



Vivimed

Enriching  
*L*ife  
with... CARE  
COLOUR  
& CHEMISTRY

The **triclosan** in the toothpaste that gives your day a great start.

The **anti-microbial** agents in the mouthwash that sustain your oral hygiene.

The **anti-dandruff** ingredients in the shampoo that keep your hair glowing and healthy.

The lovely **colouring agents** in the hair dye that make you look gorgeous.

The **ingredients** in the sunscreens safeguards from UV-A, UV-B rays.

The **photochromics** in the lenses to protect your beautiful eyes.

The **anti-ageing** molecules thriving to keep you young forever.

The **chemicals** that bring out beautiful images in your photographs.

The **formulations** that promise health for all.

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We touch your life  
almost every hour of the day.

*It shouldn't surprise you that your typical day begins with  
a touch of Vivimed and ends with it too.*

## Manufacturers of Home and Personal Care Products Worldwide Use Vivimed Products

### Oral Care

Proven for their safe and effective anti-microbial (both gram-positive and gram-negative) properties, our oral care products are widely preferred by leaders in the industry across the world. We also make useful ingredients that protect gums and provides freshness.

**VIV-20 • VIVCAL-G • VIVHEX • VIVHEX-G**

### Sun Care

We make several active ingredients that are used in a wide variety of globally popular sunscreen products that act as optical filters and give broad-spectrum protection against the harmful effects of exposure to ultraviolet light, such as skin burn, premature wrinkling, loss of elasticity, dryness and skin cancer.

**• AVIS • BEN 3 • BEN 4 • CINNAMON • OCTYNE B • ETONE**

### Skin Care

We make a broad range of skin care agents (used in creams / medicated lotions / moisturizers), lighteners and whiteners that impart a glowing look to the skin and give it a soft and supple feel. Skin whiteners absorb ultraviolet rays and inhibit the biosynthesis of melanin, which is responsible for hyper-pigmentation and darkening. Vivimed's organic-based NDGA delivers superior antioxidant properties that keep the skin looking youthful.

**VIVINOL • VINTOX • TRU ALOE • C-VITE**



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*L*ook anywhere.  
You will find us.

*You will find Vivimed at life's every turn, helping people fulfill their desire for beauty, protection, youthfulness and well-being.*

## Manufacturers of Home and Personal Care Products Worldwide Use Vivimed Products

### Hair Care

Known for its proven efficacy, safety and anti-mycotic / fungicidal properties, Vivimed's Dantuff range is the ingredient of choice for world leaders in the manufacture of anti-dandruff shampoos and hair care products used to treat various kinds of seborrhea, dermatitis and other persistent hair conditions.

We manufacture Guar derivatives to give lustre and bounce to the hair and molecules effective in hair regrowth.

**DANTUFF C • DANTUFF Z • DANTUFF K • VIPIROX • VIVIDINE • CO-GUAR 113 • CO-GUAR 117**

### Preservatives & Antimicrobials

We are leading manufacturers of Chlorphenesin which is an effective broad spectrum preservatives which enhances the shelf life and efficacy of various cosmetics and other anti-microbials which provide surface protection.

**COSVAT • VIVILIDE • VIVMAX • VIV-20**

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# We Have a Truly Pervasive Presence

*Our knowledge of synthetic organic chemistry deftly blends with an expert understanding of the world's requirements in oral care, hair care, skin care, sun care and preservatives.*

## Manufacturing Facilities

### Active Ingredients

- Bidar (Karnataka)  
This plant was established in the year 1991 and over the years has expanded and is presently equipped with 60 reactors with over 300 kl capacity.
- Bonthapally (Hyderabad)  
This modern plant has been established in the year 2005 in proximity to Hyderabad. It is equipped with 78 reactors with over 350 kl capacity. The plant is designed in compliance with US FDA norms and highest environmental standards.

### Pharmaceutical Dosage Forms

- Jeedimetla (Hyderabad)  
This plant is equipped to manufacture dosage forms such as liquid orals, tablets, capsules and ointments in various therapeutic categories. The manufacturing unit and systems comply as per WHO GMP Standards.
- Haridwar (Uttarakhand)  
A wide range of sterile products and small volume parentals are manufactured. This facility has sophisticated equipment designed as per stringent US FDA norms.
- Kashipur (Uttarakhand)  
This plant is located in the area which enjoys various tax concessions and is engaged in manufacturing non-sterile syrups, tablets, capsules and dry powders.

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# Comprehensive Manufacturing Facilities

*Based on the principle of right-sizing for right-sourcing, Vivimed has two Active Ingredients and three Formulation facilities. All of them are ISO 9001- 2000 (Quality Management) and ISO 14001 (Environment) certified and WHO cGMP-compliant.*



1991

Inception as an API manufacturing company

1997

Foray into the Home & Personal Care (H&PC) sector with Viv-20 (Triclosan)

1998

Commencement of global expansion of H&PC product range

2000

Establishment of a centralized R&D center

2002

Consolidation through capacity expansion and multi-product introductions

2004

Established manufacturing facilities of Sterile and Small Volume Parentals at Haridwar (Uttaranchal)

2005

Public listing at BSE / NSE

New production facility at Hyderabad for specialty chemicals

2006

Established additional Pharmaceuticals manufacturing facility at Kashipur (Uttaranchal)

2008

Acquisition of UK-based James Robinson Limited (renamed Vivimed Labs Europe Limited)

2009

Acquisition of US-based Harmet International Inc. (renamed Vivimed Labs USA, Inc.)



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# Milestones in our Journey of Excellence

*Less than two decades ago, Vivimed appeared on the horizon as a modest manufacturer of bulk actives for a small group of pharmaceutical / FMCG companies in India. Today, it stands tall as a supplier of choice for leading household brands the world over.*

## Research and Development - A Growth Driver

Our R&D efforts are in consonance with our customers' requirements.

We forge comprehensive research partnerships with them and evolve cutting-edge solutions to their needs.

Our processes ensure strict adherence to timelines and the ability to consistently scale up from lab to the market.

Our R&D labs are GLP (Good Laboratory Practices) compliant and recognised by CSIR (Council for Scientific and Industrial Research), Government of India.

The company's R&D strengths include:

- A state-of-the-art R&D centre (with six well-equipped labs) and a pilot plant at Hyderabad
- A kilo lab for hair dyes and photochromics at Huddersfield (UK), with 75 dedicated R&D personnel.
- Rigorous process for project justification and prioritisation
- Research collaboration with universities and knowledge banks
- Economies of scale
- Constant innovation and research to discover new molecules through cost-effective processes
- Focused idea-seeking endeavour, ranging from molecular research to collaborative manufacture

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# R&D: An Unrelenting Quest for More

*Quality, commitment and cost efficiencies are our inviolable deliverables, while at the same time not losing sight of our fundamental concerns of toxicology and environmental impact.*

## Holistic Relationship

- Comprehensive product portfolio for the personal care industry
- Vendor partnerships from molecular research to collaborative manufacturing
- Full responsibility from concept to implementation

## Global Delivery

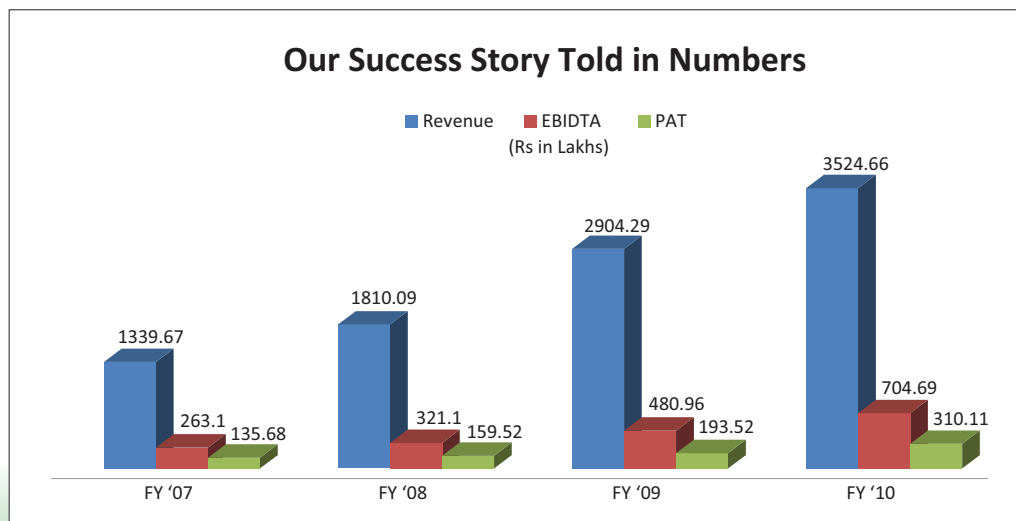
- Global distribution network
- Seamless delivery
- Reduced total cost of ownership
- Faster time to market

## Facilities

- Quality and cost-effective manufacturing
- Substantial R&D investments in developmental research
- Speedy, round-the-clock delivery to North American and European clients

## Process

- USEPA and USFDA certification for key products
- High process efficiencies for top-line products
- Conformance to quality and environmental safeguards / norms



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# Our 4-Pronged Climb to the Top

*Encompassing:*

- *Holistic Relationship*
- *Global Delivery*
- *Facilities*
- *Process*

## Healthcare Division

- **Creative Healthcare Private Limited, India**

With a strong indigenous product mix and competencies, the company is focused on discovering and delivering affordable drugs in areas such as:

- Oncology
- Arthritis
- Tuberculosis

Our market reach in India, Eastern Europe and South East Asia is growing at a commendable pace.

## Specialty Chemicals Division

- **Vivimed Labs Europe Limited**

The company is a leading global supplier of a wide range of hair dye intermediates, fluorescent dyes for textiles and photographic developer chemicals. It has extensive marketing and warehousing facilities in Europe.

- **Vivimed Labs USA Inc.**

This is the company's strategic US hub that increases its global footprint and significantly reduces the time to market through a smooth and seamless distribution and delivery channel.



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# Structured to Succeed

*Vivimed Labs' supply chain efficiencies and high-end chemistry are acclaimed by its customers worldwide. The company's business activities are grouped under two divisions – healthcare and specialty chemicals – which are spread over three subsidiaries.*

We at Vivimed are committed to corporate social initiatives that are aimed at positively influencing the quality of life of people around us. All our employees appreciate the need to build sustainable relationships with the environment and community, especially those located in the vicinity of our manufacturing locations. Some of our ongoing social initiatives include:

### Sponsorship for Concern India Foundation Programs

Concern India Foundation is a non-profit charitable trust that supports deserving and meaningful social development programs in the fields of education, health and community development. Its objective is to enable the most disadvantaged sections of our society to become self-reliant and to live with dignity.

Vivimed supports Concern India in its efforts to provide transit residential schools for children rescued from child labour, children of "beedi" rollers, homes for the aged, health centers for the rural poor, schools for the hearing impaired and special schools for mentally challenged children. Vivimed also sponsors various charity screenings, corporate quizzes and management training workshops.

### Tanmai Socio Cultural Foundation

In association with Tanmai, a socio-cultural foundation dedicated to improving the quality of women's health in Andhra Pradesh, Vivimed sponsors medical camps for underprivileged women, and also assist in the development of children in specially identified government schools by providing teaching aids, books and other educational material.

Vivimed is also working on the introduction of an e-learning platform to further the cause of education as well as medical counselling in the rural areas.

### Employee Participation Ventures

Vivimed employees worldwide continuously strive to do their bit to give back to society. Employee engagement initiatives planned over this year include special programs at schools for the blind, interactions with senior citizens and blood donation camps in association with the Indian Red Cross Society. Vivimed employees also regularly contribute their individual donations and group collections for sudden emergencies amongst disadvantaged sections of society.



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*A* Responsible  
Corporate Citizen

## Participation in Trade Shows

### In-Cosmetics

From 21 to 23 April 2009, Vivimed Labs participated in 'In-Cosmetics', the world's largest trade show in the Home and Personal Care (H&PC) industry.

Held in Munich (Germany), 'In-Cosmetics' served as a global platform for multinationals to showcase their innovations, new products and advances in Research and Development (R&D).

It was also a forum for interactive sessions on industry trends and new technologies, hosted by leading researchers and experts in the field of cosmetics and personal care.

At the trade show, Vivimed made numerous presentations on its wide range of products and also obtained useful information on current and emerging trends and developments in this highly competitive sector.

### PCHI

Vivimed also took part in the 'Personal Care and Homecare Ingredients' (PCHI) trade show at Shanghai (China) from 10 to 12 March 2010. The trade show, which welcomed nearly 200 companies from 34 countries across the globe, is China's dedicated trade event for ingredient suppliers, formulators, and laboratory researchers to engage with manufacturers of cosmetics, personal care and homecare products.

Vivimed actively promoted its range of products at PCHI and gained access to information on emerging market trends, apart from strengthening its relationship with global giants in the sector.

