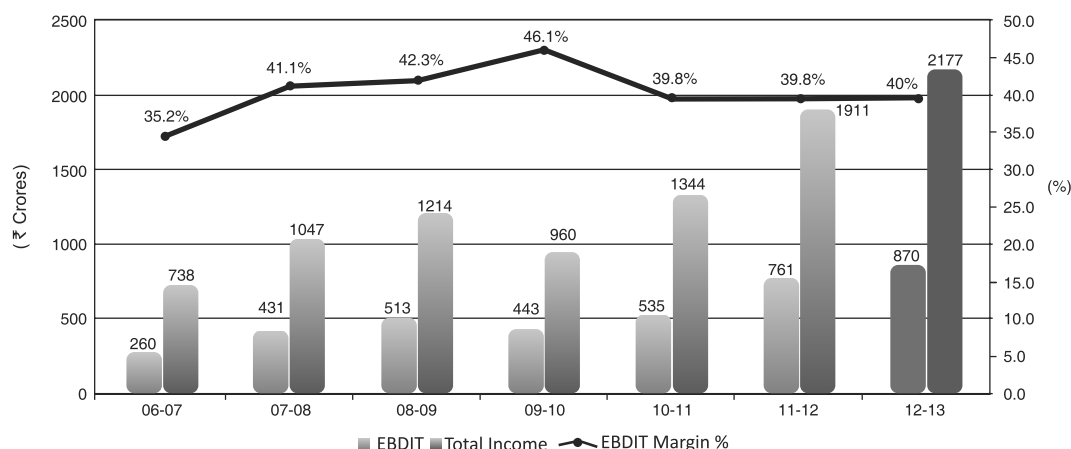


## Performance Highlights

(₹ Lakhs)

Turnover and Profit	2008-09	2009-10	2010-11	2011-12	2012-13
Sales	119056	92929	130544	183949	212395
Sales Growth %	15%	(22%)	41%	41%	15%
Other Income	2301	3069	3860	7120	5345
Total Income	121357	95998	134404	191069	217740
Total Income Growth %	16%	(21%)	40%	42%	14%
Profit before Interest, Depreciation and Tax (PBDIT)	51339	44255	53459	76063	87026
Finance Charges	723	276	219	374	178
Depreciation	4782	5145	5335	6203	7690
Profit Before Tax (PBT)	45834	38834	47905	69486	79158
PBT Growth %	19%	(15%)	23%	45%	14%
Provision for Taxation	3389	4414	4348	14889	18016
Profit After Tax (PAT)	42446	34420	43557	54597	61142
PAT Growth %	20%	(19%)	27%	25%	12%
<b>Dividend, Share Capital and Capital Employed</b>					
Dividend	300%	300%	500%	650%	750%
Dividend (and tax thereon) payout	4558	9246	15411	20055	23294
Dividend payout %	10.7%	26.9%	35.4%	36.7%	38.1%
Equity Share Capital	1295	2643	2652	2655	2655
Reserves & Surplus	124884	151565	180153	214825	252673
Networth	126179	154208	182805	217480	255328
Networth growth %	44%	22%	19%	19%	17%
Gross Fixed Assets	78249	83265	88534	109163	133788
Net Fixed Asset	58967	58967	58973	73819	90850
Total Assets	136299	162683	190600	280297	319591
<b>Key Financial Indicators</b>					
Earnings per share (face value of ₹ 2/-each) ₹	65.59	26.40*	32.90	41.15	46.06
Cash Earnings Per Share (face value of ₹ 2/-each) ₹	72.98	29.94*	36.93	45.83	51.86
Gross Turnover Per share (face value of ₹ 2/-each) ₹	187.40	72.65*	101.51	144.01	164.04
Book Value per share (face value of ₹ 2/-each) ₹	194.85	116.70*	138.06	163.92	192.36
Total Debt to Equity	0.04	0.02	0.01	0.02	0.01
EBDIT / Gross Turnover %	42%	46%	40%	40%	40%
Net Profit Margin on sales %	35%	37%	33%	30%	29%
Return On Networth %	34%	22%	24%	25%	24%

