008.39**	**496549.16**	**444915.99**

The accompanying notes are an integral part of the financial statements

As per our report of even date

For **P. V. R. K. NAGESWARA RAO & CO.**
Chartered Accountants
Firm's registration number: 002283S

P. V. R. K. Nageswara Rao
Partner
Membership number: 18840

Place : Hyderabad
Date : 26.05.2017

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

Dr. Murali. K. Divi
Chairman and Managing Director

L. Kishorebabu
Chief Financial Officer

N. V. Ramana
Executive Director

P. V. Lakshmi Rajani
Company Secretary

STANDALONE STATEMENT OF PROFIT AND LOSS

for the year ended 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Particulars	Note No.	For the year ended 31 st March, 2017	For the Year ended 31st March, 2016
Revenue			
Revenue from operations	26	406577.66	374984.94
Other income	27	7597.65	9591.58
Total Revenue		**414175.31**	**384576.52**
Expenses			
Cost of raw materials consumed	28	156318.70	147243.34
Changes in inventories of finished goods, stock-in-trade and work-in-progress	29	(2160.86)	2203.31
Excise duty		4192.07	2851.81
Employee benefits expense	30	45915.58	35294.96
Finance costs	31	225.62	300.69
Depreciation and amortization expense	32	12326.23	11810.20
Research and development expenses	33	4311.75	3092.35
Other expenses	34	54223.34	44250.57
Total Expenses		**275352.43**	**247047.23**
Profit before tax		**138822.88**	**137529.29**
Tax expense			
Current tax	35	28522.55	28423.09
Deferred tax	35	4973.34	(1978.13)
Profit after tax for the year		**105326.99**	**111084.33**
Other Comprehensive Income (OCI)			
(A) Items that will not be reclassified to profit or loss			
-Remeasurements of post-employment benefit obligations		(184.57)	(372.71)
Total Other Comprehensive Income before Tax		**(184.57)**	**(372.71)**
Current tax relating to OCI		44.55	71.47
Other Comprehensive Income after tax for the year		(140.02)	(301.24)
Total Comprehensive Income for the year		**105186.97**	**110783.09**
Earnings per share (Par value of H 2 each)			
-Basic and Diluted	47	**39.68**	**41.84**

The accompanying notes are an integral part of the financial statements

As per our report of even date

For **P. V. R. K. NAGESWARA RAO & CO.**
Chartered Accountants
Firm's registration number: 002283S

P. V. R. K. Nageswara Rao
Partner
Membership number: 18840

Place : Hyderabad
Date : 26.05.2017

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 CASH FLOW

for the year ended 31st March, 2017
(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Particulars	For the year ended 31 st March, 2017		For the Year ended 31st March, 2016	
Cash flow from operating activities				
Profit before income tax		138822.88		137529.29
Adjustments for:				
Depreciation and amortisation expense	12326.23		11810.20	
Unrealised foreign exchange loss (net)	2244.36		114.30	
Interest Income	(657.05)		(970.63)	
Dividend classified as investing cash flows	(6289.16)		(4675.39)	
Gain on sale of investments	(99.26)		239.44	
Provision for doubtful debts	96.56		7.45	
Bad debts written off	13.68		17.22	
Finance costs	119.42		165.22	
Changes in fair value of mutual funds	201.38		168.02	
Other comprehensive income (net)	(184.57)		(372.71)	
Profit on sale of Property, Plant & Equipment	(2.88)		-	
Loss due to discarded asset	50.88	7819.59	424.20	6927.32
		146642.47		**144456.61**
Change in operating assets and liabilities				
(Increase) in trade receivables	(5905.65)		(14599.95)	
(Increase) in inventories	(9287.19)		(4799.67)	
Increase in trade payables	15632.78		747.09	
Decrease/(Increase) in other non current financial assets	157.37		(948.74)	
Decrease / (Increase) in other non current assets	(9.11)		10.21	
(Increase) /Decrease in other current financial assets	(292.43)		969.89	
(Increase) in other current assets	(1595.84)		(10.90)	
Increase in long term employee benefit obligations	373.94		457.35	
(Decrease) / Increase in short term employee benefit obligations	(89.41)		154.55	
Increase in other financial liabilities	465.45		3255.74	
(Decrease) / Increase in other current liabilities	(1117.08)	(1667.17)	30.65	(14733.78)
Cash generated from operations		**144975.30**		**129722.83**
Income taxes paid		30170.13		26089.31
Net cash inflow from operating activities		**114805.17**		**103633.52**
Cash flows from investing activities				
Purchase of property, plant and equipment		(37652.65)		(39570.74)
Proceeds from sale of property, plant and equipment		5.08		-
Gain on Sale of investments		99.26		(239.44)
Payments for purchase of Investments		(82806.23)		(6,952.08)
Dividend received		6289.16		4,675.39
Interest received		657.05		970.63
Net cash (outflow)from investing activities		**(113408.33)**		**(41116.24)**

STANDALONE STATEMENT OF CASH FLOW

for the year ended 31st March, 2017
(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Particulars	For the year ended 31 st March, 2017		For the Year ended 31st March, 2016	
Cash flows from financing activities				
(Repayment)/Proceeds from short term borrowings		(568.25)		1634.97
Interest paid		(119.42)		(165.22)
Changes in Bank balances		(243.12)		(601.87)
Dividends paid to company's shareholders		-		(63902.34)
Net cash (outflow) from financing activities		**(930.79)**		**(63034.46)**
Net increase (decrease) in cash and cash equivalents		**466.05**		**(517.18)**
Cash and cash equivalents at the beginning of the financial year		389.28		906.46
Cash and cash equivalents at end of the year		**855.33**		**389.28**

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. Previous year figures have been regrouped /reclassified to conform to current year classification.

The accompanying notes are an integral part of the financial statements
As per our report of even date

For **P. V. R. K. NAGESWARA RAO & CO.**
Chartered Accountants
Firm's registration number: 002283S

P. V. R. K. Nageswara Rao
Partner
Membership number: 18840

Place : Hyderabad
Date : 26.05.2017

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

for the year ended 31st March, 2017
(All amounts in Indian ₹ Lakhs, unless otherwise stated)

a. Equity share capital

Paid up Equity Share capital	Number of Shares	Amount
As at April 01, 2015	132,734,290	**2,654.69**
Changes in equity share capital	132,734,290	2,654.68
As at March 31, 2016	**265,468,580**	**5,309.37**
Changes in equity share capital	-	-
As at March 31, 2017	**265,468,580**	**5,309.37**

b. Other Equity

	Reserves & surplus				
	Securities Premium	Special Economic Zone Re-invest-ment reserve	General reserve	Retained earnings	Total Equity
Balance as at April 1, 2015	**10,642.33**	**-**	**90,000.00**	**285,526.65**	**386,168.98**
Profit for the year	-	-	-	111,084.33	111,084.33
Other comprehensive income for the year, net of income tax	-	-	-	(301.24)	(301.24)
Total comprehensive income for the year	**-**	**-**	**-**	**110,783.09**	**110,783.09**
Transactions with owners in their capacity as owners:					
Issue of Bonus shares	(2,654.69)	-	-	-	(2,654.69)
Payment of dividends (including tax)	-		-	(63,902.35)	(63,902.35)
Transfer to General Reserve	-		10,000.00	(10,000.00)	-
Balance as at March 31, 2016	**7,987.64**	**-**	**100,000.00**	**322,407.39**	**430,395.03**
Balance as at April 1, 2016	**7,987.64**	**-**	**100,000.00**	**322,407.39**	**430,395.03**
Profit for the year	-	-	-	105,326.99	105,326.99
Other comprehensive income for the year, net of income tax	-	-	-	(140.02)	(140.02)
Total comprehensive income for the year	**-**	**-**	**-**	**105,186.97**	**105,186.97**
Transactions with owners in their capacity as owners:					
Payment of dividends (including tax)	-	-	-	-	-
Transfer to Special Economic Zone Re-investment reserve	-	19,900.00	-	(19,900.00)	-
Balance as at March 31, 2017	**7,987.64**	**19,900.00**	**100,000.00**	**407,694.36**	**535,582.00**

The accompanying notes are an integral part of the financial statements
As per our report of even date

For **P. V. R. K. NAGESWARA RAO & CO.**
Chartered Accountants
Firm's registration number: 002283S

P. V. R. K. Nageswara Rao
Partner
Membership number: 18840

Place : Hyderabad
Date : 26.05.2017

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

for the year ended 31st March, 2017

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) and Intermediates with predominance of exports. Divi's, through its Custom synthesis business, supports innovator pharma companies for their patented products business from gram scale requirements for clinical trials to launch as well as late life cycle management.

1.2 The Financial statements are approved for issue by the Company's Board of Directors on May 26, 2017.

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.

The financial statements up to the year ended 31 March 2016 were prepared in accordance with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and other relevant provisions of the Act.

These financial statements are the first financial statements of the Company under Ind AS. Refer note 46 for an explanation on how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows. Financial statements are presented in Indian rupees rounded off to the nearest lakh.

(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) 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.

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 40 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 (₹), which is Divi's functional and presentation currency.

NOTES TO STANDALONE FINANCIAL STATEMENTS

for the year ended 31st March, 2017

(ii) Transactions and balances

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

Non-monetary items that are measured 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 Fair value through other comprehensive income (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, value added taxes 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. Revenue from sale of goods is stated inclusive of excise duty and net of returns, trade allowances, rebates, sales tax and amounts collected on behalf of third parties.

(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.

(iii) 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

NOTES TO STANDALONE FINANCIAL STATEMENTS

for the year ended 31st March, 2017

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 differences 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:

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 other than goodwill 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 purchase. 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

NOTES TO STANDALONE FINANCIAL STATEMENTS

for the year ended 31st March, 2017

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

(ii) Measurement

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

Debt instruments

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

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. 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 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 38 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.

(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,

NOTES TO STANDALONE FINANCIAL STATEMENTS

for the year ended 31st March, 2017

the financial asset is derecognized. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset is not derecognized.

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

2.11 Offsetting financial instruments:

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

2.12 Property, Plant & Equipment:

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

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) Transition to Ind AS

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.

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

Depreciation on fixed assets is provided on straight-line basis at the rates arrived at based on the useful lives prescribed in Schedule II of the Companies Act, 2013. The company follows the policy of charging depreciation on pro-rata basis on the assets acquired or disposed off during the year.

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 programmes 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

(ii) Amortization methods and periods

The Company amortizes intangible assets over a period of 3 years based on their estimated useful lives.

NOTES TO STANDALONE FINANCIAL STATEMENTS

for the year ended 31st March, 2017

(iii) Transition to Ind AS

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.

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.

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:

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.

NOTES TO STANDALONE FINANCIAL STATEMENTS

for the year ended 31st March, 2017

(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.

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 Company pays provident fund contributions to publicly administered funds as per local regulations. The Company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognized as employee benefit expense when they are due.

2.19 Dividends:

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period. Proposed dividend is recognised as a liability in the period in which it is declared by the Company, usually when approved by shareholders in a general meeting or paid.

2.20 Contribution to 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 Excise duty:

Excise duty collected on sales is included in Gross Sales. Excise duity paid/payable on sales is shown as an item of expense. Value of closing stock of finished goods include excise duty paid/payable on such stocks wherever applicable.

2.23 Leases:

At the inception of a lease, the lease arrangements is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement.

NOTES TO STANDALONE FINANCIAL STATEMENTS

for the year ended 31st March, 2017

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.

2.24 Research and Development:

Revenue expenditure on research and development is expensed in the period in which it is incurred. Capital expenditure on research and development is shown as addition to fixed assets.

2.25 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.

2.26 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.

The areas involving critical estimates or judgements are:

(i) Estimation of current tax expense and payable

(ii) Estimation of defined benefit obligations

(iii) Allowance for uncollected accounts receivable and advances- Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrevocable amounts. Individual trade receivables are written off when management deems them not to be collectible. Impairment is made on the expected credit losses, which are the present value of the cash shortfall over the expected life of the financial assets.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

NOTES TO STANDALONE FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, 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 31 March 2016										
Gross carrying amount										
Cost as at 1 April 2015	2,723.70	143,604.91	36,229.25	1,156.48	671.52	698.43	8,989.39	709.88	194,783.56	21,818.23
Additions	-	13,573.52	7,763.00	1,473.42	113.28	985.92	972.74	280.74	25,162.62	29,798.72
Disposals/Transfers	-	(703.17)	(0.70)	(70.56)	(1.14)	(66.15)	(80.44)	(1.14)	(923.30)	(25,225.59)
Closing gross carrying amount	**2,723.70**	**156,475.26**	**43,991.55**	**2,559.34**	**783.66**	**1,618.20**	**9,881.69**	**989.48**	**219,022.88**	**26,391.36**
Accumulated depreciation										
Opening accumulated depreciation		52,680.69	6,500.63	465.37	394.16	428.74	3,430.37	406.47	64,306.43	
Depreciation charge during the year	-	8,861.15	1,396.75	107.56	59.85	114.08	1,004.61	100.51	11,644.51	-
Disposals	-	(330.33)	(0.36)	(35.77)	(1.08)	(60.40)	(70.08)	(1.08)	(499.10)	-
Closing accumulated depreciation	**-**	**61,211.51**	**7,897.02**	**537.16**	**452.93**	**482.42**	**4,364.90**	**505.90**	**75,451.84**	**-**
Net carrying amount as at March 31, 2016	2,723.70	95,263.75	36,094.53	2,022.18	330.73	1,135.78	5,516.79	483.58	143,571.04	26,391.36
Year ended 31 March 2017										
Gross carrying amount										
Opening Gross carrying amount	2,723.70	156,475.26	43,991.55	2,559.34	783.66	1,618.20	9,881.69	989.48	219,022.88	26,391.36
Additions	4901.91	11890.84	4890.72	869.49	199.44	391.70	816.13	226.31	24186.54	42376.81
Transfers	-	-	-	-	-	-	-	-	-	(24411.23)
Disposals	-	(205.38)	-	-	(23.31)	(0.35)	-	-	(229.04)	-
Closing gross carrying amount	**7625.61**	**168160.72**	**48882.27**	**3428.83**	**959.79**	**2009.55**	**10697.82**	**1215.79**	**242980.38**	**44356.94**
Accumulated depreciation										
Opening accumulated depreciation	-	61211.51	7897.02	537.16	452.93	482.42	4364.90	505.90	75451.84	-
Depreciation charge during the year	-	8913.67	1504.53	273.93	67.29	268.79	955.97	150.04	12134.22	-
Disposals	-	(154.63)	-	-	(21.12)	(0.21)	-	-	(175.96)	-
Closing accumulated depreciation as at March 31, 2017	**-**	**69970.55**	**9401.55**	**811.09**	**499.10**	**751.00**	**5320.87**	**655.94**	**87410.10**	**-**
Net carrying amount as at March 31, 2017	**7625.61**	**98190.17**	**39480.72**	**2617.74**	**460.69**	**1258.55**	**5376.95**	**559.85**	**155570.28**	44356.94

Notes :

(i) Property, plant and equipment pledged as security

Refer Note 48 for information on property, plant and equipment pledged as security by the Company

(ii) Contractual obligation

Refer Note 44 for disclosure of contractual commitments for the acquisition of property, plant and equipment

NOTES TO STANDALONE FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 4: Intangible assets

	Computer Software	Total
Year ended 31 March 2016		
Gross carrying amount		
Cost as at 1 April 2015	456.28	456.28
Additions	62.97	62.97
Disposals	-	-
Closing gross carrying amount as at March 31, 2016	**519.25**	**519.25**
Accumulated amortisation		
Opening accumulated amortisation as at April 01, 2015	60.86	60.86
Amortisation charge during the year	165.69	165.69
Disposals	-	-
Closing accumulated amortisation as at March 31, 2016	**226.55**	**226.55**
Closing net carrying amount as at March 31, 2016	292.70	292.70
Year ended 31 March 2017		
Gross carrying amount		
Opening Gross carrying amount as at April 01, 2016	519.25	519.25
Additions	224.70	224.70
Closing gross carrying amount as at March 31, 2017	743.95	743.95
Accumulated amortisation		
Opening accumulated amortisation as at April 01, 2016	226.55	226.55
Amortisation charge during the year	192.01	192.01
Closing accumulated amortisation as at March 31, 2017	**418.56**	**418.56**
Closing net carrying amount as at March 31, 2017	**325.39**	**325.39**

Note 5: Non-Current Investments

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
(Un quoted, fully paid up)			
Investment in equity instruments in subsidiary companies (at Cost)			
2000 ordinary shares of $0.01each (31 March 2016:2000, April 01, 2015:2000) of Divis Laboratories (USA) Inc *	332.27	514.46	514.46
200 ordinary shares of CHF 500each (31 March 2016:200, April 01, 2015:200) of Divi's Laboratories Europe AG **	503.37	503.37	503.37
Investment in equity instruments in other companies (at FVPL)			
12000 Equity Shares of ₹10/- each (31 March 2016:12000, April 01, 2015:12000) of Pattan Cheru Enviro Tech Limited	1.20	1.20	1.20
Total (equity instrument)	**836.84**	**1019.03**	**1019.03**
Total Non-current investments	**836.84**	**1019.03**	**1019.03**
Aggregate amount of unquoted investments	836.84	1019.03	1019.03
Aggregate amount of impairment in the value of investment	-	-	-

* ₹ 86.84 lakhs (2016: ₹269.03 lakhs, 2015: ₹269.03 lakhs) included in the cost of investment is on account of fair value of interest free loans given to subsidiary.

** ₹ 467.19 lakhs (2016: ₹467.19 lakhs, 2015: ₹467.19 lakhs) included in the cost of investment is on account of fair value of interest free loans given to subsidiary.

NOTES TO STANDALONE FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 6: Non-Current Loans

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Unsecured, considered good			
Loans to subsidiaries	1856.15	2659.50	2821.53
Total non-current loans	**1856.15**	**2659.50**	**2821.53**

Note 7: Other Non-Current Financial assets

	31st March, 2017	31st March, 2016	1st April, 2015
Security Deposits	2998.68	2646.48	1518.45
Claims on vat	846.84	553.06	560.60
Total other non-current financial assets	**3845.52**	**3199.54**	**2079.05**

Note 8: Other non-current assets

	31st March, 2017	31st March, 2016	1st April, 2015
Capital advances	7505.28	12242.68	2142.40
Pre-paid expenses	34.00	24.89	35.10
Pre-paid tax	2766.22	1338.05	3336.39
Total other non-current assets	**10305.50**	**13605.62**	**5513.89**

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

	31st March, 2017	31st March, 2016	1st April, 2015
Raw materials	38198.26	32923.02	26772.00
(including stock-in-transit of ₹5240.76 lakhs, March 31, 2016: ₹1,691.15 lakhs; April 01, 2015: ₹1088.79 lakhs)			
Work-in-progress*	69394.14	68068.72	70256.28
Finished goods**	8432.54	7597.10	7611.98
Stock in trade	-	-	0.87
Stores and spares	9551.43	7700.34	6848.38
(including stock-in-transit of ₹ Nil, March 31, 2016: ₹156.68 lakhs; April 01, 2015: Nil)			
Total inventories	**125576.37**	**116289.18**	**111489.51**

* Write downs of Work in Progress to net realisable value amounted to ₹397.49 lakhs (2016: ₹402.41 lakhs, 2015: ₹218.50 lakhs). These were recognised as an expense during the year and included in "Changes in inventories of finished goods, stock-in-trade and work-in-progress" in statement of profit and loss.

** Write downs of Finished goods to net realisable value amounted to ₹74.07 lakhs (2016: ₹7.14 lakhs, 2015: ₹40.58 lakhs). These were recognised as an expense during the year and included in "Changes in inventories of finished goods, stock-in-trade and work-in-progress" in statement of profit and loss.