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## Snapshot of the year that was

*To enhance its visibility and showcase its diverse range of products and their applications in various end-uses, Vivimed participated in several international exhibitions and trade shows during the year.*

## Dear shareholders,

Your company has continued its impressive growth phase and focused its long-term strategy in various business segments. In the last few years it has consolidated its position amongst its global customers, by laying emphasis on creating world-class manufacturing facilities and investing in R&D.

Your company has adopted a three-pronged strategy to accelerate business revenues, profitability and expand its global presence both organic and inorganic by:

- Brand building for its various products in specialty chemicals and pharmaceuticals
- Manufacturing alliances in certain product segments and categories with global majors
- Innovation in specialty chemicals and pharmaceuticals through development of new molecules and applications in its present area of expertise.

Vivimed has further invested in human capital by integrating human resources globally for all its employees in India and abroad. The company's mission, vision and values are well understood by its employees and senior management.

Our immediate target is to achieve revenues of over Rs 9 billion by FY2013. Our India business will continue to grow in line with the increase in demand for Home & Personal Care (H&PC) products, which currently is growing at an impressive 20% YOY. We continue to support the Indian market, offering new and cost-effective molecules and driving towards complete import substitution.

Our goal is to see that Indian companies are not dependent on imports for active ingredients in the H&PC segment, by offering quality products at affordable prices. These skills will continue to be leveraged for our overseas customers too. Additional business expansion of our photochromic portfolio in China and USA will be an immediate focus through our own marketing and representative offices. Our recent manufacturing alliance with ISP Inc. (USA) for sunscreens will eventually see us emerging as a major global provider of sunscreen ingredients.

Our business has shown more resilience during recessionary times and is expected to surge during the recovery phase. Due to an increasing demand for natural ingredients that complement our existing product lines in H&PC, we have undertaken substantial investment in R&D to discover alternate natural ingredients for every application. We aim to become a major supplier of naturals to the market.

Our pharmaceutical business has grown impressively in the domestic market, and several initiatives have been taken to expand our international presence. Product registrations for oncology, tuberculosis, anti-malarials, pain management, etc., are nearing completion. New marketing teams to drive the business in regulated and unregulated markets have been initiated. This will bear fruit soon.

Global pharmaceutical market sales are presently growing at a CAGR of 4.5%, and are estimated to reach \$1244 billion by 2020.

Expanding its knowledge base, the company has also made strides in some biotechnology-based products for its existing product segments. Separate product development teams are working relentlessly and we expect to see new products rolling out in the near future.

The company identifies the challenge and continues to provide strong manufacturing infrastructure both in specialty chemicals and pharmaceuticals to be competitive in the global environment.

Our vision is to become the world's favourite specialty chemicals company.



**Santosh Varalwar**  
Managing Director & CEO

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# Our Road Map Into Tomorrow

*We plan to achieve a 30% Compounded Annual Growth Rate (CAGR) over the next three years, with focus on niche segments in personal care, photochromic and electronic chemicals.*

A person wearing a full white protective suit, including a hood and a green surgical mask, is working inside a biosafety cabinet. The person is wearing white gloves and is using a pipette with an orange handle. The biosafety cabinet has a metal mesh front and a stainless steel work surface. On the work surface, there are several stacks of petri dishes and a small glass vial. The background shows the interior of the cabinet with a metal mesh and a light fixture. The word "Contents" is overlaid in white text on the right side of the image.

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## Corporate Information

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### Board of Directors

Dr. V. Manohar Rao	Chairman
Mr. Santosh Varalwar	Managing Director & CEO
Mr. Subhash Varalwar	Vice Chairman
Mr. Sandeep Varalwar	Executive Director
Mr. S. Raghunandan	Director Operations
Dr. R.K.Dhar	Director Research & Development
Mr. P.V. Rathnam	Independent Director
Dr. M. Bhagvanth Rao	Independent Director
Dr. Peesapati Venkateswarlu	Independent Director
Mr. D. Hanumantha Rao	Independent Director
Mr. Krishna Yeachuri	Independent Director
Mr. Nixon Patel	Independent Director

### Audit Committee

Mr. P.V. Rathnam	Chairman
Dr. M. Bhagvanth Rao	Member
Mr. S. Raghunandan	Member

### Investors Grievance Committee

Mr. P.V. Rathnam	Chairman
Mr. Santosh Varalwar	Member
Dr. V. Manohar Rao	Member

### Remuneration Committee

Dr. M. Bhagvanth Rao	Chairman
Mr. Subhash Varalwar	Member
Mr. Sandeep Varalwar	Member
Mr. D. Hanumantha Rao	Member
Dr. Peesapati Venkateswarlu	Member

### Compensation Committee

Mr. Krishna Yeachuri	Chairman
Mr. Santosh Varalwar	Member
Mr. P.V. Rathnam	Member
Mr. S. Raghunandan	Member
Dr. M. Bhagvanth Rao	Member

### Management Committee

Dr, V. Manohar Rao	Chairman
Mr. Santosh Varalwar	Member
Mr. Krishna Yeachuri	Member

### Company Secretary & Compliance Officer

Mr. Fahim Aslam Khan



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**Registered Office**

78/A, Kolhar Industrial Area,  
Bidar – 584403

**Corporate Office**

2nd Floor, Veeranag Towers,  
Habsiguda, Hyderabad – 500007  
Tel: 91-40-27176005/27176006  
Fax: 91-40-27172242  
E-Mail: info@vivimedlabs.com

**Auditors**

M/s P. Murali & Co., Chartered Accountants  
6-3-655/2/3, Somajiguda  
Hyderabad - 500082

**Internal Auditors**

M/s K.N. Murthy & Co., Chartered Accountants  
A-418, Mejastic Mansion,  
Shyamlal Buildings,  
Begumpet, Hyderabad – 500016

**Registrar & Transfer Agents**

Aarthi Consultants Private Limited  
1-2-285, Domalguda,  
Hyderabad – 500029  
Phone: 040-27638111/ 27634445  
Fax: 040-27632184  
Email: info@aarthicconsultants.com

**Listing**

Bombay Stock Exchange Limited  
National Stock Exchange of India Limited

**Bankers**

State Bank of Hyderabad  
Axis Bank  
EXIM Bank  
HDFC Bank

## Notice of the Annual General Meeting

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Notice is hereby given that the Twenty Second Annual General Meeting of the Members of Vivimed Labs Limited will be held on 18<sup>th</sup> September, 2010 at 11.30 A.M. at 78/A, Kolhar Industrial Area, Bidar – 585403, Karnataka to transact the following businesses:

### Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010, the Profit and Loss Account for the year ended on that date and the report of Directors and Auditors thereon.
2. To declare dividend on equity share.
3. To appoint a Director in place of Dr. M. Bhagvanth Rao, who retires by rotation and being eligible offers himself for re-appointment.
4. To reappoint M/s P. Murali & Co., Chartered Accountants, Hyderabad as Statutory Auditors of our Company to hold office from conclusion of this meeting until conclusion of next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

### Special Business

#### 5. Appointment of Mr. Nixon Patel as Director

To consider and if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution:

**“RESOLVED THAT** Mr. Nixon Patel, who was appointed as an Additional Director of our Company with effect from 28<sup>th</sup> June, 2010 and who holds office upto the date of this Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act, 1956 is eligible for appointment and our Company has received a notice in writing pursuant to the provisions of Section 257 of the Companies Act, 1956 from a member of our Company proposing his candidature for the office of director of our Company, and who has consented, if appointed, to act as a Director be and is hereby appointed as Director of our Company, who shall be liable to retire by rotation.”

#### 6. Appointment of Mr. Santosh Varalwar as Managing Director and CEO of the Company

**To Consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution**

**“RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the relevant provisions of Articles of Association of the Company, consent of members of our Company be and is hereby accorded to re-appoint Mr. Santosh Varalwar, who shall not be liable to retire by rotation, as Managing Director and CEO of our Company, for a period of Five Years with effect from 14<sup>th</sup> August, 2010 on such terms and conditions as are agreed to by the Board of Directors of our Company (Board of Directors shall be deemed to include the Remuneration Committee, constituted by the Board) but subject to restrictions, if any, contained in the Companies Act, 1956 and Schedule XIII of the said Act, as amended up to date or otherwise as may be permissible by law.”

**“FURTHER RESOLVED THAT** the total remuneration and perquisites payable to Mr. Santosh Varalwar, shall be restricted to 2% of net profit of our Company and where in any financial year comprised by the period of appointment, our Company has no profits or its profits are inadequate, the aforesaid remuneration and perquisites shall be paid to the Managing Director in accordance with the applicable provisions of Companies Act, 1956 and subject to approval of the Central Government, if any required.”

**“FURTHER RESOLVED THAT** the Board of Directors of our Company be and is hereby authorized to do all acts, deeds and things and execute all such documents, instruments and writings as may be required to give effect to the above resolution.”

#### 7. Appointment of Dr. V. Manohar Rao as Chairman and Whole Time Director of the Company

**To Consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:**

**“RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the relevant provisions of Articles of Association of the Company, consent of members of our Company be and is hereby accorded to re-appoint Dr. V. Manohar Rao, who shall not be



liable to retire by rotation, as Chairman and Whole Time Director of our Company, for a period of Five Years with effect from 14<sup>th</sup> August, 2010 on such terms and conditions as are agreed to by the 'Board of Directors' of our Company (Board of Directors shall be deemed to include the Remuneration Committee, constituted by the Board) but subject to restrictions, if any, contained in the Companies Act, 1956 and Schedule XIII of the said Act, as amended up to date or otherwise as may be permissible by law."

**"FURTHER RESOLVED THAT** the total remuneration and perquisites payable to Dr. V. Manohar Rao, shall be restricted to 2% of net profit of our Company and where in any financial year comprised by the period of appointment, our Company has no profits or its profits are inadequate, the aforesaid remuneration and perquisites shall be paid to the Chairman and Whole Time Director in accordance with the applicable provisions of Companies Act, 1956 and subject to approval of the Central Government, if any required."

**"FURTHER RESOLVED THAT** the Board of Directors of our Company be and is hereby authorized to do all acts, deeds and things and execute all such documents, instruments and writings as may be required to give effect to the above resolution."

#### 8. Appointment of Mr. Subhash Varalwar as Vice Chairman and Whole Time Director of the Company

**To Consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:**

**"RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the relevant provisions of Articles of Association of the Company, consent of members of our Company be and is hereby accorded to re-appoint Mr. Subhash Varalwar, who shall not be liable to retire by rotation, as Vice Chairman and Whole Time Director of our Company, for a period of Five Years with effect from 14<sup>th</sup> August, 2010 on such terms and conditions as are agreed to by the Board of Directors of our Company ('Board of Directors' shall be deemed to include the Remuneration Committee, constituted by the Board) but subject to restrictions, if any, contained in the Companies Act, 1956 and Schedule XIII of the said Act, as amended up to date or otherwise as may be permissible by law."

**"FURTHER RESOLVED THAT** the total remuneration and perquisites payable to Mr. Subhash Varalwar, shall be restricted to 2% of net profit of our Company and where in any financial year comprised by the period of appointment, our Company has no profits or its profits are inadequate, the aforesaid remuneration and perquisites shall be paid to the Vice Chairman and Whole Time Director in accordance with the applicable provisions of Companies Act, 1956 and subject to approval of the Central Government, if any required."

**"FURTHER RESOLVED THAT** the Board of Directors of our Company be and is hereby authorized to do all acts, deeds and things and execute all such documents, instruments and writings as may be required to give effect to the above resolution."

#### 9. Appointment of Mr. Sandeep Varalwar as Whole Time Director of the Company

**To Consider and if thought fit, to pass with or without modifications, the following resolution as Special Resolution**

**"RESOLVED THAT** pursuant to the provisions of Section 198,269,309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act,1956 (Including any statutory modification(s) or re enactment thereof, for the time being in force), the relevant provisions of Articles of Association of the Company, consent of our Company be and is hereby accorded to re- appoint Mr. Sandeep Varalwar, who shall not be liable to retire by rotation, as Whole Time Director of our Company, for a period of Five Years with effect from 14<sup>th</sup> August, 2010 on such terms and conditions as are agreed to by the Board of Directors of our Company ('Board of Directors' shall be deemed to include the Remuneration Committee, constituted by the Board) but subject to restrictions, if any, contained in the Companies Act, 1956 and Schedule XIII of the said Act, as amended up to date or otherwise as may be permissible by law."

**"FURTHER RESOLVED THAT** the total remuneration and perquisites payable to Mr. Sandeep Varalwar shall be restricted to 2% of net profit of our Company and where in any financial year comprised by the period of appointment, our Company has no profits or its profits are inadequate, the aforesaid remuneration and perquisites shall be paid to the Whole Time Director in accordance with the applicable provisions of the Companies Act, 1956 and subject to approval of the Central Government, if any required."

**"FURTHER RESOLVED THAT** the Board of Directors of our Company be and is hereby authorized to do all acts, deeds and things and execute all such documents, instruments and writings as may be required to give effect to the above resolution."