\* Post Bonus Issue



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## Corporate Information

### Registered Office :

7-1-77/E/1/303, Divi Towers,  
Dharam Karan Road,  
Ameerpet, Hyderabad.  
Pin - 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 (DTA)**  
Lingojigudem Village,  
Choutuppal Mandal,  
Nalgonda Dt. (A.P.)  
Pin - 508 252

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

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

**DSN SEZ Unit**  
Chippada Village,  
Bheemunipatnam Mandal,  
Visakhapatnam Dist. (A.P.)  
Pin - 531 163

### R&D Centres :

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

Lingojigudem Village  
Choutuppal Mandal  
Nalgonda Dist. (A.P.)  
Pin - 508 252

Chippada Village  
Bheemunipatnam Mandal  
Visakhapatnam Dist. (A.P.)  
Pin - 531 163

### Subsidiaries :

Divis Laboratories (USA) Inc.  
New Jersey, USA.

Divi's Laboratories Europe AG  
Basel, Switzerland.

### Chief Financial Officer :

L. KISHORE BABU

### Company Secretary :

P. V. LAKSHMI RAJANI

### Registrar & Share Transfer Agent :

Karvy Computershare  
Private Limited  
Plot No.17-24, Vittal Rao Nagar,  
Madhapur, Hyderabad.  
Pin - 500 081

### Auditors :

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

**Cost Auditor :**  
EVS & Associates.,  
Cost Accountants  
206, Raghava Ratna Towers,  
Chirag Ali Lane, Hyderabad.  
Pin - 500 001

### 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  
BSE Limited

# Management Discussion And Analysis

## Economy

The continuing global economic crisis is adding another layer of complexity to an already challenging market environment. India's economic growth began slowing because of a tight monetary policy, intended to address persistent inflation, and a decline in investment caused by investor pessimism about domestic economic reforms and the global situation. To achieve the level of strong economic performance of recent past, the country will require continuing effort to widen the ambit of economic reform, and difficult decisions will have to be taken to deal with the emerging challenges within India and worldwide.

## Industry Outlook

Pharmaceutical market research firm, IMS Health forecast that the global spending on medicines annually will grow from about \$956 bn in 2011 to nearly \$1.2 trillion by the year 2016, as the pharmerging markets, biologics and generics contribute a greater share of spending. Developed markets will decline to 57% of global spending due to patent expiries, slower brand spending growth and increased cost containment actions by payers. In next five years, pharmerging markets share of spending will increase by 10% points to 30% of global spending.

IMS Health predicts that North and South America, Europe and Japan will continue to account for a full 85% of the Global pharma market well into the 21<sup>st</sup> century.

The generic drug market is gaining increasing ground over branded pharmaceuticals, with the FDA reporting that generics account for more than 70% of prescription drugs in the US, according to BCC Research report. The global generic drug market should grow at a CAGR of 15% over 5 years. While US market for generic drugs is forecast to show more than 10% CAGR, reaching \$54, Japan is likely to see over 12% growth to exceed \$9.5 billion in 2014.

With strong presence both within the patented and generic active ingredient segments, your company will continue to support its customers by offering cost competitive and faster delivery structure.

## Company infrastructure

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

**Unit I :** The 1<sup>st</sup> Facility at village Lingo jigudem, Choutuppal Mandal, Nalgonda district, about 60 KM from Hyderabad developed on a 500 acres site and comprises of 13 production buildings, a Pilot Plant and a kilo lab. The plant consists of around 342 reactors totaling a capacity of 1578 m<sup>3</sup> supported with all utility and service units. The production buildings

have clearly defined finished product areas for APIs with clean air, purified water systems that operate under full cGMP as per US-FDA guidelines.