NOTES TO STANDALONE FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 10: Current investments

	As at 31st March 2017		As at 31st March 2016		As at 1st April 2015	
	Units	Amount	Units	Amount	Units	Amount
Quoted						
Investments measured at fair value through profit and loss (FVPL)						
SBI Mutual Fund - SBI-SHF-Ultra short term fund (direct daily dividend plan)	16204051	163072.20	7979907	80285.16	7303950	73404.84
SBI Mutual Fund - SBI-SHF-Ultra short term fund (regular daily dividend plan)	-	-	-	-	9606	96.26
Total current investments	**16204051**	**163072.20**	**7979907**	**80285.16**	**7313556**	**73501.10**
Aggregate amount of quoted investments and market value thereof		163072.20		80285.16		**73501.10**
Aggregate amount of unquoted investments		-		-		-

Note 11: Trade receivables

	31st March, 2017	31st March, 2016	1st April, 2015
Trade receivables	86104.24	84570.65	71060.12
Receivables from related parties (Refer Note: 42)	14060.52	12075.87	11288.12
Less: Allowance for doubtful debts	122.75	34.24	45.19
Total trade receivables	**100042.01**	**96612.28**	**82303.05**
Current portion	100042.01	96612.28	82303.05
Non-current portion	-	-	-

Break-up of security details

	31st March, 2017	31st March, 2016	1st April, 2015
Secured, considered good	-	-	-
Unsecured, considered good	100042.01	96612.28	82303.05
Doubtful	122.75	34.24	45.19
Total	**100164.76**	**96646.52**	**82348.24**
Allowance for doubtful debts	122.75	34.24	45.19
Total trade receivables	**100042.01**	**96612.28**	**82303.05**

Note 12: Cash and cash equivalents

	31st March, 2017	31st March, 2016	1st April, 2015
Balances with banks			
-in current accounts	837.59	378.33	900.17
Cash on hand	17.74	10.95	6.29
Total cash and cash equivalents	**855.33**	**389.28**	**906.46**

NOTES TO STANDALONE FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 13: Bank balances other than cash and cash equivalents

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Unclaimed dividend	57.25	147.25	57.54
Balances with banks to the extent held as Margin money (Towards margin on Letter of credit and Bank Guarantees issued by bank, etc.,)	0.02	152.81	0.02
In Fixed Deposits with maturity of more than three months but less than twelve months (Pledged towards Overdraft facilities from banks)	5734.29	5248.38	4889.01
Total Bank balances other than cash and cash equivalents	**5791.56**	**5548.44**	**4946.57**

Note 14: Current Loans

	31st March, 2017	31st March, 2016	1st April, 2015
Unsecured, considered good			
Loans to employees	26.61	12.51	14.78
Loans to subsidiaries	526.03	658.45	1085.11
Total Current Loans	**552.64**	**670.96**	**1099.89**

Note 15: Other Current Financial assets

	31st March, 2017	31st March, 2016	1st April, 2015
Export incentive receivable	106.44	168.68	192.26
Insurance claims receivable	425.86	2.05	277.41
Receivables from sale of scrap and others	246.67	65.48	174.53
Sales Tax Receivable	509.78	672.51	426.59
Service Tax Receivable	450.77	420.05	798.94
Total Other Current Financial assets	**1739.52**	**1328.77**	**1869.73**

Note 16: Other current assets

	31st March, 2017	31st March, 2016	1st April, 2015
Central excise duty deposit	2317.57	1721.51	1739.71
Prepaid expenses	523.76	537.83	502.12
Advances to suppliers	2309.79	1272.73	1713.22
Advances for Expenses	1131.02	1154.23	720.35
Total other current assets	**6282.14**	**4686.30**	**4675.40**

NOTES TO STANDALONE FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note : Equity share capital and other equity

Note 17 (a): Equity share capital

Authorised equity share capital

	As at 31st March, 2017	
	Number of shares	Amount
As at 1st April 2015	150000000	3000.00
Movement during the year	150000000	3000.00
As at 31st March 2016	300000000	6000.00
Movement during the year	-	-
As at 31st March 2017	**300000000**	**6000.00**

(i) Movements in equity share capital

Paid up Equity Share capital	Number of shares	Amount
As at 1st April 2015	132734290	2654.69
Movement during the year	132734290	2654.68
As at 31st March 2016	265468580	5309.37
Movement during the year	-	-
As at 31st March 2017	**265468580**	**5309.37**

Aggregate number of bonus shares issued during the period of five years immediately preceding the reporting date :
On 28th September, 2015, the Company issued 13,27,34,290 equity shares of INR 2 each as fully paid bonus shares by capitalisation of securities premium reserve.

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.

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

	31 March 2017		31 March 2016		1 April 2015	
	Number of shares	% holding	Number of shares	% holding	Number of shares	% holding
PROMOTERS GROUP						
Dr. Murali Krishna Prasad Divi	15567000	5.86%	15567000	5.86%	7783500	5.86%
Satchandra Kiran Divi	46000000	17.33%	46000000	17.33%	23000000	17.33%
Swarnalatha Divi	14000000	5.27%	14000000	5.27%	7000000	5.27%
Nilima Motaparti	54000000	20.34%	54000000	20.34%	27000000	20.34%
OTHER THAN PROMOTER GROUP						
Reliance Capital Trustee Company Limited	10573965	3.98%	11466386	4.32%	6982362	5.26%

NOTES TO STANDALONE FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 17 (b): Reserves and surplus

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Securities premium reserve	7987.64	7987.64	10642.33
General reserve	100000.00	100000.00	90000.00
Retained earnings	407694.36	322407.39	285526.65
Special Economic Zone Re-investment reserve	19900.00	-	-
Total reserves and surplus	**535582.00**	**430395.03**	**386168.98**

(i) Securities premium reserve

	31st March, 2017	31st March, 2016
Opening balance	7987.64	10642.33
Adjustments	-	(2654.69)
Closing Balance	**7987.64**	**7987.64**

(ii) General Reserve

	31st March, 2017	31st March, 2016
Opening balance	100000.00	90000.00
Adjustments	-	10000.00
Closing Balance	**100000.00**	**100000.00**

(iii) Retained earnings

	31st March, 2017	31st March, 2016
Opening balance	322407.39	285526.65
Net profit for the Year	105326.99	111084.33
Transferred to General reserve	-	(10000.00)
Transferred to Special Economic Zone Re-investment reserve	(19900.00)	-
Dividends	-	(63902.35)
Items of other comprehensive income recognised directly in retained earning		
- Remeasurements of post employment benefit obligation, net of tax	(140.02)	(301.24)
Closing balance	**407694.36**	**322407.39**

(iv) Special Economic Zone Re-investment reserve

	31st March, 2017	31st March, 2016
Opening balance	-	-
Adjustments	19900.00	-
Closing Balance	**19900.00**	**-**

NOTES TO STANDALONE FINANCIAL STATEMENTS

as at 31st March, 2017
(All amounts in Indian ₹ Lakhs, 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 reseve is used for strengthening the financial position and meeting future contingencies and losses.

Special Economic Zone Re-investment reserve:

The Special Economic Zone Re-invesment Reserve has been created out of the profit of eligible SEZ units in terms of the provisions of Section 10AA (1)(ii) of Income Tax Act, 1961. The reserve should be utilised by the Company for acquiring new plant and machinery for the purpose of its business in terms of the Section 10AA (2) of the Income Tax Act, 1961.

Note 18: Non-current borrowings

	Terms of repayment	Interest rate	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Unsecured					
Deferred sales tax credit	14 yearly installments	Interest free	-	105.00	155.06
Total non-current borrowings			-	105.00	155.06
Less: Current maturities of long-term debt (included in note 23)			-	58.30	50.06
Total Non-current borrowings			**-**	**46.70**	**105.00**

Note 19: Provisions - Employee Benefit Obligations

	31st March, 2017			31st March, 2016			1st April, 2015		
	Current	Non-Current	Total	Current	Non-Current	Total	Current	Non-Current	Total
Leave encashment	88.49	1530.45	1618.94	72.85	1156.51	1229.36	62.79	699.16	761.95
Gratuity	39.44	-	39.44	144.49	-	144.49	-	-	-
	127.93	**1530.45**	**1658.38**	**217.34**	**1156.51**	**1373.85**	**62.79**	**699.16**	**761.95**

(i) Post-employement obligations- Gratuity

The company provides for 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's salary multiplied for the number of years of service. The gratuity plan is a funded plan and the Company makes contributions to recognized fund 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.

NOTES TO STANDALONE FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 19: Provisions - Employee Benefit Obligations (contd..)

Gratuity

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 1-Apr-15	859.28	1086.51	(227.23)
Current service cost	17.19	-	17.19
Interest expense/(income)	68.74	-	68.74
Total amount recognized in profit or loss	**945.21**	**1086.51**	**(141.30)**
Remeasurements			-
Return on plan assets, excluding amounts included in interest expense/(income)	-	90.28	(90.28)
Experience (gains)/loss	376.07	-	376.07
Total amount recognized in other comprehensive income	**-**	**-**	**-**
Employer contributions	-	-	-
Benefit payments	(8.63)	(8.63)	-
As at 31-Mar-16	**1312.65**	**1168.16**	**144.49**

	Present Value of obligation	Fair Value of Plan Assets	Net amount
As at 1-Apr-16	1312.65	1168.16	144.49
Current service cost	26.25	-	26.25
Interest expense/(income)	105.01	-	105.01
Total amount recognized in profit or loss	**1443.91**	**1168.16**	**275.75**
Remeasurements			
Return on plan assets, excluding amounts included in interest expense/(income)	-	103.60	(103.60)
(Gain)/loss from change in demographic assumptions	-	-	-
(Gain)/loss from change in financial assumptions	186.53	-	186.53
Experience (gains)/loss	101.65	-	101.65
Total amount recognized in other comprehensive income	**-**	**-**	**-**
Employer contributions	-	420.89	(420.89)
Benefit payments	(17.68)	(17.68)	-
As at 31-Mar-17	**1714.41**	**1674.97**	**39.44**

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

	31st March, 2017	31st March, 2016	1st April, 2015
Present value of funded obligations	1714.41	1312.65	859.28
Fair value of plan assets	1674.97	1168.16	1086.51
Deficit of funded plans	**39.44**	**144.49**	**(227.23)**

NOTES TO STANDALONE FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 19: Provisions - Employee Benefit Obligations (contd..)

Significant estimates: Acturial assumptions and sensitivity

The significant acturial assumptions were as follows:

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Discount rate	7%	8%	8%
Salary growth rate	6%	6%	4%
Attrition Rate	1% to 3% depending on age	1% to 3% depending on age	1% to 3% depending on age
Retirement Age	60years	60years	60years
Average Balance Future Services	30years	30years	31years
Mortality Table	IALM(2006-08)	IALM(2006-08)	IALM(2006-08)

Sensitivity analysis

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

Particulars	31st March, 2017
Defined Benefit Obligation	1714.40
Discount rate:(% change compared to base due to sensitivity)	
Increase : +1%	1527.89
Decrease: -1%	1939.43
Salary Growth rate:(% change compared to base due to sensitivity)	-
Increase : +1%	1934.51
Decrease: -1%	1522.87
Attrition rate:(% change compared to base due to sensitivity)	-
Increase : +50%	1826.72
Decrease: -50%	1588.76
Mortality rate:(% change compared to base due to sensitivity)	-
Increase : +10%	1715.71
Decrease: -10%	1713.13

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 when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Particulars	31st March, 2017	31st March, 2016
Central Govt Securities	429.46	299.52
State Govt Securities	485.57	338.65
SCD /Bonds	500.65	349.16
Equity	149.24	104.08
Fixed Deposits	85.42	59.58
Others	24.63	17.17
	1674.97	**1168.16**

NOTES TO STANDALONE FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Defined benefit liability and employer contributions

The Company has purchased insurance policy to provide for payment of gratuity to the employees. Every year, the insurance company carries out a funding valuation based on the latest employee data provided by the Company. Any deficit in the assets arising as a result of such valuation is funded by the Company. The company considers that the contribution rate set at the last valuation date is sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs will not increase significantly.

The weighted average duration of the defined benefit obligation is 20.77 years. The expected cash flows over the next years is as follows:

Particulars	Less than a year	Between 2-5 years	Between 6-10 years	Over 10 years	Total
As at 31-Mar-17					
Defined benefit obligation-gratuity	92.53	63.78	300.11	5163.52	5619.95

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.

Salary Escalation Risk: The present value of the defined benefit plans calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value obligation will have a bearing on the plan's liability.

Demographic Risk: The Company has used certain mortality and attrition assumptions in valuation of the liability. The Company is exposed to the risk of actual experience turning out to be worse compared to the assumption.

Regulatory Risk: Gratuity benefits is paid in accordance with the requirements of the Payment of Gratuity Act, 1972 (as amended from time to time). There is a risk of change in regulations requiring higher gratuity payouts (eg. Increase in the maximum limit on gratuity.)

Asset Liability Mismatching or Market Risk: The duration of the liability is longer compared to duration of assets, exposing the Company to market risk for volatilities/fall in interest rate.

Investment Risk: The probability and likelihood of occurrence of losses relative to the expected return on any particular investment.

Asset Volatility: The plan liabilities are calculated using a discount rate set with reference to bond yields; if plan assets under perform this yield, this will create a deficit. Most of the plan asset investments are in fixed income securities with high grades and in government securities. A portion of the fund is invested in equity securities and in alternative investments which have low correlation with equity securities. The equity 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.

The Company makes contribution to a scheme administered by the Life Insurance Corporation of India ('LIC) to discharge gratuity liabilities to the employees. The Company actively monitors the investment positions and ensures the same is adequately managed within an asset-liability matching(ALM) framework. The company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the employee benefit obligations. The company 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 the company also invests in equities, cash and mutual funds. The company believes that equities offer the best returns over the long term with an acceptable level of risk. The majority of equities are in a globally diversified portfolio of international blue chip entities, with a target of 60% equities held in India. The plan asset mix is in compliance with the requirments of the respective local regulations.

NOTES TO STANDALONE FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 19: Provisions - Employee Benefit Obligations (contd..)

(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 ₹984.64 lakhs (31 March 2016- ₹819.23 lakhs; 01 April 2015- ₹516.78 lakhs)

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 ₹118.52 lakhs (31 March 2016- ₹93.26 lakhs; 01 April 2015- ₹120.79 lakhs)

Note 20: Deferred tax liabilities (net)

The balance comprises temperory differences attributable to:

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Deferred Tax Liability / (Asset) :			
Property, plant and equipment	17173.39	15431.33	13662.91
Expenses allowable on the basis of Payment	(786.63)	(510.90)	(417.79)
MAT Credit Entitlement	(3107.35)	(6660.35)	(3047.91)
Deferred tax on transition to Ind AS	(276.76)	(230.78)	(189.79)
Net deferred tax liabilities / (Asset) net	**13002.65**	**8029.30**	**10007.42**

Movement in Deferred tax liabilities

	Property, plant and equipment	Expenses allowable on the basis of Payment	MAT Credit (Entitlement)/ Utilisation	Deferred tax on transition to Ind As	Total
As at April 01, 2015	13662.91	(417.79)	(3047.91)	(189.79)	10007.42
Charged/(credited)	1768.42	(93.11)	(3612.44)	(40.99)	(1978.12)
As at March 31, 2016	15431.33	(510.90)	(6660.35)	(230.78)	8029.30
Charged/(credited)	1742.06	(275.73)	3553.00	(45.98)	4973.35
As at March 31, 2017	**17173.39**	**(786.63)**	**(3107.35)**	**(276.76)**	**13002.65**

Note 21: Current borrowings

	Maturity Date	Terms of repayment	Interest rate	31st March, 2017	31st March, 2016	1st April, 2015
Secured						
Working Capital Loans from Banks	Payable on demand	Payable on demand	0.35% p.a. above MCLR rate	1069.20	606.05	954.86
Bank Overdrafts against fixed deposits	Payable on demand	Payable on demand		2504.65	3536.05	1552.26
Total Current Borrowings				**3573.85**	**4142.10**	**2507.12**

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 fixed assets of the company, both present and future.

The carrying amounts of financial and non-financial assets pledged as security are disclosed in Note 48

NOTES TO STANDALONE FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 22: Trade payables

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Current			
Trade payables	38155.94	23042.42	22437.82
Total trade payables	**38155.94**	**23042.42**	**22437.82**

Note 23: Other Financial liabilities

	31st March, 2017	31st March, 2016	1st April, 2015
Current			
Current maturities of long-term debt	-	58.30	50.06
Capital creditors	2550.94	2564.17	2235.91
Employee benefits payable	11113.65	10744.74	8069.50
Creditors for Expenses	6074.47	5782.93	5242.08
Unclaimed dividend	57.25	147.25	57.54
Total other financial liabilities	**19796.31**	**19297.39**	**15655.09**

Note 24: Other current liabilities

	31st March, 2017	31st March, 2016	1st April, 2015
Statutory dues payable	871.46	671.59	555.24
Advance from customers	3058.43	3977.44	4062.68
Total other current liabilities	**3929.89**	**4649.03**	**4617.92**

Note 25: Current tax liabilities (net)

	31st March, 2017	31st March, 2016	1st April, 2015
Provision for income tax	-	230.47	-
Provision for interest on Income Tax	-	33.50	-
Total current tax liabilities (net)	**-**	**263.97**	**-**

NOTES TO STANDALONE FINANCIAL STATEMENTS

for the year ended 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 26: Revenue from operations

	For the year ended 31st March, 2017	For the Year ended 31st March, 2016
Sale of products (including excise duty)	405256.60	373523.84
Sale of Services:		
Contract research fee	216.90	724.39
Other Operating Revenue:		
Export incentives	206.40	201.97
Sale of scrap out of manufacturing process	897.76	534.74
Total revenue from operations	**406577.66**	**374984.94**

Note 27: Other income

	31st March, 2017	31st March, 2016
Interest income from financial assets at amortized cost	657.05	970.63
Dividend income from investments mandatorily measured at fair value through profit or loss	6289.16	4675.39
Net gain on disposal of property, plant and equipment	2.88	-
Net gain on foreign currency transactions and translations	-	3404.69
Net gain on sale of investments	99.26	239.44
Sale of other scrap	101.59	176.51
Provision for doubtful debs no longer required written back	8.04	18.40
Insurance claims received	318.28	-
Other non-operating income	121.39	106.52
Total other income	**7597.65**	**9591.58**

Note 28: Cost of raw materials consumed

	31st March, 2017	31st March, 2016
At the beginning of the year	32923.02	26772.00
Add: Purchases	161593.94	153394.36
Less: At the end of the year	38198.26	32923.02
Total cost of raw materials consumed	**156318.70**	**147243.34**

Note 29: Changes in inventories of finished goods, stock-in-trade and work-in-progress

	31st March, 2017	31st March, 2016
Opening Balance:		
Finished goods	7597.10	7611.98
Stock-in-trade	-	0.87
Work-in-progress	68068.72	70256.28
	75665.82	**77869.13**
Closing Balance:		
Finished goods	8432.54	7597.10
Work-in-progress	69394.14	68068.72
	77826.68	**75665.82**
Total changes in inventories of finished goods, stock-in-trade and work-in-progress	**(2160.86)**	**2203.31**

NOTES TO STANDALONE FINANCIAL STATEMENTS

for the year ended 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 30: Employee benefits expense

	For the year ended 31st March, 2017	For the Year ended 31st March, 2016
Salaries, wages, bonus and other allowances	43987.70	33729.93
Contribution to provident fund and other funds	874.22	662.54
Contribution to to ESI	114.82	90.83
Staff welfare expenses	938.84	811.66
Total employee benefits expense	**45915.58**	**35294.96**

Note 31: Finance costs

	31st March, 2017	31st March, 2016
Interest and finance charges on financial liabilities carried at amortised cost	117.01	130.06
Interest on Income tax	2.41	35.16
Other borrowing costs	106.20	135.47
Total Finance costs	**225.62**	**300.69**

Note 32: Depreciation and amortisation expense

	31st March, 2017	31st March, 2016
Depreciation of property, plant and equipment	12134.22	11644.51
Amortisation of intangible assets	192.01	165.69
Total depreciation and amortisation expense	**12326.23**	**11810.20**

Note 33: Research and development expenses

	31 st March, 2017	31st March, 2016
Raw materials consumed	67.49	83.64
Salaries,wages,bonus and other allowances	2999.46	1936.88
Contribution to provident and other funds	111.65	61.67
Contribution to ESI	3.70	2.43
Staff welfare expenses	1.67	1.89
Stores consumed	304.62	281.14
Power and fuel	226.38	164.35
Repairs to buildings	35.04	14.64
Repairs to machinery	165.99	239.72
Repairs to other assets	150.01	63.69
Rates and taxes, excluding taxes on income	31.69	88.88
Printing and stationery	22.01	8.29
Communication expenses	0.52	0.14
Travelling and conveyance	0.83	0.30
Professional and consultancy charges	134.48	58.32
Miscellaneous expenses	55.33	85.45
Bank charges and commission	0.88	0.92
Total Research and development expenses	**4311.75**	**3092.35**

NOTES TO STANDALONE FINANCIAL STATEMENTS

for the year ended 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 34: Other expenses

	For the year ended 31st March, 2017	For the Year ended 31st March, 2016
Consumption of stores and spare parts	3454.61	3096.23
Packing materials consumed	3274.21	3165.83
Power and fuel	19879.71	18034.41
Repairs to buildings	1410.21	903.23
Repairs to machinery	5560.88	5080.33
Repairs to others	104.40	139.49
Insurance	557.55	592.75
Excise duty adjustment in Finished Goods inventory	38.57	124.00
Rates and taxes, excluding taxes on income	705.75	814.24
Directors sitting fees	15.64	20.54
Printing and stationery	407.92	253.84
Rent	711.86	402.06
Communication expenses	111.60	99.45
Travelling and conveyance	763.68	560.75
Vehicle maintenance	244.77	253.14
Payments to Auditors (Refer note 34 (a) below)	71.39	57.88
Professional and consultancy charges	321.69	404.72
Factory upkeep	348.40	234.51
Environment management expenses	1606.43	1317.00
Advertisement	32.55	12.59
Sales commission	862.87	465.03
Carriage outward	5086.63	4559.49
General expenses	2635.71	2217.53
Bad debts written off	13.68	17.22
Provision for doubtful debts	96.56	7.45
Donations	10.00	2.29
Corporate Social Responsbility Expenses (Refer note 34 (b) below)	1625.82	712.02
Book deficit on assets discarded	50.88	424.20
Claims written off	-	16.83
Changes in fair value of mutual funds	201.38	168.02
Net Loss on Foreign Currency Transactions	3909.68	-
Bank charges	108.31	93.50
Total other expenses	**54223.34**	**44250.57**

Note 34(a): Details of payments to auditors

	31st March, 2017	31st March, 2016
Payment to auditors		
As Statutory Auditors	26.00	26.00
For Quarterly Reviews	14.77	13.52
For Certification	8.46	8.29
Taxation matters	21.17	9.02
Re-imbursement of expenses	0.99	1.05
Total payments to auditors	**71.39**	**57.88**

NOTES TO STANDALONE FINANCIAL STATEMENTS

for the year ended 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 34(b): Corporate Social Responsibility Expenditure

	For the year ended 31st March, 2017	For the Year ended 31st March, 2016
Amount required to be spent as per section 135 of the Act	2451.10	2039.45
Amount spent during the year on		
(i) Construction of skill development center	-	91.25
(ii) Purchase of Water tanker	-	11.00
(iii) On purpose other than (i) above:		
Promoting education	288.05	109.83
Promoting healthcare	13.20	4.82
Rural Development	171.01	31.39
Empowering Women	0.16	4.99
Animal Welfare	3.84	6.20
Safe drinking water	951.91	296.42
Environmental sustainability	48.76	48.34
Promotion of rural sports	1.85	5.50
Swatch Bharat programme	39.69	51.96
Support to Differently abled	24.13	21.47
Livelihood Enhancement	52.95	-
Others	30.27	28.85
Total	**1625.82**	**712.02**

Note 35: Income tax expense

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

	31st March, 2017	31st March, 2016
(a) Income tax expense		
Current tax		
Current tax on profits for the year	28522.55	28423.09
Total current tax expense	**28522.55**	**28423.09**
Deferred tax	4973.34	(1978.13)
Total Deferred tax expense/(benefit)	**4973.34**	**(1978.13)**
Total Income tax expense	**33495.89**	**26444.96**

Current tax expense for the year ended March 31, 2017 and March 31, 2016 includes reversals (net of provisions) amounting to (₹71.00 lakhs) and ₹51.62 lakhs respectively pertaining to prior periods.

