

25th Annual Report

2014 - 15

Striving For Leadership Through Chemistry



Divi's Laboratories Limited

Milestones



Set up manufacturing
facility Unit-I near
Hyderabad

1995



1990

Started as
Divi's Research Centre
(DRC)



2000

First US FDA
Inspection for Unit-I

Second US FDA
Inspection for Unit-II

2009



New manufacturing facility at
Unit-II (DSN-SEZ)
Fourth US FDA Inspection for Unit-I
EU GMP inspection for Unit-1
PMDA inspection for Unit-I

2011



2010

New Divi's Research
Centre at Hyderabad



2012

CNBC TV 18 India Business Leader
Award 'First Generation Entrepreneur
of the Year'

TGA inspection for Unit-II
First US FDA inspection for
Divis Nutraceuticals facility
Third US FDA inspection for Unit-II

Commenced 2nd Manufacturing
Facility Unit-II near Visakhapatnam
New Divi's Research Centre
at Visakhapatnam

2004



Set up Nutraceuticals
facility at Unit-II

2007



2006

First US FDA Inspection
for Unit-II



2008

Third US FDA
Inspection for Unit-I

Slovenian Medicines Agency
(EU GMP inspection for 7 APIs)

2013



2015



2014

COFEPRIS Inspection for Units - I & II
US FDA Inspection for Units - I & II



Board of Directors

Executive Directors



Dr. Murali K. Divi
Chairman & Managing Director



N.V. Ramana
Executive Director



Madhusudana Rao Divi
Director - Projects



Kiran S. Divi
Director & President - Operations

Independent Directors



Dr. G. Suresh Kumar



R. Ranga Rao



K.V.K. Seshavataram



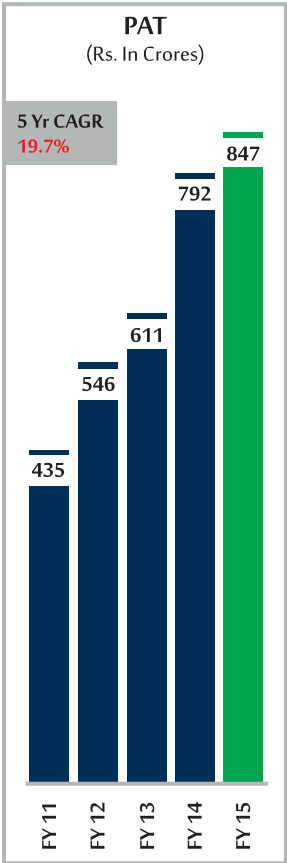
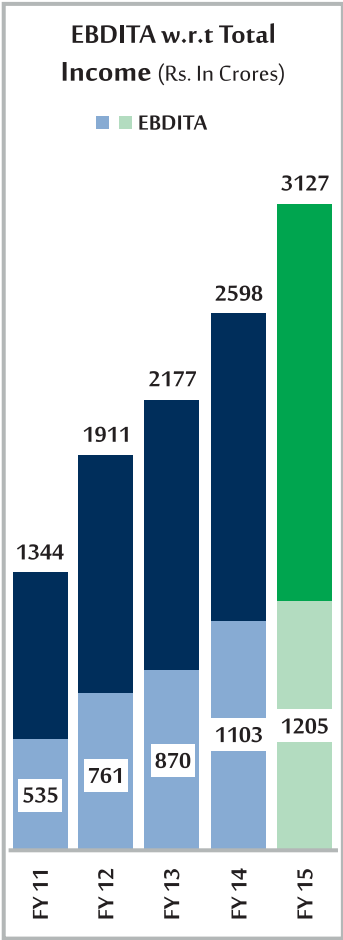
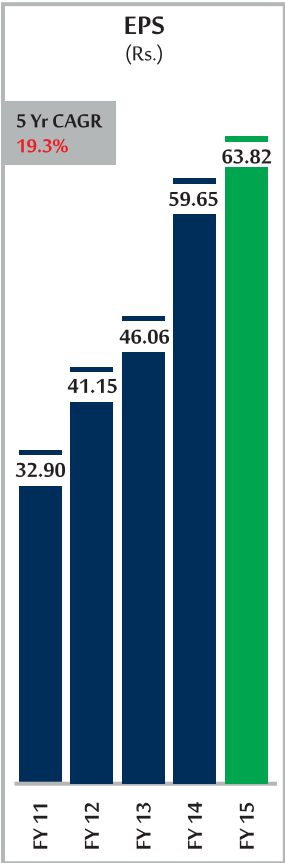
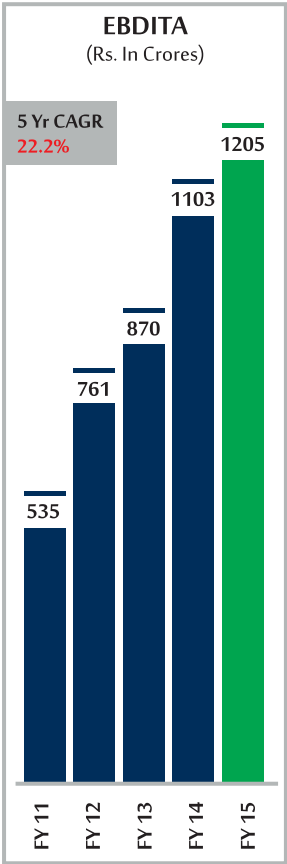
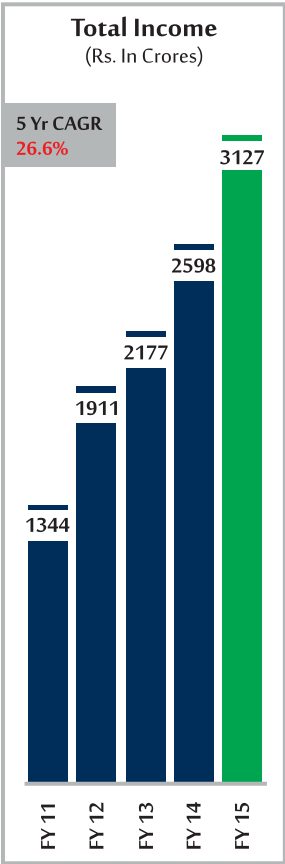
Smt. S. Sridevi