**Export Oriented Unit :** The 2<sup>nd</sup> Facility is at village Chippada, Bheemunipatnam Mandal, Visakhapatnam Dist. about 30 KM from the port city of Visakhapatnam on the east coast. The Unit has 8 production blocks with around 186 reactors totalling a capacity of 1539 m<sup>3</sup> with all utility and service units.

**SEZ Unit :** The 3<sup>rd</sup> facility is at village Chippada, Bheemunipatnam Mandal, Visakhapatnam Dist. An area of 260 acres was approved and notified as Sector Specific Special Economic Zone in Pharma Sector with Divi's Laboratories Limited as a Developer and Divi's (SEZ) as a production unit. The Unit has 9 production blocks with around 299 reactors totaling a capacity of 2413 m<sup>3</sup> with all required utility and infrastructure.

**DSN SEZ Unit :** The 4<sup>th</sup> facility is at Pharma SEZ at village Chippada, Bheemunipatnam Mandal, Visakhapatnam Dist. The Unit has 5 production blocks with around 205 reactors totaling a capacity of 2213 m<sup>3</sup> with all required utility and infrastructure.

**Research Centres :** The company has 4 Research Centers 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. Effective internal control implies the organization generates reliable financial reporting and substantially complies with the laws and regulations that apply to it.

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. They assess whether the controls are properly designed, implemented and working effectively, and make recommendations on how to improve internal control.

### 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 and 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 77% 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.

### 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, barring the recently implemented DSN SEZ Unit which expects an inspection next year.

Divi has a total of 37 drug master files (DMFs) with US-FDA and 204 EDMFs and 16 CoS (Certificates of Suitability) with various European Union authorities. Divi has filed a total number of 8 patents for generic products.

### 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	2012-13	2011-12
Exports	<b>90%</b>	89%
Imports (% of material consumption)	<b>41%</b>	39%
Largest Product	<b>17%</b>	19%
Top 5 Products	<b>48%</b>	51%
Top 5 Customers	<b>45%</b>	46%
Exports in \$ terms	<b>79%</b>	82%
Exports in Pounds	<b>16%</b>	14%
Exports in Euro	<b>5%</b>	4%

### Performance and Operations Review

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

(Rs. in Crores)

Particulars	2012-13	2011-12	Growth%
Net Sales & Service Income	<b>2123.95</b>	1839.49	15%
Other operating income	<b>4.94</b>	5.44	
Other income	<b>48.51</b>	65.76	
Total Income	<b>2177.40</b>	1910.69	14%
Expenditure	<b>1307.14</b>	1150.06	
PBDIT	<b>870.26</b>	760.63	14%
Finance Cost	<b>1.78</b>	3.74	
Depreciation	<b>76.90</b>	62.03	
Profit before tax (PBT)	<b>791.58</b>	694.86	14%

Particulars	2012-13	2011-12	Growth%
Provision for tax			
Current Tax	<b>153.00</b>	132.83	
MAT Credit Utilisation	<b>7.90</b>	3.68	
Deferred Tax Liability	<b>19.26</b>	12.38	
Profit after tax (PAT)	<b>611.42</b>	545.97	12%
Earnings per Share (EPS) (Rs.)			
a) Basic & Diluted	<b>46.06</b>	41.15	

The company has achieved a sales growth of 15% for the year, on the back of a decent growth of 41% achieved during the last year.

Provision has been made for Rs. 160.90 crores towards Income-tax for the current year (including MAT credit utilization of Rs.7.90 crores). Provision for last year amounted to Rs.136.51 crores including a MAT credit utilization of Rs.3.68 crores. An amount of Rs. 19.26 crores has been provided towards Deferred Tax Liability during the year as against Rs. 12.38 crores during the previous year.

PAT for the year amounted to Rs.611.42 crores, reflecting a growth of 12%. Earnings Per Share of Rs.2/- each works out to Rs. 46.06 for the year as against Rs. 41.15 last year.

