Contents

Corporate Information

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

Manufacturing Facilities :	
	Choutuppal Unit Lingojigudem Village, Choutuppal Mandal Nalgonda Dist. (A.P.) Pin 508 252
	100% Export Oriented Unit - Chippada Chippada Village, Bheemunipatnam Mandal, Visakhapatnam Dist. (A.P.) Pin 531 162
	Divi's Pharma SEZ Chippada Village, Bheemunipatnam Mandal, Visakhapatnam Dist. (A.P.) Pin 531 162
	DSN SEZ Unit Chippada Village, Bheemunipatnam Mandal, Visakhapatnam Dist. (A.P.) Pin 531 162

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

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

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

Chief Financial Officer :	L. KISHORE BABU

Company Secretary :	P.V. LAKSHMI RAJANI

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

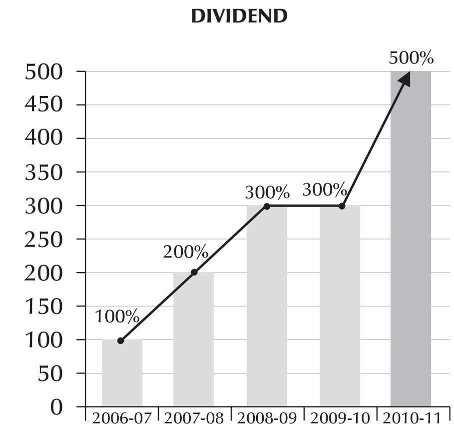
Bankers :	
	State Bank of Hyderabad
	State Bank of India
	The Lakshmi Vilas Bank Limited
	Bank of Nova Scotia

Shares listed at :	
	National Stock Exchange of India Limited
	Bombay Stock Exchange Limited

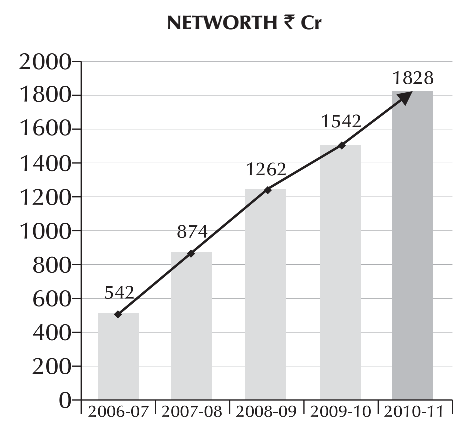
Performance Highlights

(Rs. in Lakhs)