## 10. Appointment of Dr. R. K. Dhar as Whole Time Director of the Company

**To Consider and if thought fit to pass with or without modifications the following resolution as Special Resolution**

**“RESOLVED THAT**, pursuant to the provisions of Section 198, 269,309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re enactment thereof, for the time being in force), the relevant provisions of Articles of Association of the Company, consent of our Company be and is hereby accorded to re-appoint Dr. R.K. Dhar, who shall not be liable to retire by rotation, as Whole Time Director of our Company, for a period of Five Years with effect from 14<sup>th</sup> August, 2010 on such terms and conditions as are agreed to by the Board of Directors of our Company (‘Board of Directors’ shall be deemed to include the Remuneration Committee, constituted by the Board) but subject to restrictions, if any, contained in the Companies Act, 1956 and Schedule XIII of the said Act, as amended up to date or otherwise as may be permissible by law.”

**“FURTHER RESOLVED THAT**, the total remuneration and perquisites payable to Dr.R.K. Dhar shall be restricted to 1% of net profit of our Company and where in any financial year comprised by the period of appointment, our Company has no profits or its profits are inadequate, the aforesaid remuneration and perquisites shall be paid to the Whole Time Director in accordance with the applicable provisions of the Companies Act, 1956 and subject to approval of the Central Government, if any required.”

**“FURTHER RESOLVED THAT** the Board of Directors of our Company be and is hereby authorized to do all acts, deeds and things and execute all such documents, instruments and writings as may be required to give effect to the above resolution.”

## 11. Appointment of Mr. S. Raghunandan as Whole Time Director of the Company

**To Consider and if thought fit to pass with or without modifications the following resolutions as special Resolution**

**“RESOLVED THAT**, pursuant to the provisions of Section 198, 269,309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re enactment thereof, for the time being in force), the relevant provisions of Articles of Association of the Company, consent of our Company be and is hereby accorded to re-appoint Mr. S. Raghunandan, who shall not be liable to retire by rotation, as Whole Time Director of our Company, for a period of Five Years with effect from 14<sup>th</sup> August, 2010 on such terms and conditions as are agreed to by the Board of Directors of our Company (‘Board of Directors’ shall be deemed to include the Remuneration Committee, constituted by the Board) but subject to restrictions, if any, contained in the Companies Act, 1956 and Schedule XIII of the said Act, as amended up to date or otherwise as may be permissible by law.”

**“FURTHER RESOLVED THAT**, the total remuneration and perquisites payable to Mr. S. Raghunandan shall be restricted to 1% of net profit of our Company and where in any financial year comprised by the period of appointment, our Company has no profits or its profits are inadequate, the aforesaid remuneration and perquisites shall be paid to the Whole Time Director in accordance with the applicable provisions of the Companies Act, 1956 and subject to approval of the Central Government, if any required.”

**“FURTHER RESOLVED THAT**, the Board of Directors of our Company be and is hereby authorized to do all acts, deeds and things and execute all such documents, instruments and writings as may be required to give effect to the above resolution.”

## 12. To issue equity shares to the employees of the Company under the Employees Stock Option Scheme of the Company

**To Consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:**

**“RESOLVED THAT** pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (“the Act”), and in accordance with the provisions of the Memorandum and Articles of Association of the Company, provisions of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 (“the ESOP Guidelines”) including any statutory modification(s) or re-enactment of the Act or the ESOP Guidelines for the time being in force, the Listing Agreement entered into with the Stock Exchanges where the securities of the Company are listed or other relevant authority, from time to time, to the extent applicable and subject to such other conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions,



which may be agreed to by the Board of Directors of our Company (hereinafter referred to as “the Board” which term shall be deemed to include any Committee thereof constituted to exercise its powers, including the powers, conferred by this resolution), approval and consent of the Company be and is hereby accorded to the Board to implement the proposed Employees Stock Option Scheme 2010 (ESOS 2010) whose main features are provided in the explanatory statement and to create, offer, issue and allot in one or more tranches, under the said proposed ESOS 2010, at any time during the currency of the proposed ESOS 2010 to or for the benefit of employees, who are in permanent employment, including Directors of our Company whether working in or outside India not exceeding 4,00,000 equity shares arising on exercise of options issued under the said proposed ESOS 2010 and/or equity linked instruments including options and/or any other instrument or securities which could give rise to equity shares (hereinafter collectively referred to as “Securities”) of the Company. Each option is exercisable into one equity share of our Company at such exercise price and on such terms and conditions as may be fixed or determined by the Board in accordance with the Guidelines or other applicable provisions of law as may be prevailing at that time.”

**“RESOLVED FURTHER THAT** the said Securities may be granted/allotted directly to such employees/directors of our Company in accordance with the ESOS 2010 framed and tabled before the Board in any permissible manner.”

**“RESOLVED FURTHER THAT** the issue of Securities to any non-resident employee(s), non-resident Director(s) shall be subject to such approvals, permissions or consents under the Foreign Exchange Management Act or any other relevant rules and regulations as may be necessary from Reserve Bank of India or any other relevant authority in this regard.”

**“RESOLVED FURTHER THAT** the new equity shares to be issued and allotted by our Company in the manner aforesaid shall rank pari passu in all respects with the existing equity shares of our Company.”

**“RESOLVED FURTHER THAT** the Company shall conform to the accounting policies prescribed from time to time under the ESOP Guidelines.”

**“RESOLVED FURTHER THAT** the Board be and is hereby authorized to take necessary steps for listing of the Securities allotted upon exercise under the ESOS 2010, on the stock exchanges where our Company’s shares are listed as per the terms and conditions of the listing agreement entered into with the stock exchanges and other applicable guidelines, rules and regulations.”

**“RESOLVED FURTHER THAT** for the purpose of giving effect to any creation, offer, issue or allotment or listing of the Securities under the ESOS 2010, the Board/Compensation Committee be and is hereby authorized on behalf of our Company to evolve, decide upon and bring in to effect and make any modifications, changes, variations, alterations or revisions in the said ESOS 2010 or to suspend, withdraw or revive the ESOS 2010 from time to time as per the discretion of the Board and to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit or necessary or desirable for such purpose and with power on behalf of the Company to settle any issues, questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the shareholders of our Company”.

### **13. To issue equity shares to the employees of the subsidiaries of the Company under the Employees Stock Option Scheme of the Company**

**To Consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:**

**“RESOLVED THAT** pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (“the Act”), and in accordance with the provisions of the Memorandum and Articles of Association of the Company, provisions of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 (“the ESOP Guidelines”) including any statutory modification(s) or re-enactment of the Act or the ESOP Guidelines for the time being in force, the Listing Agreement entered into with the Stock Exchanges where the securities of the Company are listed or other relevant authority, from time to time, to the extent applicable and subject to such other conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of our Company (hereinafter referred to as “the Board” which term shall be deemed to include any Committee thereof constituted to exercise its powers, including the powers, conferred by this resolution), approval and consent of the Company be and is hereby accorded to the Board to implement the proposed Employees Stock Option Scheme 2010 (ESOS 2010) whose main features are provided in the explanatory statement and to create, offer, issue and allot in one or more tranches, under

the said proposed ESOS 2010, at any time during the currency of the proposed ESOS 2010 to or for the benefit of employees of the subsidiaries of our Company in or Outside India, who are in permanent employment, including Directors of the subsidiaries of our Company whether working in or outside India not exceeding 1,00,000 equity shares arising on exercise of options issued under the said proposed ESOS 2010 and/or equity linked instruments including options and/or any other instrument or securities which could give rise to equity shares (hereinafter collectively referred to as "Securities") of our Company. Each option is exercisable into one equity share of our Company at such exercise price and on such terms and conditions as may be fixed or determined by the Board in accordance with the Guidelines or other applicable provisions of law as may be prevailing at that time."

**"RESOLVED FURTHER THAT** the said Securities may be granted/allotted directly to such employees/directors of the subsidiaries of our Company in accordance with the ESOS 2010 framed as tabled before the Board in any permissible manner."

**"RESOLVED FURTHER THAT** the issue of Securities to any non-resident employee(s), non-resident Director(s) shall be subject to such approvals, permissions or consents under the Foreign Exchange Management Act or any other relevant rules and regulations as may be necessary from Reserve Bank of India or any other relevant authority in this regard."

**"RESOLVED FURTHER THAT** the new equity shares to be issued and allotted by the Company in the manner aforesaid shall rank pari passu in all respects with the existing equity shares of our Company."

**"RESOLVED FURTHER THAT** the Company shall conform to the accounting policies prescribed from time to time under the ESOP Guidelines."

**"RESOLVED FURTHER THAT** the Board be and is hereby authorized to take necessary steps for listing of the Securities allotted upon exercise under the ESOS 2010, on the stock exchanges where our Company's shares are listed as per the terms and conditions of the listing agreement with the stock exchanges and other applicable guidelines, rules and regulations."

**"RESOLVED FURTHER THAT** for the purpose of giving effect to any creation, offer, issue or allotment or listing of the Securities under the ESOS 2010, the Board be and is hereby authorized on behalf of our Company to evolve, decide upon and bring in to effect and make any modifications, changes, variations, alterations or revisions in the said ESOS 2010 or to suspend, withdraw or revive the ESOS 2010 from time to time as per the discretion of the Board and to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit or necessary or desirable for such purpose and with power on behalf of our Company to settle any issues, questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the shareholders of the Company."

**14. To amend article 101 of the Articles of Association so as to increase the maximum number of directors to 18**

**To Consider and if thought fit to pass with or without modifications the following resolution as special resolution**

**"RESOLVED THAT** subject to approval of the Central Government under Section 259, the maximum number of directors fixed by the Articles of Association of the Company be and is hereby increased from 12 to 18."

**"RESOLVED FURTHER THAT** Articles of Association be and are hereby altered pursuant to Section 31 of the Companies Act, 1956, by substituting the figure and word 18 (Eighteen) for the figure and words 12 (Twelve) in Article No. 101 thereof."





**Notes:**

1. An explanatory statement pursuant to Section 173(2) is annexed hereto.
2. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself/ herself and such proxy need not be a member of our Company. The authorized proxy form, if intended to be used, should reach the registered office of our Company duly completed not less than forty eight hours before the scheduled time of the meeting.
3. Corporate members are requested to send a duly certified copy of Board Resolution, pursuant to section 187 of the Companies Act, 1956 authorizing their representative to attend and vote at the Annual General Meeting.
4. Members/ proxies should bring duly filled attendance slips sent herewith for attending the meeting.
5. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification and attendance at the meeting.
6. The register of Members and Shares Transfer books will remain closed from 14<sup>th</sup> September, 2010 to 18<sup>th</sup> September, 2010 (both days inclusive).
7. Subject to provisions of Section 206A of the Companies Act, 1956, Dividend recommended by the Board of Directors, if declared at the meeting, will be payable on or after 23<sup>rd</sup> September, 2010 to the members whose names appear in the Register of Members on 14<sup>th</sup> September, 2010.
8. Members holding shares in electronic form may please note that their bank account detail as furnished by the representative depositories to our Company will be printed on the dividend warrant as per the applicable regulations of the depositories and our Company will not entertain any direct request from such members for deletion or change in such bank account details. Members may therefore give instructions regarding bank account details to their depository participants.
9. In order to provide protection against fraudulent encashment of dividend warrants, members who hold shares in physical form are requested to intimate our Company's Registrar and Share Transfer Agents, Aarthi Consultants Private Limited under the signature of sole/first joint holder the following information to be incorporated on the dividend warrants:  
Name of the sole/first joint holder and folio number.  
Particulars of Bank Accounts, Viz.  
Name of the Bank  
Name of the Branch  
Complete address of the Bank with PIN Code Number  
Account Type, whether, Saving Account (SA) or Current Account (CA)
10. Members are requested to address all correspondence including dividend matters to the Registrar and Share Transfer Agents – Aarthi Consultants Private Limited, 1-2-285, Domalguda, Hyderabad – 500029.
11. Shareholders of our Company are informed that pursuant to the provisions of Companies Act, 1956 the amount of dividend which remain unpaid/unclaimed for a period of 7 years would be transferred to the Investor Education and Protection Fund and the shareholders would not be able to claim any dividend so transferred to the fund. Members wishing to claim dividend which remain unclaimed, are requested to correspond with Mr. Fahim Aslam Khan, Company Secretary at Corporate Office of our Company for further clarifications.

By order of the Board  
For **Vivimed Labs Limited**

Sd/-

**Santosh Varalwar**  
Managing Director & CEO

Date : 14.08.2010  
Place : Hyderabad

## Explanatory Statement Pursuant to Section 173(2) of the Companies Act 1956

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### Item No. 5

#### **Appointment of Mr. Nixon Patel as a Director of the Company**

Mr. Nixon Patel was co-opted as an Additional Director of the Company with effect from 28<sup>th</sup> June, 2010 pursuant to the provisions of Section 260 of the Companies Act, 1956 read with Article 106 of the Articles of Association of the Company, Mr. Nixon Patel holds office of Director upto the date of the ensuing Annual General Meeting. The Company has received notice in writing from a member along with a deposit of Rs. 500/- proposing the candidature of Mr. Nixon Patel for the office of Director under the provisions of Section 257 of the Companies Act, 1956.