Entire deferred income tax for the year ended March 31, 2017 and March 31, 2016 relates to origination and reversal of temporary differences.

(b) Significant estimates (tax calculation)

In calculating the tax expense for the current period, the company has treated certain expenditures as deductible 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 reserve out of profit of eligible SEZ Units and utilisation of such reserve by the company for acquiring new plant and machinery for the purpose of its business as per the provisons of the Income Tax Act, 1961.

NOTES TO STANDALONE FINANCIAL STATEMENTS

for the year ended 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

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

	For the year ended 31st March, 2017	For the Year ended 31st March, 2016
Profit from operations before income tax expenses	138822.88	137529.29
Tax at the Indian tax rate of 34.608% (2015-16 -34.608%)	**48043.82**	**47596.14**
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Expenses not allowed for tax purpose	1376.27	847.63
Income not considered for tax purpose	(2184.70)	(1796.58)
Investment allowance	(577.20)	(659.77)
Capital Expenditure on Scientific Research	(210.29)	(264.04)
Tax effect due to non-taxable income	(12918.59)	(19143.39)
Adjustments for current tax of prior periods	(71.00)	51.60
Others	37.58	(186.63)
Income tax expense	**33495.89**	**26444.96**

NOTES TO STANDALONE FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Financial Instruments and Risk Management

Note 36: Categories of Financial Instruments

	Notes	As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
		Carrying Value	*Fair Value	Carrying Value	*Fair Value	Carrying Value	*Fair Value
A. Financial assets							
a) Measured at amortised cost							
i) Cash and cash equivalents	12	855.33	855.33	389.28	389.28	906.46	906.46
ii) Other bank balances	13	5791.56	5791.56	5548.44	5548.44	4946.57	4946.57
iii) Loans	6,14	2408.79	2408.79	3330.46	3330.46	3921.42	3921.42
iv) Other financial assets	7,15	5585.04	5585.04	4528.31	4528.31	3948.78	3948.78
v) Trade receivables	11	100042.01	100042.01	96612.28	96612.28	82303.05	82303.05
Sub - total		**114682.73**	**114682.73**	**110408.77**	**110408.77**	**96026.28**	**96026.28**
b) Mandatorily measured at fair valu through profit or loss							
i) Investment in mutual funds	10	163072.20	163072.20	80285.16	80285.16	73501.10	73501.10
ii) Investment in equity instruments in other companies	5	1.20	1.20	1.20	1.20	1.20	1.20
Sub - total		**163073.40**	**163073.40**	**80286.36**	**80286.36**	**73501.10**	**73501.10**
Total financial assets		**277756.13**	**277756.13**	**190694.13**	**190695.13**	**169527.38**	**169527.38**
B. Financial liabilities							
a) Measured at amortised cost							
i) Trade payables	22	38155.94	38155.94	23042.42	23042.42	22437.82	22437.82
ii) Borrowings	18,21	3573.85	3573.85	4188.79	4188.79	2612.12	2612.12
iii) Other financial liabilities	23	19796.31	19796.31	19297.39	19297.39	15655.09	15655.09
Sub - total		**61526.10**	**61526.10**	**46528.60**	**46528.60**	**40705.03**	**40705.03**
Total financial liabilities		**61526.10**	**61526.10**	**46528.60**	**46528.60**	**40705.03**	**40705.03**

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 consists of loans to related parties whereby the fair value is considered to be the carrying value.

(iii) Other financial assets consits 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

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 37: Fair Value Heirarchy

The following table presents the fair value hierarchy of assets and liabilities:

	Level	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Financial Assets:				
a) Measured at fair value through profit or loss				
(i) Investment in mutual funds	1	163072.20	80285.16	73501.10
(ii) Investment in equity instruments in other companies	1	1.20	1.20	1.20

Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels:

Level 1: Quoted prices are (unadjusted) in active market for identical assets or liabilities.

Level 2: Inputs other than quoted prices are included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). If one or more of the significant inputs are 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.

Note 38: Financial Risk Management

The Company's activities expose it to market risk and credit risk. The Company emphasis 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 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 indiviual 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 indiviual receivables.

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

Particulars	31st March, 2017	31st March, 2016	1st April, 2015
Gross carrying amount	100164.76	96646.52	82348.24
Expected credit losses (Loss allowance provision)	122.75	34.24	45.19
Net carrying amount of trade receivables	100042.01	96612.28	82303.05

NOTES TO STANDALONE FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Expected credit loss for trade receivables under simplified approach:

Ageing	Not due	Outstanding for < 90 days	Outstanding > 90 days & < 180 days	Outstanding for > 6 Months
Gross carrying amount of trade receivables	72340.03	23591.98	1212.08	3020.67
Expected credit losses (Loss allowance provision)	-	12.28	24.55	85.92
Net carrying amount of trade receivables	72340.03	23579.70	1187.53	2934.75

(B) Market Risk:

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

(C) Price Risk:

(a) The company is exposed to risk from investments in mutual funds. The company has invested in quoted debt mutual funds with State Bank of India. The Company is very cautious in their investment decisions and takes a conservative approach of investing in nationalised banks with minimal risk. The table below summarises the impact of increase/(decrease) in the Net Asset Value(NAV) of these investments

(b) Sensitivity

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		
Particulars	31st March, 2017	31st March, 2016	1st April, 2015
SBI Mutual Fund-SBI-SHF-Ultra short term fund:			
Increase in NAV by 1%	1630.72	802.85	735.01
Decrease in NAV by 1%	(1630.72)	(802.85)	(735.01)

Note 39: Capital Management

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. Currently, there are no borrowings and operations are being funded through internal accruals. 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.

Note 40: Segment Information

(a) 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 manufacturing and sale of Active Pharma Ingredients and Intermediates 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 information is given in these standalone financial statements.

NOTES TO STANDALONE FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 41: Interest in Other Entities

The Company's subsidiaries as at March 31, 2017 are set out below. Unless otherwise stated, they have share capital consisting solely of equity shares that are held directly by the Company.

Name of the entity	Place of Business/ Country of incorporation	Ownership interest held by the Company			Ownership interest held by Non-Controlling interests			Principal activity
		As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015	
Divis Laboratories (USA) Inc	USA	100%	100%	100%	0%	0%	0%	Manufacturing and Trading of Nutraceutical ingredients
Divi's Laboratories Europe AG	Switzerland	100%	100%	100%	0%	0%	0%	Manufacturing and Trading of Nutraceutical ingredients

Advances to Subsidiaries:

The Company had undertaken to provide financial assistance to its wholly owned subsidiaries viz., Divis Laboratories (USA) Inc., and Divi's Laboratories Europe AG by way of Interest free loans with no specific repayment schedule before 1.04.2014. In respect of loan to Divi's Laboratories Europe AG, the same is subordinated to other creditors to the extent of CHF ₹30.00 lakhs equivalent to ₹1942.35 lakhs (Previous year CHF ₹50.00 lakhs equivalent to ₹3431.75 lakhs.)

Disclosure pursuant to the Regulation 34(3) read with para A of Schedule V to SEBI Listing Regulations, 2015:

(i) Loans and advances in the nature of loans to subsidiaries:

Name of the entity	Balances			Maximum Balance Outstanding during the year		
	As at 31st March, 2017	As at 31st March, 2016	As at 31st March, 2015	As at 31st March, 2017	As at 31st March, 2016	As at 31st March, 2015
Divis Laboratories (USA) Inc	-	659.20	1305.31	659.20	1305.31	1566.71
Divi's Laboratories Europe AG	2382.18	2658.75	2601.33	2658.75	2601.33	2791.37

In respect of above loans to a subsidiary, Management is confident to achieve 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 at subsidiary, the management is confident to achieve good progress on turnover and profitability of this 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 subsidiaries 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 31.03.2017.

NOTES TO STANDALONE FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 42: Related Party Transactions

(a) Subsidiaries	: Interest in subsidiaries as set out in Note 41
(b) Key Management personnel(KMP)	: Dr. Murali. K. Divi
	: Mr. N.V. Ramana
	: Mr. D. Madhusudana Rao
	: Mr. Kiran S. Divi
	: Mr. K V K Seshavataram
	: Mr. R Ranga Rao
	: Dr.G Suresh Kumar
	: Mrs. S Sri Devi
(c) Relative of Key Management personnel	: Mrs. D. Swarna Latha
	: Mrs.Nilima Motaparti
	: 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. L. Vijaya Lakshmi

(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) Transactions with Related Parties:

	As at 31st March, 2017		As at 31st March, 2016	
	Amount	Outstanding balance as at March 31, 2017	Amount	Outstanding balance as at March 31, 2016
Managerial Remuneration and Short term employee benefits to Key Management Personnel	8874.59	8131.40	8460.85	8047.97
Dividend paid to Key Management Personnel	-	-	12608.24	-
Lease Rent to Key Management Personnel	-	-	28.75	-
Lease Rent to Relative of Key Management Personnel	-	-	28.75	-
Dividend paid to Relatives of Key Management Personnel	-	-	13883.13	-
Salary and Allowances to Relatives of Key Management Personnel	39.49	2.38	33.99	2.19
Dividend paid to Company in which Key Management Personnel have Significant Influence	-	-	1600.00	-
Lease Rent to a Company in which Key Management Personnel have Significant Influence	690.31	-	333.79	-

NOTES TO STANDALONE FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

(e) Transactions with Related Parties (contd):

	As at 31st March, 2017		As at 31st March, 2016	
	Amount	Outstanding balance as at March 31, 2017	Amount	Outstanding balance as at March 31, 2016
Rent Deposit to a Company in which Key Management Personnel have Significant Influence	-	332.67	332.67	332.67
Repayment of Advance from Subsidiaries	1092.47	2382.18	1010.52	3317.95
Sales to Subsidiaries	15197.02	14060.52	11921.21	12075.87
Purchases of Materials from Subsidiaries	2.76	2.68	-	-

(f) Terms and Conditions

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

Note 43: Contingent Liabilities

	31st March, 2017	31st March, 2016	1st April, 2015
On account of Letter of Credit and Guarantees issued by the bankers.	11628.69	7013.37	7493.16
Claims against the Company not acknowledged as debts in respect of:			
a) Central Excise	410.95	355.98	400.82
b) Customs duty	158.49	158.49	154.47
c) Service Tax	-	-	69.96
d) Income Tax	217.89	247.67	172.25
e) Sales Tax	2.76	2.76	10.30

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.

Note 44: Commitments

	31st March, 2017	31st March, 2016	1st April, 2015
Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	6562.03	5654.53	2862.36
On account of bonds and / or legal agreements executed with Central Excise/ Customs authorities/ Development Commissioners	14900.00	13950.00	11950.00
Capital commitment towards Special Economic Zone Re-investment Reserve	19900.00	-	-

Note 45: Payables to Micro, Small & Medium Enterprises

There are no dues to Micro, Small and Medium Enterprises as at year end. The identification of Micro, Small and Medium Enterprises as defined under the provisions of "Micro, Small and Medium Enterprises development Act, 2006" is based on management knowledge of their status.

NOTES TO STANDALONE FINANCIAL STATEMENTS

for the year ended 31st March, 2017
(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 46: First-time adoption of Ind AS

Transition to Ind AS

These are the Company's first financial statements prepared in accordance with Ind AS.

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended March 31, 2017, the comparitive information presented in these financial statements for the year ended March 31, 2016 and in the preparation of an opening Ind AS balance sheet at April 01, 2015 (company's date of transition). In preparing its opening Ind AS balance sheet, the Company has adjusted the amounts reported previously in financial statements prepared in accordance with the accounting standards notified under Companies (Accounting standards) Rules, 2006 (as amended) and other relevant provisions of the Act (previous GAAP or Indian GAAP). An explanation on how the transition from previous GAAP to Ind AS has effected the Company's financial position, financial performance and cash flows is set out in the following tables and notes.

A. Exemptions and exceptions availed

Set out below are the applicable Ind AS 101 optional exemptions and mandatory exceptions applied in the transition from previous GAAP to Ind AS.

A.1 Ind AS optional exemptions

A.1.1 Deemed Cost

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets. Accordingly, the Company has elected to measure all of its property, plant and equipment and intangible assets at their previous GAAP carrying value.

A.2 Ind AS mandatory exceptions

A.2.1 Estimates

An entity's estimates in accordance with Ind AS at the date of transition to Ind AS shall be consistent with the estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Ind AS estimates as at April 01, 2015 are consistent with the estimates as at the same date made in confirmity with previous GAAP. The Company made estimates for following items in accordance with Ind AS at the date of transition as these were not required under previous GAAP:

- Investment in Equity instruments carried at FVPL
- Investments in debt instruments carried at FVPL and;
- Impairment of financial asset based on expected credit loss model.

A.2.2 Classification and measurement of financial asset

Ind AS 101 requires an entity to assess classification and measurement of financial assets (investments in debt instruments) on the basis of the facts and circumstances that exist on the date of transition to Ind AS .

NOTES TO STANDALONE FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 46: First-time adoption of Ind AS (Contd..)

B. Reconciliations between previous GAAP and Ind AS (as at March 31, 2016 and April 01, 2015)

(i) Reconciliation of equity as at date of transition (1 April 2015)

	Previous GAAP	Adjustments	Ind AS
Assets			
Non-current assets			
Property, plant and equipment	130477.13	-	130477.13
Capital work-in-progress	21818.23	-	21818.23
Intangible assets	395.42	-	395.42
Financial assets	-	-	-
(i) Investments	281.61	737.42	1019.03
(ii) Loans	4274.87	(1453.34)	2821.53
(iii) Other financial assets	1987.21	91.84	2079.05
Deferred tax assets (net)	-	-	-
Other non-current assets	8561.80	(3047.91)	5513.89
Total Non-current assets	**167796.27**	**(3671.99)**	**164124.28**
Current assets			
Inventories	111489.51	-	111489.51
Financial assets	-	-	-
(i) Investments	73300.36	200.74	73501.10
(ii) Trade receivables	82303.05	-	82303.05
(iii) Cash and cash equivalents	906.46	-	906.46
(iv) Bank balances other than (iii) above	4759.87	186.70	4946.57
(v) Loans	97.99	1001.90	1099.89
(vi) Other financial assets	2148.27	(278.54)	1869.73
Other current assets	4675.40	-	4675.40
Total Current assets	**279680.91**	**1110.80**	**280791.71**
Total Assets	**447477.18**	**(2561.19)**	**444915.99**
Equity and Liabilities			
Equity			
Share capital	2654.69	-	2654.69
Other equity	-	-	
(i) Reserves & Surplus	353541.29	32627.69	386168.98
Equity attributable to shareholders	**356195.98**	**32627.69**	**388823.67**
Liabilities			
Non-current liabilities			
Financial liabilities			
(i) Borrowings	105.00	-	105.00
(ii) Provisions	699.16	-	699.16
(iii) Deferred tax liabilities	13245.13	(3237.71)	10007.42
Total Non-current liabilities	**14049.29**	**(3237.71)**	**10811.58**
Current liabilities			
Financial liabilities			
(i) Borrowings	2507.12	-	2507.12
(ii) Trade payables	22837.82	-	22837.82
(iii) Other financial liabilities	15655.09	-	15655.09
Provisions	32013.96	(31951.17)	62.79
Other current liabilities	4617.92	-	4617.92
Current tax liabilities	-	-	-
Total current liabilities	**77631.91**	**(31951.17)**	**45680.74**
Total Liabilities	**91681.20**	**(35188.88)**	**56492.32**
Total Equity and Liabilities	**447877.18**	**(2561.19)**	**445315.99**

* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.

NOTES TO STANDALONE FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 46: First-time adoption of Ind AS (Contd..)

(ii) Reconciliation of equity as at March 31, 2016

	Previous GAAP	Adjustments	Ind AS
Assets			
Non-current assets			
Property, plant and equipment	143571.04	-	143571.04
Capital work-in-progress	26391.36	-	26391.36
Intangible assets	292.70	-	292.70
Financial assets	-	-	-
(i) Investments	282.81	736.22	1019.03
(ii) Loans	3488.62	(829.12)	2659.50
(iii) Other financial assets	3070.99	128.55	3199.54
Deferred tax assets (net)	-	-	-
Other non-current assets	13605.62	-	13605.62
Total Non-current assets	**190703.14**	**35.65**	**190738.79**
Current assets			
Inventories	116289.18	-	116289.18
Financial assets	-	-	-
(i) Investments	80252.45	32.71	80285.16
(ii) Trade receivables	96612.28	-	96612.28
(iii) Cash and cash equivalents	389.28	-	389.28
(iv) Bank balances other than (iii) above	5377.42	171.02	5548.44
(v) Loans	146.95	524.01	670.96
(vi) Other financial assets	1632.67	(303.90)	1328.77
Other current assets	11346.65	(6660.35)	4686.30
Total Current assets	**312046.88**	**(6236.51)**	**305810.37**
Total Assets	**502750.02**	**(6200.86)**	**496549.16**
Equity and Liabilities			
Equity			
Share capital	5309.37	-	5309.37
Other equity	-	-	
(i) Reserves & Surplus	429704.74	690.29	430395.03
Equity attributable to shareholders	**435014.11**	**690.29**	**435704.40**
Liabilities			
Non-current liabilities			
Financial liabilities			
(i) Borrowings	46.70	-	46.70
(ii) Provisions	1156.51	-	1156.51
(iii) Deferred tax liabilities	14920.45	(6891.15)	8029.30
Total Non-current liabilities	**16123.66**	**(6891.15)**	**9232.51**
Current liabilities			
Financial liabilities			
(i) Borrowings	4142.10	-	4142.10
(ii) Trade payables	23042.42	-	23042.42
(iii) Other financial liabilities	19297.39	-	19297.39
Provisions	217.34	-	217.34
Other current liabilities	4649.03	-	4649.03
Current tax liabilities	263.97	-	263.97
Total current liabilities	**51612.25**	**-**	**51612.25**
Total Liabilities	**67735.91**	**(6891.15)**	**60844.76**
Total Equity and Liabilities	**502750.02**	**(6200.86)**	**496549.16**

* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.

NOTES TO STANDALONE FINANCIAL STATEMENTS

for the year ended 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 46: First-time adoption of Ind AS (Contd..)

(iii) Reconciliation of total comprehensive income for the year ended March 31, 2016

	Previous GAAP	Adjustments	Ind AS
Revenue from operations	372133.13	2851.81	374984.94
Other Income	9440.00	151.58	9591.58
Total Income	**381573.13**	**3003.39**	**384576.52**
Expenses			
Cost of materials consumed	147243.34	-	147243.34
Changes in inventories of work-in-progress, stock-in-trade and finished goods	2203.31	-	2203.31
Excise duty	-	2851.81	2851.81
Employee benefits expense	35667.67	(372.71)	35294.96
Finance costs	300.69	-	300.69
Depreciation and amortization expense	11810.20	-	11810.20
Research and development expenses	3092.35	-	3092.35
Other expenses	44071.78	178.79	44250.57
Total Expenses	**244389.34**	**2657.89**	**247047.23**
Profit before tax	**137183.79**	**345.50**	**137529.29**
Income tax expense			
Current tax	28351.62	71.47	28423.09
Deferred tax	(1937.14)	(40.99)	(1978.13)
Total tax expense	**26414.48**	**30.48**	**26444.96**
Profit after tax	**110769.31**	**315.02**	**111084.33**
Other Comprehensive income (OCI)	-	(372.71)	(372.71)
Current tax relating to OCI		71.47	71.47
Total comprehensive income for the year	**110769.31**	**13.78**	**110783.09**

* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.