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

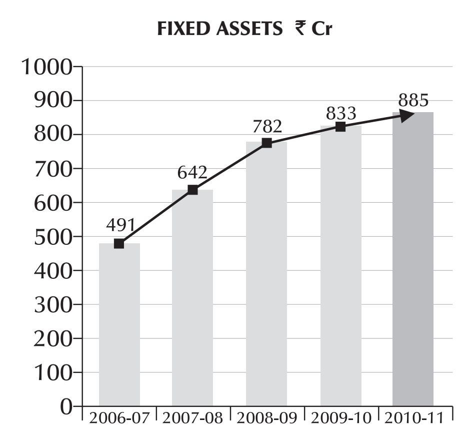


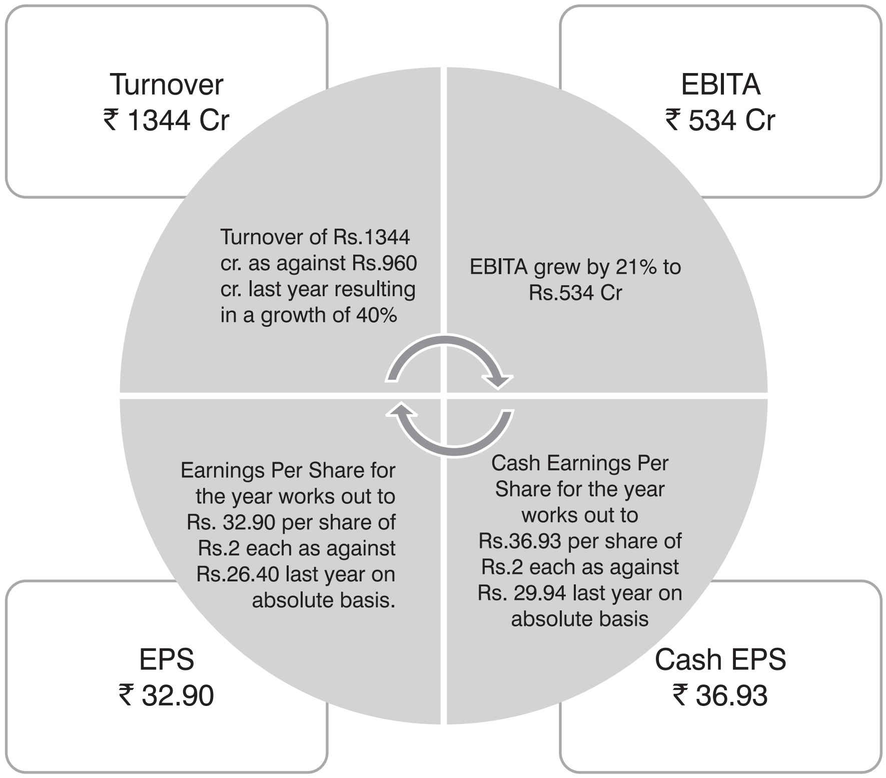
Dividend, Share Capital and Capital Employed	2006-07	2007-08	2008-09	2009-10	**2010-11**
Dividend	100%	200%	300%	300%	**500%**
Dividend payout	1472	3021	4558	9246	**15411**
Dividend payout %	7.7%	8.5%	10.7%	26.9%	**35.4%**
Equity Share Capital	1291	1291	1295	2643	**2652**
Reserves & Surplus	52913	86107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



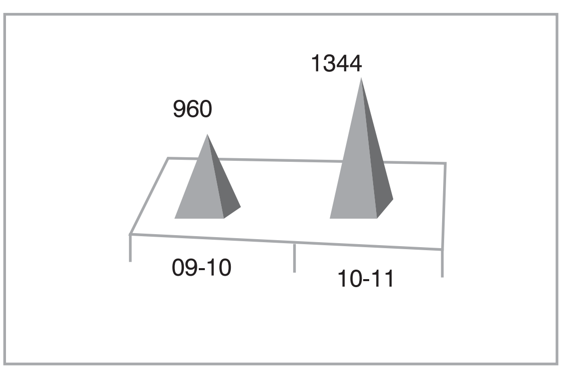
Key Financial Indicators	2006-07	2007-08	2008-09	2009-10	**2010-11**
Earnings per share (face value of Rs.2/-each) Rs.	29.91	54.77	65.59	26.40*	**32.90***
Cash Earnings Per Share (face value of Rs.2/-each) Rs.	33.39	60.29	72.98	29.94*	**36.93***
Gross Turnover Per share (face value of Rs.2/-each) Rs.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

* Post Bonus Issue

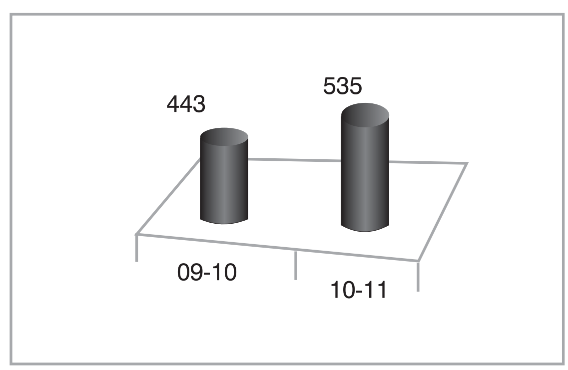




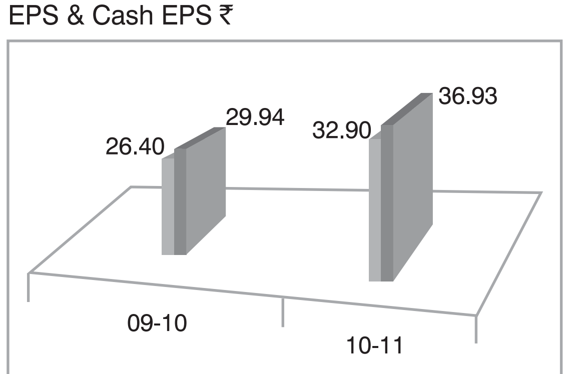
Turnover ₹ Cr.



EBITA ₹ Cr.



EPS & Cash EPS ₹



Management Discussion And Analysis

Overview

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles (GAAP) in India. The management of Divi's Laboratories accepts responsibility for the integrity and objectivity of these financial statements as well as for various estimates and judgments used therein. These estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the statements reflect, in a true and fair manner, the state of affairs and profits for the year. This report may also contain certain statements that the company believes are or may be considered to be 'forward looking statements' which are subject to certain risks and uncertainties.