None of the Directors other than Mr. Nixon Patel is interested in the above resolution.

The Board recommends the resolution set forth in item no. 5 for approval of the Member.

### Item No. 6

#### **Appointment of Mr. Santosh Varalwar as Managing Director and CEO of the Company**

Mr. Santosh Varalwar was appointed as Managing Director of the Company by the Extra Ordinary General Meeting held on 27<sup>th</sup> January 2004, for a period of Five Years. Keeping in view the vast experience and qualification of Mr. Santosh Varalwar it is proposed by the Board that subject to approval of the members Mr. Santosh Varalwar be and is hereby reappointed as Managing Director and CEO of the Company for period of five years with effect from 14<sup>th</sup> August, 2010.

Members of the Company at their Annual General Meeting held on 27<sup>th</sup> December, 2007 had fixed the remuneration payable to Mr. Santosh Varalwar at Rs. 2, 50,000/- per month. It is proposed by the Board that subject to approval of the members at their general meeting remuneration upto an extent of 2% of net profit of the Company, in any financial year, be paid to Mr. Santosh Varalwar, during his current tenure as Managing Director and CEO of the Company.

None of the Directors other than Mr. Santosh Varalwar, Dr. V. Manohar Rao and Mr. Sandeep Varalwar is interested in the above resolution.

The Board recommends the resolution set forth in Item No. 6 for approval of the Members.

### Item No. 7

#### **Appointment of Dr. V. Manohar Rao as Chairman and Whole Time Director of the Company**

Dr. V. Manohar Rao has been on Board of the Company since 1994 acting as a director of the Company retiring by rotation. Keeping in view his vast experience, it is proposed by the Board that subject to approval of the members Dr. V. Manohar Rao be and is hereby appointed as Chairman and Whole Time Director of the Company, who shall not be liable to retire by rotation for a period of Five Years with effect from 14<sup>th</sup> August, 2010.

Members of the Company at their Annual General Meeting held on 27<sup>th</sup> December, 2007 had fixed the remuneration payable to Dr. V. Manohar Rao at Rs. 2, 00,000/- per month. It is proposed by the Board that subject to approval of the members at their general meeting remuneration upto an extent of 2% of net profit of the Company, in any financial year, be paid to Dr. V. Manohar Rao, during his current tenure as Chairman and Whole Time Director of the Company.

None of the Directors other than Dr. V. Manohar Rao, Mr. Santosh Varalwar and Mr. Sandeep Varalwar is interested in the above resolution.

The Board recommends the resolution set forth in Item No. 7 for approval of the Members.



#### Item No. 8

##### **Appointment of Mr. Subhash Varalwar as Vice Chairman and Whole Time Director of the Company**

Mr. Subhash Varalwar was appointed as Whole Time Director of the Company by the Extra Ordinary General Meeting held on 27<sup>th</sup> January, 2004 for a period of Five Years. Keeping in view the vast experience and qualification of Mr. Subhash Varalwar it has been decided by the Board of Directors that subject to approval of the members Mr. Subhash Varalwar be and is hereby reappointed for period of five years with effect from 14<sup>th</sup> August, 2010.

Members of the Company at their Annual General Meeting held on 27<sup>th</sup> December, 2007 had fixed the remuneration payable to Mr. Subhash Varalwar at Rs. 2, 00,000/- per month. It is proposed by the Board that subject to approval of the members at their general meeting remuneration upto an extent of 2% of net profit of the Company, in any financial year, be paid to Mr. Subhash Varalwar, during his current tenure as Vice Chairman and Whole Time Director of the Company.

None of the Directors other than Mr. Subhash Varalwar and Dr. V. Manohar Rao is interested in the above resolution.

The Board recommends the resolution set forth in Item No. 8 for approval of the Members.

#### Item No. 9

##### **Appointment of Mr. Sandeep Varalwar as Whole Time Director of the Company**

Mr. Sandeep Varalwar was appointed as Whole Time Director of the Company at the Annual General Meeting held on 27<sup>th</sup> September, 2008. Keeping in view the vast experience and qualification of Mr. Sandeep Varalwar, it has been decided by the Board of Directors that subject to approval of the members Mr. Sandeep Varalwar be and is hereby reappointed for a period of five years with effect from 14<sup>th</sup> August, 2010.

Members of the Company at their Annual General Meeting held on 27<sup>th</sup> September, 2008 had fixed the remuneration payable to Mr. Sandeep Varalwar at Rs. 2,00,000/- per month. It is proposed by the Board that subject to approval of the members at their general meeting remuneration upto an extent of 2% of the net profit of the Company, in any financial year, be paid to Mr Sandeep Varalwar, during his current tenure as Whole Time Director of the Company.

None of the Directors other than Mr. Sandeep Varalwar, Mr. Santosh Varalwar and Dr. V. Manohar Rao is interested in the above resolution.

The Board recommends the resolution set forth in Item No. 9 for approval of the Members.

#### Item No. 10

##### **Appointment of Dr. R.K. Dhar as Whole Time Director of the Company**

Dr.R.K. Dhar was appointed as Whole Time Director of the Company at the Annual General Meeting held on 27<sup>th</sup> September, 2008. Keeping in view the vast experience and qualification of Dr. R.K. Dhar, it has been decided by the Board of Directors that subject to approval of the members Dr. R.K. Dhar be and is hereby reappointed for a period of five years with effect from 14<sup>th</sup> August, 2010.

Members of the Company at their Annual General Meeting held on 27<sup>th</sup> September, 2008 had fixed the remuneration payable to Dr. R.K. Dhar at Rs. 90,000/- per month. It is proposed by the Board that subject to approval of the members at their general meeting remuneration upto an extent of 1% of the net profit of the Company, in any financial year, be paid to Dr. R.K. Dhar, during his current tenure as Whole Time Director of the Company.

None of the Directors other than Dr. R.K.Dhar is interested in the above resolution.

The Board recommends the resolution set forth in Item No. 10 for approval of the Members.

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**Item No. 11****Appointment of Mr. S. Raghunandan as Whole Time Director of the Company**

Mr. S. Raghunandan was appointed as Whole Time Director of the Company at the Annual General Meeting held on 27<sup>th</sup> September, 2008. Keeping in view the vast experience and qualification of Mr. S. Raghunandan, it has been decided by the Board of Directors that subject to approval of the members Mr. S. Raghunandan be and is hereby reappointed for a period of five years with effect from 14<sup>th</sup> September, 2010.

Members of the Company at their Annual General Meeting held on 27<sup>th</sup> September, 2008 had fixed the remuneration payable to Mr. S. Raghunandan at Rs. 90,000/- per month. It is proposed by the Board that subject to approval of the members at their general meeting remuneration upto an extent of 1% of the net profit of the Company, in any financial year, be paid to Mr.S. Raghunandan, during his current tenure as Whole Time Director of the Company.

None of the Directors other than Mr. S. Raghunandan is interested in the above resolution.

The Board recommends the resolution set forth in Item No. 11 for approval of the Members.

**Item No. 12 and 13****To issue equity shares to the employees of the Company under the ESOS 2010 of the Company and its Subsidiaries**

Your company has always believed in rewarding employees for their continuous hard work, dedication and support, which has led the company to a growth path. To enable more and more employees to enjoy the fruits of growth that the company has witnessed in the recent past it is proposed to implement an Employee Stock Option Scheme called ESOS 2010. The main objective of the scheme is to give employees who are performing well, a certain minimum opportunity to gain from the company's performance besides acting as a retention tool.

Stock Options have long been recognized, as an effective instrument, to align the interest of employees with those of the company. It provides an opportunity to the employees to share in the growth of the company, and create long term wealth While performing for themselves as employees of the Company.

Stock Options create a common sense of ownership between the Company and its employees, paving the way for an unified approach to the common objective of enhancing overall shareholders value.

The following explanatory statement, which sets out the various disclosures as required by clause 6 of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (herein referred to as the ESOP Guidelines).

The Salient features of the ESOS 2010 are as under:-

**(a) Total Number of Options to be granted**

The total number of options to be granted under this scheme to the employees including Directors of the Company whether working in or outside India of the Company and to the employees of its Subsidiary Companies would not exceed 5,00,000 Options. One option entitles the holder of option to apply for one equity share of the company.

**(b) Identification of classes of employees entitled to participate in the ESOS 2010**

The Permanent employees of the company and subsidiary companies including new employees joining them in future are eligible to participate in this ESOS 2010 Scheme.

Employees who are either promoter or belong to promoter group as defined in SEBI Guidelines will not be eligible for grant of options under this ESOS 2010.

Further, a Director who either by himself or through his relative or through any body corporate, directly or indirectly holds more than 10% of the outstanding equity shares of the Company shall not be eligible to participate in ESOS 2010.

The options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

**(c) Requirements of vesting and period of vesting**

The options granted shall vest so long as the employee continues to be in the employment of the company. Vesting of options shall take place over a maximum period of **4 years** with a minimum vesting period of 1 year from the date of grant.

Vesting of Employee Stock Options granted under ESOP 2010 occurs in tranches as follows:

Period	Vesting Proportion
End of one year from the date of Grant	20%
End of two years from the date of Grant	25%
End of three years from the date of Grant	25%
End of four years from the date of Grant	30%

**(d) Maximum period of vesting within which the options shall be vested**

The maximum period within which options shall be vested can extend upto **4 years** from the date of grant of options as may be decided by the Board.

**(e) Exercise Price or Pricing Formula**

The exercise price for the purpose of grant of options will be decided by the Board \ Compensation Committee subject to a maximum discount of 50% on latest available closing price, one day prior to the date of the meeting of the Board \ Compensation Committee in which the options are granted, on the Stock Exchange where there is highest trading volume on the said date.

**(f) Exercise Period and the process of Exercise**

The eligible employees shall be entitled to exercise the options upto a period of [two] years from the date of respective vesting of the options. The options would be exercisable by the employees in whole or in part.

The Options will be exercisable by the Employees by a written application to the designated officer of the Company, in such manner, and on execution of such documents, as may be prescribed by the Compensation Committee under the Scheme.

The Options will lapse if not exercised within the specified exercise period.

**(g) Appraisal Process for determining the eligibility of employees to ESOS – 2010**

The Company has formal performance appraisal system established where in the performance of the employees is assessed each year on the basis of various functional and managerial parameters such as years of service, qualifications and experience also due weightage is given to contribution towards growth of our company. The appraisal process is revised at regular intervals as per emerging global standards.

The Compensation Committee constituted under the ESOP Guidelines reviews the performance appraisal system of our Company.

The decision of the Board / Compensation Committee in this regard shall be final and binding on the employees. The Board / Committee may, in its sole discretion, vary the conditions on the basis of which the eligibility of the employees shall be determined.

**(h) Maximum number of options to be issued per employee and in aggregate**

The maximum number of options to be granted to each employee will depend upon the rank/designation of the employee as on the date of grant of options. However no employee shall be entitled to more that 1% of the issued capital at the time of grant of options in any single financial year of our company. Total number of options in aggregate reserved under the ESOS 2010 is 5,00,000.

The Compensation Committee shall decide on the number of options to be granted to each employee within this limit.

**(i) Accounting Methods**

Our company shall conform to the accounting policies specified in Clause 13.1 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, and /or such other guidelines as may be applicable from time to time.

**(j) Method of valuation of these options**

The Company shall calculate the employee compensation cost using intrinsic value method.

**(k) Discloser in the Directors' Report**

The Company shall calculate the employee compensation cost using the intrinsic value of the stock options. The difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if the company had used the fair value of the stock options shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the company shall also be disclosed in the Directors' Report.

Clause 6 of the ESOP Guidelines requires that any ESOS scheme for offering stock options to the employees of the company and its Subsidiary Companies must be approved by the shareholders by way of a special resolution. Furthermore, as the scheme will entail further shares to be offered to persons other than existing shareholders of the company, consent of the members is required by way of a special resolution pursuant to the provisions of Section 81(1A) of the Companies Act, 1956.

Accordingly the resolutions set as Item No.12 & 13 is being placed for the approval of shareholders pursuant to the provisions of Section 81 (1A) of the Companies Act, 1956 and Clause 6 of the ESOP Guidelines and all the applicable provisions of law for the time being in force.

As per the ESOP Guidelines, a separate resolution is required to be passed if the benefits of ESOS are to be extended to employees of the Subsidiary Companies. This separate Resolution under item No. 13 is being proposed accordingly, to cover those employees, and /or such other persons as may be permitted from time to time, under prevailing laws, rules and regulations, and /or amendments thereto from time to time.

None of the directors is interested in the above resolutions.

The Board recommends resolutions set forth in Items 12 and 13 for approval of the members.

**Item No. 14****To increase the maximum number of Directors of the Company to Eighteen**

Business of your Company has grown manifold and the pace of this growth is expected to continue over the coming years. Presently the Board of Directors of your Company comprises of 12 directors who are eminent professionals from diverse fields. It is proposed to further broad base the Board and induct new members on the Board.

