



Divi's Laboratories Limited

Sustainable Chemistry

31st

Annual Report
2020-21

Striving for leadership through chemistry.



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“Sustaining Growth, with a Purpose,,

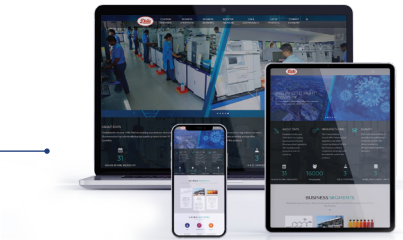
Divi's has always believed and focused on a purposeful performance strategy to sustain a long-term value creation business model. Sustaining growth with a purpose has been the key to creating long-term, sustainable values for all our stakeholders.

Over the past three decades, our foundation has been built on trust, technology, sustainability and our people at the centre of it all, which helped us achieve sustainable growth and performance.

Over the past year, the Covid-19 pandemic has shifted how businesses are viewed by customers, suppliers, investors and regulators – which allowed us to redefine, create and deliver value to all our stakeholders. Our effort to be future ready has helped define our purpose, which has been integrating capacity building, backward integration, growth and most of all, sustainable operations.



Scan the QR Code to view the report online



To know more about the company log on to www.divislabs.com

Forward - looking statements

Some information in this report may contain forward - looking statements which include statements regarding Company's expected financial position and results of operations, business plans and prospects etc. and are generally identified by forward - looking words such as "believe," "plan," "anticipate," "continue," "estimate," "expect," "may," "will" or other similar words. Forward - looking statements are dependent on assumptions or basis underlying such statements. We have chosen these assumptions or basis in good faith, and we believe that they are reasonable in all material respects. However, we caution that actual results, performances or achievements could differ materially from those expressed or implied in such forward - looking statements. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Message from

Managing Director



Over the course of the past 30 years, your Company has kept its focus on the principle of ‘Sustained Growth’ making sure that the leaps we take, contribute positively to the continued rigor of our operations. Our long-term plan is founded on this purpose of maintaining sustainability, which has helped us scale our operations over time. This has improved our overall reach and has generated greater value for our brand, as we now head into a new decade as one of the leaders in this industry.

The Year in Perspective – A bird’s eye view

On the business front, your Company has shown incredible resilience and momentum in response to the Covid-19 pandemic. It has been a year of challenges and uncertainty and we are proud of the relentless commitment and dedication of the entire Divi’s family. Our agility, adaptability, resilience and responsiveness to our customer needs, earned us tremendous goodwill and has enhanced our standing in the market. We faced operational challenges due to restricted movement and disrupted supply lines during the first few months of the pandemic, in 2020. As the second wave of the pandemic unfolded with predictions of a third wave in the near future, our focus continues to be on our people’s health and safety, ensuring uninterrupted supplies of APIs to our customers.

Dear Shareholders,

The year 2020-21 has seen the emergence of a health crisis caused by the Covid-19 pandemic and has been immensely challenging for each one of us. The loss of lives and livelihoods has left a lasting pain, which is sure to leave an indelible mark on us. My heart goes out to everyone out there who has suffered the loss of their loved one.

In responding to these challenges, we were guided by our core principles and we remained true to our purpose of maintaining sustainable operations. Being at the forefront of the pharmaceutical industry, Divi’s as a company in its capacity has been contributing to fight the pandemic since Day 1 and we continue to do our part in helping communities around our manufacturing units.

“

Our focus remains steadfast on operating our assets and facilities at full capacity, putting in place our expansion plans and keeping the safety of our employees at the forefront.
 ”



Aerial view of the manufacturing facility in visakhapatnam

Our business performance in the year is also a reflection of the innate adaptability within the company. The early months of the pandemic brought disruption and uncertainty to our business and to all our customers, colleagues, suppliers and shareholders. When the worldwide lockdown disturbed economic activity across virtually all sectors, Divi’s responded with speed and agility, embracing a new operating model due to the kind of expansion programmes we undertook over the years. Despite the intensity of the second wave of Covid-19, we believe that we are in a far better place as we complete FY2021.