Industry and Structure

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

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

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

Company infrastructure

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

- The 1st Facility at village Lingojigudem, Choutuppal Mandal, Nalgonda district, about 60 KM from Hyderabad.
- The 2nd Facility is a 100% Export Oriented Unit at village Chippada, Bheemunipatnam Mandal, Visakhapatnam Dist. about 30 KM from the port city of Visakhapatnam on the east coast.
- The 3rd facility is an SEZ Unit at village Chippada, Bheemunipatnam Mandal, Visakhapatnam Dist.
- A new facility called "DSN SEZ Unit" is being set up at our Pharma SEZ at village Chippada, Bheemunipatnam Mandal, Visakhapatnam Dist., at an estimated cost of Rs.200 crores. This facility has commissioned trial runs during the first quarter of the year 2011-12.

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

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

Internal Control systems

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

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

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

Risks and Concerns

Divi lays emphasis on risk management and has an enterprise-wide approach to risk management, which lays emphasis on identifying and managing key operational and strategic risks. Through this approach, the company strives to identify opportunities that enhance organisational values while managing or mitigating risks that can adversely impact its future performance.

Divi is engaged in manufacture of generic APIs, custom synthesis of active ingredients for innovator companies and other specialty chemicals like peptides and nutraceuticals. The company constantly reviews its policies and procedures to adhere to conformity to the various regulatory approvals for its manufacturing facilities, its commitment to IPR. The company is very selective in its product portfolio with a focus on export markets within the domain of its capabilities and does not transgress in unrelated expansions, diversification or acquisitions.

The company continues its initiatives aimed at assessment and avoidance of various risks affecting its business and towards cost control and efficiency across its businesses and functions, taking appropriate measures and reviewing them from time to time. The company's current and fixed assets as well as products are adequately insured against various risks. Over 75% of sales constitute supplies to regulated markets in Europe and USA and the company devotes significant importance to the regulatory compliances.

The company's risk management and control procedures involve prioritization and continuing assessment of these risks and devise appropriate controls, evaluating and reviewing the control mechanism and redesigning it from time to time in the light of its effectiveness.

Tax Structures under EOU and SEZ schemes

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

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

Regulatory Filings /Approvals

Divi has triple Certifications ISO-9001 (Quality Systems), ISO-14001 (Environment Management Systems) and OHSAS-18001 (Occupational Health and Safety systems) for its manufacturing facilities and adheres to cGMP and standard operating practices in its manufacturing/operating activities and these certifications are renewed from time to time. All the manufacturing sites have been inspected by US-FDA.

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

Business distribution

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

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

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

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

Performance and Operations Review

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

(Rs. in Crores)

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

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

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

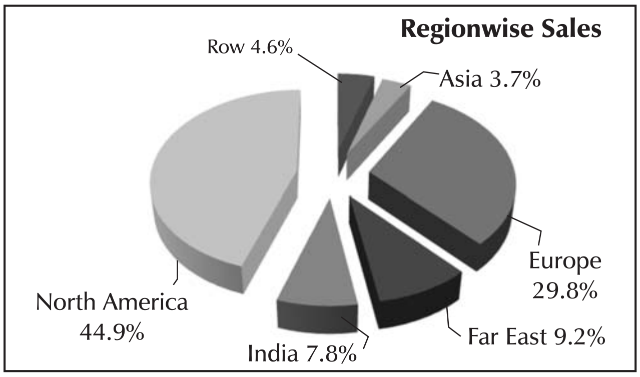
During the year, Divi has added 21 products to its product portfolio of which 8 are generic APIs and intermediates and 13 are custom synthesis APIs and intermediates.

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

Exports

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

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

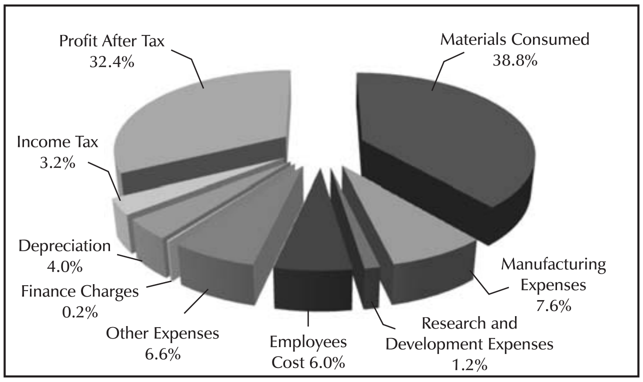


Other Income

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

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

Distribution of Income



Material costs

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

(Inc)/Decrease in stocks is represented by :

(Rs. in Crores)

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

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

Manufacturing Expenses

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

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

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

Employee Costs

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

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

Employee cost accounted for about 6% of total income.