However, Article 101 of the Articles of Association of the Company prescribes the maximum number of Board of Directors as 12 members. Your directors have therefore, resolved that alteration of the articles to this effect be made and maximum number of directors be increased to 18.

Section 259 of the Companies Act, 1956 requires that, any increase in maximum number of directors beyond 12 (if maximum number of directors fixed by the articles is 12) can be made only after getting approval from Central Government to this effect.

Furthermore Section 31 of the Companies Act, 1956 provides that any alteration in the Articles of Association can be made only by Special Resolution of members duly passed at their duly held general meeting.

None of the directors is interested in the above resolution.

The Board recommends the resolution set forth in Item No. 14 for approval of the members.

By order of the Board  
For **Vivimed Labs Limited**

Sd/-

**Santosh Varalwar**  
Managing Director & CEO

Date : 14.08.2010  
Place : Hyderabad



## Annexure to Notice – (Continued)

### Details of Directors seeking appointment/ reappointment at the 22<sup>nd</sup> Annual General Meeting (Pursuant to Clause 49 of the listing agreement)

#### 1. Dr. M. Bhagvanth Rao

Dr. M. Bhagvanth Rao aged 62 years is a Phd. in Chemical Engineering from Indian Institute of Sciences, Bangalore and has done his post doctoral studies in Tokyo Institute of Technology, Japan. He has memberships of various professional associations including fellowship in the Indian Institute of Chemical Engineers and A.P. Academy of Sciences, Life Membership of the Indian Society for Technical Education etc. He has over 32 years of experience in research and teaching in the fields of chemical reaction engineering, catalysis, thermodynamics and bio chemical engineering. He has been involved with the Osmania University, Hyderabad in various positions including the Dean of Development and UGC Affairs, Director of Regional Center for Urban and Environmental Studies and Director of Physical Education. He has various research publications to his credit some of which include articles in the Canadian Journal of Chemical Engineering, Industrial Engineering and Chemistry Fundamentals (USA), Journal of Polymer Sciences (USA), etc. He also acts as a research consultant to various laboratories like IICT, BHEL, R&D NFC etc.

Dr. M. Bhagvanth Rao does not hold directorship in any other Company.

#### 2. Mr. Nixon Patel

Mr. Nixon Patel aged 49 years is B.Tech (Hons.) from Indian Institute of Technology, Kharagpur and has done his MS in Computer Science from New Jersey Institute of Technology. Mr. Nixon Patel, is a successful entrepreneur with a proven track record for growing 5 businesses from startup to millions of US\$ in annual sales, developed in a short span of 20 years. His businesses are spread across the globe in the fields of Information Technology, Telecom, Pharmaceutical and Renewable energy industries.

Mr. Nixon Patel has the following Membership and Industry Affiliations:

- Advisory Committee Member at World Wide Web Consortium (W3C)
- Advisory Committee Member at Voice Browser Working Group (VBWG)

The other directorships held by Mr. Nixon Patel are as below:

1. Yantra Software Private Limited
2. Atri Pharma Research (India) Private Limited.

#### 3. Mr. Santosh Varalwar

Mr. Santosh Varalwar aged 48 years is a Management Graduate. He is the driving force behind the phenomenal growth of Vivimed Labs Limited. He worked in Shipping Corporation of India (SCI) and had an opportunity to understand in-depth maritime trade and had immense global exposure, which helped him subsequently to focus on international marketing.

He served Mercantile Marine for about Seven Years before embarking on a highly successful entrepreneurial journey. He has played an active role in VVS Pharmaceuticals from the year 1985 and later on expanded the business to manufacture APIs by acquiring EMGI Pharmaceuticals and Chemicals Private Limited, Bidar, which was later converted into a public limited company and named as Vivimed Labs Limited. Vivimed Labs Limited was listed on BSE/NSE in the year 2005 & the Public Issue was all time success having been over-subscribed 40 times. Since then, he steered the Company to various successful milestones and aptly merged the pharmaceutical and chemical division in the year 2007 to consolidate and create Global Identity. In 2009 under his leadership the Company went ahead to acquire two overseas companies namely James Robinson Limited (Now known as Vivimed Labs Europe Limited) in UK and Har- Met International Inc. in USA which got merged with Vivimed Labs USA Inc.

The other directorships held by Mr. Santosh Varalwar are as follows:

1. Creative Health Care Private Limited
2. Kreative Hosts Atria Private Limited
3. BBR Projects Private Limited
4. Atri Pharma Research (India) Private Limited
5. Sanvita Biotechnologies Private Limited
6. Vivimed Holdings Limited (Hong Kong)
7. Vivimed Labs Europe Limited (UK)
8. Vivimed Labs USA Inc. (USA)

#### 4. Dr. V. Manohar Rao

Dr. V. Manohar Rao aged 73 years is Retired Joint Director of “The Veterinary Biological and Research Institute” (VBRI) has done his post-graduation in Veterinary Sciences from Edinburgh University, U.K. He has more than 30 years experience in The Municipal Corporation of Hyderabad and Department of Animal Husbandry, Government of Andhra Pradesh. During his tenure with Department of Animal Husbandry, he was involved in administration and production of various vaccines for livestock and poultry. He worked as a special officer for Meat and Poultry Department Corporation Andhra Pradesh Government Enterprises.

He conceptualized and started VVS Pharmaceuticals and Chemicals Pvt. Ltd. (VVS), (Now stands merged with Vivimed Labs Limited). He is mainly responsible for developing a Sophisticated & well-equipped in-house Quality Control and introduced various cost control systems in production process. His expertise, knowledge and vision helped VVS to transform from a Biological Processing Unit into a Pharmaceutical Manufacturing Unit for manufacturing of Liquid Orals, Tablets, Capsules, Ointments etc.

The other directorships of Dr. V. Manohar Rao are as follows

1. Creative Health Care Private Limited
2. Kreative Hosts Atria Private Limited
3. BBR Projects Private Limited
4. Sanvita Biotechnologies Private Limited
5. Vivimed Holdings Limited (Hong Kong)
6. Vivimed Labs Europe Limited (UK)

#### 5. Mr. Subhash Varalwar

Mr. Subhash Varalwar age 62 years is a Post Graduate in Chemical Engineering and a Management Graduate from Leeds University, U.K. After his post graduation he joined The Fertilizer Corporation of India (FCI) in 1974 as Asst. Project Engineer (Chemical). He held various positions in FCI and worked on various areas like designing & commissioning of fertilizer plant, production etc. He resigned from FCI in 1989 to join Vivimed. Mr. Subhash brings along with him an exposure to various aspects of Industrial Management, including production, planning & commissioning, gained from 15 years of his career span with FCI.

Mr. Subhash is responsible for Technology & New Product Development in the chemical segment of the Company. He also heads Production, Quality control and R&D function. He successfully led the technical integration teams of UK/India after acquisition of James Robinson Limited and has successfully implemented the stringent regulatory compliances across all its manufacturing operations globally.

The other directorships of Mr. Subhash Varalwar are as follows:

1. Vivimed Holdings Limited (Hong Kong)
2. Vivimed Labs Europe Limited (UK)

#### 6. Mr. Sandeep Varalwar

Mr. Sandeep Varalwar aged 41 years has completed his Graduation in B. Pharmacy. After completion of graduation, he gained 18 years of rich experience in manufacturing and marketing divisions of Pharma industry.

He is the main strength behind the growth of Pharma division of the Company and took an active role in VVS Pharmaceuticals and Chemicals Private Limited. After the Company's merger with Vivimed Labs Limited Mr. Sandeep Varalwar was appointed as a whole time Director on the Board of Vivimed Labs Limited.

The other directorships of Mr. Sandeep Varalwar are as follows:

1. Creative Healthcare Private Limited
2. BBR Projects Private Limited
3. Vivimed Labs Europe Limited





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**7. Dr. R. K. Dhar**

Dr. Dhar aged 55 years have done his Post Doctoral studies at Marburg, Germany, started his career with Hoechst R & D Germany, and ever since has been involved in Organic Synthetic chemistry for more than a couple of decades. Has several novel product developments to his credit, and was the chief architect of Vivimed's VINTOX- NDGA. Has been involved with Vivimed since inception and his responsibility is to guide and steer the R & D team to achieve the organisation's objectives as a technical anchor.

Dr. R.K. Dhar does not hold directorship in any other Company.

**8. Mr. S. Raghunandan**

Mr. S. Raghunandan aged 49 years is a Science Post Graduate, began his career with Chandra Pharmaceuticals – the largest producers of Ibuprofen in India at that time, and was with them handling various aspects of Production. Joined Vivimed as Head- Production at Bidar Plant and subsequently rose to the position of Director – Production. His association with the company is now more than 18 years

Mr. Raghunandan does not hold directorship in any other Company.

## Directors' Report

To the Members,

Your Directors have pleasure in presenting Twenty Second Annual Report together with the Audited Accounts of the Financial Year ended on 31<sup>st</sup> March 2010.

### Financial Performance

Rs. million

Particulars	Standalone		Consolidated	
	2009-10	2008-09	2009-10	2008-09
Total Income	2,141.78	1,570.57	3,524.66	2,904.29
Operating Expenses	1,723.63	1,252.85	2,819.97	2,423.33
Operating Profit (EBITDA)	418.15	317.71	704.69	480.96
Interest	144.37	95.70	212.28	172.73
Depreciation & Amortisation	52.54	39.08	95.96	77.09
Profit Before Tax	221.24	182.93	396.45	231.14
Profit After Tax	165.40	145.99	310.11	193.52
Dividend (%)	15%	15%	15%	15%

### OPERATIONS REVIEW

During the financial year ended March 31, 2010, your Company has scaled new heights and set new benchmarks in terms of Income and profitability.

#### Standalone Highlights

Total Income increased from Rs 1570.57 Million during the previous year to Rs 2141.78 Million in the year under review, registering a growth of 36.37%.

Operating Profit, before interest and depreciation, amounted to Rs 418.15 Million as against Rs 317.71 Million during the previous year, an increase of 31.61%.

Net Profit, after providing for interest, depreciation and Tax amounted to Rs 165.40 Million as against Rs 145.99 Million during the previous year, registering an increase of 13.30%.

The amount available for appropriations, including surplus from previous year amounted to Rs 813.14 Million. A Surplus of Rs 786.15 Million has been carried forward after providing for Dividend of Rs 14.95 Million, dividend tax Rs 2.54 Million and Transfer to General Reserve of Rs 9.50 Million.

#### Consolidated Highlights

The Consolidated Total Income from operations in India, UK and USA amounted to Rs 3524.66 Million and Net Profit, after providing for interest, depreciation and tax amounted to Rs 310.11 Million recording a growth of 21.36% in total income and 60.25% in Net Profit respectively.

The brake up of sales revenues between the two segments is as under:

Specialty Chemicals Rs 2614.88 Million (76.13%) Pharma Rs 819.98 Million (23.87%).

#### Earnings Per Share

EPS: Rs 31.87 for the year under review as against Rs 20.58 during the previous year.

### CAPITAL STRUCTURE

#### Changes to Share Capital

During the year under review the Issued, Subscribed and Paid up Capital has increased by Rs. 5.64 Million due to allotment of Equity Shares on Conversion of Foreign Currency Convertible Bonds (FCCB's). The Authorised Share Capital of our Company stands at Rs. 150 Million.

**Foreign Currency Convertible Bonds**

Your Company issued Foreign Currency Convertible Bonds as under:

Particulars	Year of Issue	Number and Denomination of Bonds	Size of Issue
1% Coupon Unsecured Foreign Currency Convertible Bonds Due 2012	2007	15000 Bonds of US\$ 1000 each	US \$ 15 million

**CONVERSION AND BUY BACK DETAILS**

Particulars	Details
Conversion Period	2 <sup>nd</sup> May 2007 to 19 <sup>th</sup> January 2012
Number of Bonds converted during the Year	2,500
Conversion Price Per Equity Share	Rs. 185
Number of Equity Shares Issued on Conversion	563,918
Number of Bonds Bought and cancelled	12,500
Number of Bonds Outstanding	Nil

**DIVIDEND**

Your Directors recommend a Dividend of Rs 1.50 on fully paid equity share of Rs 10 each for the FY2009-10 for your approval. There will be no tax deduction at source on Dividend Payments, but our Company will have to bear tax on dividend @16.995%, inclusive of surcharge and cess.

The dividend if approved, shall be payable to the shareholders registered in the books of our Company as the beneficial owners as per details furnished by the depositories, determined with reference to the book closure from September 14, 2010 to September 18, 2010 (both days inclusive).

**TRANSFER TO RESERVES**

The Board has decided to transfer an amount of Rs 9.50 Million to General Reserves.

**SUBSIDIARIES**

The Company has four Subsidiary Companies including one step down subsidiary as on 31<sup>st</sup> March, 2010

- Creative Health Care Private Limited
- Vivimed Holdings Limited (Hong Kong)
- Vivimed Labs Europe Limited (UK) {Previously Known as James Robinson Limited}
- Vivimed Labs USA Inc. (USA)

The consolidated financial statements, in terms of Clause 32 of the Listing Agreement and in terms of Accounting Standard 21 issued by the Institute of Chartered Accountants of India (ICAI) form part of Annual Report.