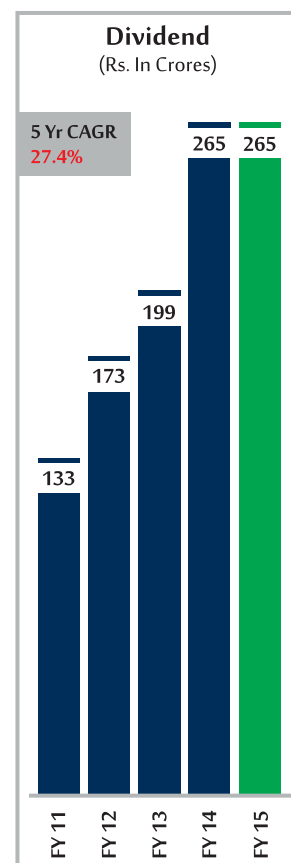
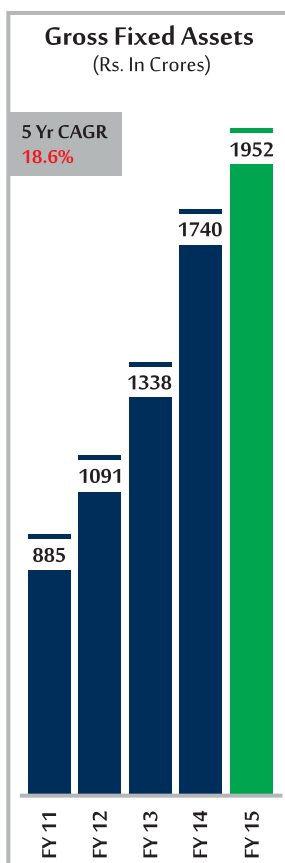
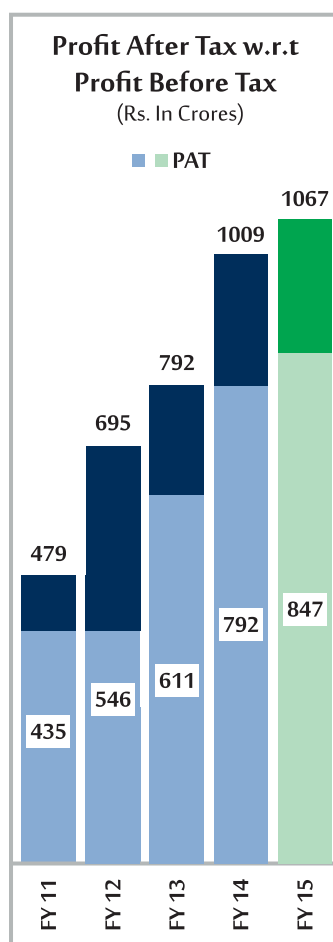
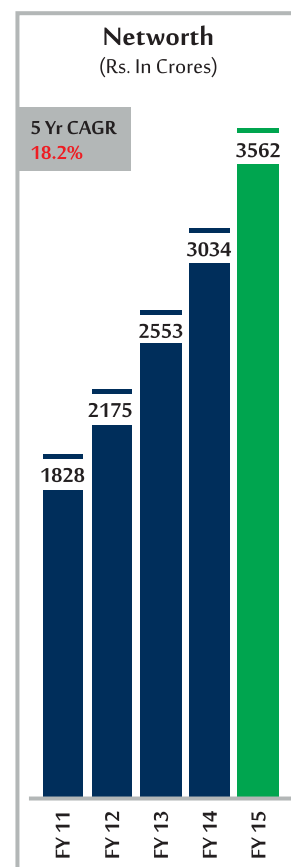
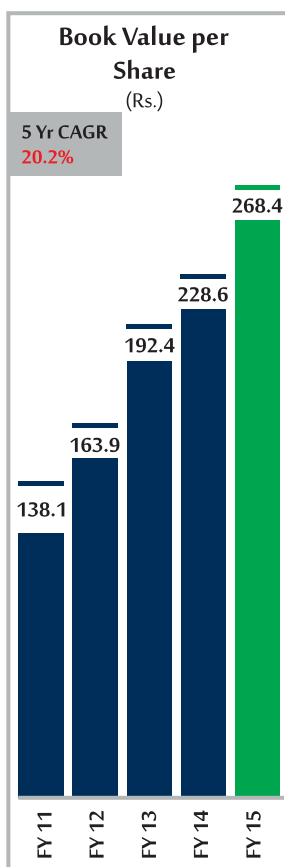
Performance Highlights