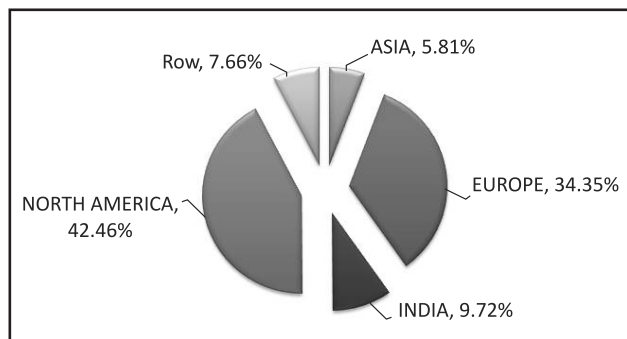
During the year, Divi has added 9 products to its product portfolio of which 3 are generic APIs and intermediates and 6 are custom synthesis APIs and intermediates.

Your company continues to work towards optimizing the capacities created 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 90% of gross sales during the year as against 89% in the previous year. Exports to advanced markets comprising Europe and America accounted for 77% of business.

Region	2012-13		2011-12	
	Sales Rs. Crores	% Share	Sales Rs. Crores	% Share
Asia	<b>122.19</b>	<b>5.81%</b>	274.76	14.9%
Europe	<b>722.10</b>	<b>34.35%</b>	517.21	28.0%
India	<b>204.31</b>	<b>9.72%</b>	180.41	10.7%
America	<b>892.55</b>	<b>42.46%</b>	789.80	42.8%
Rest of the World	<b>161.04</b>	<b>7.66%</b>	67.47	3.6%
Total	<b>2102.19</b>	<b>100.00%</b>	1829.65	100.00%



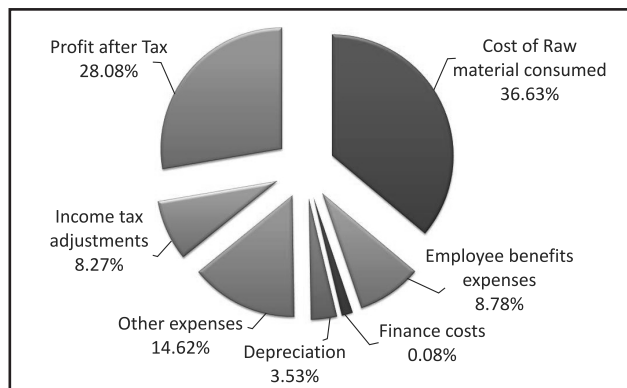
## Other Income

While Other operating income comprises duty drawback credits and sale of waste materials from manufacturing process, Other Income (non-operating) comprises interest income, dividend income on investments, gain on foreign currency transactions and other miscellaneous income.

Other Operating Income for the year amounted to Rs.4.94 crores as against Rs. 5.44 crores in the previous year.

On Other income, we earned a dividend income of Rs.29.81 crores on our investments in liquid funds Income as against a dividend income of Rs. 35.52 crores during last year. We had a gain of Rs.15.16 crores for the year on foreign currency transactions as against a gain of Rs. 27.60 crores last year.

## Distribution of Total Income



## Material Costs

(Rs. in Crores)

Particulars	2012-13	2011-12
Material consumption	<b>897.90</b>	771.77
Changes in Inventories of finished goods, stock-in-trade and work-in-progress	<b>(100.33)</b>	(10.66)
Net Material Consumption	<b>797.57</b>	761.11
Net Sales	<b>2123.95</b>	1839.49
% of consumption to Sales	<b>37.55%</b>	41.38%

Raw material consumption varies from product to product. Manufacture of an active pharma ingredient or intermediate involves stage-wise controlled processing of the product through its chemistry to the specifications under the standard operating practices complying to cGMP conditions.

Material consumption net of increase/decrease in stocks is about 38% of sales during the year as compared to 41% during the last year, variation being the result of product mix as each product will have a different material consumption.

### Employee Benefits Expense

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

Costs for the year have amounted to Rs.191.20 crores as against Rs.145.16 crores during the last year. Of this, remuneration to Directors including commission accounted to Rs.50.62 crores during the year as against Rs.43.94 crores last year.