The Ministry of Corporate Affairs, Government of India has granted exemption under Section 212(8) of the Companies Act, 1956 from attaching the balance sheet, profit and loss account and other documents of subsidiary companies to the balance sheet of the holding Company. The members may refer to the Statement under Section 212 of the Companies Act, 1956 and summary information on the financials of the subsidiaries, in terms of the said approval of Ministry of Corporate Affairs, appended to the above statement under Section 212 of the Companies Act, 1956 in **Annexure 'A'** which forms part of this Report for further information on these subsidiaries. Annual accounts of the subsidiary companies and the related detailed information will be made available to the holding and subsidiary companies investors seeking such information at any point of time. The annual accounts of the subsidiary companies are kept for inspection by any investor at its Corporate Office in Hyderabad.

## ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Details of energy conservation and research and development activities undertaken by our Company along with the information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in **Annexure 'B'** of this Report.

## PARTICULARS OF EMPLOYEES

Pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended; the names and other particulars of the employees are set out in the **Annexure 'C'** to this Report.

## HUMAN RESOURCE MANAGEMENT

Our Company has a forward looking human resource development strategy, which focuses on talent management and strengthening the talent pool. Systems are aligned to foster excellence, empower and enrich employees, recognize creativity, innovation and reward performance.

HRD strategy focuses on integration of diverse work cultures to strengthen the Vivimed management philosophy and style that synergizes the skill sets across the board to maximize fulfillment of individual aspirations and value addition to the company.

## RISK MANAGEMENT

Our Company is in the process of implementing a risk management framework that enables active monitoring of the business environment and identification, assessment and mitigation of potential internal or external risks.

Our Company promotes strong ethical values and high levels of integrity in all its activities, which in itself is a significant measure of control of risk.

## DIRECTORS

Dr. M. Bhagvanth Rao, retires by rotation at the ensuing Annual General Meeting scheduled to be held on 18<sup>th</sup> September, 2010 and being eligible offers himself for reappointment.

Board of Directors appointed Mr. Nixon Patel as an Additional Director on the Board of our Company on 28<sup>th</sup> June, 2010. He will hold office till the forthcoming Annual General Meeting scheduled to be held on 18<sup>th</sup> September, 2010. Notice under Section 257 of the Companies Act, 1956 has been received from a member of our Company proposing his appointment. The resolution for the same has been included in the notice of Annual General Meeting scheduled to be held on 18<sup>th</sup> September, 2010.

Tenure of Appointment of Mr. Santosh Varalwar and Mr. Subhash Varalwar is completed and they being eligible offer themselves for reappointment.

Dr. V. Manohar Rao has been acting as director retiring by rotation, being eligible he offers himself for reappointment as Director who shall not be liable to retire by rotation.

Mr. Sandeep Varalwar, Dr. R.K.Dhar and Mr. S. Raghunandan were appointed as whole time directors at the Annual General Meeting of our Company held on 27<sup>th</sup> September, 2008 their tenure is being further extended for a period of five years and they being eligible offer themselves for reappointment.

## AUDITORS

Statutory Auditors of our Company M/s P. Murali & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office of Auditors, if reappointed. The Board of Directors recommended reappointment of M/s P. Murali & Co. as Statutory Auditors of our Company for the financial year 2010-11 for shareholders approval.

## GROUP

Individuals and Companies comprising the 'Group' as defined in Monopolistic and Restrictive Trade Practices ('MRTP') Act, 1969 are disclosed in **Annexure 'D'** to this report.



## FIXED DEPOSITS

Our Company has not accepted any fixed deposits under Section 58A of the Companies Act, 1956 hence no principal or interest was outstanding.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report of our Company has been provided in **Annexure 'E'** which forms part of this Report.

## CORPORATE GOVERNANCE REPORT AND GENERAL SHAREHOLDERS INFORMATION

As required by Clause 49(VI) of the listing agreement entered into by our Company with the stock exchanges, a detailed report on Corporate Governance is provided in **Annexure 'F'** of this Report. Auditors Certificate on compliance with Corporate Governance requirements is given in **Annexure 'G'** to this report. Declaration of the Managing Director and CEO in terms of Clause 49(1)(d)(iii) of Listing Agreement relating to compliance with code of conduct by Board Members is given in **Annexure 'H'** of this Report. The General Shareholders Information has been provided as **Annexure 'I'** which forms part of this Report.

## DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors Confirm that –

1. They followed applicable accounting standards in preparation of annual accounts and that there are no material departures except elimination of interest on inter Company loans within the group as per AS-11 to the tune of Rs. 18.11 Million shown under other income and financing charges.
2. They consulted Statutory Auditors in selection of the accounting policies and applied policies consistently and made judgments and estimates that are reasonable and prudent so that they give a true and fair view of the state of affairs of our Company at the end of the financial year and of the profit of our Company for that period;
3. They took proper and sufficient care to the best of their knowledge and ability for maintenance of adequate accounting records in accordance with provisions of the Companies Act, 1956, for safeguarding the assets of our Company and for preventing and detecting fraud and other irregularities.
4. They prepared the annual accounts on a going concern basis.

## ACKNOWLEDGEMENT

Your Directors place on record their sincere appreciation of significant contribution made by our employees through dedication, hard work and commitment and thank our customers for the trust reposed on us.

Your Directors acknowledge the support and wise counsel extended to us by bankers, government agencies, shareholders and stake holders at large and look forward to have the same support in our endeavor to attain our vision.

For and on Behalf of Board of Directors

Sd/-

Date : 14.08.2010  
Place : Hyderabad

**Dr. V. Manohar Rao**  
Chairman

**Santosh Varalwar**  
Managing Director & CEO

## Annexure 'A' to Directors' Report

### Statement under to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies

Name of the Subsidiary Company	Creative Health Care Private Limited	Vivimed Holdings Limited	Vivimed Labs Europe Limited	Vivimed Labs USA Inc.
Financial Year ended	31.03.2010	31.03.2010	31.03.2010	31.03.2010
Shares of the Subsidiary Company held by the Company				
a) Number	2,500,000	10,000	100,000	1,000
b) Face Value	Rs.10	HKD1	GBP 1	USD.01
c) Extent of Holding	100%	100%	100%	100%
			(Held through Vivimed Holdings Limited)	
The net aggregate of profit /loss of the subsidiary for the above financial year so far as they concern the members of the Company and is not dealt with in the accounts of the Company:	Not Applicable	Not Applicable	Not Applicable	Not Applicable
a) For the financial year ended on 31 <sup>st</sup> March, 2010				
b) For the previous financial year of the Company since it became a subsidiary				
The net aggregate of profit/ (loss) of the subsidiaries for the above financial year so far as they concern the members of the Company and are dealt with in the accounts of the Company:				
a) For the financial year ended on 31 <sup>st</sup> March, 2010 Rs. million	<b>40.94</b>	<b>(28.95)</b>	132.47	<b>0.23</b>
b) For the previous financial year of the subsidiaries since it became a subsidiary Rs. million	34.17	<b>(45.48)</b>	<b>58,84</b>	<b>N.A.</b>
Change in holding company's interest in the subsidiaries between the end of the financial year of the subsidiary and the end of the holding Company's financial year	Not applicable as financial year of the holding and the subsidiary companies coincide			
Material Changes which have occurred between the end of the aforesaid financial year of the subsidiaries and the end of the holding company's financial year in respect of:	Not applicable as financial year of the holding and the subsidiary companies coincide			
a) the subsidiaries fixed assets				
b) its investment				
c) money lent by the subsidiary company				
d) the money borrowed by it for any purpose other than that of meeting current liabilities				



## Subsidiary Companies Particulars

Rs. million

Particulars	Creative Health Care Private Limited, India	Vivimed Holding Limited, Hong Kong	Vivimed Labs Europe Limited, UK	Vivimed Labs USA Inc., USA
Capital	25.00	0.06	7.30	0.00045
Reserves	100.26	(74.48)	201.69	9.23
Total Assets	242.00	940.26	459.64	249.89
Total outside Liabilities	116.74	1014.68	250.65	240.66
Investments	Nil	(Investment in Subsidiary) 730.41	Nil	Nil
Turnover	332.79	13.83	1189.33	164.70
Profit Before Tax	40.92	(28.95)	161.01	2.21
Provision for Taxation	(0.02)	Nil	28.54	1.98
Profit After Tax	40.94	(28.95)	132.47	0.23
Proposed Dividend	Nil	Nil	Nil	Nil

## Annexure 'B' to Directors' Report

Disclosure Under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988

### Conservation of Energy

#### a. Energy Conservation measures taken:

Improvement in energy efficiency is a continuous process at Vivimed Labs Limited and conservation of energy is given a very high priority. Energy audits and benchmarking are done regularly to identify the areas of improvement and steps are taken to implement the measures required for such improvements.

Measures taken during the year under review in this regard are as follows:

- Well glass mount fixtures of 46 watts capacity were installed in Ethanol column and Multi Eject Evaporator of Unit -II at Bonthapally Plant in place of 125 Watts Well Glass fixtures.
- Switchover to Plastic Vial production from Glass Vial production which consumes lesser power.
- Coal intensifier is being used for complete burning of coal, so that the total calorific value of coal is utilized. The total latent heat generated thereby is transferred to steam generation resulting in reduction of coal consumption at our Bidar Plant.
- Steam condensate is collected in a tank and reused as boiler feed water. It is recycled through the boiler wherein outgoing flue gas will transfer latent heat to the condensate water thus resulting in conservation of coal & water resources.
- Periodical energy audit is conducted in all the manufacturing plants.

#### b. Impact of above measures:

- Reduction in Diesel Consumption
- Substantial reduction in Annual Power Bills

### Form for disclosure of particulars with respect to conservation of energy

#### A. Power and fuel consumption

##### 1. Electricity

(a) Purchased		Year ended 31.03.2010	Year ended 31.03.2009
Unit	(Million Kwh)	7.40	5.74
Total amount	(Rs. million)	31.43	28.26
Rate/unit	(Rs)	4.24	4.92
<b>(b) Own generation</b>			
<b>(i) Through diesel</b>			
Units	(Million Kwh)	1.67	-
Units - Diesel consumed	(Million Litres)	-	1.16
Previous Year amount spent	(Rs. million)	19.65	35.13
Cost per unit	(Rs.)	11.76	-
Cost per unit of diesel	(Rs.)	35.29	30.15
<b>2. Coal (specify quality and where used)</b>		C/D grade coal used as fuel for 3TPH 1TPH coal fired boilers	
Quantity	(MT)	5163.30	-
Total cost	(Rs. million)	20.24	-
Average rate Per tonne	(Rs.)	3921	-





## Disclosure on technology absorption

### Specific areas of Research and Development

Our company remained focused on discovery and new technology development drawing out of its knowledge base and adopting advanced techniques including which also include analytical and trace impurity profiling.

As a part of R&D strategy some of the specific areas addressed are:

- 1. Skin Whiteners with anti-tyrosinase activity:** The R&D is presently involved with synthesis and invitro testing of organic entities in this segment, the biological part also include cell line proliferation, and invitro toxicology.
- 2. Sun screens:** Development activity in this area is tied up with the invitro screening of large number of organic moieties with UV-A and UV-B blocking properties & concomitant enhancement of the SPF values of the screened compounds.
- 3. Anti wrinkle compounds:** Large number of compounds with appropriate redox potential have been synthesized for the management of micro-wrinkle proliferation; many of these compounds have leads in the natural product chemistry.
- 4. Anti fungal and anti dandruff compounds:** The company is presently in a process of incorporating nano particle technology for improving the activity profile of certain existing products like Zinc pyrithone and Climbazole.
- 5. Oral care segment:** Triclosan technology up gradation has been fully implemented, and key areas including USP 32 standard for Triclosan surpassed. The toxicological / environmental impact profile of Triclosan has also been completed. All these detailed studies have enabled the company to address the worldwide concerns regarding Triclosan. In addition to Triclosan large numbers of natural actives are presently undergoing detailed profiling.
- 6. Plastics and polymers:** A new range of UV-absorbers have been developed for a wide range of plastics and polymers. Impacted Triclosan with higher bulk density has also been developed for the plastic-polymer sector.
- 7. Photochromics:** About twenty high value photochromics have so far been commercialized. Intense R&D efforts for technology, applications and performance study are presently in place. This area of R&D is also a part of our technology absorption endeavor.
- 8. Hair dyes:** Novel hair dye synthons are presently awaiting toxicity clearance.
- 9. High performance chemicals:** Quaternised Guar gums with inherent silicone entrapment properties have been successfully synthesized & test marketed, other compounds awaiting toxicity testing is "Kinerase" which exhibits novel DNA repair properties.
- 10. Company has laid emphasis on high value added segments such as photocromics and sun synthesis.**

### Benefits derived as a result of the above R&D efforts:

With a leap taken by the company in areas of performance chemicals & cosmetic actives the direct benefits that resulted are:

- (i) A near coverage of the body care segment.
- (ii) A directed – chemical / natural product approach to address the problems of larger FMCG companies.
- (iii) Minimal attrition due to a novel pipeline.
- (iv) Cost and time cutting for our international clients.
- (v) Novelty induction in the areas of beauty & body care.