(₹ Lakhs)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Turnover and Profit					
Sales	130544	183949	212395	251397	308401
Sales Growth %	41%	41%	15%	18%	23%
Other Income	3860	7120	5345	8390	4284
Total Income	134404	191069	217740	259787	312685
Total Income Growth %	40%	42%	14%	19%	20%
Profit before Interest, Depreciation and Tax (PBDIT)	53459	76063	87026	110276	120489
Finance Charges	219	374	178	206	186
Depreciation	5335	6203	7690	9206	13585
Profit Before Tax (PBT)	47905	69486	79158	100864	106718
PBT Growth %	23%	45%	14%	27%	6%
Provision for Taxation	4348	14889	18016	21692	22012
Profit After Tax (PAT)	43557	54597	61142	79172	84706
PAT Growth %	27%	25%	12%	29%	7%
Dividend, Share Capital and Capital Employed					
Dividend	500%	650%	750%	1000%	1000%
Dividend payout	15411	20055	23294	31059	31951
Dividend payout %	35.4%	36.7%	38.1%	39.2%	37.72%
Equity Share Capital	2652	2655	2655	2655	2655
Reserves & Surplus	180153	214825	252673	300787	353541
Networth	182805	217480	255328	303442	356196
Networth growth %	19%	19%	17%	19%	17%
Gross Fixed Assets	88534	109163	133788	173979	195240
Net Fixed Assets	58973	73819	90850	122160	130873
Total Assets	190600	280297	319591	378396	447477
Key Financial Indicators					
Earnings per share (face value of ₹ 2/-each)	32.90	41.15	46.06	59.65	63.82
Cash Earnings Per Share (face value of ₹ 2/-each)	36.93	45.83	51.86	66.58	74.05
Gross Turnover Per share (face value of ₹ 2/-each)	101.51	144.01	164.04	195.72	235.6
Book Value per share (face value of ₹ 2/-each)	138.06	163.92	192.36	228.61	268.35
Total Debt to Equity	0.01	0.03	0.01	0.01	0.01
EBDIT / Gross Turnover %	40%	40%	40%	42%	39%
Net Profit Margin %	33%	30%	29%	31%	31%
Return On Networth %	24%	25%	24%	26%	24%

Key Financial Indicators





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Corporate Information

Registered Office

7-1-77/E/1/303, Divi Towers, Dharam Karan Road,
Ameerpet, Hyderabad - 500 016.
CIN : L24110TG1990PLC011854
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. Telangana, Pin - 508 252.

