

DIVI'S LABORATORIES LIMITED

CHAIRMAN SPEECH

17th Annual General Meeting, 3rd September 2007

Good morning, Ladies and Gentlemen,

It gives me immense pleasure in extending a warm welcome to you all to this 17th Annual General meeting of the Company.

The Directors' Report and the Audited Accounts for the year ended 31st March, 2007 have already been circulated, and with your permission, I take them as read.

OPERATIONS

It is a matter of satisfaction for me to report an year of robust growth and strong performance encompassing all the product groups of your company. This is on the back of a major capex program undertaken by your company during the last two years, 2005-06 and 2006-07 planned in anticipation of increase in business opportunities. We have spent over Rs.250 crores and created additional capacities and support services at the existing facilities besides setting up a Special Economic Zone.

It is now my pleasure to present our company's financial results for the year. Some of the highlights are:

- achieved a total income of Rs.738 crores during the year under review as against Rs.392 crores during the previous year, reflecting a growth of 88%.
- Profit before Tax of Rs.227 crores as against Rs.107 crores during the last year, a growth of 112%.
- Profit after Tax (PAT) for the year is Rs. 192 crores as against Rs. 70 crores during the previous year, a growth of 172%.
- Tax provision of Rs.35 crores for the year as against Rs.36 crores during the previous year.
- Earnings Per Share for the year came to Rs. 150 as against Rs.55 last year on absolute basis and to Rs.148 for the year as against Rs.54 on a diluted basis.
- A dividend of 100% for the year, same as last year.
- During the year, we have allotted 92,720 equity shares at par to employees under the Employee Stock Option scheme, 2006. An amount of Rs.24 crores was charged to expense on account of employee stock options granted to eligible directors, key managers and employees of your company.

We could achieve this substantial growth due to the continued pursuit of our strategy to work with multi-national innovator companies developing compounds under custom synthesis besides a strategic positioning on our range of generic products in international domain duly supported by our capital expenditure programs.

You may be aware that we have converted the existing Unit-2 at Chippada into an Export Oriented Unit (EOU) which is operational effective from June, 2006. Our SEZ Unit commenced operations from November, 2006 and I believe our Unit is

the first in India to commence operations under the new SEZ Regulations. This SEZ structure is able to provide a convenient mechanism for big pharma companies for sourcing their custom compounds, as it is an efficient platform for international business on a level playing field and goes well with our predominant export business.

Investments made during the year with multi-purpose capacities created supported by improved safety and environment management systems are able to attract greater business in custom synthesis as well as generics segments. Divi's did not patent the technologies for innovative processes in the past years since there was no protection for Intellectual Property in India. With the new patent regime in place, Divi's have already filed 7 patents and were granted 6 patents. The total number of DMFs filed in USA are 29 and we have Certificate of Suitability for 10 products for Europe. We also have 11 DMFs for Europe and 8 for Canada.

Divi's is now recognized as a strategic long term supplier by some of the leading innovator companies. This would lead to a continuous flow of opportunities to Divi's. The strategic size reached in some of the generic APIs has made Divi's a supplier of choice to major customers including branded generic manufacturers, which ensures generics business from these customers on a long-term basis. We are today better positioned by balancing the businesses between the custom synthesis and generics segments, each with about 50% share.

You are aware that our Nutraceutical Project for a beadlet manufacturing facility, estimated at Rs.35 crores, is being implemented at our "Divi's Pharma SEZ". The Project is expected to be commissioned during October, 2007. We shall soon start marketing these nutraceutical products through our subsidiaries as also directly. We

have also established a Nutra Application Lab which is operational during the current year.

I take this opportunity to express my sincere thanks to all the shareholders for their continued trust and confidence in the Board and Management of the company. I also appreciate and place on record the valuable contribution made by the employees of the company. Your directors also acknowledge the continued support extended by our customers, suppliers, banks and various Government Bodies and Statutory Authorities.

With warm regards,

Dr. Murali K. Divi