(iv) Reconciliation of total equity as at March 31, 2016 and April 01, 2015

	31st March, 2016	1st April, 2015
Total Equity (shareholder's funds) as per previous GAAP	435014.11	356195.98
Adjustments:		
Provision for dividend and dividend distribution tax reversed	-	31951.17
Fair valuation of quoted investments in mutual funds	32.71	200.74
Deferred tax asset on indexation benefit on land	558.34	495.39
Interest Income on amortization of loans and advances given to subsidiaries	431.10	284.78
Deferred tax on GAAP adjustments	(327.04)	(305.59)
Rental deposits carried at amortized cost	(4.82)	1.20
Total adjustments	**690.29**	**32627.69**
Total Equity as per Ind AS	**435704.40**	**388823.67**

NOTES TO STANDALONE FINANCIAL STATEMENTS

for the year ended 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 46: First-time adoption of Ind AS (Contd..)

(v) Reconciliation of total comprehensive income as per Indian GAAP and Ind AS for the year ended March 31, 2016

	31st March, 2016
Profit after tax as per previous GAAP	110769.31
Adjustments:	
Fair valuation of quoted investments in mutual funds	(168.02)
Interest Income on amortization of loans and advances given to subsidiaries	146.33
Deferred tax asset on indexation benefit on land	62.56
Remeasurement of post employement benefit	372.71
Tax effect of adjustments	(21.57)
Deposits carried at amortised cost and others	(76.99)
Total Adjustments	**315.02**
Profit after tax as per Ind AS	**111084.33**
Other Comprehensive Income	(372.71)
Current tax relating to OCI	71.47
Total comprehensive income as per Ind AS	**110783.09**

(vi) Impact of Ind AS adoption on the cash flow statements for the year ended March 31, 2016

	Previous GAAP	Adjustments	Ind AS
Net cash flow from operating activities	103240.09	393.43	103633.52
Net cash flow from investing activities	(41343.35)	227.11	(41116.24)
Net cash flow from financing activities	(62413.92)	(620.54)	(63034.46)
Net increase/(decrease) in cash and cash equivalents	**(517.18)**	**-**	**(517.18)**
Cash and cash equivalents as at 1 April 2015	906.46	-	906.46
Cash and cash equivalents as at 31 March 2016	389.28	-	389.28

C: Notes to first-time adoption:

Note 1: Fair valuation of investments

Under the previous GAAP, investments in equity instruments and mutual funds were classified as long term investments or current investments based on the intended holding period and realizibility. Long term investments were carried at cost less provision for other than temporary decline in the value of such investments. Current investments were carried at lower of cost and fair value. Under Ind AS, these investments are required to be measured at fair value. The resulting fair value changes of these investments has been recognised in retained earnings as at the date of transition and subsequently in the profit and loss for the year ended March 31, 2016. This increased the retained earnings by ₹32.71 lakhs as at March 31, 2016 (April 01, 2015- ₹200.74 lakhs).

Note 2: Proposed dividend

Under the previous GAAP, dividends proposed by the board of directors after the balance sheet date but before the approval of the financial statements were considered as adjusting events. Accordingly, provision for proposed dividend was recognised as a liability. Under Ind AS, such dividends are recognised when the same is approved by the shareholders in the general meeting. Accordingly, the liability for proposed dividend and tax thereon of ₹ Nil as at March 31, 2016 (April 01, 2015- ₹31951.17 lakhs) included under provisions have been reversed with corresponding adjustment to retained earnings. Consequently, the total equity increased by an equivalent amount.

Note 3: Excise duty

Under the previous GAAP, revenue from sale of products was presented exclusive of excise duty. Under Ind AS, revenue from sale of goods is presented inclusive of excise duty. The excise duty paid is presented inclusive of excise duty. The excise duty paid is presented on the face of the statement of profit and loss as part of expenses. This change has resulted in an increase in total revenue and total expenses for the year ended March 31, 2016 by ₹2851.81 lakhs. There is no impact on the total equity and profit

NOTES TO STANDALONE FINANCIAL STATEMENTS

for the year ended 31st March, 2017
(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 46: First-time adoption of Ind AS (Contd..)

Note 4: Remeasurements of post-employement benefit obligations

Under Ind AS, remeasurements i.e, Actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability are recognised in other comprehensive income instead of profit or loss. Under the previous GAAP, these remeasurements were forming part of the profit or loss for the year. As a result of this change, the profit for the year ended March 31, 2016 decreased by ₹372.71 lakhs. There is no impact on the total equity as at March 31, 2016.

Note 5: Reserves and Surplus

Retained earnings as at April 01, 2015 has been adjusted consequent to the above Ind AS transition adjustments.

The Company had received a Government grant towards State Investment Subsidy in the year 1998 with an outstanding amount of ₹32.58 lakhs. These amounts have been transferred to retained earnings since the assets related to the grant have been fully depreciated as at April 01, 2015.

Note 6: Loans considered as equity contribution:

The Company had given loan to its wholly owned subsidiaries, M/s Divis Laboratories (USA) Inc. and M/s. Divi's Laboratories Europe AG having an outstanding amount of ₹1566.71 lakhs and ₹2791.37 lakhs respectively. Since they are interest free loans, the loan has been initially measured at fair value estimated by discounting the future repayments over the tenure of the loan using a rate based on the rate the borrower would pay to an unrelated lender for a loan with similar conditions i.e. market rate.

The difference between the fair value and the loan amount is considered as a deemed investment and taken to Non current investments amounting to ₹ 736.22 lakhs. Subsequently the loan is measured at amortised cost using effective interest method.

Note 7: Deferred tax

As per Ind AS-12, the Company has recognised deferred tax asset on the indexation benefit available on free hold land as it has no plans to sell the business on a slump sale thereby increasing the retained earnings by ₹558.34 lakhs as at March 31, 2016 (April 01, 2015: ₹495. 39 lakhs).

Other Deferred tax adjustments amounting to (₹327.04 lakhs) as at march 31, 2016 (April 01, 2015: (₹305.59 lakhs)) include deferred tax impact on account of differences between previous GAAP and Ind AS. The profit for the year ended i.e. March 31, 2016 increased by ₹62.56 lakhs due to the deferred tax adjustments made.

Note 8 : Other comprehensive income

Under Ind AS, all items of income and expense recognized in a period should be included in the profit or loss for the period, unless a standard requires or permits otherwise. Items of income and expense that are not recognised in profit or loss but are shown in the statement of profit or loss as 'other comprehensive income' includes remeasurements of defined benefit plans. The concept of 'other comprehensive income' did not exist under previous GAAP.

Note 9: Rental Deposits:

Under the previous GAAP, rental deposits are recorded at their transaction value. Under Ind AS, all financial assets are required to be recognised at fair value. Accordingly the company has fair valued the rental deposits. Difference between the fair value and transaction value is recognised as prepaid rent. Consequent to this change, the amount of security deposit decreased by ₹209.07 lakhs as at March 31, 2016 (April 01, 2015: ₹ Nil). The prepaid rent increased by ₹204.73 lakhs as at March 31, 2016 (April 01, 2015: ₹ Nil).

NOTES TO STANDALONE FINANCIAL STATEMENTS

for the year ended 31st March, 2017
(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 47: Earnings per share

(a) Basic EPS

	for the year ended 31st March, 2017	for the year ended 31st March, 2016
Basic earnings per share attributable to the equity holders of the company	39.68	41.84

(b) Diluted EPS

	31st March, 2017	31st March, 2016
Diluted earnings per share attributable to the equity holders of the company	39.68	41.84

(c) Reconciliation of earnings used in calculating earnings per share

	31st March, 2017	31st March, 2016
Basic earnings per share		
Profit attributable to the equity holders of the company used in calculating basic earnings per share	105326.99	111084.33
Diluted earnings per share		
Profit attributable to the equity holders of the company used in calculating diluted earnings per share	105326.99	111084.33

(d) Weighted average number of shares used as the denominator

	31st March, 2017	31st March, 2016
Weighted average number of equity shares used as the denominator in calculating basic earnings per share	265468580	265468580
Adjustments for calculation of diluted earnings per share:	Nil	Nil
Weighted average number of equity shares used as the denominator in calculating diluted earnings per share	265468580	265468580

Note 48: Assets pledged as security

The carrying amounts of Company's assets pledged as security for current borrowings are:

	31st March, 2017	31st March, 2016	1st April, 2015
Working Capital Loans from banks (Secured)			
Hypothecation of stocks, book debts and current assets			
Inventory	125576.37	116289.18	111489.51
Trade receivables	100042.01	96612.28	82303.05
Other Current Assets	178293.39	92908.91	86999.15
	403911.77	**305810.37**	**280791.71**

Secured by second charge on movable fixed assets for the year ended March 31, 2017 ₹108463.95 lakhs, (March 31, 2016 ₹104752.81 lakhs and March 31, 2015 ₹98024.81 lakhs).

NOTES TO STANDALONE FINANCIAL STATEMENTS

for the year ended 31st March, 2017
(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 49: Disclosures relating to Specified Bank Notes* (SBNs) held and transacted during the period from 8th November 2016 to 30th December 2016

The carrying amounts of Company's assets pledged as security for current borrowings are:

Particulars	SBN	Other denomination notes	Total
Closing cash in hand as on 8 November 2016	26.82	25.50	52.32
(+) Permitted receipts	-	19.96	19.96
(-) Permitted payments	0.32	64.61	64.92
(-) Amount deposited in Banks	26.50	-	26.50
Cash withdrawn	-	38.81	38.81
Closing cash in hand as on 30 December 2016	**-**	**19.66**	**19.66**

* 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 50: Proposed Dividend

The final dividend proposed for the year is as follows :

Particulars	for the year ended 31st March, 2017	for the year ended 31st March, 2016
On Equity Shares of ₹2 each		
Amount of dividend proposed	26546.86	-
Amount of Dividend Tax	5404.32	-
Dividend per equity share	**10.00**	**-**

The accompanying notes are an integral part of the financial statements
As per our report of even date

For **P. V. R. K. NAGESWARA RAO & CO.**
Chartered Accountants
Firm's registration number: 002283S

P. V. R. K. Nageswara Rao
Partner
Membership number: 18840

Place : Hyderabad
Date : 26.05.2017

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

Dr. Murali. K. Divi
Chairman and Managing Director

L. Kishorebabu
Chief Financial Officer

N. V. Ramana
Executive Director

P. V. Lakshmi Rajani
Company Secretary

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To
the Members of
DIVI'S LABORATORIES LIMITED

Report on the Consolidated Ind AS Financial Statements

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 (collectively referred to as "the Group"); (Refer Note No.40) to the attached consolidated financial statements), which comprise of the consolidated balance sheet as at March 31, 2017, the consolidated statement of profit and loss(including other comprehensive income), the consolidated statement of cash flows and consolidated statement of changes in the 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 Financial Statements

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 including other comprehensive income, consolidated cash flows and consolidated changes in equity of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards (Ind AS) prescribed under Section 133 of the Act read with relevant rules issued thereunder. 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 consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement , whether due to fraud or error , which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

Auditors' Responsibility

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, 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.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards 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.

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 control 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.

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 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

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 including Ind AS, of the consolidated

financial position of the Group as at March 31, 2017, and its consolidated financial performance including other comprehensive income, its consolidated cash flows and the consolidated changes in equity for the year then ended.

Other Matter

We did not audit the financial statements of two subsidiaries whose financial statements reflect total assets of ₹14670.66 lakhs and net assets of ₹3571.51 lakhs negative as at March 31, 2017, total revenue of ₹22129.63 lakhs, net profit before tax of ₹1431.35 lakhs and net cash out flows amounting to ₹182.32 lakhs for the year ended on that date, as considered in the consolidated Ind AS financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion on the consolidated Ind AS financial statements insofar as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub-sections (3) and (11) of Section 143 of the Act insofar as it relates to the aforesaid subsidiaries is based solely on the reports of the other auditors.

Our opinion on the consolidated Ind AS financial statements is not modified in respect of the above matter with respect to our reliance on the work done and the reports of the other auditors.

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

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

Hyderabad
26.05.2017

CONSOLIDATED BALANCE SHEET

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Particulars	Note No.	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Assets				
Non-current assets				
Property, plant and equipment	3	155593.17	143583.99	130494.03
Capital work-in-progress	3	44356.94	26391.36	21818.23
Intangible assets	4	325.39	292.70	395.42
Financial assets				
(i) Investments	5	1.20	1.20	1.20
(ii) Other financial assets	6	3862.25	3216.40	2096.13
Deferred tax asset		355.83	413.62	623.32
Other non-current assets	7	10307.12	13607.85	5514.84
Total Non-current assets		**214801.90**	**187507.12**	**160943.17**
Current assets				
Inventories	8	131991.27	120782.77	116264.02
Financial assets				
(i) Investments	9	163072.20	80285.16	73501.10
(ii) Trade receivables	10	89844.93	88092.30	74164.26
(iii) Cash and cash equivalents	11	2078.69	1794.96	1762.11
(iv) Bank balances other than (iii) above	12	5791.55	5548.44	4946.57
(v) Loans	13	26.61	12.51	14.78
(vi) Other financial assets	14	1739.52	1328.77	1869.73
Other current assets	15	6506.70	4859.51	4826.14
Total Current assets		**401051.47**	**302704.42**	**277348.71**
Total Assets		**615853.37**	**490211.54**	**438291.88**
Equity and Liabilities				
Equity:				
Equity share capital	16(a)	5309.37	5309.37	2654.69
Other equity:				
(i) Reserves and surplus	16(b)	530430.06	424021.46	379577.61
Total Equity		**535739.43**	**429330.83**	**382232.30**
Liabilities				
Non-current liabilities				
Financial liabilities				
(i) Borrowings	17	-	46.70	105.00
Provisions	18	1530.45	1156.51	699.16
Deferred tax liabilities (net)	19	12638.71	7727.15	9654.00
Total Non-current liabilities		**14169.16**	**8930.36**	**10458.16**
Current liabilities				
Financial liabilities				
(i) Borrowings	20	3573.85	4142.10	2507.12
(ii) Trade payables:				
-total outstanding dues to micro and small enterprises (Refer Note- 44)		-	-	-
-total outstanding dues to other than micro and small enterprises	21	38385.73	23269.05	22686.57
(iii) Other financial liabilities	22	19916.80	19403.90	15719.18
Other current liabilities	23	3940.47	4653.99	4625.76
Provisions	18	127.93	217.34	62.79
Current tax liabilities (net)	24	-	263.97	-
Total current liabilities		**65944.78**	**51950.35**	**45601.42**
Total Liabilities		**80113.94**	**60880.71**	**56059.58**
Total Equity and Liabilities		**615853.37**	**490211.54**	**438291.88**

The accompanying notes are an integral part of the financial statements

As per our report of even date

For **P. V. R. K. NAGESWARA RAO & CO.**
Chartered Accountants
Firm's registration number: 002283S

P. V. R. K. Nageswara Rao
Partner
Membership number: 18840

Place : Hyderabad
Date : 26.05.2017

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

Dr. Murali. K. Divi
Chairman and Managing Director

L. Kishorebabu
Chief Financial Officer

N. V. Ramana
Executive Director

P. V. Lakshmi Rajani
Company Secretary

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the year ended 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Particulars	Note No.	For the year ended 31 st March, 2017	For the Year ended 31st March, 2016
Revenue			
Revenue from operations	25	410626.01	380487.97
Other income	26	7489.30	9744.05
Total Revenue		**418115.31**	**390232.02**
Expenses			
Cost of raw materials consumed	27	157274.77	147777.73
Purchase of Stock in Trade		207.34	93.31
Changes in inventories of finished goods, stock-in-trade and work-in-progress	28	(4082.35)	2537.39
Excise duty		4192.07	2851.81
Employee benefits expense	29	46874.05	36119.48
Finance costs	30	225.62	378.28
Depreciation and amortisation expense	31	12333.19	11818.13
Research and development expenses	32	4311.75	3092.35
Other expenses	33	57245.16	46279.15
Total Expenses		**278581.60**	**250947.63**
Profit before tax		**139533.71**	**139284.39**
Tax expense			
Current tax	34	28522.55	28423.09
Deferred tax	34	4969.35	(1717.15)
Profit after tax for the year attributable fully to the owners of the company		**106041.81**	**112578.45**
Other Comprehensive Income (OCI)			
(A) Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		(184.57)	(372.71)
(B) Items that will be reclassified to profit or loss			
Exchange differences in translating the financial statements of foreign operations		506.81	(1276.33)
Total Other Comprehensive Income before Tax		**322.24**	**(1649.04)**
Current tax relating to OCI		44.56	71.47
Other Comprehensive Income after tax for the year		**366.80**	**(1577.57)**
Total Comprehensive Income for the year attributable fully to the owners of the company		**106408.61**	**111000.88**
Earnings per share (Par value of ₹2 each)			
Basic and Diluted	46	39.95	42.41

The accompanying notes are an integral part of the financial statements

As per our report of even date

For **P. V. R. K. NAGESWARA RAO & CO.**
Chartered Accountants
Firm's registration number: 002283S

P. V. R. K. Nageswara Rao
Partner
Membership number: 18840

Place : Hyderabad
Date : 26.05.2017

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

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Chairman and Managing Director

N. V. Ramana
Executive Director

L. Kishorebabu
Chief Financial Officer

P. V. Lakshmi Rajani
Company Secretary

CONSOLIDATED STATEMENT OF CASH FLOW

for the year ended 31st March, 2017
(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Particulars	For the year ended 31 st March, 2017		For the Year ended 31st March, 2016	
Cash flow from operating activities				
Profit before income tax		139533.71		139284.39
Adjustments for:				
Depreciation and amortisation expense	12333.19		11818.13	
Unrealised foreign exchange loss (net)	3082.54		951.13	
Dividend income	(6289.16)		(4675.40)	
Interest income	(548.10)		(971.24)	
Gain on sale of investments	(99.26)		(71.41)	
Provision for doubtful debts	96.56		7.45	
Bad debts written off	13.68		17.22	
Finance costs	119.42		242.81	
Changes in fair value of mutual funds	201.38		-	
Other comprehensive income	322.24		(1649.04)	
Profit on sale of Property, Plant & Equipment	(2.88)		-	
Loss due to discarded asset	50.88	9280.49	424.20	6093.85
		148814.19		**145378.24**
Change in operating assets and liabilities				
(Increase) in trade receivables	(4071.75)		(14239.50)	
(Increase) in inventories	(11208.50)		(4518.75)	
Increase in trade payables	14665.68		177.79	
(Increase) in other non current financial assets	(645.39)		(1120.27)	
(Increase) /Decrease in other non current assets	(8.50)		8.92	
(Increase) /Decrease in other current financial assets	(445.85)		543.23	
(Increase) in other current assets	(1647.20)		(33.37)	
Increase in long term employee benefit obligations	373.94		457.35	
Increase/(decrease) in short term employee benefit obligations	(89.40)		154.55	
Increase in other financial liabilities	479.43		3020.43	
Increase/(Decrease) in other current liabilities	(1115.64)	(3713.18)	46.30	(15503.32)
Cash generated from operations		**145101.01**		**129874.93**
Income taxes paid		30170.13		26089.31
Net cash inflow from operating activities		**114930.88**		**103785.62**
Cash flows from investing activities				
Purchase of Property, plant and equipment		(37669.55)		(39574.72)
Proceeds from sale of property, plant and equipment		5.08		-
Gain on sale of investments		99.26		71.41
Payments for purchase of Investments		(82988.42)		(6784.06)
Dividend Received		6289.16		4675.40
Interest received		548.10		971.24
Net cash (outflow) from investing activities		**(113716.37)**		**(40640.73)**

CONSOLIDATED STATEMENT OF CASH FLOW

for the year ended 31st March, 2017
(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Particulars	For the year ended 31 st March, 2017		For the Year ended 31st March, 2016	
Cash flows from financing activities				
(Repayment)/Proceeds from short term borrowings		(568.25)		1634.98
Interest paid		(119.42)		(242.81)
Changes in Bank balances		(243.11)		(601.87)
Dividends paid to company's shareholders		-		(63902.34)
Net cash (outflow) from financing activities		**(930.78)**		**(63112.04)**
Net increase (decrease) in cash and cash equivalents		**283.73**		**32.85**
Cash and cash equivalents at the beginning of the financial year		1794.96		1762.11
Cash and cash equivalents at end of the year		**2078.69**		**1794.96**

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. Previous year figures have been regrouped /reclassified to conform to current year classification.