### Future plan of action:

The R&D has successfully integrated its activities with all the majors in the FMCG industry and hence post adaptation, R&D will primarily aim at:

- (i) Integrative organic synthesis.
- (ii) Biological activity and screening.
- (iii) A large analytical backup including H-NMR, C-NMR, GC-MS, X-ray spectroscopy.
- (iv) Invitro enzyme profiling and bio-tech laboratory.

### Expenditure on R&D

(a) Capital - Rs. 12.17 million

(b) Recurring - Rs. 33.65 million

Total - Rs. 45.82 million

Total R&D Expenditure as a percentage of total turnover - 1.33%

### Technology absorption, adaptation and innovation

Efforts made towards technology absorption, adaptation, and innovation:

The following four extremely critical areas of technology have been absorbed with complete success and adapted to the Indian scene & the European point of view regarding product acceptability and process robustness.

(i) Complex hair colorants.

(ii) Black & White photographic.

(iii) Photochromics

(iv) Analytical profiles adapted to the new European directives.

Imported technology	Year of Import	Status
Photochromics	FY 2008-09	Fully absorbed
Hair dyes	FY 2008-09	Fully absorbed
Black & White photography chemicals	FY 2008-09	Fully absorbed

### Benefits derived as a result of above efforts:

Apart from entering into a complex chemical technology area which has resulted in a large basket of products, that can be offered to the customers, the technology integration has also directly resulted in cost reduction and product profile improvement.

### Foreign Exchange Earnings and Outgo

Particulars	Foreign Currency	Year ended 31.03.2010		Year ended 31.03.2009	
		Amount in Foreign Currency	Rs. million	Amount in Foreign Currency	Rs. million
<b>EARNINGS</b>					
On Export of Goods	USD	13,048,764	589.02	8,947,707	371.81
	EURO	4,614,065	279.42	2,137,717	127.24
<b>OUTGO</b>					
Raw Materials	USD	4,469,028	201.73	3,623,189	143.50
	EURO	422,144	25.57	165,499	10.16
Capital Goods	USD	9,465	0.43	-	-
	EURO	3,121	0.19	-	-
	YEN	9,725,054	4.71	-	-
Foreign Exhibitions	USD	14,527	0.66	-	-
	GBP	6,242	0.42	-	-
	SGD	710	0.02	-	-
FCCB Buy Back	USD	9,010,250	406.72	-	-
Travelling	GBP	22,510	1.53	-	-
	USD	48,550	2.28	-	-
Foreign Company Renewal Fee	HKD	4,265	0.02	-	-
Foreign Currency Term Loan	USD	1,559,586	70.34	-	-
Others (Analytical Charges, Subscriptions for Journals, Legal Opinion charges, etc.)	USD	29,550	1.33	-	-
	EURO	508	0.03	-	-

## Annexure 'C' to Directors' Report

Statement under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employee's) Rules, 1975 and forming part of the Directors' Report for the Year ended 31<sup>st</sup> March, 2010.

Name of the employee	Age	Designation/ Nature of Duty	Gross Remuneration Rs. million	Qualification	Experience Years	Date Commencement of employment	Particulars of Last Employment
Dr. V. Manohar Rao	73	Chairman	2.40	Post-graduation in Veterinary Sciences from Edinburgh University, U.K and Phd.	More than 40 Years	10.11.1994	Joint Director of "The Veterinary Biological and Research Institute" (VBR)
Mr. Santosh Varalwar	48	Managing Director and CEO	3.00	Management Graduate from Osmania University	25 Years	09.11.1989	Chief Officer – Shipping Corporation of India
Mr. Subhash Varalwar	62	Vice Chairman	2.40	Post Graduate in Chemical Engineering and Management Graduate from Leeds University, U.K.	36 Years	09.11.1989	Project Engineer (Chemical) – Fertilizer Corporation of India
Mr. Sandeep Varalwar	41	Whole Time Director	2.40	B. Pharma	18 Years	23.01.2008	Executive Director VVS Pharmaceuticals

## Annexure 'D' to Directors' Report

### Group under MRTTP Act, 1969

Persons in the 'Group' as defined in the Monopolies and Restrictive Trade Practices Act, 1969 for the purpose of inter – se transfer of Shares under Regulation 3(1)(e)(i) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as amended from time to time are:

Sl. No.	Name of Person / Entity
1	Santosh Varalwar and his relatives
2	BBR Project Private Limited
3	Manohar Rao Varalwar and his relatives
4	Vithabai Varalwar and her relatives
5	Sandeep Varalwar and his relatives
6	Sujatha Varalwar and her relatives
7	Subhash Varalwar and his relatives
8	AMN Hotels Private Limited
9	Sheetal Varalwar and her relatives
10	Padma Varalwar and her relatives
11	Dr. V. Vijay Kumar and his relatives
12	Madhavi Varalwar and her relatives
13	Ashwini Gooty Agraharam and her relatives
14	S. Raghunandan and his relatives
15	Mamata Gurnurkar and her relatives
16	M N Estates Private Limited
17	Neelima and her relatives
18	Butterfly Agri Products Private Limited
19	Venkatesh Gangakhedkar and his relatives
20	Saurabh Gurnurkar and his relatives
21	Smita Gangakhedkar and her relatives
22	Vipul R Shah and his relatives
23	S Chandra Shekhar Rao and his relatives
24	Dr. Satish Gooty and his relatives
25	Ramesh Challa and his relatives
26	Ghanshyam M Nihalani and his relatives
27	Narendra C Surti and his relatives
28	N M Infrastructures Private Limited
29	Satish Gooty Agraharam and his relatives
30	Bhandachary and his relatives
31	Sadhanala Venkata Rao and his relatives
32	G Mamta and her relatives
33	Amita Patel and her relatives



## Annexure 'E' to Directors' Report

### Management Discussion and Analysis

#### Industry Structure and Developments

Your Company has presence in two different industry segments viz. Specialty Chemicals and Pharma Manufacturing.

#### Vivimed Labs Limited

Vivimed Labs Limited (VLL) is engaged in manufacturing of Specialty Chemicals (mainly used in Personal Care and Cosmetic Industry), Pharmaceuticals, API's and Formulations. VLL has strong presence in the areas of Health & Personal Care, Contract Research and Manufacturing.

The current portfolio of the company has a wide range of Specialty Chemicals (Active Ingredients) supplied to leading global manufacturers of (1) Beauty Care Products like hair care, skin care, sun care and oral care products, (2) Industrial care products such as Anti-microbial, anti-fouling agents and biocides and (3) health care products like **pharmaceutical** Finished Drug Forms for cancer, tuberculosis. The company has been growing steadily over the last two decades.

#### Specialty Chemicals

**Specialty chemicals** are a category of relatively high valued, rapidly growing chemicals with diverse end product markets. Specialty Chemicals are sometimes referred to as "fine chemicals."

- The global specialty chemicals market shrank by 1.8% in 2009 to reach a value of \$639.9 billion.
- In 2014, the global specialty chemicals market is forecast to have a value of \$892.1 billion, an increase of 39.4% since 2009.
- Fine Chemicals is the largest segment of the global specialty chemicals market, accounting for 28.7% of the market's total value.

The specialty chemicals industry consists of approximately fifty segments including construction chemicals, electronic chemicals, polymer additives, textile chemicals and oil field chemicals. The market is concentrated largely in the US, Europe and Japan but future growth is expected to come from the emerging Asian markets. The high growth rates in these economies are ushering in prosperity and improved life style which mandate a greater usage of productivity and performance enhancing materials.

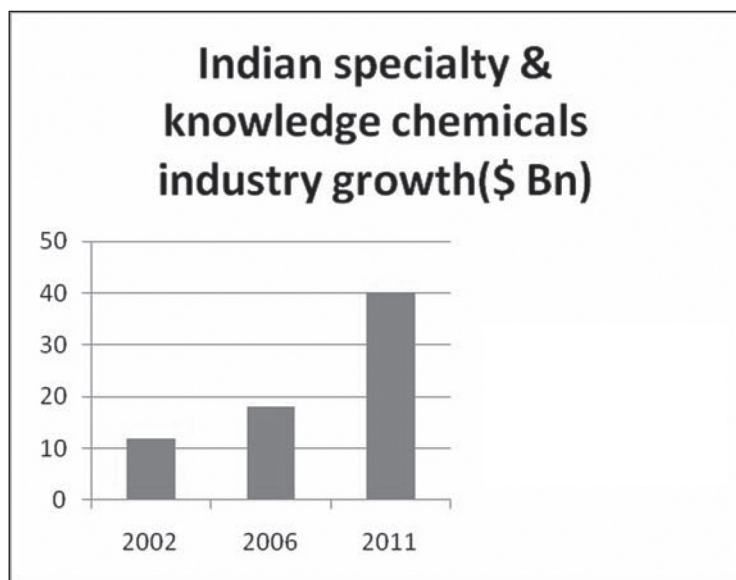
Driven by a continued strong increase in consumer spending (it is expected, that household consumption will more than double from 2010 to 2020) the Specialty Chemicals Industry catering for downstream consumer products should enjoy significant growth rates over the ensuing years.

The Indian specialty chemicals market including knowledge chemicals is likely to double to USD 40 bn by 2011, registering a 17% annual growth rate. Typically this industry grows twice the GDP growth rate in emerging economies, which further strengthens the projected estimate. The industry is driven by twin growth engines: domestic demand (consumption in end user industries) and exports based production (India becoming a preferred destination to build global presence).

The use of surfactants (about 90% of which is the Home and Personal Care Industry) is expected to grow in value from Rs. 8,000 Crores in 2010 to Rs. 20,000 Crores (estimated) in 2020. This growth is based on an expected 13% p.a. increase in value of the Home and Personal Care Market, 14% p.a. for Paints and Coatings, and 11% p.a. for Agrochemicals. Moreover, a shift from commodity type products to higher value products is being observed, which will allow the Specialty Chemicals Industry to grow much faster than the commodity type of products.

Global specialty majors are establishing base in high growth Asian economies not only to participate in their growth by offering products and services tailored to meet the exact needs of the local customers but also to leverage their low cost advantage. Much of this investment till now has been in China, a trend likely to be altered in the future with India establishing itself as a reliable and cost effective supplier.

India is establishing itself as a major hub for manufacturing and R&D. Besides providing access to a rich pool of knowledge workers, India provides a robust legal and regulatory framework for research based development. India became a signatory to TRIPS in 1995. A lot of companies are getting their products patented in India. All these factors have contributed to India evolving into an attractive investment destination.



From the year 2002 to 2006 the industry has grown at a CAGR of 11% and is likely to grow @ CAGR of 17% upto 2011.

### Specialty Chemicals Division

In the backdrop of a global slowdown and decreased business volumes worldwide, Vivimed Specialty Chemicals Division has registered a commendable increase in sales in the year under review. Sales increased by Rs. 673.63 Million registering an year on year increase of 24.40%. This was made possible by a growth strategy that involved a mix of strategic measures to enhance the global presence as well as brand positioning of the company and its products.

Vivimed Labs USA Inc. a wholly owned subsidiary of your Company acquired Harmet International Inc, our former distribution partner in the USA during the year. This is part of our strategic intent to increase the company's presence and reach within the NAFTA region.

The company undertook a global rebranding exercise during the year, which also resulted in James Robinson Ltd becoming Vivimed Labs Europe Ltd. This was part of our strategic plan in increasing the global profile of Vivimed Labs Ltd

This growth was further supported by expansion in our facilities at both Bonthapally (increases in hydrogenation capacity for sun care and hair dyes) and Bidar (increases in capacity for antimicrobials).

The company focused on the development of new skin and sun care products during this year and successfully developed the markets for both Vivinol (4-n-Butyl resorcinol), and Etone (Ethyl hexyl triazone) and introduced SAP (Sodium ascorbyl phosphate). Additional new product approvals were achieved from existing global customers within the Home & Personal Care industry.

The new R&D facility at Mallapur was fully commissioned and this allowed the former R&D facility at Nacharam to be used for scaling up of processes and products before transfer to the main manufacturing facilities.

Our UK based R&D team, as part of a UK governmental funded project is working on the development of novel chemicals for application within the Printable Electronics industry. **This team was awarded the Centenary Medal by The Society of Dyers and Colourists (SDC) for their work on Photochromic Dyes.**

In Regulatory Affairs, the main area of focus remained REACH, the company via its European subsidiary is on track to meet all of its obligations and commitments. It is active in a number of SIEFs and has also taken on the responsibility as Lead registrant for a number of the company's key products.

Together with one of our major US customers, we formed the Triclosan Task Force to support this important antimicrobial product in its various global applications.