The Road Ahead - Purpose, People, Planet

We are entering FY2022 powered by strong sustainable strategies and are more determined to keep formulating robust strategies and means to combat the challenges thrown at us by the pandemic. Our focus remains steadfast on operating our assets and facilities at full capacity, putting in place our expansion plans and keeping the safety of our employees at the forefront.

I take immense pride in the way our employees have demonstrated strength, conviction and courage

during these difficult times and I am indebted to each one of them for having stood solidly behind the company. Most importantly, I would like to thank our shareholders, for the overwhelming trust, support, and confidence in Divi’s. Our commitment to being a reliable supplier, delivering quality APIs - remains unchanged.

Regards,

Dr. Murali K. Divi
 Managing Director

Board of

Directors

Executive Directors



Dr. Murali K. Divi

Managing Director



N. V. Ramana

Executive Director



Dr. Kiran S. Divi

Whole-time Director & Chief Executive Officer



Nilima Prasad Divi

Whole-time Director (Commercial)



Madhusudana Rao Divi

Whole-time Director (Projects)

Independent Directors



Dr. Ramesh B. V. Nimmagadda

Non-Executive Chairman & Independent Director



Dr. G. Suresh Kumar

Independent Director



R. Ranga Rao

Independent Director



K. V. K. Seshavataram

Independent Director



Dr. S. Ganapaty

Independent Director



Prof. Sunaina Singh

Independent Director



K.V. Chowdary

Independent Director

Corporate

Information

Manufacturing Facilities

Choutuppal Unit :

Lingojigudem Village,
Choutuppal Mandal,
Yadadri Bhuvanagiri Dist. (TG),
Pin - 508252

DC SEZ 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

DCV SEZ Unit:

Chippada Village, Bheemunipatnam
Mandal
Visakhapatnam Dist. (A.P),
Pin - 531163

R&D Centres

B-34, Industrial Estate,
Sanathnagar, Hyderabad.
Pin - 500018

Lingojigudem Village,
Choutuppal Mandal, Yadadri
Bhuvanagiri Dist. (TG),
Pin - 508252

Chippada Village, Bheemunipatnam
Mandal, Visakhapatnam Dist. (A.P),
Pin - 531163

Subsidiaries

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

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

Auditors

Statutory Auditors

Price Waterhouse Chartered
Accountants LLP
Unit-2B, 8th Floor, Octave Block,
Block E1, Parcel-4,
Salarpuria Sattva Knowledge City
Raidurg, Hyderabad-500081

Cost Auditor

EVS & Associates,
Cost Accountants,
205, Raghava Ratna Towers,
Chirag Ali Lane,
Hyderabad - 500001

Secretarial Auditor

V. Bhaskara Rao & Co, Company
Secretaries,
6-2-1085/B, Flat No.- 103,
Badam Sohana Apts.,
Raj Bhavan Road, Somajiguda,
Hyderabad - 500082.

Bankers

State Bank of India

CCG Branch, Door No. 8-2-
684/2/A,
I Floor, NSL Icon Building,
Anand Banjara Colony,
Road No 12, Banjara Hills,
Hyderabad – 500034.

HDFC Bank Ltd

"Bank House", Wholesale Banking
Operations,H.No.6-3-246 & 244,
Road No. 1,Banjara Hills,
Hyderabad – 500034

Registrar & Share Transfer Agent

Kfin Technologies Private Limited

Selenium Tower B, Plot No. 31-32,
Gachibowli, Financial Dist,
Nanakramguda,
Hyderabad - 500032.
CIN: U72400TG2017PTC117649
Phone No: 040-67161526,
Fax: 040-23001153
Toll Free No.: 1800 4258 998
E-mail: einward.ris@kfintech.com

Date, Time & Mode of AGM

Monday, 30th August, 2021
at 10.00 AM IST
Through Video Conferencing (VC)
Other Audio Visual Means (OAVM)

Introduction to

Divi's

Divi's in 2021: Setting the stage for sustenance

Divi's Laboratories Limited is now one of the leading pharmaceutical companies in the world, manufacturing Active Pharmaceutical Ingredients (APIs) and Intermediates.