The accompanying notes are an integral part of the financial statements
As per our report of even date

For **P. V. R. K. NAGESWARA RAO & CO.**
Chartered Accountants
Firm's registration number: 002283S

P. V. R. K. Nageswara Rao
Partner
Membership number: 18840

Place : Hyderabad
Date : 26.05.2017

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

Dr. Murali. K. Divi
Chairman and Managing Director

L. Kishorebabu
Chief Financial Officer

N. V. Ramana
Executive Director

P. V. Lakshmi Rajani
Company Secretary

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st March, 2017
(All amounts in Indian ₹ Lakhs, unless otherwise stated)

a. Equity share capital

Paid up Equity Share capital	Number of Shares	Amount
As at April 01, 2015	132734290	**2654.69**
Changes in equity share capital	132734290	2654.68
As at March 31, 2016	**265468580**	**5309.37**
Changes in equity share capital	-	-
As at March 31, 2017	**265468580**	**5309.37**

b. Other Equity

	Reserves & surplus				
	Securities Premium	Special Economic Zone Re-investment reserve	General reserve	Retained earnings	Total Equity
Balance as at April 1, 2015	**10642.33**	**-**	**90000.00**	**278935.28**	**379577.61**
Profit for the year	-	-	-	112578.45	112578.45
Other comprehensive income for the year, net of income tax	-	-	-	(1577.57)	(1577.57)
Total comprehensive income for the year	**-**	**-**	**-**	**111000.88**	**111000.88**
Transactions with owners in their capacity as owners:					
Issue of Bonus shares	(2654.69)	-	-	-	(2654.69)
Payment of dividends (including tax)	-		-	(63902.35)	(63902.35)
Transfer to General Reserve	-		10000.00	(10000.00)	-
Balance as at March 31, 2016	**7987.64**	**-**	**100000.00**	**316033.81**	**424021.46**
Balance as at April 1, 2016	**7987.64**	**-**	**100000.00**	**316033.81**	**424021.46**
Profit for the year	-	-	-	106041.81	106041.81
Other comprehensive income for the year, net of income tax	-	-	-	366.80	366.80
Total comprehensive income for the year	**-**	**-**	**-**	**106408.61**	**106408.61**
Transactions with owners in their capacity as owners:					
Payment of dividends (including tax)	-	-	-	-	-
Transfer to Special Economic Zone Re-investment reserve	-	19900.00	-	(19900.00)	-
Balance as at March 31, 2017	**7987.64**	**19900.00**	**100000.00**	**402542.42**	**530430.06**

The accompanying notes are an integral part of the financial statements
As per our report of even date

For **P. V. R. K. NAGESWARA RAO & CO.**
Chartered Accountants
Firm's registration number: 002283S

P. V. R. K. Nageswara Rao
Partner
Membership number: 18840

Place : Hyderabad
Date : 26.05.2017

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

Dr. Murali. K. Divi
Chairman and Managing Director

L. Kishorebabu
Chief Financial Officer

N. V. Ramana
Executive Director

P. V. Lakshmi Rajani
Company Secretary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31st March, 2017

1. Background:

1.1 Divi's Laboratories Limited (Divi's), is a company limited by shares, incorporated and domiciled in India. The group is engaged in the manufacture of Active Pharmaceutical ingredients (API's) and Intermediates. Divi's, through its Custom synthesis business, supports innovator pharma companies for their patented products business right from gram scale needs for clinical trials to launch as well as late life cycle management.

1.2 The Consolidated Financial statements are approved for issue by the Company's Board of Directors on May 26, 2017.

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 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.

The financial statements up to year ended 31 March 2016 were prepared in accordance with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and other relevant provisions of the Act.

These financial statements are the first financial statements of the group under Ind AS. Refer note 45 for an explanation of how the transition from previous GAAP to Ind AS has affected the group's financial position, financial performance and cash flows. Financial statements are presented in Indian rupees rounded off to the nearest lakh.

(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) 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 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.

(iii) 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;

(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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31st March, 2017

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 39 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 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 that 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, value added taxes 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. Revenue from sale of goods is stated inclusive of excise duty and net of returns, trade allowances, rebates, sales tax and amounts collected on behalf of third parties.

(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.

(iii) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31st March, 2017

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 group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

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

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

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

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 other than goodwill 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 purchase. Cost of work-in-progress and finished goods

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31st March, 2017

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

Debt instruments

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

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. 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 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 FVOCI are not reported separately from other changes in fair value..

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31st March, 2017

(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 37 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 is not derecognized.

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

2.11 Offsetting financial instruments:

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

2.12 Property, Plant & Equipment:

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

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) Transition to Ind AS

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.

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

Depreciation on fixed assets is provided on straight-line basis at the rates arrived at based on the useful lives prescribed in Schedule II of the Companies Act, 2013. The group follows the policy of charging depreciation on pro-rata basis on the assets acquired or disposed off during the year.

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 programmes 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31st March, 2017

- 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

(ii) Amortization methods and periods

The group amortizes intangible assets over a period of 3 years based on their estimated useful lives.

(iii) Transition to Ind AS

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.

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:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31st March, 2017

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 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.

2.19 Dividends:

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period. Proposed dividend is recognised as a liability in the period in which it is declared by the group, usually when approved by shareholders in a general meeting, or paid.

2.20 Contribution to 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 Excise duty:

Excise duty collected on sales is included in Gross Sales. Excise duity paid/payable on sales is shown as an item of expense. Value of closing stock of finished goods include excise duty paid/payable on such stocks wherever applicable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31st March, 2017

2.23 Leases:

At the inception of a lease, the lease arrangements is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement.

As a Lessee:

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases 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 balance 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 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.

2.24 Research and Development:

Revenue expenditure on research and development is expensed in the period in which it is incurred. Capital expenditure on research and development is shown as addition to fixed assets.

2.25 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.

2.26 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) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, 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 31 March 2016										
Gross carrying amount										
Cost as at 1 April 2015	2723.70	143604.91	36229.25	1173.24	671.52	709.03	8989.39	744.66	194845.70	21818.23
Additions	-	13573.52	7763.00	1474.15	113.28	985.92	972.74	283.99	25166.60	29798.72
Disposals/Transfers	-	(703.17)	(0.70)	(70.56)	(1.14)	(66.15)	(80.44)	(1.14)	(923.30)	(25225.59)
Closing gross carrying amount	**2723.70**	**156475.26**	**43991.55**	**2576.83**	**783.66**	**1628.80**	**9881.69**	**1027.51**	**219089.00**	**26391.36**
Accumulated depreciation		52680.69	6486.30	476.46	408.49	434.89	3430.37	434.47	64351.67	
Depreciation charge during the year	-	8861.15	1396.75	109.39	59.85	115.28	1004.61	105.41	11652.44	-
Disposals	-	(330.33)	(0.36)	(35.77)	(1.08)	(60.40)	(70.08)	(1.08)	(499.10)	-
Closing accumulated depreciation	**-**	**61211.51**	**7882.69**	**550.08**	**467.26**	**489.77**	**4364.90**	**538.80**	**75505.01**	**-**
Net carrying amount as at March 31, 2016	2,723.70	95,263.75	36108.86	2026.75	316.40	1139.03	5516.79	488.71	143583.99	26391.36
Year ended 31 March 2017										
Gross carrying amount										
Opening Gross carrying amount	2723.70	156475.26	43991.55	2576.83	783.66	1628.80	9881.69	1027.51	219089.00	26,391.36
Additions	4901.91	11890.84	4890.72	872.54	199.44	393.39	816.13	238.47	24203.44	42,376.81
Transfers	-	-	-	-	-	-	-	-	-	(24411.23)
Disposals	-	(205.38)	-	-	(23.31)	(0.35)	-	-	(229.04)	-
Closing gross carrying amount	**7625.61**	**168160.72**	**48882.27**	**3449.37**	**959.79**	**2021.84**	**10697.82**	**1265.98**	**243063.40**	**44356.94**
Accumulated depreciation										
Opening accumulated depreciation	-	61211.51	7882.69	550.08	467.26	489.77	4364.90	538.80	75505.01	-
Depreciation charge during the year	-	8913.67	1504.53	275.11	67.29	269.78	955.97	154.83	12141.18	-
Disposals	-	(154.63)	-	-	(21.12)	(0.21)	-	-	(175.96)	-
Closing accumulated depreciation and as at March 31, 2017	**-**	**69,970.55**	**9,387.22**	**825.19**	**513.43**	**759.34**	**5,320.87**	**693.63**	**87,470.23**	**-**
Net carrying amount as at March 31, 2017	**7625.61**	**98190.17**	**39495.05**	**2624.18**	**446.36**	**1262.50**	**5376.95**	**572.35**	**155593.17**	**44356.94**

Notes:

(i) Property, plant and equipment pledged as security
Refer Note 47 for information on property, plant and equipment pledged as security by the group

(ii) Contractual obligation
Refer Note 43 for disclosure of contractual commitments for the acquisition of property, plant and equipment

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at 31st March, 2017
(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 4: Intangible assets

	Computer Software	Total
Year ended 31 March 2016		
Gross carrying amount		
Cost as at 1 April 2015	456.28	456.28
Additions	62.97	62.97
Disposals	-	-
Closing gross carrying amount as at March 31, 2016	**519.25**	**519.25**
Accumulated amortisation		
Opening accumulated amortisation as at April 01, 2015	60.86	60.86
Amortisation charge during the year	165.69	165.69
Disposals	-	-
Closing accumulated amortisation as at March 31, 2016	**226.55**	**226.55**
Closing net carrying amount as at March 31, 2016	292.70	292.70
Year ended 31 March 2017		
Gross carrying amount		
Opening Gross carrying amount as at April 01, 2016	519.25	519.25
Additions	224.70	224.70
Closing gross carrying amount as at March 31, 2017	743.95	743.95
Accumulated amortisation		
Opening accumulated amortisation as at April 01, 2016	226.55	226.55
Amortisation charge during the year	192.01	192.01
Closing accumulated amortisation as at March 31, 2017	**418.56**	**418.56**
Closing net carrying amount as at March 31, 2017	**325.39**	**325.39**

Note 5: Non-Current Investments

	31st March, 2017	31st March, 2016	1st April, 2015
	Amount	Amount	Amount
(Un quoted, fully paid up)			
Investment in equity instruments in other companies (at FVPL)			
12000 Equity Shares of ₹10/- each (31 March 2016:12000, April 01, 2015:12000) of Pattan Cheru Enviro Tech Limited	1.20	1.20	1.20
Total (equity instrument)	**1.20**	**1.20**	**1.20**
Total Non-current investments	**1.20**	**1.20**	**1.20**
Aggregate amount of unquoted investments	1.20	1.20	1.20
Aggregate amount of impairment in the value of investments	-	-	-

Note 6: Other Non-Current Financial assets

Particulars	31st March, 2017	31st March, 2016	1st April, 2015
Others			
Security Deposits	3015.41	2663.34	1535.53
Claims on vat	846.84	553.06	560.60
Total Other Non-Current Financial assets	**3862.25**	**3216.40**	**2096.13**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 7: Other non-current assets

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Capital advances	7505.28	12242.68	2142.40
Pre-paid expenses	35.62	27.12	36.05
Pre-paid tax	2766.22	1338.05	3336.39
Total other non-current assets	**10307.12**	**13607.85**	**5514.84**

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

	31st March, 2017	31st March, 2016	1st April, 2015
Raw materials	38273.72	33032.14	26827.37
(including stock-in-transit of ₹5240.76 lakhs, March 31, 2016: ₹1,691.15 lakhs; April 01, 2015: ₹1088.79 lakhs)			
Work-in-progress*	69394.13	68068.72	70256.28
Finished goods**	10127.21	8471.39	8374.70
Stock in trade	4578.70	3477.58	3924.10
Stores and spares	9617.51	7732.94	6881.57
(including stock-in-transit of ₹ Nil, March 31, 2016: ₹156.68 lakhs; April 01, 2015: Nil)			
Total inventories	**131991.27**	**120782.77**	**116264.02**

* Write downs of Work in Progress to net realisable value amounted to ₹397.49 lakhs (2016: ₹402.41 lakhs, 2015: ₹218.50 lakhs). These were recognised as an expense during the year and included in "Changes in inventories of finished goods, stock-in-trade and work-in-progress" in statement of profit and loss.

** Write downs of Finished goods to net realisable value amounted to ₹74.07 lakhs (2016: ₹7.14 lakhs, 2015: ₹40.58 lakhs). These were recognised as an expense during the year and included in "Changes in inventories of finished goods, stock-in-trade and work-in-progress" in statement of profit and loss.

Note 9: Current investments

	31 March 2017		31 March 2016		1 April 2015	
	Units	Amount	Units	Amount	Units	Amount
Quoted						
Investments measured at fair value through profit and loss (FVPL)						
SBI Mutual Fund - SBI-SHF-Ultra short term fund (direct daily dividend plan)	16204051	163072.20	7979907	80285.16	7303950	73404.84
SBI Mutual Fund - SBI-SHF-Ultra short term fund (regular daily dividend plan)	-	-	-	-	9606	96.26
Total current investments	**16204051**	**163072.20**	**7979907**	**80285.16**	**7313556**	**73501.10**
Aggregate amount of quoted investments and market value thereof		163072.20		80285.16		73501.10
Aggregate amount of unquoted investments		-		-		-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 10: Trade receivables

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Trade receivables	89967.68	88126.54	74209.45
Less: Allowance for doubtful debts	122.75	34.24	45.19
Total trade receivables	**89844.93**	**88092.30**	**74164.26**
Current portion	89844.93	88092.30	74164.26
Non-current portion	-	-	-

Break-up of security details

	31st March, 2017	31st March, 2016	1st April, 2015
Secured, considered good	-	-	-
Unsecured, considered good	89844.93	88092.30	74164.26
Doubtful	122.75	34.24	45.19
Total	**89967.68**	**88126.54**	**74209.45**
Allowance for doubtful debts	122.75	34.24	45.19
Total trade receivables	**89844.93**	**88092.30**	**74164.26**

Note 11: Cash and cash equivalents

	31st March, 2017	31st March, 2016	1st April, 2015
Balances with banks			
-in current accounts	2060.07	1783.57	1755.65
Cash on hand	18.62	11.39	6.46
Total Cash and cash equivalents	**2078.69**	**1794.96**	**1762.11**

Note 12: Bank balances other than cash and cash equivalents

	31st March, 2017	31st March, 2016	1st April, 2015
Unclaimed dividend	57.25	147.25	57.54
Balances with banks to the extent held as Margin money (Towards margin on Letter of credit and Bank Guarantees issued by bank, etc.,)	0.02	152.81	0.02
In Fixed Deposits with maturity of more than three months but less than twelve months (Pledged towards Overdraft facilities from banks)	5734.28	5248.38	4889.01
Total Bank balances other than cash and cash equivalents	**5791.55**	**5548.44**	**4946.57**

Note 13: Current Loans

	31st March, 2017	31st March, 2016	1st April, 2015
Unsecured, considered good			
Loans to employees	26.61	12.51	14.78
Total Current loans	**26.61**	**12.51**	**14.78**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 14: Other Current Financial assets

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Export incentive receivable	106.44	168.68	192.26
Insurance claims receivable	425.86	2.05	277.41
Receivables on sale from scrap and others	246.67	65.48	174.53
Sales Tax Receivable	509.78	672.51	426.59
Service Tax Receivable	450.77	420.05	798.94
Total Other Current Financial assets	**1739.52**	**1328.77**	**1869.73**

Note 15: Other current assets

	31st March, 2017	31st March, 2016	1st April, 2015
Central excise duty deposit	2317.57	1721.51	1739.71
Prepaid expenses	575.15	584.50	568.05
Advances to suppliers	2314.30	1279.31	1713.22
Advances for Expenses	1299.68	1274.19	805.16
Total other current assets	**6506.70**	**4859.51**	**4826.14**

Note : Equity share capital and other equity

Note 16 (a): Equity share capital

Authorised equity share capital

	Number of shares	Amount
As at 1st April 2015	150000000	3000.00
Movement during the year	150000000	3000.00
As at 31st March 2016	300000000	6000.00
Movement during the year	-	-
As at 31st March 2017	**300000000**	**6000.00**

(i) Movements in equity share capital

Paid up Equity Share capital	Number of shares	Amount
As at 1st April 2015	132734290	2654.69
Movement during the year	132734290	2654.68
As at 31st March 2016	265468580	5309.37
Movement during the year	-	-
As at 31st March 2017	**265468580**	**5309.37**

Aggregate number of bonus shares issued during the period of five years immediately preceding the reporting date:

On 28th September, 2015, the Company issued 13,27,34,290 equity shares of INR 2 each as fully paid bonus shares by capitalisation of securities premium reserve.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note16 (a): Equity share capital (Contd..)

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

	As at 31 March 2017		As at 31 March 2016		As at 1 April 2015	
	Number of shares	% holding	Number of shares	% holding	Number of shares	% holding
PROMOTERS GROUP						
Dr.Murali Krishna Prasad Divi	15567000	5.86%	15567000	5.86%	7783500	5.86%
Satchandra Kiran Divi	46000000	17.33%	46000000	17.33%	23000000	17.33%
Swarnalatha Divi	14000000	5.27%	14000000	5.27%	7000000	5.27%
Nilima Motaparti	54000000	20.34%	54000000	20.34%	27000000	20.34%
OTHER THAN PROMOTER GROUP						
Reliance Capital Trustee Company Limited	10573965	3.98%	11466386	4.32%	6982362	5.26%

Note 16 (b): Reserves and surplus

	31st March, 2017	31st March, 2016	1st April, 2015
Securities premium reserve	7987.64	7987.64	10642.33
General reserve	100000.00	100000.00	90000.00
Retained earnings	402542.42	316033.81	278935.28
Special Economic Zone Re-investment reserve	19900.00	-	-
Total reserves and surplus	**530430.06**	**424021.46**	**379577.61**

(i) Securities premium reserve

	31st March, 2017	31st March, 2016
Opening balance	7987.64	10642.33
Adjustments	-	(2654.69)
Closing Balance	**7987.64**	**7987.64**

(ii) General Reserve

	31st March, 2017	31st March, 2016
Opening balance	100000.00	90000.00
Adjustments	-	10000.00
Closing Balance	**100000.00**	**100000.00**

(iii) Retained earnings

	31st March, 2017	31st March, 2016
Opening balance	316033.81	278935.28
Net profit for the Year	106041.81	112578.45
Transferred to General reserve	-	(10000.00)
Transferred to Special Economic Zone Re-investment reserve	(19900.00)	-
Dividends	-	(63902.35)
Items of other comprehensive income recognised directly in retained earning		
- Remeasurements of post employment benefit obligation, net of tax	(140.01)	(301.24)
- Exchange differences in translating the financial statements of foreign operations	506.81	(1276.33)
Closing balance	**402542.42**	**316033.81**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 16 (b): Reserves and surplus (Contd..)

(iv) Special Economic Zone Re-investment reserve

	As at 31st March, 2017	As at 31st March, 2016
Opening balance	-	-
Adjustments	19900.00	-
Closing Balance	**19900.00**	**-**

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:

The Special Economic Zone Re-invesment Reserve has been created out of the profit of eligible SEZ units in terms of the provisions of Section 10AA (1)(ii) of Income Tax Act, 1961. The reserve should be utilised by the Company for acquiring new plant and machinery for the purpose of its business in terms of the Section 10AA (2) of the Income Tax Act, 1961.

Note 17: Non-current borrowings

	Terms of repayment	Coupon/ Interest rate	31st March, 2017	31st March, 2016	1st April, 2015
Unsecured					
Deferred sales tax credit	14 yearly insallments	Interest free	-	105.00	155.06
Total non-current borrowings			**-**	**105.00**	**155.06**
Less: Current maturities of long-term debt (included in note 22)			-	58.30	50.06
Non-current borrowings			**-**	**46.70**	**105.00**

Note 18: Provisions - Employee Benefit Obligations

	31st March, 2017			31st March, 2016			1st April, 2015		
	Current	Non-Current	Total	Current	Non-Current	Total	Current	Non-Current	Total
Leave encashment	88.49	1530.45	1618.94	72.85	1156.51	1229.36	62.79	699.16	761.95
Gratuity	39.44	-	39.44	144.49	-	144.49	-	-	-
	127.93	**1530.45**	**1658.38**	**217.34**	**1156.51**	**1373.85**	**62.79**	**699.16**	**761.95**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at 31st March, 2017
(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 18: Provisions - Employee Benefit Obligations (Contd..)

(i) Post-employement obligations- Gratuity

The company provides for 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's salary multiplied for the number of years of service. The gratuity plan is a funded plan and the Company makes contributions to recognized 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.

Gratuity

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 1-Apr-15	859.28	1086.51	(227.23)
Current service cost	17.19	-	17.19
Interest expense/(income)	68.74	-	68.74
Total amount recognized in profit or loss	**945.21**	**1086.51**	**(141.30)**
Remeasurements			-
Return on plan assets, excluding amounts included in interest expense/(income)	-	90.28	(90.28)
Experience (gains)/loss	376.07	-	376.07
Total amount recognized in other comprehensive income	**-**	**-**	**-**
Employer contributions	-	-	-
Benefit payments	(8.63)	(8.63)	-
As at 31-Mar-16	**1312.65**	**1168.16**	**144.49**

	Present Value of obligation	Fair Value of Plan Assets	Net amount
As at 1-Apr-16	1312.65	1168.16	144.49
Current service cost	26.25	-	26.25
Interest expense/(income)	105.01	-	105.01
Total amount recognized in profit or loss	**1443.91**	**1168.16**	**275.75**
Remeasurements			-
Return on plan assets, excluding amounts included in interest expense/(income)	-	103.60	(103.60)
(Gain)/loss from change in demographic assumptions	-	-	-
(Gain)/loss from change in financial assumptions	186.53	-	186.53
Experience (gains)/loss	101.65	-	101.65
Total amount recognized in other comprehensive income	**-**	**-**	**-**
Employer contributions	-	420.89	(420.89)
Benefit payments	(17.68)	(17.68)	-
As at 31-Mar-17	**1714.41**	**1674.97**	**39.44**

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

	31st March, 2017	31st March, 2016	1st April, 2015
Present value of funded obligations	1714.41	1312.65	859.28
Fair value of plan assets	1674.97	1168.16	1086.51
Deficit of funded plans	**39.44**	**144.49**	**(227.23)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 18: Provisions - Employee Benefit Obligations (contd..)