Increase in salaries is on account of the induction of additional staff at the manufacturing facilities as well as pay revision of employees. We have added about 1700 employees during the year for the additional capacities created at the existing units as also the new DSN SEZ Unit.

Employee cost for the year works out to about 9% of sales for the year as against 8% for the previous year.

### Research and Development Expenses

R&D Expenses during the year amounted to Rs.24.00 crores as against Rs. 18.86 crores during the last year. Major components are Salaries and consumable stores.

### Other Expenses

Power and Fuel has been a major part of Other Expenses, which came to Rs.136.25 crores for the year as against Rs. 86.13 crores for the last year. Increase in the power and fuel is due to:

- a) Non-availability of power from the Government grid as also increase of power tariff by the Government
- b) To bridge the shortfall as also the increasing requirement of the manufacturing facilities, we had to buy power from private producers through bidding on power exchange at very high prices.
- c) increase in fuel prices being administered prices

Besides power and fuel, major components of Other Expenses include Consumption of Stores, Repairs to Machinery, Carriage outward, Environment Management and General Expenses.

Consumption of Stores and Spares for the year came to Rs.20.02 crores as against Rs.14.77 crores for last year. Repairs to Machinery for the year came to Rs.27.18 crores

as against Rs.19.30 crores for last year. The plant near Hyderabad, being over 15 years old, has taken higher repairs and maintenance during the year.

Other Expenses account for 15% of sales of which Manufacturing expenses accounted for 9.6% of sales.

### Finance Cost

Finance Cost for the year amounted to Rs.1.78 crores as against Rs. 3.74 crores during the previous year. As the company has generated significant cash surpluses, utilization of working capital has been minimal.

### Earnings before Depreciation, Interest and Taxes (EBITA)

EBITA for the year grew by about 14% to Rs.870.26 crores as against Rs. 760.63 crores during the previous year. EBITA to Net Sales works out to 41% for the year, the same as last year.

### Depreciation

Depreciation charge for the current year came to Rs.76.90 crores as compared to Rs. 62.03 crores during the last year.

During the year, addition to Fixed Assets accounted to Rs.247.90 crores as against Rs. 211.46 crores in the previous year.

### Taxation

For the current year, our tax liability came to Rs.153.00 crores in addition to MAT credit utilization of Rs.7.90 crores. For the last year, the Tax provision amounted to Rs. 132.83 crores besides a MAT Credit utilisation of Rs. 3.68 crores.

### Deferred Tax

Divi has also provided for Deferred Tax Liability of Rs.19.26 crores for the year as against Rs. 12.38 crores last year.

### Profit after Tax

Profit after Tax for the year accounted for Rs.611.42 crores as against Rs. 545.97 crores during the previous year resulting in a growth of 12% over last year.

### Earnings Per Share

Earnings Per Share for the year works out to Rs.46.06 per share of Rs.2 each as against Rs. 41.15 last year on Basic as well as Diluted basis.

### Dividend

Your Board has recommended a dividend of Rs.15 per share of face value Rs.2 each or 750% for the year 2012-13. Dividend for the previous year was Rs.13 per share or 650%.

Outgo this year accounts for Rs.199.10 crores as against Rs. 172.55 crores last year. Dividend pay-out for the year works out to 38.1% of profits earned as against 32% last year. An amount of Rs. 33.84 crores (Rs.27.99 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.150 crores to General Reserve for facilitating the dividend for the year.

### Reserves and Surplus

Total Reserves of your company, including the surplus in Statement of Profit and Loss after provision for dividend, as at the end of the year stand at Rs. 2526.73 crores.

### Long Term Borrowings

Long-Term borrowings comprise sales tax deferment aggregating to Rs.2.10 crores, repayable over the next 5 years.

### Deferred Tax Liabilities

Deferred tax Liabilities at the end of the year amounted to Rs.86.55 crores as against Rs.67.29 crores last year. Addition during the year was Rs.19.26 crores. Deferred Taxes are mainly the result of timing difference between the depreciation allowed under the Income-tax Act vis-à-vis the depreciation under the Companies Act.