Through our scale, reach and range of activities, we are at the forefront of manufacturing leading generic compounds, nutraceutical ingredients and custom synthesis of APIs and Intermediates for global innovator companies.

With two manufacturing units, market presence across ~95 countries, a team of ~17,000 people, a portfolio of ~130 products across diverse therapeutic areas, we are one of the largest API companies in the world. We are committed towards our goal of sustainable chemistry, thereby optimising our processes and practices that not only protect, but also enhance human health and the environment.

Divi's has set up three R&D centres comprising a team of competent and qualified people that help us to continuously innovate our processes – the result of which, 10's of process patents were

granted and we were able to attain global leadership position in majority of the products manufactured, while making sure our processes and practices are sustainable.

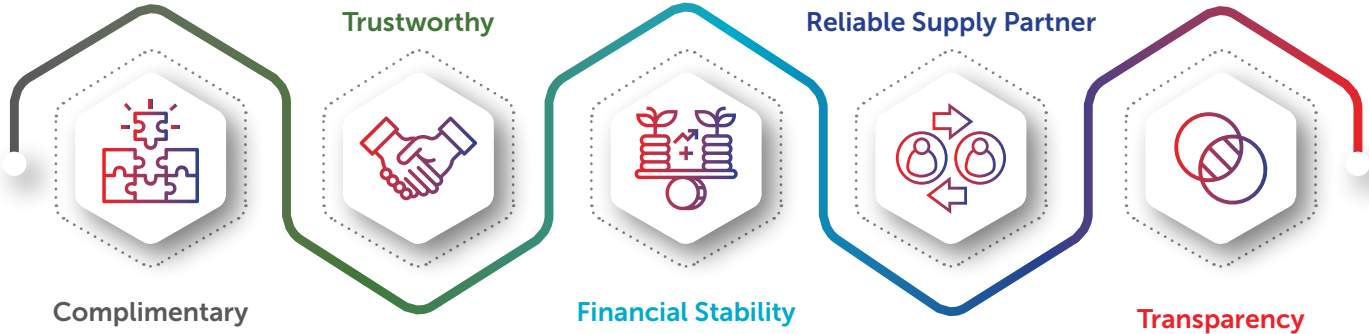
Vision:

We envision creating value for all our stakeholders by manufacturing high quality generic APIs, custom synthesis of APIs & Intermediates along with Nutraceutical Ingredients to the Global Pharmaceutical & Nutraceutical industry through sustainable leadership in chemistry.






Mission:

We at Divi's aim to be a responsible business, adding value through our core competency in the area of chemistry while adhering to our core values and serving the immediate community and at large through our diverse social initiatives that would establish a strong foundation for a better tomorrow for all stakeholders.

Our Business Values:



Snapshot of our capitals

Financial Capital	Human Capital	Manufacturing Capital	Intellectual Capital	Social Capital
 <div>₹ 6,86,114</div> <div>Total Revenue (In Lakhs)</div>	 <div>~17,000</div> <div>Employees</div>	 <div>₹ 5,15,147</div> <div>Gross Block (In Lakhs)</div>	 <div>40</div> <div>Process patents</div>	 <div>₹ 3,435</div> <div>CSR spend (In Lakhs)</div>
<div>₹ 2,88,321</div> <div>EBIT (In Lakhs)</div>	<div>~21,000</div> <div>Safety training sessions</div>	<div>₹ 1,18,351</div> <div>CAPEX (In Lakhs)</div>	<div>₹ 12,413</div> <div>R&D spend in past three years (In Lakhs)</div>	<div>~120</div> <div>Programmes and activities conducted</div>
<div>₹ 1,95,472</div> <div>Profit After Tax (In Lakhs)</div>		<div>2</div> <div>Manufacturing units</div>	<div>~500</div> <div>R&D team members</div>	<div>~4,00,000</div> <div>Beneficiaries</div>

Setting the Stage for

Sustenance

At Divi’s, we aim at creating maximum positive impact along with the best output as a responsible API manufacturing company. We continue on our path to fully integrate sustainability into all of our core businesses and manufacturing functions.

