

## **DIVI'S LABORATORIES LIMITED**

### **CHAIRMAN'S SPEECH**

**18<sup>th</sup> Annual General Meeting, 16<sup>th</sup> August, 2008**

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Good morning Ladies and Gentlemen,

It gives me immense pleasure to extend a warm welcome to you all, to this 18th Annual General Meeting of the Company and present you the Annual Report for the financial year 2007-08.

The Director's Report and the Audited Accounts for the year have already been circulated, and with your permission I take them as read.

I am glad to report yet another year of decent growth in the annals of your company. This is the first time ever in the history of our company that we have crossed the Rs.1000 crore business during the year under review and all of this is through organic growth. We should all be proud of having achieved this within just 12 years of commercial operations of our company.

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.1047 crores during the year as against Rs.738 crores during the previous year, reflecting a growth of 42%.

- Profit before Tax grew by 70% to Rs.385 crores as against Rs.227 crores during the last year.
- Tax provision of Rs.31 crores for the year as against Rs.35 crores during the previous year.
- Profit after Tax (PAT) for the year has grown by 84% to Rs.354 crores as against Rs.192 crores during the previous year.
- Earnings Per Share for the year came to Rs.54.77 as against Rs.29.91 last year on absolute basis and to Rs.54.14 for the year as against Rs.29.55 on a diluted basis.

An amount of Rs.8.60 crores was charged to expense on account of employee stock options granted to eligible directors, key managers and employees of your company.

Business in the custom synthesis and generics segments has been more or less equal for the last two years. Our focus on value business has been very fruitful. We have been consistently creating additional capacities in order to cater to the increasing business opportunities and modernizing our facilities to comply with the stringent regulatory as well as customer requirements for all product and plant operations and parameters.

As you are aware, our company has business mainly in export markets which again is predominantly to advanced markets like Europe and USA. During the year under review, the forex market has been intensely volatile. We have been hedging some of our

forex exposures and also contracted some derivative products as a risk management measure. There was a net loss of Rs.9.88 crores on account of forex fluctuation and all exposures are marked-to-market as of the 31<sup>st</sup> March, 2008.

I also wish to report that, during the first quarter of the financial year 2008-09, our company has clocked a business of Rs.271 crores and a profit after tax of Rs.96 crores in line with past trends.

We have invested about Rs.210 crores in our Divi's Pharma SEZ in the last two years, a majority of which has already been commercialized. We will continue to make significant investments in our SEZ as new opportunities emerge as this is providing a level playing field internationally.

Divi continues to be holding the Number 1 position in the world market in products like Naproxen, Naproxen Sodium and Dextromethorphan.

You are aware that our Nutraceutical Project at our "Divi's Pharma SEZ" has commenced commercial operations effective 1<sup>st</sup> June, 2008. This facility with the state-of-the art beadlet technology is the first of its kind to be set up in India. Several application products have been developed fully and some of these are being marketed commercially through our subsidiaries in USA and Europe as well as directly. We are confident that the Nutra business will soon start

contributing significantly as we get qualified by more and more customers.

As you may be aware, Divi has identified several future generics opportunities and has been working on these. We continue to invest in R&D to develop cost efficient processes for this basket of future generics. This will help our company to take a strategic positioning as and when patent expires for the products in question and to be competitive in the product internationally. From out of this basket, Levitiracetam is the first future generics opportunity that got into commercial scale which is expected to generate decent income in the coming years.

Divi's have invested and created a new "Hazard Evaluation Lab" with all associated infrastructure. This will help in identifying hazards embedded in the chemical processes based on which appropriate remedial safety measures can be re-engineered. These safety measures have become pre-requisite to secure complex chemistry business from big pharmas.

Divi has also developed capabilities to handle "highly energetic reactions". To acquire this capability, we have created all required facilities at our Pharma SEZ at Visakhapatnam. This new capability will aid in bringing new opportunities for products involving such chemistry.

I take this opportunity to express my sincere thanks to all the shareholders for reposing their trust and confidence in the 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

***Divi's Laboratories Limited***

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