Research and Development Expenses

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

Other Expenses

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

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

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

Finance charges

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

Profits before Depreciation Interest and Taxes (EBITA)

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

Depreciation

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

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

Taxation

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

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

Deferred Tax

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

Profit after Tax

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

Earnings Per Share

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

Dividend

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

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

Transfer to General Reserves

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

Equity Capital

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

Reserves

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

Secured Loans

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

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

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

Unsecured Loans

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

Fixed Assets

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

Capital Work-in-Progress

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

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

(Rs. in Crores)

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

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

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

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

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

Investments

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

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

Inventories

(Rs. in Crores)

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

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

Debtors

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

(Rs. in Crores)

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

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

Loans and Advances

Loans and advances as of 31st March, 2011 amounted to Rs.109.50 crores as against Rs. 104.06 crores during the previous year. A major part of the loans comprise i) Advances to Suppliers of Rs.21.81 crores (Rs.4.53 crores) ii) loans to subsidiaries amounting to Rs.37.70 crores (Rs. 39.16 crores) iii) Mat Credits of Rs.11.69 crores (Rs. 12.96 crores) and iv) Prepaid Taxes of Rs.15.63 Crores (Rs. 22.70 crores).

Current Liabilities and provisions

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

(Rs. in Crores)

Particulars	2010-11	2009-10
For supplies/services	**216.10**	157.55
Advance from customer	**23.88**	5.34
Others	**0.34**	0.35
Total	**240.32**	163.24

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

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

Corporate Governance

1 COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate governance is the set of processes, customs, policies, laws, and institutions affecting the way a company is directed, administered or controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the corporation is governed. It is a system of structuring, operating and controlling a company with a view to achieve long term strategic goals to satisfy shareholders, creditors, employees, customers and suppliers, and complying with the legal and regulatory requirements, apart from meeting environmental and local community needs. Key elements of good corporate governance principles include honesty, trust and integrity, openness, performance orientation, responsibility and accountability, mutual respect, and commitment to the organization. It further inspires and strengthens investor's confidence by ongoing commitment to overall growth of the Company.

Your Company adheres to the principles of corporate governance and commits itself to accountability and fiduciary duty in the implementation of guidelines and mechanisms to ensure its corporate responsibility to the members and other stakeholders. In accordance with the clause 49 of the Listing Agreement, a report in line with the requirement of the stock exchanges, on the practices followed by the company and other voluntary compliances is given below :

2 BOARD OF DIRECTORS

The Board meets in executive session at least four times in a year at quarterly intervals and more frequently if deemed necessary, to transact its business. The Company Secretary, in consultation with the Chairman and Managing Director, will prepare the agenda for the meeting. Information and data that are more important to the Board's understanding of the business in general and related matters are tabled for discussion. The Agenda and relevant enclosures are distributed to the members of the Board sufficiently in advance of the meeting. The meetings of the Board of Directors are generally held at Company's Registered Office at Hyderabad, and are scheduled well in advance.

2.1 Composition

The Company has an Executive Chairman. The Board comprised of ten directors, five of whom are Executive and remaining are non-executive independent directors, which is in conformity with clause 49 of the listing agreement. The category of directors as on 31st March 2011 is as follows:

Sl. No.	Name of the Director	Status / Designation	Category
1.	Dr Murali K. Divi	Chairman and Managing Director	Promoter and Executive Director
2.	Sri N V Ramana	Executive Director	Executive Director
3.	Sri Madhusudana Rao Divi	Director (Projects)	Executive Director
4.	Dr P Gundu Rao	Director (R&D)	Executive Director
5.	Sri Kiran S Divi	Director (Business Development)	Executive Director
6.	Dr K Satyanarayana	Director	Non-executive Independent Director
7.	Sri S Vasudev	Director	Non-executive Independent Director
8.	Sri G Venkata Rao	Director	Non-executive Independent Director
9.	Prof C Ayyanna	Director	Non-executive Independent Director
10.	Dr G Suresh Kumar	Director	Non-executive Independent Director