We have worked hard on developing our technology and methodology in the background, while presenting the company’s choices in the forefront. These choices represent our agility, reliability, commitment and responsibility.

We as an organisation have been driving towards setting the stage for sustenance in all the operational aspects through a “proactive” approach rather than a “problem-solving” approach. We have defined our approach by emphasising the facilitation for business growth through investments in backward integration, creation of significant capacities, investments in newer technologies that enables sustainable operations which will make us future ready.

Setting the stage for sustenance at this juncture is a given for Divi’s, than a choice. Divi’s has always vied for positive change that represents the divergence of technological innovation and a purpose driven growth. Today, Divi’s is recognised as a ‘Vision-Led- Company, where committed teams collaborate and strive to manufacture high quality APIs, while simultaneously strategising to attain sustainable growth in the journey ahead, as well.

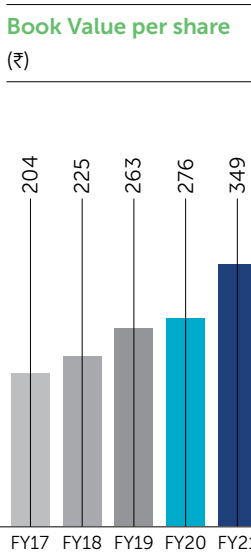
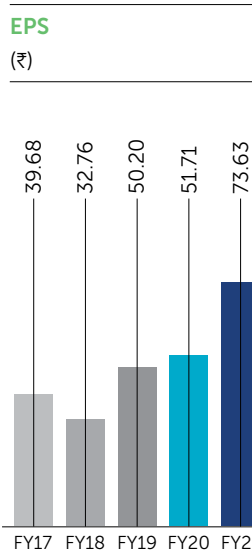
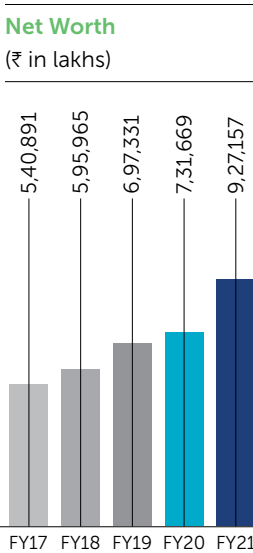
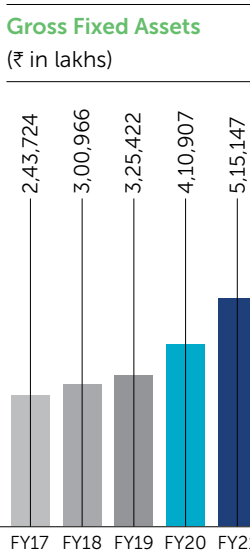
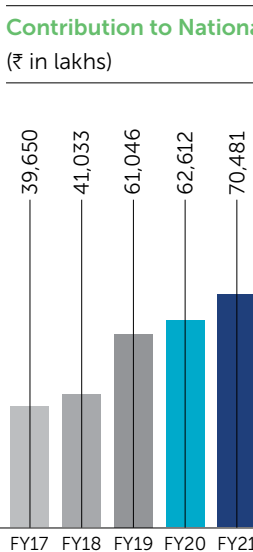
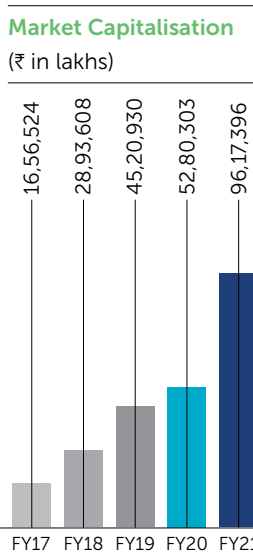
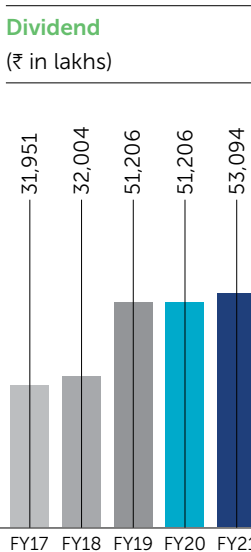
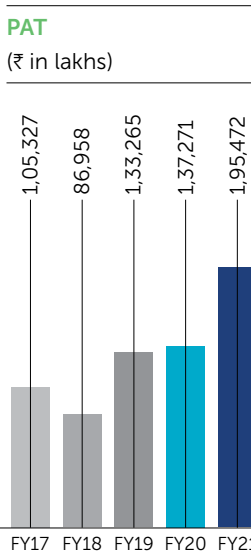
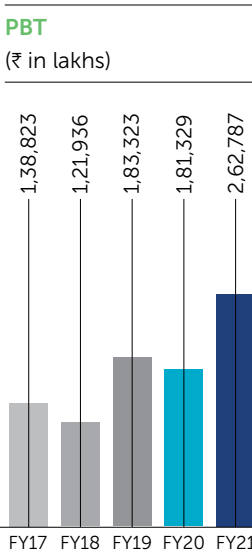
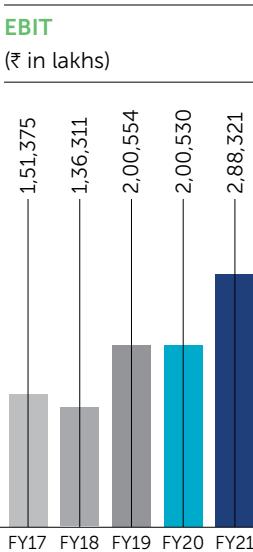
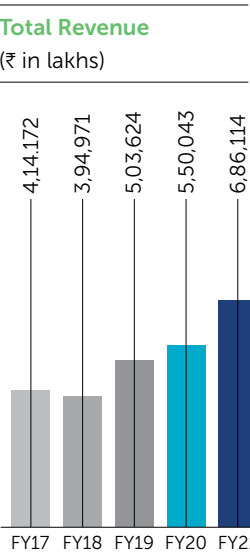


