

DIVI'S LABORATORIES LIMITED

Hyderabad

PRESS RELEASE dated 31st July, 2009

Divi's Labs earns an Income of Rs.218 crores in Q1

Divi's Laboratories has earned a total income of Rs.218 crores on a consolidated basis for the quarter ended 30th June, 2009 as against an income of Rs.267 crores during the corresponding quarter of the previous year. Profit before Tax (PBT) for the quarter came to Rs.68 crores as against a PBT of Rs.102 crores for the corresponding quarter in the last year. However, PAT for the current quarter came to Rs.4 crores due to the provisioning of Rs.54 crores towards income-tax related to earlier years - as against a PAT of Rs. 94 crores during the corresponding previous quarter.

The significantly lower profit for the quarter is due to provision of income-tax of earlier years amounting to Rs.54 crores as the Government, in its Finance Bill (No.2) of 2009, has amended the anomaly in Section 10AA(7) of the Income-tax Act, 1961 for exemption of export profits of SEZs. However, this is effective only from 1st April, 2009 as against the tax exemptions envisaged by the Government under the SEZ Act from the date of commencement of commercial operations.

In view of the ongoing financial crisis in the developed markets, companies have been trying to work on lean operations, one of them being destocking of inventories across their supply chains to the lowest possible. This has resulted in lower sales for the company during the quarter.