### Long-term Provisions

We have a long-term provision for leave encashment aggregating to Rs.2.39 crores as against Rs.1.65 crores.

### Short Term Borrowings

Working capital loans (secured) as at the end of the year amounted to Rs.30.51 crores as against Rs.50.20 crores. Of this, an amount of Rs.8.63 crores has been utilized as on 31-03-2013 against a fixed deposit of Rs.25.00 crores. This way, we will be paying interest only when there is shortfall of liquid funds or mismatch between inflows-outflows and we earn some interest on our surplus funds.

Utilisation at the year-end reflects outstanding cheques or overnight balances which will get cleared with fresh inflows of sale proceeds.

### Trade Payables

Trade Payables being Sundry Creditors for Raw Materials/ Services amounted to Rs.158.31 crores as at the end of the year as against Rs. 157.31 crores as at the end of last year.

### Other Current Liabilities

(Rs. in crores)		
Particulars	31.03.2013	31.03.2012
Secured Long Term loans payable within one year and interest accrued	<b>0.46</b>	2.70
Advance from Customers	<b>17.73</b>	10.33
Unpaid dividends	<b>0.43</b>	0.40
Creditors for Capital Works	<b>21.74</b>	39.99
Statutory Liabilities	<b>3.55</b>	1.28
Employee benefits payable	<b>57.97</b>	50.09
Others	<b>27.47</b>	29.91
<b>Total</b>	<b>129.35</b>	134.70

### Short Term Provisions

(Rs. in crores)

Particulars	31.03.2013	31.03.2012
Provision for employee benefits (leave encashment /gratuity)	<b>0.48</b>	0.59
Provision for Mark-to-Market losses on forward contracts	-	7.08
Proposed Dividend	<b>199.10</b>	172.55
Provision for tax on Proposed Dividend	<b>33.84</b>	27.99
<b>Total</b>	<b>233.42</b>	208.21

### Capital Expenditure

It may be recalled that the company has taken up implementation of a new Unit called DSN SEZ Unit at its Pharma SEZ at Visakhapatnam during the year 2011. The initial project cost for the Unit was Rs.200 crores. We have taken up an additional expansion at the unit estimated at Rs. 150 crores to cater to increasing business opportunities and this is expected to be completed during the next financial year.

A major part of the capex has been undertaken at the DSN Unit. An amount of Rs.303.41 crores is being carried forward as Capital WIP and these assets would be capitalized and would commence operations during the next financial year.

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

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

### Fixed Assets

During the year, an amount of Rs.247.90 crores has been added to the Fixed Assets to enhance capacities at the company's existing facilities as well as expansion at the new DSN SEZ Unit.

Deductions during the year amounted to Rs.1.65 crores representing assets discarded.

### Non-current Investment

This comprises of investment in subsidiaries :

(Rs. in crores)

Particulars	31.03.2013	31.03.2012
Divis Laboratories (USA) Inc.	<b>2.46</b>	2.46
Divi's Laboratories Europe AG	<b>0.36</b>	0.36
<b>Total</b>	<b>2.82</b>	2.82

## Long-Term Loans and Advances

(Rs. in crores)

Particulars	31.03.2013	31.03.2012
Capital Advances	<b>19.85</b>	67.39
Security Deposits	<b>12.30</b>	7.44
Advances to related parties	<b>44.86</b>	43.41
Pre-paid Expenses	<b>0.07</b>	0.11
Pre-paid Taxes	<b>23.31</b>	-
Other Loans and Advances	<b>6.88</b>	6.34
<b>Total</b>	<b>107.27</b>	124.69

Security Deposits comprise mainly electricity deposits. No further advances are made to Subsidiaries, other than what was given during the last year. Increase is on account of currency translation.

Other Loans and Advances comprise VAT claims and advances for suppliers other than capital advances.