Export Oriented Unit :

Chippada Village, Bheemunipatnam Mandal,
Visakhapatnam Dist. (AP), Pin - 531 163

Divi's Pharma SEZ :

Chippada Village, Bheemunipatnam Mandal,
Visakhapatnam Dist. (AP), Pin - 531 163

DSN SEZ Unit :

Chippada Village, Bheemunipatnam Mandal,
Visakhapatnam Dist. (AP), Pin - 531 163

Registrar & Share Transfer Agent

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

Bankers

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

Subsidiaries

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

R&D Centres

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

Lingojigudem Village, Chotuppal Mandal,
Nalgonda Dist. Telangana, Pin - 508 252.

Chippada Village, Bheemunipatnam Mandal,
Visakhapatnam Dist. (AP), Pin - 531 163

Auditors

Statutory Auditor

M/s. 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. Bhaskar Rao & Co.
Company Secretaries, 6-2-1085/B, Flat No. 203,
Badam Sohana Apts., Raj Bhavan Road,
Somajiguda, Hyderabad - 500 082.

CFO : L. KISHORE BABU

CS : P.V. LAKSHMI RAJANI

MANAGEMENT DISCUSSION AND ANALYSIS

Economy

Global growth remains moderate, with uneven prospects across the main countries and regions. Relative to last year, the outlook for advanced economies is improving, while growth in emerging market and developing economies is projected to be lower, primarily reflecting weaker prospects for some large emerging market economies and oil-exporting countries. The rapid decline in oil prices, quick adjustments in exchange rates (with the US dollar appreciating and weakening of most other currencies, notably the euro), and the new quantitative easing program of the ECB are just a few examples of the economic factors at play.

Industry Outlook

IMS Institute for Healthcare Informatics forecasts that Global spending on medicines will reach nearly \$1,100Bn by 2015 and \$1.3 trillion by 2018, an increase of about 30% over the 2013 level. Global spending is forecast to grow at a 4-7 percent compound annual rate over the next five years, with most countries experiencing an increase in drug expenditure per capita. This level of growth - a compound annual growth rate of 4-7% on a constant currency basis - will be slightly higher than the 5.2% recorded over the past five years, as the introduction of new speciality medicines and increased accessibility for patients coincides with lower impacts from patent expiries in developed markets.

Macro-economic factors driving the emerging market during the 2010-2015 period are primarily robust economic growth, greater market penetration into extra-urban and rural areas, epidemiological changes, with rapid increase in chronic, age-related disorders, continuing rapid expansion of the private hospital sector and increased government spending on improvements in healthcare infrastructure.

This year, developed markets are seeing strong growth due to the launch of innovative medicines and price increases. While these markets will moderate as cost-containment measures further limit price levels, rising volumes will continue to contribute to overall market growth.

Past patterns of spending offer few clues about the level of expected growth through 2015. Unprecedented dynamics at play, which are driving rapid shifts in the mix of spending by patients and payers, and between branded products and generics, and across both developed and pharmerging markets. Gains on pharma spending in the pharmerging markets will be driven by overall strong economic growth and governments' commitment to expand healthcare access. IMS projects that

by 2015, the pharmerging countries will become the second largest geographic segment globally in spending on medicines. Several policy moves will affect healthcare spending during the next five years. API's are the basic ingredient for any formulation to be therapeutically effective, and the increasing number of formulations is key driver for the growth of API market.

Since the growth is expected to be robust in the development and launch of new chemical entities, your company will have opportunity to participate in the growth of this business. As the generics space continues to grow in the US, Europe as well as the emerging markets, your company, with its cost effective positioning, is well equipped to play a significant role in this part of pharma business as well. As the market is seeing a good growth in nutraceuticals for wellness, supplementation and food aesthetics fortification, the company will benefit by its presence.

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 entered into manufacturing operations for API and intermediates and set up a multi-purpose manufacturing facility near Hyderabad with an initial investment of Rs.71 crores.

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

Manufacturing Facilities

Unit I : First facility is located near Hyderabad comprising 13 multi-purpose production blocks with clearly defined finished product areas for APIs with clean air and purified water systems that operate under full cGMP as per US-FDA guidelines. Spread on 500 acres equipped with around 362 reactors totalling a capacity of 1744 m³ supported with all utility and service units.

Export Oriented Unit : Second Facility is located at Bheemunipatnam Mandal, about 30 KM from the port city of Visakhapatnam on the east coast. Situated on a 100-acre site, it went into commercial operations in March, 2003. The Unit has 8 production blocks with around 195, reactors totalling a capacity of 1581 m³ with all utility and service units.

SEZ Unit : Third facility is located at Bheemunipatnam Mandal, Visakhapatnam Dist. Situated on a sprawling 260-acre site, it went into commercial operations in November, 2006. It was