New DCV-SEZ Capitalized



Growing

Footprint



	(₹ in lakhs)				
Direct Economic Impact	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total Revenue	4,14,172	3,94,971	5,03,624	5,50,043	6,86,114
Exports	3,53,148	3,27,305	4,17,456	4,52,661	5,88,625
Tax Expense	33,540	34,978	50,094	43,899	67,315
Consumption of material	1,54,158	1,50,490	1,83,783	2,08,856	2,26,550
Employee benefits Expenses	49,033	44,627	53,072	60,836	80,868
Interest	226	133	350	606	69
Dividend & Dividend Tax	31,951	32,004	51,206	51,206	53,094

	(₹ in lakhs)				
Employees	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Cost towards wages / salaries	47,853	43,065	50,738	57,855	77,291
Other benefit costs	2,137	2,541	2,334	2,981	3,577
Total personal expenses	49,990	45,606	53,072	60,836	80,868
% to sales revenue	12.07%	11.55%	10.54%	11.06%	11.79%
Number of employees (Direct / Indirect)	9,735	10,762	11,847	13,884	16,818

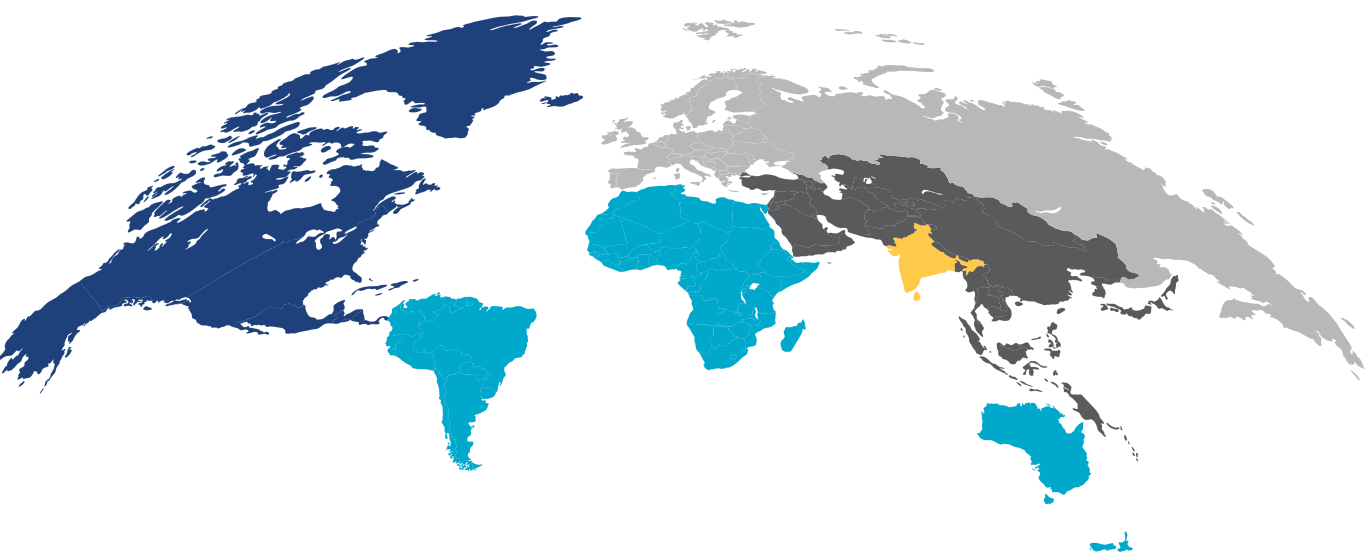
	(₹ in lakhs)				
Customers	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total Revenue	4,14,172	3,94,971	5,03,624	5,50,043	6,86,114
Debtors	1,00,042	1,11,211	1,28,224	1,53,321	1,74,556
Payments received during the year	4,10,745	3,83,802	4,86,611	5,24,946	6,64,879
Debtors outstanding (in average number of days turnover)	90	103	93	102	93

Return on Net Worth	
FY 2017	19%
FY 2018	15%
FY 2019	19%
FY 2020	19%
FY 2021	21%

Dividend Per Share	
FY 2017	10%
FY 2018	10%
FY 2019	16%
FY 2020	16%
FY 2021	20%

Geographic

Presence



America	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenue (₹ lakhs)	1,33,808	1,08,749	1,27,212	1,21,813	1,58,652
% Share	33%	29%	27%	23%	23%

Europe	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenue (₹ lakhs)	1,62,825	1,63,798	2,17,452	2,49,850	3,17,415
% Share	40%	44%	46%	47%	47%

Asia	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenue (₹ lakhs)	47,284	34,730	59,183	59,474	82,675
% Share	12%	9%	12%	11%	12%

India	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenue (₹ lakhs)	52,097	48,014	56,266	78,396	91,236
% Share	13%	13%	12%	15%	13%

Rest of the World	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenue (₹ lakhs)	9,460	20,028	13,609	21,524	29,883
% Share	2%	5%	3%	4%	5%