Significant estimates: Acturial assumptions and sensitivity

The significant acturial assumptions were as follows:

	31st March, 2017	31st March, 2016	1st April, 2015
Discount rate	7%	8%	8%
Salary growth rate	6%	6%	4%
Attrition Rate	1% to 3% depending on age	1% to 3% depending on age	1% to 3% depending on age
Retirement Age	60years	60years	60years
Average Balance Furture Services	30years	30years	31years
Mortality Table	IALM(2006-08)	IALM(2006-08)	IALM(2006-08)

Sensitivity analysis

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

Particulars	As at 31st March, 2017
Defined Benefit Obligation	1714.40
Discount rate:(% change compared to base due to sensitivity)	
Increase : +1%	1527.89
Decrease: -1%	1939.43
Salary Growth rate:(% change compared to base due to sensitivity)	-
Increase : +1%	1934.51
Decrease: -1%	1522.87
Attrition rate:(% change compared to base due to sensitivity)	-
Increase : +50%	1826.72
Decrease: -50%	1588.76
Mortality rate:(% change compared to base due to sensitivity)	-
Increase : +10%	1715.71
Decrease: -10%	1713.13

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 balance sheet.

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

The major categories of plans assets are as follows:

Particulars	31st March, 2017	31st March, 2016
Central Govt Securities	429.46	299.52
State Govt Securities	485.57	338.65
SCD /Bonds	500.65	349.16
Equity	149.24	104.08
Fixed Deposits	85.42	59.58
Others	24.63	17.17
	1674.97	**1168.16**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at 31st March, 2017
(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 18: Provisions - Employee Benefit Obligations (contd..)

Defined benefit liability and employer contributions

The Company has purchased insurance policy to provide for payment of gratuity to the employees. Every year, the insurance company carries out a funding valuation based on the latest employee data provided by the Company. Any deficit in the assets arising as a result of such valuation is funded by the Company. The company considers that the contribution rate set at the last valuation date is sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs will not increase significantly.

The weighted average duration of the defined benefit obligation is 20.77 years. The expected cash flows over the next years is as follows:

Particulars	Less than a year	Between 2-5 years	Between 6-10 years	Over 10 years	Total
As at 31-Mar-17					
Defined benefit obligation-gratuity	92.53	63.78	300.11	5163.52	5619.95

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.

Salary Escalation Risk: The present value of the defined benefit plans calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value obligation will have a bearing on the plan's liability.

Demographic Risk: The Company has used certain mortality and attrition assumptions in valuation of the liability. The Company is exposed to the risk of actual experience turning out to be worse compared to the assumption.

Regulatory Risk: Gratuity benefits is paid in accordance with the requirements of the Payment of Gratuity Act, 1972 (as amended from time to time). There is a risk of change in regulations requiring higher gratuity payouts (eg. Increase in the maximum limit on gratuity.)

Asset Liability Mismatching or Market Risk: The duration of the liability is longer compared to duration of assets, exposing the Company to market risk for volatilities/fall in interest rate.

Investment Risk: The probability and likelihood of occurrence of losses relative to the expected return on any particular investment.

Asset Volatility: The plan liabilities are calculated using a discount rate set with reference to bond yields; if plan assets under perform this yield, this will create a deficit. Most of the plan asset investment are in fixed income securities with high grades and in government securities. A portion of the fund is invested in equity securities and in alternative investments which have low correlation with equity securities. The equity securities are expected to earn a return in excess of the discount rate and contribute to the plan deficit. The company has a risk management strategy where the aggregate amount of risk exposure on a portfolio level is maintained at a fixed range. Any deviations from the range are corrected by rebalancing the portfolio. The company intends to maintain the investment mix in the continuing years.

Changes in bond yields: A decrease in bond yields will increase plan liabilities, although this will be partially off-set by an increase in the value of the plan's bond holdings.

The Company makes contribution to a scheme administered by the Life Insurance Corporation of India ('LIC) to discharge gratuity liabilities to the employees. The Company actively monitors the investment positions and ensures the same is adequately managed within an asset-liability matching(ALM) framework. The company actively monitores how the duration and the expected yield of the investments are matching the expected cash outflows arising from the employee benefit obligations. The company 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 the company also invests in equities, cash and mutual funds. The company believes that equities offer the best returns over the long term with an acceptable level of risk. The majority of equities are in a globally diversified portfolio of international blue chip entities, with a target of 60% equities held in India. The plan asset mix is in compliance with the requirments of the respective local regulations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 18: Provisions - Employee Benefit Obligations (contd..)

(iii) Defined Contribution plans

Employer's Contribution to Provident Fund: Contributions are made to provident fund 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 ₹1077.09 lakhs (31 March 2016- ₹831.99 lakhs; 01 April 2015- ₹532.41 lakhs)

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 ₹118.52 lakhs (31 March 2016- ₹93.26 lakhs; 01 April 2015- ₹120.79 lakhs)

Note 19: Deferred tax liabilities (net)

The balance comprises temperory differences attributable to:

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Deferred Tax Liability / (Asset) :			
Property, plant and equipment	17173.39	15431.33	13662.92
Expenses allowable on the basis of Payment	(786.63)	(510.90)	(417.79)
MAT Credit Entitlement	(3107.35)	(6660.35)	(3047.91)
Deferred tax on transition to Ind AS	(640.70)	(532.93)	(543.22)
Net deferred tax liabilities / (Asset) net	**12638.71**	**7727.15**	**9654.00**

Movement in Deferred tax liabilities

	Property, plant and equipment	Expenses allowable on the basis of Payment	MAT Credit (Entitlement)/ Utilisation	Deferred tax on transition to Ind As	Total
As at April 01, 2015	13662.92	(417.79)	(3047.91)	(543.22)	9654.00
Charged/(credited)	1768.41	(93.11)	(3612.44)	10.29	(1926.85)
As at March 31, 2016	15431.33	(510.90)	(6660.35)	(532.93)	7727.15
Charged/(credited)	1742.06	(275.73)	3553.00	(107.77)	4911.56
As at March 31, 2017	**17173.39**	**(786.63)**	**(3107.35)**	**(640.70)**	**12638.71**

Note 20: Current borrowings

	Maturity Date	Terms of repayment	Interest rate	31st March, 2017	31st March, 2016	1st April, 2015
Secured						
Working Capital Loans from Banks	Payable on demand	Payable on demand	0.35% p.a. above MCLR rate	1069.20	606.05	954.86
Bank Overdrafts against fixed deposits	Payable on demand	Payable on demand		2504.65	3536.05	1552.26
Total Current Borrowings				**3573.85**	**4142.10**	**2507.12**

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 fixed assets of the company, both present and future.

The carrying amounts of financial and non-financial assets pledged as security are disclosed in note 47.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 21: Trade payables

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Current			
Trade payables	38385.73	23269.05	22686.57
Total trade payables	**38385.73**	**23269.05**	**22686.57**

Note 22: Other Financial liabilities

	31st March, 2017	31st March, 2016	1st April, 2015
Current			
Current maturities of long-term debt	-	58.30	50.06
Capital creditors	2550.94	2564.17	2235.90
Employee benefits payable	11113.64	10771.02	8069.50
Creditors for Expenses	6194.97	5863.16	5306.18
Unclaimed dividend	57.25	147.25	57.54
Total other current financial liabilities	**19916.80**	**19403.90**	**15719.18**

Note 23: Other current liabilities

	31st March, 2017	31st March, 2016	1st April, 2015
Statutory dues payable	882.04	676.29	563.08
Advance from customers	3058.43	3977.70	4062.68
Total other current liabilities	**3940.47**	**4653.99**	**4625.76**

Note 24: Current tax liabilities (net)

	31st March, 2017	31st March, 2016	1st April, 2015
Provision for income tax	-	230.47	-
Provision for interest on Income Tax	-	33.50	-
Total current tax liabilities (net)	**-**	**263.97**	**-**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 25: Revenue from operations

	For the year ended 31st March, 2017	For the Year ended 31st March, 2016
Sale of products (including excise duty)	409304.95	379026.87
Sale of Services:	-	-
Contract research fee	216.90	724.39
Other Operating Revenue:	-	-
Export incentives	206.40	201.97
Sale of scrap out of manufacturing process	897.76	534.74
Total revenue from operations	**410,626.01**	**380,487.97**

Note 26: Other income

	31st March, 2017	31st March, 2016
Interest income from financial assets at amortized cost	548.10	971.24
Dividend income from investments mandatorily measured at fair value through profit or loss	6289.16	4675.40
Net gain on disposal of property, plant and equipment	2.88	-
Net gain on foreign currency transactions and translations	-	3724.07
Net gain on sale of investments	99.26	71.41
Sale of other scrap	101.59	176.51
Provision for doubtful debs no longer required written back	8.04	18.40
Insurance claims received	318.28	-
Other non-operating income	121.99	107.02
Total other income	**7489.30**	**9744.05**

Note 27: Cost of raw materials consumed

	31st March, 2017	31st March, 2016
At the beginning of the year	33032.14	26827.37
Add: Purchases	162516.35	153982.50
Less: At the end of the year	38273.72	33032.14
Total cost of raw materials consumed	**157274.77**	**147777.73**

Note 28: Changes in inventories of finished goods, stock-in-trade and work-in-progress

	31st March, 2017	31st March, 2016
Opening Balance:		
Finished goods	8471.39	8374.70
Stock-in-trade	3477.58	3924.10
Work-in-progress	68068.72	70256.28
	80017.69	**82555.08**
Closing Balance:		
Finished goods	10127.21	8471.39
Stock-in-trade	4578.70	3477.58
Work-in-progress	69394.13	68068.72
	84100.04	**80017.69**
Total changes in inventories of finished goods, stock-in-trade and work-in-progress	**(4082.35)**	**2537.39**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31st March, 2017
(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 29: Employee benefits expense

	For the year ended 31st March, 2017	For the Year ended 31st March, 2016
Salaries, wages, bonus and other allowances	44853.72	34401.79
Contribution to provident fund and other funds	966.67	815.20
Contribution to ESI	114.82	90.83
Staff welfare expenses	938.84	811.66
Total employee benefits expense	**46874.05**	**36119.48**

Note 30: Finance costs

	31st March, 2017	31st March, 2016
Interest and finance charges on financial liabilities carried at amortised cost	117.01	207.65
Interest on Income tax	2.41	35.16
Other borrowing costs	106.20	135.47
Total Finance costs	**225.62**	**378.28**

Note 31: Depreciation and amortisation expense

	31st March, 2017	31st March, 2016
Depreciation of property, plant and equipment	12141.18	11652.44
Amortisation of intangible assets	192.01	165.69
Total depreciation and amortisation expense	**12333.19**	**11818.13**

Note 32: Research and development expenses

	31st March, 2017	31st March, 2016
Raw materials consumed	67.49	83.64
Salaries,wages,bonus and other allowances	2999.46	1936.88
Contribution to provident and other funds	111.65	61.67
Contribution to ESI	3.70	2.43
Staff welfare expenses	1.67	1.89
Stores consumed	304.62	281.14
Power and fuel	226.38	164.35
Repairs to buildings	35.04	14.64
Repairs to machinery	165.99	239.72
Repairs to other assets	150.01	63.69
Rates and taxes, excluding taxes on income	31.69	88.88
Printing and stationery	22.01	8.29
Communication expenses	0.52	0.14
Travelling and conveyance	0.83	0.30
Professional and consultancy charges	134.48	58.32
Miscellaneous expenses	55.33	85.45
Bank charges and commission	0.88	0.92
Total Research and development expenses	**4311.75**	**3092.35**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 33: Other expenses

	For the year ended 31st March, 2017	For the Year ended 31st March, 2016
Consumption of stores and spare parts	3454.61	3096.23
Packing materials consumed	3353.97	3220.21
Conversion charges	1215.93	898.87
Power and fuel	19879.71	18034.41
Repairs to buildings	1410.21	903.23
Repairs to machinery	5560.88	5080.33
Repairs to others	110.68	142.22
Insurance	610.71	651.45
Excise duty adjustment in Finished goods inventory	38.57	124.00
Rates and taxes, excluding taxes on income	721.65	815.35
Directors sitting fees	15.64	20.54
Printing and stationery	449.56	278.69
Rent	801.29	487.13
Communication expenses	142.57	128.71
Travelling and conveyance	906.85	684.67
Vehicle maintenance	267.36	274.34
Payments to Auditors (Refer note 33(a) below)	86.65	76.94
Professional and consultancy charges	513.51	592.11
Factory upkeep	348.40	234.51
Environment management expenses	1606.43	1317.00
Advertisement	95.63	64.39
Sales commission	940.01	489.62
Carriage outward	5711.73	5049.54
General expenses	2926.96	2338.77
Bad debts written off	13.68	17.22
Provision for doubtful debts	96.56	7.45
Donations	10.00	2.29
Corporate Social Responsbility Expenses (Refer note 33(b) below)	1625.82	712.02
Book deficit on assets discarded	50.88	424.20
Claims written off	-	16.83
Changes in fair value of mutual funds	201.38	-
Net Loss on Foreign Currency Transactions	3965.76	-
Bank charges	111.57	95.88
Total other expenses	**57245.16**	**46279.15**

Note 33(a): Details of payments to auditors

	31st March, 2017	31st March, 2016
Payment to auditors		
As Statutory Auditors	26.00	26.00
For Subsidiary Audit	15.26	19.06
For Quarterly Reviews	14.77	13.52
For Certification	8.46	8.29
Taxation matters	21.17	9.02
Re-imbursement of expenses	0.99	1.05
Total payments to auditors	**86.65**	**76.94**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 33(b): Corporate Social Responsibility Expenditure

	for the year ended 31st March, 2017	for the year ended 31st March, 2016
Amount required to be spent as per section 135 of the Act	2451.10	2039.45
Amount spent during the year on		
(i) Construction of skill development center	-	91.25
(ii) Purchase of Water tanker	-	11.00
(iii) On purpose other than (i) above:		
Promoting education	288.05	109.83
Promoting healthcare	13.20	4.82
Rural Development	171.01	31.39
Empowering Women	0.16	4.99
Animal Welfare	3.84	6.20
Safe drinking water	951.91	296.42
Environmental sustainability	48.76	48.34
Promotion of rural sports	1.85	5.50
Swatch Bharat programme	39.69	51.96
Support to Differently abled	24.13	21.47
Livelihood Enhancement	52.95	-
Others	30.27	28.85
Total Corporate Social Responsibility Expenditure	**1625.82**	**712.02**

Note 34: Income tax expense

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

	31 st March, 2017	31st March, 2016
(a) Income tax expense		
Current tax		
Current tax on profits for the year	28522.55	28423.09
Total current tax expense	**28522.55**	**28423.09**
Deferred tax	4969.35	(1717.15)
Total Deferred tax expense/(benefit)	**4969.35**	**(1717.15)**
Total Income tax expense	**33491.90**	**26705.94**

Current tax expense for the year ended March 31, 2017 and March 31, 2016 includes reversals (net of provisions) amounting to (₹ 71.00 lakhs) and ₹51.62 lakhs respectively pertaining to prior periods.

Entire deferred income tax for the year ended March 31, 2017 and March 31, 2016 relates to origination and reversal of temporary differences.

(b) Significant estimates (tax calculation note)

In calculating the tax expense for the current period, the company has treated certain expenditures as deductible 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 reserve out of profit of eligible SEZ Units and utilisation of such reserve by the company for acquiring new plant and machinery for the purpose of its business as per the provisons of the Income Tax Act, 1961.

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

	31st March, 2017	31st March, 2016
Profit from operations before income tax expenses	139533.71	139284.39
Tax at the Indian tax rate of 34.608% (2015-16 -34.608%)	**48289.83**	**48203.54**
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Expenses not allowed for tax purpose	1376.27	847.63
Income not considered for tax purpose	(2184.70)	(1796.58)
Investment allowance	(577.20)	(659.77)
Capital Expenditure on Scientific Research	(210.29)	(264.04)
Tax effect due to non-taxable income	(12918.59)	(19143.39)
Adjustments for current tax of prior periods	(71.00)	51.62
Others	(212.42)	(533.07)
Income tax expense	**33491.90**	**26705.94**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Financial Instruments and Risk Management

Note 35: Categories of Financial Instruments

	Notes	As at 31st March, 2017		As at 31st March, 2016		As at 1st April, 2015	
		Carrying Value	*Fair Value	Carrying Value	*Fair Value	Carrying Value	*Fair Value
A. Financial assets							
a) Measured at amortised cost							
i) Cash and cash equivalents	11	2078.69	2078.69	1794.96	1794.96	1762.11	1762.11
ii) Other bank balances	12	5791.55	5791.55	5548.44	5548.44	4946.57	4946.57
iii) Loans	13	26.61	26.61	12.51	12.51	14.78	14.78
iv) Trade receivables	10	89844.93	89844.93	88092.30	88092.30	74164.26	74164.26
v) Other financial assets	6,14	5601.77	5601.77	4545.17	4545.17	3965.86	3965.86
Sub - total		**103343.55**	**103343.55**	**99993.38**	**99993.38**	**84853.58**	**84853.58**
b) Mandatorily measured at fair value through profit or loss							
i) Investment in mutual funds	9	163072.20	163072.20	80285.16	80285.16	73501.10	73501.10
ii) Investment in equity instruments in other companies	5	1.20	1.20	1.20	1.20	1.20	1.20
Sub - total		**163073.40**	**163073.40**	**80286.36**	**80286.36**	**73502.30**	**73502.30**
Total financial assets		**266416.95**	**266416.95**	**180278.74**	**180279.74**	**158355.88**	**158355.88**
B. Financial liabilities							
a) Measured at amortised cost							
i) Trade payables	21	38385.73	38385.73	23269.05	23269.05	22686.57	22686.57
ii) Borrowings	17,20	3573.85	3573.85	4142.10	4142.10	2507.12	2507.12
iii) Other financial liabilities	22	19916.80	19916.80	19403.90	19403.90	15719.18	15719.18
Sub - total		**61876.38**	**61876.38**	**46815.05**	**46815.05**	**40912.87**	**40912.87**
Total financial liabilities		**61876.38**	**61876.38**	**46815.05**	**46815.05**	**40912.87**	**40912.87**

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) Other financial assets consits 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

As at 31st March, 2017
(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 36: Fair Value Heirarchy

The following table presents the fair value hierarchy of assets and liabilities:

	Level	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Financial Assets:				
a) Measured at fair value through profit or loss				
(i) Investment in mutual funds	1	163072.20	80285.16	73501.10
(ii) Investment in equity instruments in other companies	1	1.20	1.20	1.20

Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels:

Level 1: Quoted prices are (unadjusted) in active market for identical assets or liabilities.

Level 2: Inputs other than quoted prices are included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case with listed instruments where market is not liquid and for unlisted instruments.

Note 37: Financial Risk Management

The Company's activities expose it to market risk and credit risk. The Company emphasis 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 is the risk of financial loss to the Company if a customer to a financial instrument fails to meet its contractual obligations and arises primarily from trade receivables, treasury operations etc. Credit risk of the Company is managed at the Company level. In the area of treasury operations, the Company is presently exposed to risk relating to investment in mutual funds. The Company regularly monitors such investments and all the investments in mutual funds are held with State Bank of India which is a nationalised bank, thereby minimises the risk.

The credit risk related to trade receivables is influenced mainly by the individual 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:

Particulars	31st March, 2017	31st March, 2016	1st April, 2015
Gross carrying amount	89967.68	88126.54	74209.45
Expected credit losses (Loss allowance provision)	122.75	34.24	45.19
Net carrying amount of trade receivables	89844.93	88092.30	74164.26

(B) Market Risk:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 37: Financial Risk Management (Contd..)

(C) Price Risk:

(a) The company is exposed to risk from investments in mutual funds. The company has invested in quoted debt mutual funds with State Bank of India. The Company is very cautious in their investment decisions and takes a conservative approach of investing in nationalised banks with minimal risk. The table below summarises the impact of increase/(decrease) in the Net Asset Value(NAV) of these investments

(b) Sensitivity

The analysis is based on the assumption that the NAV has increased/(decreased) by 1% with all other variables held constant.

	Imapct on profit after tax		
Particulars	**31st March, 2017**	**31st March, 2016**	**1st April, 2015**
SBI Mututal Fund - SBI-SHF-Ultra short term fund:			
Increase in NAV by 1%	1630.72	802.85	735.01
Decrease in NAV by 1%	(1630.72)	(802.85)	(735.01)

Note 38: Capital Management

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. Currently, there are no borrowings and operations are being funded through internal accruals. 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.