## Current Investments

The company has been deploying its surplus cash accruals into medium-short term funds of SBI Mutual Fund

(Rs. in crores)

Particulars	31.03.2013	31.03.2012
SBI Mutual Fund - short term direct fund	<b>387.79</b>	377.04
SBI Mutual Fund - short term regular Fund	<b>20.02</b>	-
SBI Mutual Fund - Debt Fund	-	100.00
<b>Total</b>	<b>407.81</b>	477.04

We have earned a dividend income (net of tax) of Rs.29.81 crores during the year on these Investments as against an income of Rs. 35.52 crores during the last year.

## Inventories

(Rs. in crores)

Particulars	As on 31.03.2013	As on 31.03.2012
Raw Materials	<b>294.15</b>	245.54
Work-in-Progress	<b>405.21</b>	314.35
Finished Goods	<b>28.83</b>	18.52
Stock-in-Trade	<b>0.09</b>	0.07
Stores and Spares	<b>77.67</b>	72.49
<b>Total</b>	<b>805.95</b>	650.97

Increase in inventory of raw materials is due to increased level of operations at the existing units besides commencement of operations at the DSN SEZ. It may also be noted that the company undertakes campaign production of high-volume products like Naproxen and Dextromethorphan by running the plant at full stream and stock these products for sale - thus freeing the multi-purpose plants for producing other products. As the company has a very large market share for these products, we do not foresee any problem with selling these products.

Slow moving and non-moving items have been fully provided for.

## Trade Receivables

(Rs. in crores)

Particulars	As on 31.03.2013	As on 31.03.2012
Outstanding for a period exceeding six months from the date they became due for payment	<b>12.02</b>	6.41
Others	<b>546.88</b>	527.56
<b>Total</b>	<b>558.90</b>	533.97
Average Receivables (days)	<b>96</b>	106

Trade Receivables at the year end came to Rs.558.90 crores as against Rs. 533.97 crores as at 31-03-2012. Increase in trade receivables is due to the higher sales during the last quarter of the year. The company normally offers a credit ranging between 0-60 days to its customers.

Trade Receivables outstanding for a period exceeding six months from the date they became due for payment amounted to Rs.12.02 crores (Rs. 6.41 crores last year) constituting about 2.15% of total outstandings.

The company has provided for doubtful debts of Rs.0.37 crores. Bad debts for the year have been negligible of Rs.0.10 crores.

## Investments in Subsidiaries and Advances

The company has invested the following amounts in the subsidiaries M/s. Divis Laboratories (USA) Inc., in the United States of America and M/s. Divi's Laboratories Europe AG in Switzerland.

(Rs. in crores)

Particulars	DIVI USA	DIVI SWISS	TOTAL
Subscription to Equity	2.46 (\$550,000)	0.36 (CHF100,000)	2.82
Advances to Subsidiaries	19.05	25.81	44.86
<b>Total</b>	<b>21.51</b>	<b>26.17</b>	<b>47.68</b>

**Short-Term Loans and Advances**

(Rs. in crores)

Particulars	As on 31.03.2013	As on 31.03.2012
Central Excise duty deposits	<b>11.42</b>	13.60
Prepaid Expenses	<b>2.61</b>	1.89
Advances to suppliers	<b>25.38</b>	28.03
Advances to employees	<b>0.08</b>	0.02
Other advances/receivables	<b>20.29</b>	10.63
MAT Credit Entitlements	<b>0.11</b>	8.01
Prepaid Taxes (Net of provision for Taxation)	-	1.85
<b>Total</b>	<b>59.89</b>	64.03

**Cautionary Statement**

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. 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, patent laws and domestic and international fiscal policies.

**Other Current Assets**

(Rs. in crores)

Particulars	As on 31.03.2013	As on 31.03.2012
Interest accrued on deposits	<b>1.44</b>	0.48
Export Incentives	<b>2.94</b>	2.44
Insurance claims receivable	<b>1.70</b>	0.10
Other receivables	<b>0.60</b>	0.50
<b>Total</b>	<b>6.68</b>	3.52