Financial

Highlights

	(₹ in lakhs)				
Turnover and Profit	FY2017	FY2018	FY2019	FY2020	FY2021
Revenue	4,06,578	3,83,723	4,87,966	5,31,057	6,79,861
Revenue Growth %	8%	-6%	27%	9%	28%
Other Income	7,594	11,248	15,658	18,986	6,253
Total Income (₹ in Lakhs)	4,14,172	3,94,971	5,03,624	5,50,043	6,86,114
Total Income Growth %	8%	-5%	28%	9%	25%
Profit before Interest, Depreciation and Tax.(EBDIT)	1,51,375	1,36,311	2,00,554	2,00,530	2,88,321
EBDIT to Sales %	37%	35%	40%	36%	42%
EBDIT Growth	1%	-10%	47%	0.0%	43.8%
Finance Charges	226	133	350	606	69
Depreciation	12,326	14,242	16,881	18,595	25,465
Profit before tax (PBT)	1,38,823	1,21,936	1,83,323	1,81,329	2,62,787
PBT Growth %	1%	-12%	50%	-1%	45%
Provision for Taxation	33,496	34,978	50,058	44,058	67,315
Profit After Tax (PAT)	1,05,327	86,958	1,33,265	1,37,271	1,95,472
PAT Growth %	-5%	-17%	53%	3%	42%
Dividend, Share Capital And Capital Employed					
Dividend	500%	500%	800%	800%	1,000%
Dividend pay out	31,951	32,004	51,206	51,206	53,094
Dividend pay-out (%)	30%	37%	38%	37%	27%
Equity Share Capital	5,309	5,309	5,309	5,309	5,309
Reserves & Surplus	5,35,582	5,90,656	6,92,022	7,26,360	9,21,848
Net Worth	5,40,891	5,95,965	6,97,331	7,31,669	9,27,157
Net Worth growth %	24%	10%	17%	5%	27%
Gross Fixed Assets	2,43,724	3,00,966	3,25,422	4,10,907	5,15,147
Net Fixed Assets	1,55,895	1,99,588	2,08,742	2,77,626	3,69,901
Total Assets	6,21,008	6,80,778	8,04,018	8,51,411	10,72,377
Key Financial Indicators					
Earnings per share (face value of ₹ 2/-each)	39.68	32.76	50.20	51.71	73.63
Cash Earnings Per Share (face value of ₹ 2/-each)	44.32	38.12	56.56	58.71	83.23
Gross Turnover Per share (face value of ₹ 2/-each)	156	149	190	207	258
Book Value per share (face value of ₹ 2/-each)	204	224	263	276	349
Total Debt to Equity	0.01	0.011	0.015	0.005	0.00004
EBDIT / Gross Turnover %	37%	35%	40%	36%	42%
Net Profit Margin %	25%	22%	26%	25%	28%
RONW %	19%	15%	19%	19%	21%

Driven by Sustainability & Safe Culture -

A better life

At Divi's, we believe in devising innovative systems, which allow us to balance growth and help us understand how to contribute positively to our society. Our continuous effort is to improve the way of living for everyone around us.

Divi's undeterred focus has always been the protection of our natural capital and making it accessible for the welfare of the community. We understand the need for access to resources like water & land, and their importance in one's economic well-being and hence have set clear goals and long-term strategies towards building a safe environment and a healthy community.



Preventive Healthcare:
Including Covid Initiatives

~4,00,000
Beneficiaries



Providing Safe
Drinking Water

81
Locations
~2,15,000
People



Encouraging
Afforestation

~1,35,000
saplings planted



Recently Installed Solvent Recovery System, Visakhapatnam



Conservation and
Environment

~4,100 MWH
Energy Conserved during FY2020-21

~13,100 MT
CO₂e GHG Reduction during FY2020-21



Safety
Standards

~2,30,00,000
Safe man hours achieved
during FY2020-21

A group of school children in blue uniforms and face masks, holding up packets of Horlicks. In the foreground, there is a large stack of Horlicks packets. A banner in the background reads "Divis Distribution of Horlicks 18 Grms Sachet per day per Child (Nutritious Food to Govt. School Children of Bheemana Landan)".



33
Villages
~ 80,000
People



28 Villages
~ 50,000 People



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