Note 39: 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 Company's performance. The Company 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		
	For the year ended 31st March, 2017	**For the Year ended 31st March, 2016**	**For the Year ended 1st April, 2015**	**For the year ended 31st March, 2017**	**For the Year ended 31st March, 2016**	**For the Year ended 1st April, 2015**
Revenue	52109.09	44911.92	Not applicable	357412.76	334839.34	Not applicable
Non-current Assets	210558.11	183860.72	158204.67	24.51	15.18	17.85

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 2017 and March, 31 2016

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31st March, 2017
(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 40: Foreign subsidiaries considered for consolidation

	Place of Business/ Country of incorporation	For the year ended 31st March, 2017	For the Year ended 31st March, 2016	For the Year ended 1st April, 2015
Divis Laboratories (USA) Inc	USA	100%	100%	100%
Divis Laboratories Europe AG	Switzerland	100%	100%	100%

Note 41: Related Party Transactions

(a) Key Management personnel(KMP)	: Dr. Murali. K. Divi
	: Mr. N.V. Ramana
	: Mr. D. Madhusudana Rao
	: Mr. Kiran S. Divi
	: Mr. K V K Seshavataram
	: Mr. R Ranga Rao
	: Dr. G Suresh Kumar
	: Mrs. S Sri Devi
(b) Relative of Key Management personnel	: Mrs. D. Swarna Latha
	: Mrs. Nilima Motaparti
	: 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. L. Vijaya Lakshmi

(c) List of Related Parties over which significant influence exists with whom the company has transactions :

	Relationship
Divi's Biotech Private Limited	Company In Which Key Management Personnel have Significant Influence
Divi's Properties Private Limited	Company In Which Key Management Personnel have Significant Influence

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

(d) Transactions with Related Parties:

	For the year ended 31st March, 2017		For the Year ended 31st March, 2016	
	Amount	Outstanding balance as at March 31, 2017	Amount	Outstanding balance as at March 31, 2016
Managerial Remuneration and Short term employee benefits to Key Management Personnel	8874.59	8131.40	8460.85	8047.97
Dividend paid to Key Management Personnel	-	-	12608.24	-
Lease Rent to Key Management Personnel	-	-	28.75	-
Lease Rent to Relative of Key Management Personnel	-	-	28.75	-
Dividend paid to Relatives of Key Management Personnel	-	-	13883.13	-
Salary and Allowances to Relatives of Key Management Personnel	39.49	2.38	33.99	2.19
Dividend paid to Company in which Key Management Personnel have Significant Influence	-	-	1600.00	-
Lease Rent to a Company in which Key Management Personnel have Significant Influence	690.31	-	333.79	-
Rent Deposit to a Company in which Key Management Personnel have Significant Influence	-	332.67	332.67	332.67

(e) Terms and Conditions

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

Note 42: Contingent Liabilities

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
On account of Letter of Credit and Guarantees issued by the bankers.	11628.69	7013.37	7493.16
Claims against the Company not acknowledged as debts in respect of:			
a) Central Excise	410.95	355.98	400.82
b) Customs duty	158.49	158.49	154.47
c) Service Tax	-	-	69.96
d) Income Tax	217.89	247.67	172.25
e) Sales Tax	2.76	2.76	10.30

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 CONSOLIDATED FINANCIAL STATEMENTS

as at 31st March, 2017
(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 43: Commitments

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	6562.03	5654.53	2862.36
On account of bonds and / or legal agreements executed with Central Excise/ Customs authorities/ Development Commissioners	14900.00	13950.00	11950.00
The Company leases premises in Florham Park, New Jersey for its office. The Lease will expire on April 30, 2020. The Company entered into operating lease agreement for two vehicles expiring on March 11, 2017 and August 20th, 2018.	152.26	194.24	16.26
Capital commitment towards Special Economic Zone Re-investment Reserve	19900.00	-	-

Note 44: 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 45: First-time adoption of Ind AS

Transition to Ind AS

These are the Group's first financial statements prepared in accordance with Ind AS.

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended March 31, 2017, the comparitive information presented in these financial statements for the year ended March 31, 2016 and in the preparation of an opening Ind AS balance sheet at April 01, 2015 (Group's date of transition). In preparing its opening Ind AS balance sheet, the Group has adjusted the amounts reported previously in financial statements prepared in accordance with the accounting standards notified under Companies (Accounting standards) Rules, 2006 (as amended) and other relevant provisions of the Act (previous GAAP or Indian GAAP). An explanation on how the transition from previous GAAP to Ind AS has effected the Group's financial position, financial performance and cash flows is set out in the following tables and notes.

A. Exemptions and exceptions availed

Set out below are the applicable Ind AS 101 optional exemptions and mandatory exceptions applied in the transition from previous GAAP to Ind AS.

A.1 Ind AS optional exemptions

A.1.1 Deemed Cost

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets. Accordingly, the Group has elected to measure all of its property, plant and equipment and intangible assets at their previous GAAP carrying value.

A.1.2 Cumulative Translation Differences

Ind As 101 permits cumulative translation gains and losses to be reset to zero at the transition date. This provides relief from determining cumulative currency translation differences in accordance with Ind AS 21 from the date a subsidiary was formed. The group elects to reset all cumulative translation gains and losses to zero by transferring it to opening retained earnings at its transition date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 45: First-time adoption of Ind AS (Contd..)

A.2 Ind AS mandatory exceptions

A.2.1 Estimates

An entity's estimates in accordance with Ind AS at the date of transition to Ind AS shall be consistent with the estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Ind AS estimates as at April 01, 2015 are consistent with the estimates as at the same date made in confirmity with previous GAAP. The Group made estimates for following items in accordance with Ind AS at the date of transition as these were not required under previous GAAP:

- Investment in Equity instruments carried at FVPL
- Investments in debt instruments carried at FVPL and;
- Impairment of financial asset based on expected credit loss model."

A.2.2 Classification and measurement of financial asset

Ind AS 101 requires an entity to assess classification and measurement of financial assets (investments in debt instruments) on the basis of the facts and circumstances that exist on the date of transition to Ind AS.

B. Reconciliations between previous GAAP and Ind AS (as at March 31, 2016 and April 01, 2015)

(i) Reconciliation of equity as at date of transition (1 April 2015)

	Previous GAAP	Adjustments	Ind AS
Assets			
Non-current assets			
Property, plant and equipment	130494.03		130494.03
Capital work-in-progress	21818.23		21818.23
Intangible assets	395.42	-	395.42
Financial assets		-	-
(i) Investments	-	1.20	1.20
(ii) Loans	-	-	-
(iii) Other financial assets	2005.27	90.86	2096.13
Deferred tax assets (net)	623.32	-	623.32
Other non-current assets	8561.80	(3046.96)	5514.84
Total Non-current assets	**163898.07**	**(2954.90)**	**160943.17**
Current assets		-	
Inventories	116264.02	-	116264.02
Financial assets		-	-
(i) Investments	73300.36	200.74	73501.10
(ii) Trade receivables	74164.26	-	74164.26
(iii) Cash and cash equivalents	1762.11	-	1762.11
(iv) Bank balances other than (iii) above	4759.87	186.70	4946.57
(v) Loans	14.78	-	14.78
(vi) Other financial assets	1869.73		1869.73
Other current assets	5104.66	(278.52)	4826.14
Total Current assets	**277239.79**	**108.92**	**277348.71**
Total Assets	**441137.86**	**(2845.98)**	**438291.88**
Equity and Liabilities			
Equity			
Share capital	2654.69	-	2654.69
Other equity		-	
(i) Reserves & Surplus	346881.29	32696.32	379577.61
Equity attributable to shareholders	**349535.98**	**32696.32**	**382232.30**
Liabilities			
Non-current liabilities			

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 45: First-time adoption of Ind AS(Contd..)

	Previous GAAP	Adjustments	Ind AS
Financial liabilities			
(i) Borrowings	105.00	-	105.00
(ii) Provisions	699.16	-	699.16
(iii) Deferred tax liabilities	13245.13	(3591.13)	9654.00
Total Non-current liabilities	**14049.29**	**(3591.13)**	**10458.16**
Current liabilities			
Financial liabilities			
(i) Borrowings	2507.12	-	2507.12
(ii) Trade payables	22686.57	-	22686.57
(iii) Other financial liabilities	15719.18	-	15719.18
Other current liabilities	4625.76		4625.76
Provisions	32013.96	(31951.17)	62.79
Current tax liabilities	-	-	-
Total current liabilities	**77552.59**	**(31951.17)**	**45601.42**
Total Liabilities	**91601.88**	**(35542.30)**	**56059.58**
Total Equity and Liabilities	**441137.86**	**(2845.98)**	**438291.88**

* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.

(ii) Reconciliation of equity as at March 31, 2016

	Previous GAAP	Adjustments	Ind AS
Assets			
Non-current assets			
Property, plant and equipment	143583.99		143583.99
Capital work-in-progress	26391.36		26391.36
Intangible assets	292.70		292.70
Financial assets			
(i) Investments	1.20		1.20
(ii) Loans	-		-
(iii) Other financial assets	3090.13	126.27	3216.40
Deferred tax assets (net)	413.62		413.62
Other non-current assets	13605.62	2.23	13607.85
Total Non-current assets	**187378.62**	**128.50**	**187507.12**
Current assets			
Inventories	120782.77		120782.77
Financial assets			
(i) Investments	80252.45	32.71	80285.16
(ii) Trade receivables	88092.30		88092.30
(iii) Cash and cash equivalents	1794.96		1794.96
(iv) Bank balances other than (iii) above	5377.43	171.01	5548.44
(v) Loans	12.51		12.51
(vi) Other financial assets	1328.77		1328.77
Other current assets	11823.75	(6,964.24)	4859.51
Total Current assets	**309464.94**	**(6760.52)**	**302704.42**
Total Assets	**496843.56**	**(6632.02)**	**490211.54**
Equity and Liabilities			
Equity			
Share capital	5309.37		5309.37
Other equity			-
(i) Reserves & Surplus	423460.21	561.25	424021.46
Equity attributable to shareholders	**428769.58**	**561.25**	**429330.83**
Liabilities			
Non-current liabilities			
Financial liabilities			
(i) Borrowings	46.70		46.70
(ii) Provisions	1156.51		1156.51
(iii) Deferred tax liabilities	14920.42	(7,193.27)	7727.15
Total Non-current liabilities	**16123.63**	**(7193.27)**	**8930.36**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 45: First-time adoption of Ind AS (Contd..)

	Previous GAAP	Adjustments	Ind AS
Current liabilities			
Financial liabilities			
(i) Borrowings	4142.10		4142.10
(ii) Trade payables	23269.05		23269.05
(iii) Other financial liabilities	19403.90		19403.90
Other current liabilities	4653.99		4653.99
Provisions	217.34		217.34
Current tax liabilities	263.97		263.97
Total current liabilities	**51,950.35**		**51950.35**
Total Liabilities	**68073.98**	**(7193.27)**	**60880.71**
Total Equity and Liabilities	**496843.56**	**(6632.02)**	**490211.54**

* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.

(iii) Reconciliation of total comprehensive income for the year ended March 31, 2016

	Previous GAAP	Adjustments	Ind AS
Revenue from operations	377636.16	2851.81	380487.97
Other Income	8483.58	1260.47	9744.05
Total Income	**386119.74**	**4112.28**	**390232.02**
Expenses			
Cost of materials consumed	147777.73	-	147777.73
Purchase of stock in trade	93.31	-	93.31
Changes in inventories of work-in-progress, stock-in-trade and finished goods	2537.39		2537.39
Excise duty	-	2851.81	2851.81
Employee benefits expense	36492.19	(372.71)	36119.48
Finance costs	231.95	146.33	378.28
Depreciation and amortization expense	11818.13		11818.13
Research & development expenses	3092.35		3092.35
Other expenses	46267.73	11.42	46279.15
Total Expenses	**248310.78**	**2636.85**	**250947.63**
Profit before tax	**137808.96**	**1475.43**	**139284.39**
Income tax expense			
Current tax	28351.62	71.47	28423.09
Deferred tax	(1727.44)	10.29	(1717.15)
Total tax expense	**26624.18**	**81.76**	**26705.94**
Profit after tax	**111184.78**	**1393.67**	**112578.45**
Other Comprehensive income (OCI)		**-**	**-**
(A) Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	-	(372.71)	(372.71)
(B) Items that will be reclassified to profit or loss:			
Exchange differences in translating the financial statements of a foreign operation;	-	(1276.33)	(1276.33)
Current Tax on related OCI	-	71.47	71.47
Other Comprehensive Income after tax for the year	**-**	**(1577.57)**	**(1577.57)**
Total comprehensive income for the year	**111184.78**	**(183.90)**	**111000.88**

* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 45: First-time adoption of Ind AS (Contd..)

(iv) Reconciliation of total equity as at March 31, 2016 and April 01, 2015

	for the year ended 31st March, 2016	for the year ended 1st April, 2015
Total Equity (shareholder's funds) as per previous GAAP	428769.58	349535.98
Adjustments:		
Provision for dividend and dividend distribution tax reversed	-	31951.17
Fair valuation of quoted investments in mutual funds	32.71	200.74
Deferred tax on Unrealised Profit	302.15	353.43
Deferred tax asset on indexation benefit on land	558.34	495.39
Deferred tax on GAAP adjustments	(327.04)	(305.59)
Rental deposits carried at amortized cost	(4.91)	1.18
Total adjustments	**561.25**	**32696.32**
Total Equity as per Ind AS	**429330.83**	**382232.30**

(v) Reconciliation of total comprehensive income as per Indian GAAP and Ind AS for the year ended March 31, 2016

	31st March, 2016
Profit after tax as per previous GAAP	111184.78
Adjustments:	
Fair valuation of quoted investments in mutual funds	(168.02)
Deferred tax asset on indexation benefit on land	62.56
Remeasurement of post employement benefit	372.71
Tax effect of adjustments	(72.85)
Foreign Exchange Gain / Loss on translation taken to OCI	1276.33
Others	(77.06)
Total Adjustments	**1393.67**
Profit after tax as per Ind As	**112578.45**
Other Comprehensive Income	(1649.04)
Current tax relating to OCI	71.47
Total comprehensive income as per Ind AS	**111000.88**

(vi) Impact of Ind AS adoption on the cash flow statements for the year ended March 31, 2016

	Previous GAAP	Adjustments	Ind AS
Net cash flow from operating activities	103794.06	(8.44)	103785.62
Net cash flow from investing activities	(41347.30)	706.57	(40640.73)
Net cash flow from financing activities	(62413.91)	(698.13)	(63112.04)
Net increase/(decrease) in cash and cash equivalents	**32.85**	**-**	**32.85**
Cash and cash equivalents as at 1 April 2015	1762.11	-	1762.11
Cash and cash equivalents as at 31 March 2016	1794.96	-	1794.96

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31st March, 2017
(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 45: First-time adoption of Ind AS (Contd..)

C: Notes to first-time adoption:

Note 1: Fair valuation of investments

Under the previous GAAP, investments in equity instruments and mutual funds were classified as long term investments or current investments based on the intended holding period and realizibility. Long term investments were carried at cost less provision for other than temporary decline in the value of such investments. Current investments were carried at lower of cost and fair value. Under Ind AS, these investments are required to be measured at fair value. The resulting fair value changes of these investments has been recognised in retained earnings as at the date of transition and subsequently in the profit and loss for the year ended March 31, 2016. This increased the retained earnings by ₹32.71 lakhs as at March 31, 2016 (April 01, 2015- ₹200.74 lakhs).

Note 2: Proposed dividend

Under the previous GAAP, dividends proposed by the board of directors after the balance sheet date but before the approval of the financial statements were considered as adjusting events. Accordingly, provision for proposed dividend was recognised as a liability. Under Ind AS, such dividends are recognised when the same is approved by the shareholders in the general meeting. Accordingly, the liability for proposed dividend and tax thereon of ₹ Nil as at March 31, 2016 (April 01, 2015- ₹31951.17 lakhs) included under provisions have been reversed with corresponding adjustment to retained earnings. Consequently, the total equity increased by an equivalent amount.

Note 3: Excise duty

Under the previous GAAP, revenue from sale of products was presented exclusive of excise duty. Under Ind AS, revenue from sale of goods is presented inclusive of excise duty. The excise duty paid is presented inclusive of excise duty. The excise duty paid is presented on the face of the statement of profit and loss as part of expenses. This change has resulted in an increase in total revenue and total expenses for the year ended March 31, 2016 by ₹2851.81 lakhs. There is no impact on the total equity and profit.

Note 4: Remeasurements of post-employement benefit obligations

Under Ind AS, remeasurements i.e., Actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability are recognised in other comprehensive income instead of profit or loss. Under the previous GAAP, these remeasurements were forming part of the profit or loss for the year. As a result of this change, the profit for the year ended March 31, 2016 decreased by ₹372.71 lakhs. There is no impact on the total equity as at March 31, 2016.

Note 5: Reserves and Surplus

Retained earnings as at April 01, 2015 has been adjusted consequent to the above Ind AS transition adjustments.

The Group had received a Government grant towards State Investment Subsidy in the year 1998 with an outstanding amount of ₹32.58 lakhs. These amounts have been transferred to retained earnings since the assets related to the grant have been fully depreciated as at April 01, 2015.

Note 6: Deferred tax

As per Ind AS-12, the Group has recognised deferred tax asset on the indexation benefit available on free hold land as it has no plans to sell the business on a slump sale thereby increasing the retained earnings by ₹558.34 lakhs as at March 31, 2016 (April 01, 2015: ₹495. 39 lakhs).

The Group has recognised deferred tax asset on the unrealised profit earned through sales made to subsidiaries amounting to ₹302.15 lakhs (April 01, 2015: ₹353.43 lakhs). The sale of inventory between the parent and the subsidiary Group is a taxable event that changes the inventory's tax basis. Accordingly as per Ind AS-12, a deferred tax asset has been created on the unrealised profit at the tax rate of the subsidiaries.

Other Deferred tax adjustments amounting to (₹327.04 lakhs) as at march 31, 2016 (April 01, 2015: (₹305.59 lakhs)) include deferred tax impact on account of differences between previous GAAP and Ind AS. The profit for the year ended i.e. March 31, 2016 increased by ₹62.56 lakhs due to the deferred tax adjustments made.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31st March, 2017
(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 45: First-time adoption of Ind AS (Contd..)

Note 7 : Other comprehensive income

Under Ind AS, all items of income and expense recognized in a period should be included in the profit or loss for the period, unless a standard requires or permits otherwise. Items of income and expense that are not recognised in profit or loss but are shown in the statement of profit or loss as 'other comprehensive income' includes remeasurements of defined benefit plans. The concept of 'other comprehensive income' did not exist under previous GAAP.

Note 8: Rental Deposits:

Under the previous GAAP, rental deposits are recorded at their transaction value. Under Ind AS, all financial assets are required to be recognised at fair value. Accordingly the Group has fair valued the rental deposits. Difference between the fair value and transaction value is recognised as prepaid rent. Consequent to this change, the amount of security deposit decreased by ₹210.04 lakhs as at March 31, 2016 (April 01, 2015: ₹ Nil). The prepaid rent increased by ₹205.68 lakhs as at March 31, 2016 (April 01, 2015: ₹ Nil).

Note 46: Earnings per share

(a) Basic EPS

	for the year ended 31st March, 2017	for the year ended 31st March, 2016
Basic earnings per share attributable to the equity holders of the company	39.95	42.41

(b) Diluted EPS

	31st March, 2017	31st March, 2016
Diluted earnings per share attributable to the equity holders of the company	39.95	42.41

(c) Reconciliation of earnings used in calculating earnings per share

	31st March, 2017	31st March, 2016
Basic earnings per share		
Profit attributable to the equity holders of the company used in calculating basic earnings per share	106041.81	112578.45
Diluted earnings per share		
Profit attributable to the equity holders of the company used in calculating diluted earnings per share	106041.81	112578.45

(d) Weighted average number of shares used as the denominator

	31st March, 2017	31st March, 2016
Weighted average number of equity shares used as the denominator in calculating basic earnings per share	265468580	265468580
Adjustments for calculation of diluted earnings per share:	Nil	Nil
Weighted average number of equity shares used as the denominator in calculating diluted earnings per share	265468580	265468580

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at 31st March, 2017

(All amounts in Indian ₹ Lakhs, unless otherwise stated)

Note 47: Assets pledged as security

The carrying amounts of Company's assets pledged as security for current borrowings are:

	As at 31st March, 2017	As at 31st March, 2016	As at 1st April, 2015
Working Capital Loans from banks (Secured)			
Hypothecation of stocks, book debts and current assets			
Inventory	125576.37	116289.18	111489.51
Trade receivables	100042.01	96612.28	82303.05
Other Current Assets	178293.39	92908.91	86999.15
	403911.77	**305810.37**	**280791.71**

Secured by second charge on movable fixed assets for the year ended March 31, 2017 ₹108463.95 lakhs, (March 31, 2016 ₹104752.81 lakhs and March 31, 2015 ₹98024.81 lakhs).

Note 48: Additional Information required by Schedule III

Name of the entity in the group	Net Assets(Total Assets minus Total Liabilities)		Share in Profit or (Loss)		Share in Other Comprehensive Income		Share in Total Comprehensive Income	
	As % of Consoldated 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	100.96	540891.37	99.33	105326.99	(38.17)	(140.02)	98.85	105186.97
Subsidiaries(Foreign):								
Divis Laboratories (USA) Inc	(0.65)	(3470.86)	(0.17)	(183.76)	69.50	254.94	0.07	71.18
Divi's Laboratories Europe AG	(0.31)	(1681.08)	0.85	898.59	68.67	251.87	1.08	1,150.46

The accompanying notes are an integral part of the financial statements

As per our report of even date

For **P. V. R. K. NAGESWARA RAO & CO.**
Chartered Accountants
Firm's registration number: 002283S

P. V. R. K. Nageswara Rao
Partner
Membership number: 18840

Place : Hyderabad
Date : 26.05.2017

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 Seventh Annual General Meeting (AGM) of the Members of DIVI'S LABORATORIES LIMITED will be held on Monday the 25th day of September, 2017 at 10.00 A.M. at Global Peace Auditorium, Brahma Kumaris, Shanti Sarovar, Academy for Better World, Gachibowli, Hyderabad – 500 032 to transact the following business:

ORDINARY BUSINESS:

Item No. 1 – Adoption of Financial Statements

To consider and adopt the audited financial statements, including audited consolidated financial statements, for the financial year ended 31st March, 2017 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 31st March 2017

Item No. 3 – Re-appointment of Mr. Kiran S. Divi as a Director

To re-appoint Mr. Kiran S. Divi (DIN: 00006503), who retires by rotation and being eligible, offers himself for reappointment as a Director.

Item No. 4 – Appointment of Auditors

To appoint M/s. Price Waterhouse Chartered Accountants LLP (Firm Registration No. 012754N/N500016) as Statutory Auditors of the Company who shall hold office from the conclusion of this AGM until the conclusion of the 32nd AGM of the Company and to fix their remuneration by passing the following resolution:

"RESOLVED that pursuant to the provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 ("Act") and the Companies (Audit and Auditors) Rules, 2014, as amended from time to time, and pursuant to the recommendations of the Audit Committee of the Board, M/s. Price Waterhouse Chartered Accountants LLP (Firm Registration No. 012754N/N500016), be and is hereby appointed as Statutory Auditors of the Company, to hold office from the conclusion of this 27th Annual General Meeting ("AGM") till the conclusion of the 32nd AGM of the Company to be held in the year 2022 (subject to ratification of their appointment at every AGM if so required under the Act), at such remuneration as may be mutually agreed between the Board of Directors of the Company and the Auditors in addition to reimbursement of all out of pocket expenses; and such remuneration may be paid on progressive billing basis to be agreed upon between the Auditors and Board of Directors."

SPECIAL BUSINESS:

Item No. 5 – Appointment of Dr. Ramesh B. V. Nimmagadda as an Independent Director

To consider and, if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 ("Act") and the rules made thereunder, as amended from time to time, read with Schedule IV of the Act, Dr Ramesh B. V. Nimmagadda (DIN: 07854042) who was appointed by the Board of Directors as an Additional Director of the Company with effect from June 27, 2017 and who holds office up to the date of this Annual General Meeting of the Company in terms of Section 161(1) of the Act and the Articles of Association of the Company, being eligible for appointment and in respect of whom the Company has received a notice in writing from a Member under Section 160(1) of the Act proposing his candidature for the office of Director of the company, be and is hereby appointed as an Independent Director of the Company to hold office for a term of five consecutive years upto 26th June, 2022, not liable to retire by rotation."

Item No. 6 – Appointment of Ms. Nilima Motaparti as a Whole-Time Director

To consider and, if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 152 and all other applicable provisions, if any, of the Companies Act, 2013 ("Act") and the rules made thereunder as amended from time to time , Ms. Nilima Motaparti (DIN: 06388001) who was appointed by the Board of Directors as an Additional Director of the Company with effect from June 27, 2017 and who holds office up to the date of this Annual General Meeting in terms of Section 161(1) of the Act and the Articles of Association of the Company, being eligible for appointment and in respect of whom the Company has received a notice in writing from a Member under Section 160(1) of the Act proposing her candidature for the office of Director of the Company be and is hereby appointed as a Director of the Company, liable to retire by rotation."

"RESOLVED FURTHER THAT pursuant to the provisions of Sections 196, 197 and other applicable provisions, if any, of the Companies Act, 2013, ("Act"), read with Schedule V to the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended from time to time, approval of the members of the Company be and is hereby accorded for the appointment of Ms. Nilima Motaparti (DIN: 06388001), as a Whole-time Director of the Company for a period of five years with effect from June 27, 2017 on the terms and conditions set out in the Explanatory Statement annexed to the Notice convening this Annual General Meeting, (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of her appointment) with authority to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include Nomination and Remuneration Committee of the Board) to alter and vary the terms and conditions of the said appointment and / or remuneration in such manner as may be agreed to between the Board and Ms. Nilima Motaparti, subject to the same not

exceeding the limits specified under Section 197 read with Schedule V to the Act or any statutory modification(s) or re-enactment thereof."

"RESOLVED FURTHER THAT the Board of Directors of the Company (which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) be and is hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to this Resolution."

Item No. 7 – Appointment of Dr. S. Ganapaty as an Independent Director

To consider and, if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 ("Act") and the rules made thereunder, as amended from time to time, read with Schedule IV of the Act Dr. S. Ganapaty (DIN: 07872766) who was appointed by the Board of Directors as an Additional Director of the Company with effect from July 22, 2017 and who holds office up to the date of this Annual General Meeting of the Company in terms of Section 161(1) of the Act and the Articles of Association of the Company, being eligible for appointment and in respect of whom the Company has received a notice in writing from a Member under Section 160(1) of the Act proposing his candidature for the office of Director of the company, be and is hereby appointed as an Independent Director of the Company to hold office for a term of five consecutive years upto 21st July, 2022, not liable to retire by rotation."

For and on behalf of the Board

Hyderabad
22nd July 2017

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. Explanatory Statement pursuant to section 102(1) of the Companies Act, 2013 ("Act") setting out material facts concerning the business under Item Nos. 4 to 7 of the Notice, is annexed hereto. The 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, of the person seeking appointment/ re-appointment as Director are also provided in the Statement.

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) The Company has notified that Register of Members and Transfer Books will be closed from 19th September, 2017 to 25th September, 2017 (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 26th May 2017 has recommended a dividend of ₹10/- per equity share of ₹2/- as final dividend for the financial year 2016-17. 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 18th September, 2017.

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 of shares held in electronic form; and with the Company's Registrar and Share Transfer agent, M/s Karvy Computershare Private Limited in case shares 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 in 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 2009-10 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) 2009-10, 2010-11, 2011-12, 2012-13, 2013-14, 2014-15 and 2015-16 (interim dividend) 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 29th August, 2016 (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 as 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 2016-17 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. The 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. The members will be entitled to a physical copy of the annual report for the financial year 2016-17 upon sending a request to the Company. The Notice of the 27th AGM and the Annual Report 2016-17 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) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Registrar and Share Transfer Agents.

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. **Remote e-voting**

    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. 1 to 11 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 1500 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 21st September, 2017

(ii) End of remote e-voting: up to 5.00 p.m. on 24th September, 2017

(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 27th June, 2017 has appointed Mr. V Bhaskara Rao, Practising 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., 18th September, 2017. 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., 18th September, 2017, 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 to 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., 18th September, 2017 only shall 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.

EXPLANATORY STATEMENT

(Pursuant to Section 102 (1) of the Companies Act, 2013)

Item No. 3

Mr. Kiran S. Divi (41 years) is a graduate in Pharmaceutical Sciences from College of Pharmacy, Manipal, Karnataka and holds a post-graduate degree in Pharmacy from Jawaharlal Nehru Technological University (JNTU), Kakinada, Andhra Pradesh.

He joined the Board of the company on 10.08.2001 and has been designated as Whole-time Director on the Board. Mr. Kiran was involved in understanding the markets in USA for active Pharma ingredients and intermediates for about two years before joining the Board. Mr. Kiran is responsible for Marketing, Regulatory affairs and Operations of the company.

Directorships held in other companies

Divi's Biotech Private Limited

Divi's Resorts and Agro Farms Private Limited

Divi's Properties Private Limited

Memberships/ Chairmanships of Committees in other companies

He is neither a Member nor Chairman of Committees of other Companies.

Shareholding in the company

He holds 4,60,00,000 equity shares of the Company.

For details such as number of meetings of the Board attended during the year and remuneration drawn, please refer to the Board's Report and the Corporate Governance Report.

Except Mr. Kiran S. Divi, Dr. Murali K. Divi, Ms. Nilima Motaparti and their relatives, none of the Directors or Key Managerial Personnel of the Company is in any way, concerned or interested in the resolution. The Board commends the Resolution at Item No. 3 for approval by the members.

Item No. 4

The Companies Act, 2013 ('the Act') was notified effective April 1, 2014. Section 139 of the Act lays down the criteria for appointment and mandatory rotation of statutory auditors. Pursuant to Section 139 of the Act and the Rules made thereunder, it is mandatory for a company to rotate the statutory auditors on completion of maximum term permitted under the said section.

The existing Statutory Auditors, M/s. PVRK Nageswara Rao & Co., Chartered Accountants, Hyderabad have been acting as statutory auditors of the company since 1991 and have completed ten years with the Company by the time the Act was notified. Pursuant to Section 139(2) of the Act and the rules notified in this regard, the existing auditors will be completing the maximum transitional period of three years at the ensuing 27th AGM.

Based on the recommendation of Audit Committee and Board of Directors on 27th June 2017 M/s. Price Waterhouse Chartered Accountants LLP (Firm Registration No. 012754N/N500016) have been proposed to be appointed as Statutory Auditors of the Company to hold office from the conclusion of 27th Annual General Meeting held on September 25, 2017 for 5 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).

Item No. 5

The Board of Directors of the Company appointed, Dr. Ramesh B.V. Nimmagadda as an Additional Director of the Company with effect from June 27, 2017, pursuant to the provisions of Section 161(1) of the Companies Act, 2013 ("Act") and the Articles of Association of the Company.

In terms of the provisions of Section 161(1) of the Act, Dr. Ramesh Nimmagadda will hold office up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member along with the deposit of requisite amount under Section 160(1) of the Act proposing the candidature of Dr. Ramesh Nimmagadda for the office of Independent Director of the Company.

Dr. Ramesh B.V. Nimmagadda is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as a Director.

The Company has received a declaration from Dr. Ramesh B.V. Nimmagadda that he meets with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Act and SEBI Listing Regulations. The resolution seeks the approval of members for the appointment of Dr. Ramesh Nimmagadda as an Independent Director of the company up to June 26, 2022 pursuant to Section 149 and other applicable provisions of the Act and Rules made there under. He is not liable to retire by rotation.

In the opinion of the Board, Dr. Ramesh Nimmagadda fulfills the conditions for his appointment as an Independent Director as specified in the Act and SEBI Listing Regulations. Dr. Ramesh Nimmagadda is independent of the management.

Dr. Ramesh B.V. Nimmagadda (70 years) has an F.R.C.P.C., from Canada and started his career as Medical Oncologist at Saint John Hospital, Canada in the year 1979. He was a Member of N.C.I., Clinical Trials Group, Canada. During the years 1982-1985, he was Member of Royal College Speciality Committee in Medical Oncology, Director at Provincial Cancer Registry, N.B., Canada and Director, Canadian Cancer Society, N.B., Canada.

Dr. Ramesh has shifted to India in the year 1985 and has been with M/s. Apollo Cancer Hospital, Chennai, as Senior Medical Oncologist. Since 1993 he has been Director of Medical Oncology at Apollo Speciality Cancer Hospital, Chennai.

Dr. Ramesh Nimmagadda is a member of several Oncology Organizations like American Society of Clinical Oncology, Indian Society of Oncology, Indian Society of Medical and Paediatric Oncology, Indian Co-operative Oncology Network.

Dr. Ramesh does not hold any shares of the company. He is neither a director nor a Member /Chairman of Committees of other Companies.

Copy of the draft letter of appointment of Dr. Ramesh Nimmagadda as an Independent Director setting out the terms and conditions is available for inspection by members at the Registered Office of the Company.

None of the Directors or Key Managerial Personnel of the Company and / or their relatives except Dr. Ramesh Nimmagadda, to whom the resolution relates, is in any way, concerned or interested, financially or otherwise, in the resolution. The Board commends the Resolution at Item No. 5 for approval by the members.

Item No. 6

The Board of Directors, at its meeting held on June 27, 2017 appointed Ms. Nilima Motaparti, as an Additional Director of the Company with effect from June 27, 2017 and have appointed her as a whole-time Director of the Company effective from the same date, for a period of five years, subject to the approval of the Members. Her appointment has been recommended by the Nomination and Remuneration Committee. The Audit Committee has approved the terms and conditions of her appointment, as she, is a related party as per Section 2(76) of the Act.

As per the provisions of Section 161(1) of the Act, she holds office of Additional Director only up to the date of this Annual General Meeting of the Company, and is eligible for appointment as Director. The Company has received a notice under Section 160(1) of the Act proposing her candidature for the office of Director of the Company, along with the requisite deposit.

Ms. Nilima Motaparti (35 years) has a Master's Degree in International Business from Gitam Institute of Foreign Trade, Visakhapatnam and in International Finance from Glasgow University, U.K. Ms. Nilima has significant international exposure in UK and Scotland for over 5 years before joining the company and has commercial acumen and familiarity with international environment on material requirement planning and financing.

Ms. Nilima Motaparti joined the company on July 2, 2012 as Chief Controller (Commercial) in the management cadre of the Company. She oversees the commercial functions comprising of Procurement as well as Finance/Accounting/Secretarial, CSR Projects and work towards cost control in these areas. She has played a key role in helping the Company to implement just-in time inventory management and global procurement practices.

Directorships held in other companies

Divi's Biotech Private Limited
Divi's Resorts and Agro Farms Private Limited
Divi's Properties Private Limited
Lightbox Creations Private Limited
Mezzequity Software Services Limited
Paper Engineering Services Private Limited
Volta Granites Private Limited
Vinyl Chemicals Private Limited
Sri Sarathi Studios Private Limited

Memberships/ Chairmanships of Committees in other companies

She is neither a Member nor Chairman of Committees of other Companies.

Shareholding in the company

She holds 5,40,00,000 equity shares of the Company.

It is proposed to seek the members' approval for the appointment of and payment of remuneration to Ms. Nilima Motaparti as whole-time Director in terms of Sections 196 and 197 read with Schedule V and other applicable provisions of the Act and the Rules made thereunder.

Broad particulars of the terms of remuneration payable to Ms. Nilima Motaparti are as under:

Salary, perquisites and other allowances:

i) Salary of ₹4,00,000/- per month.

ii) In addition to the aforesaid salary, she shall be entitled to following Perquisites and allowances:

a) Rent free furnished accommodation or house rent allowance in lieu thereof

b) Re-imbursement of expenses for gas, electricity and water

c) Re-imbursement of medical expenses

d) Personal accident insurance premium and premium on medi-claim policy

e) Leave travel concession for self and her family including dependents

f) Re-imbursement of actual Club fees

g) Company's contribution towards pension scheme or superannuation fund together with provident fund not exceeding 25% of the salary wherein contribution towards provident fund shall not exceed 12% of the salary.

h) Gratuity payable as per the Rules of the Company/ Trust

i) Use of company car for official purposes and telephone at residence (including payment for local calls and long distance official calls)

j) Encashment of un-availed leave as per the rules of the company

k) All other payments in the nature of perquisites and allowances agreed by the Board of Directors from time to time

Perquisites shall be evaluated as per the provisions of Income Tax Act, 1961 or any rules thereunder or any statutory modification(s) or enactment thereof; in the absence of any such rules, perquisites and allowances shall be evaluated at actual cost. However, contribution towards pension scheme, superannuation fund, provident fund, gratuity fund, use of company car for official purposes and telephone at residence and encashment of un-availed leave at the end of the year shall not be included in the aforesaid perquisites limit.

Minimum Remuneration

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of the Director, the Company does not have profits or its profits are inadequate, the company will pay remuneration by way of salary, perquisites and allowances, commission not exceeding the maximum limits as prescribed under Section II, Part II of Schedule V to the Act as amended from time to time as minimum remuneration to Ms. Nilima Motaparti.

Aggregate remuneration

The aggregate of remuneration, commission and perquisites / benefits including contribution towards provident fund, superannuation fund, gratuity fund, payable to Ms. Nilima Motaparti, individually or to all whole time directors of the Company taken together, shall not exceed during any financial year 5% / 10% of profits of the Company calculated in accordance with the provisions of Sections 198 of the Companies Act, 2013.

Ms. Nilima Motaparti satisfies all the conditions set out in Part-I of Schedule V to the Act as also conditions set out under sub-section (3) of Section 196 of the Act for being eligible for her appointment. She is not disqualified from being appointed as Directors in terms of Section 164 of the Act. The above may be treated as a written memorandum setting out the terms of appointment of Ms. Nilima Motaparti under Section 190 of the Act.

Ms. Nilima Motaparti is interested in the resolution set out at Item No. 6 of the Notice, as the same relates to her appointment and remuneration payable to her. Dr. Murali K. Divi and Mr Kiran S Divi being related to Ms. Nilima Motaparti are deemed to be interested in the resolution. The relatives of Ms. Nilima may be deemed to be interested in the resolution to the extent of their shareholding interest, if any, in the Company.

Save and except the above, none of the other Directors / Key Managerial Personnel of the Company / their relatives is in any way, concerned or interested, financially or otherwise, in the resolution.

The Board commends the Resolution at Item No. 6 for approval by the Members.

Item No. 7

The Board of Directors of the Company appointed, Dr. S. Ganapaty as an Additional Director of the Company with effect from July 22, 2017, pursuant to the provisions of Section 161(1) of the Act and the Articles of Association of the Company.

In terms of the provisions of Section 161(1) of the Act, Dr. S. Ganapaty will hold office up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member along with the deposit of requisite amount under Section 160 (1) of the Act proposing the candidature of Dr. S. Ganapaty for the office of Independent Director of the Company.

Dr. S. Ganapaty is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as a Director.

The Company has received a declaration from Dr. S. Ganapaty that he meets with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Act and SEBI Listing Regulations. The resolution seeks the approval of members for the appointment of Dr. S. Ganapaty as an Independent Director of the company up to July 21, 2022 pursuant to Section 149 and other applicable provisions of the Companies Act, 2013 and Rules made there under. He is not liable to retire by rotation.

In the opinion of the Board, Dr. S. Ganapaty fulfills the conditions for his appointment as an Independent Director as specified in the Act and the SEBI Listing Regulations.

Dr. S. Ganapaty (64 years) has an M.Pharm., from Andhra University, Visakhapatnam, M.Sc. in Pharmacology from University of Strathclyde, Glasgow, U.K., and has a Ph.D., from Andhra University.

After a brief stint as Chief Pharmacist, Government Pharmacy, Pondicherry from the year 1976 to 1979, Dr. Ganapaty joined Andhra University, Visakhapatnam, Andhra Pradesh during the year 1980 as Faculty for Pharmaceutical Sciences and held various positions as Member, Advisory Committee, University Scientific Instrumentation Center, Associate Dean (Student Affairs), Warden for the College of Engineering, Chairman of the Faculty of Pharmaceutical Sciences, Principal of the University College of Pharmaceutical Sciences and Rector of the University. He is currently Principal & Dean, GITAM Institute of Pharmacy, GITAM University, Visakhapatnam, Andhra Pradesh.

He has teaching and research experience in pharmaceutical sciences for over 35 years and has supervised several doctorate students. He has published over 145 research papers in national and international journals and has 3 patents.

Dr. Ganapaty received several awards for best Ph.D thesis, Best Researcher, Best Academician, National award as Pharmacy Teacher for the year 2007 and was Fellow of AP Academy of Sciences, Member of Board of Studies of several Universities in India. He was member of Editorial Board of several Pharmaceutical magazines and publications. He is a Life Member in a many Professional Bodies (IPA, IPGA, APTI, ISPC) and American Chemical Society.

Dr. Ganapathy does not hold any shares of the company. He is neither a director nor a Member /Chairman of Committees of other Companies.

Copy of the draft letter of appointment of Dr. Ganapaty as an Independent Director setting out the terms and conditions is available for inspection by members at the Registered Office of the Company.

None of the Directors or Key Managerial Personnel of the Company and/or their relatives except Dr. Ganapaty, to whom the resolution relates, is in any way, concerned or interested, financially or otherwise, in the resolution. The Board commends the Resolution at Item No. 7 for approval by the members.

For and on behalf of the Board

Hyderabad
22nd July 2017

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

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

ATTENDANCE SLIP

Regd. Folio No.		* DP ID :	
No. of Equity Shares held		* Client ID :	

I/We hereby record my/our presence at the 27th 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 the 25th day of September, 2017.

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 27th 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 the 25th day of September, 2017 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, Reports of the Board of Directors and Auditors for the year ended 31st March, 2017			
2	Declaration of dividend on Equity Shares for the financial year ended 31st March, 2017			
3	Re-appointment of Mr. Kiran S. Divi (DIN:00006503), who retires by rotation and being eligible, offers himself for re-appointment			
4	Appointment of Statutory Auditors and fixation of their remuneration			
5	Appointment of Dr. Ramesh B. V. Nimmagadda (DIN:07854042) as an Independent Director			
6	Appointment of Ms. Nilima Motaparti (DIN:06388001) as a Whole-time Director			
7	Appointment of Dr. S. Ganapaty (DIN: 07872766) as an Independent Director			

Signed this.....day of.....2017.

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 approprite.

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

We have exercised utmost care in the preparation of this report. It contains forecasts and/or information relating to forecasts. Forecasts are based on facts, expectations, and/or past figures. As with all forward-looking statements, forecasts are connected with known and unknown uncertainties, which may mean the actual result deviate significantly from the forecast. Forecasts prepared by the third parties, or data or evaluations used by third parties and mentioned in this communication, may be inappropriate, incomplete, or falsified. We cannot assess whether information in this report has been taken from third parties, or these provide the basis of our own evaluations, such use is made known in this report. As a result of the above mentioned circumstances, we can provide no warranty regarding the correctness, completeness, and upto-date nature of information taken, and declared as being taken, from third parties, as well as for forward-looking statements, irrespective of whether these derive from third parties or ourselves. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statements, 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

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