**Product basket**

Sl. No.	Product Name	End Use
<b>ORAL CARE</b>		
1	VIV-20	Antibacterial for Toothpastes & Mouth wash
2	VIVCAL-G	Nutraceutical, dental enamel protection
3	VIVHEX	Anti Bacterial for Mouth wash
4	VIVHEX-G	Anti Bacterial for Mouth wash
<b>SUN CARE</b>		
4	AVIS	Broad Spectrum UV-A Filter
5	CINNAMON	UV-B Category 1 Filter
6	BEN-3	Oil Soluble UV-A and UV-B Filter
7	BEN-4	Water Soluble UV-A and UV-B Filter
8	OCTYNE-B	Oil Soluble UV-B Filter
9	ETONE	UV-A and UV-B Filter
<b>SKIN CARE</b>		
10	VINTOX	Anti-oxidant and Anti-ageing Molecule
11	VIVINOL	Skin Lightening Agent
12	TRU ALOE	Skin Moisturiser
13	C-VITE	Anti Wrinkle
<b>HAIR CARE</b>		
14	DANTUFF-Z	Broad Spectrum Anti Dandruff Agent
15	DANTUFF-C	Anti-fungal Agent in Transparent Shampoos
16	DANTUFF-K	Anti-dandruff & anti-fungal Agent
17	VIPIROX	Antidandruff Agent
18	VIVIDINE	Hair Growth Agent
19	CO-GUAR	Emollients & Conditioners
<b>PRESERVATIVES</b>		
20	COSVAT	Anti-fungal and Anti Bacterial
<b>ANTIMICROBIALS</b>		
21	VIVILIDE	Wide Spectrum Bacteriostatic
22	VIVMAX	Antimicrobial and Germicidal
23	VIV-20	Antibacterial for Cosmetics & Toiletries

**Pharmaceutical**

The Indian pharmaceuticals industry has grown from a mere US\$ 0.32 billion turnover in 1980 to approximately US\$ 21.26 billion in 2009-10. The country now ranks 3rd in terms of volume of production (10% of global share) and 14th largest by value. During the financial year 2009-10, Pharma was among the few sectors that managed to expand its revenues despite global recession and financial crisis. Strong domestic demand, growing preference for generics worldwide and favourable rupee-dollar exchange rate helped the Indian Pharmaceutical sector.

**The Domestic Pharma Industry**

The domestic pharma market in India is expected to grow at a CAGR of 9.5% till 2015. Many Indian companies maintain highest standards in Purity, Stability and International Safety, Health and Environmental (SHE) protection in production and supply of bulk drugs. More of Indian companies are now seeking regulatory approvals in USA in specialized segments like Anti-infectives, Cardiovasculars, CNS group.

Increasing number of Indian pharmaceutical companies have been getting international regulatory approvals for their plants from agencies like USFDA (USA), MHRA (UK), TGA (Australia), MCC (South Africa), Health Canada etc. India has the largest number of USFDA-approved plants for generic manufacture.

### Exports

India currently exports drug intermediates, Active Pharmaceutical Ingredients (APIs), Finished Dosage Formulations (FDFs), Bio-Pharmaceuticals, Clinical Services to various parts of the world.

### Key Strengths of Pharma Sector

- Low cost of innovation/Manufacturing/Capex costs/expenditure to run a cGMP compliance facility.
- Low cost scientific pool on shop floor leading to high quality documentation.
- Proven track record in design of high tech manufacturing facilities.
- Excellent regulatory compliance capabilities for operating these assets.
- About 95% of the domestic requirement being met through domestic production.
- India is regarded as a high-quality and skilled producer in the world.
- It is not only an API and formulation manufacturing base, but also as an emerging hub for:
  - Contract research
  - Bio-technology
  - Clinical trials and
  - Clinical data management.
- The country has the distinction of providing quality healthcare at affordable prices.

### Research and Development

In no other Industry segment innovative R&D is as critical as in Pharma industry. Here, the New Drug Discovery Research (NDDR) has to keep pace with the emerging pattern of diseases as well as responses in managing existing diseases. The NDDR is also an expensive activity. Most of the Indian Pharma Companies have increased their R&D spending to over 5% of their respective sales turnovers. Introduction of Product Patent for Pharmaceuticals is an important feature for Indian Pharma R&D scenario. This has boosted the confidence of MNC Pharma companies in India where a number of western Pharma companies have already established R&D collaborations with Indian Pharma companies in the field of NDDR.

### Contract Manufacturing

Many global pharmaceutical majors are looking to outsource manufacturing from Indian companies, which enjoy much lower costs (both capital and recurring) than their western counterparts. Many Indian companies have made their plants cGMP compliant and India is also having the largest number of USFDA-approved plants outside USA.

Indian companies are proving to be better at developing Active Pharmaceutical Ingredients (APIs) than their competitors from target markets and that too with non-infringing processes. Indian drugs are either entering in to strategic alliances with large generic companies in the world of off-patent molecules or entering in to contract manufacturing agreements with innovator companies for supplying complex under-patent molecules.

### Pharma Division

The Company has seen a steady growth in the Pharma segment and has strengthened its position among marquee MNCs like Novartis, Merck Ltd, AstraZeneca etc as a consistent and quality conscious manufacturer of branded formulations.

The pharmaceutical formulations business is segmented in two growth driving areas namely:-

- (i) Establish own brand sales in Eastern European Markets
- (ii) Contract Manufacturing





The Company has forayed into formulation exports to Russia / CIS countries and envisaged a four fold growth in the export sales for the year 2010-11. Revenues from pharma segment during the year went up by 20% when compared to last year. Company has been actively registering more products for the future exports. The division has now appointed a full fledged sales team for the African Continent and has already initiated registrations in eight African countries.

Keeping in view the sales plan and the projected growth in the pharma segment of Vivimed Labs, we envisage setting up a USFDA compliant, dedicated manufacturing facility worth USD 7 million in Hyderabad. This will further elevate the company towards qualification in the strictly regulated markets of US & Europe in the near future.

#### Some of the key accreditations of the Company are:

- ISO 9001:2000 QMS certification for its manufacturing facilities,
- ISO 14001 certification for Environmental Management System,
- United States Environmental Protection Agency (EPA) certification for Triclosan (VIV-20)
- Certification for Bio-Terrorism preparedness from the US FDA (a prerequisite for exports to certain countries)
- Preregistered its products for REACH (Registration, Evaluation and Authorization of Chemicals) in the European countries.
- R&D certified as a GLP Laboratory by CISR a Govt. of India undertaking

#### Highlights of Consolidated results:

##### A. Sources of funds

###### 1. Share Capital

Foreign Currency Convertible Bonds of nominal value of US\$ 2.50 million were converted during the year resulting in increase of paid up share capital by Rs. 5.64 million.

###### 2. Reserves and Surplus

Reserves and surplus increased by Rs. 391.31 million as detailed below

Particulars	Rs. million
General Reserves	9.50
Profit / Loss Carried to Balance Sheet	283.12
Share Premium	98.68
Total	391.30

###### 3. Loan Funds

Secured loans have gone up by Rs. 107.78 million during the year mainly on account of borrowings for working capital.

###### 4. Current Liabilities and Provisions

Current liabilities and provisions increased by Rs. 280.31 million mainly on enhanced level of operations.

##### B. Application of Funds

###### 1. Fixed Assets

Cost of additions to the fixed assets is Rs. 214.50 million on account acquisition of land and expansion of existing manufacturing facilities.

## 2. Current assets, loans and advances

Rs. million

Particulars	2010	2009
Inventories	793.49	691.30
Receivables	938.55	707.48
Cash and Bank Balances	56.21	169.75
Loans and Advances	152.32	264.14

### a. Cash and Bank Balances

As at 31<sup>st</sup> March, 2010 the cash and bank balances were Rs. 56.21 Million as against Rs. 169.75 Million at the end of previous financial year.

### b. Loans and Advances

Loans and Advances decreased by Rs. 111.82 Million and this was on account of recovery/adjustments of advances paid.

## 3. Unsecured Loans

Unsecured loans reduced by Rs. 759.60 Million as at 31<sup>st</sup> March, 2010 as compared to the previous year. This was on account of FCCB, mainly buy-back and balance conversion into equity shares.

## Analysis of Operating Performance

### 1. Sales

Sales increased by Rs. 673.63 Million (24.40%) from Rs. 2761.23 Million in FY 2008-09 to Rs. 3434.86 Million in FY 2009-10.

### 2. Consumption of Materials

There is a marginal decrease in consumption of materials as a percentage to value of production which has come down to 59.53% during FY 2009-10 as compared to 59.90% for FY 2008-09.

### 3. Employees remuneration and benefits

Employees remuneration and benefits cost increased by Rs. 52.98 Million (31.58%) to Rs. 220.71 Million in FY 2009-10 as compared to Rs. 167.73 Million in F.Y. 2008-09 owing to increase in staff strength at our US and UK offices. besides the regular annual enhancements.

### 4. Financial Charges

Financial charges represent interest and bank charges. Financial charges increased by 22.88% to Rs. 212.28 Million in FY 2009-10 from Rs. 172.73 Million for the financial year 2008-09 owing to the increased level of cash credit utilization as a consequence of the enhanced level of operations.

### 5. Depreciation/ Amortisation

The Company provided for a sum of Rs. 95.96 Million and Rs. 77.09 Million towards depreciation for the years ended 31<sup>st</sup> March, 2010 and 31<sup>st</sup> March, 2009 respectively.

### 6. Profit

The Consolidated EBIDTA amounted to Rs. 704.69 Million and Rs. 480.96 Million for the FY 2009-10 and FY 2008-09 representing 20.52% and 17.41% of total sales respectively.

Profit after Tax amounted to Rs. 310.11 Million and Rs 193.52 Million for the FY 2009-10 and FY 2008-09 respectively representing 9.03% and 7% of total sales respectively.



## Annexure 'F' to Directors' Report

### Corporate Governance Report for the year 2009–10

(Under Clause 49 of the Listing Agreements with Stock Exchanges)

#### 1. Corporate Governance Philosophy

Our Company believes in adopting the 'best practices' that are followed in the area of Corporate Governance across industry. A Sound Governance process consists of a combination of business practices, which result in enhancement of shareholder's value and enable the Company to fulfill its obligations to customers, employees, financiers and to the Society at large. The Company emphasizes the need for full transparency and accountability in all its transactions, in order to protect the interests of its stakeholders. The Board considers itself as a Trustee of its Shareholders and acknowledges its responsibilities towards them for creation and safeguarding their wealth.

Vivimed's Corporate Governance framework is based on the following main principles:

- Appropriate composition and size of the Board, with each Director bringing key expertise in different areas.
- Proactive flow of information to the members of the Board and Board committees to enable effective discharge of their fiduciary duties.
- Ethical business conduct by the management and employees.
- Full fledged systems and processes for internal controls in relation to all operations, risk management and financial reporting.
- Timely and accurate disclosure of all material information and financial information to the stakeholders.

The Securities and Exchange Board of India ("SEBI") through clause 49 of the listing agreement with the stock exchanges regulates corporate governance for listed companies. Vivimed is in full compliance of Clause 49.

#### 2. Board of Directors

##### Profile

##### **Dr. V. Manohar Rao, Chairman**

Dr. V. Manohar Rao aged 73 years is Retired Joint Director of "The Veterinary Biological and Research Institute" (VBRI) has done his post-graduation in Veterinary Sciences from Edinburgh University, U.K. He has more than 30 years experience in The Municipal Corporation of Hyderabad and Department of Animal Husbandry, Government of Andhra Pradesh. During his tenure with Department of Animal Husbandry, he was involved in administration and production of various vaccines for livestock and poultry. He worked as a special officer for Meat and Poultry Department Corporation Andhra Pradesh Government Enterprises.

He conceptualized and started VVS Pharmaceuticals and Chemicals Pvt. Ltd. (VVS), (Now stands merged with Vivimed Labs Limited). He is mainly responsible for developing a Sophisticated and well-equipped in-house Quality Control and introduced various cost control systems in production process. His expertise, knowledge and vision helped VVS to transform from a Biological Processing Unit into a Pharmaceutical Manufacturing Unit for manufacturing of Liquid Orals, Tablets, Capsules, Ointments etc.

##### **Mr. Santosh Varalwar - Managing Director and CEO**

Mr. Santosh Varalwar aged 48 years is a Management Graduate. He is the driving force behind the phenomenal growth of Vivimed Labs Limited. He worked in Shipping Corporation of India (SCI) and had an opportunity to understand in-depth maritime trade and had immense global exposure, which helped him subsequently to focus on international marketing. He served Mercantile Marine for about Seven Years before embarking on a highly successful entrepreneurial journey. He has played an active role in VVS Pharmaceuticals from the year 1985 and later on expanded the business to manufacture API's by acquiring EMGI Pharmaceuticals and Chemicals Private Limited, Bidar, which was later converted into a public limited company and named as Vivimed Labs Limited. Vivimed Labs Limited was listed on BSE/NSE in the year 2005 & the Public Issue was all time success having been over-subscribed 40 times. Since then, he steered the Company to various successful milestones and aptly merged the pharmaceutical and chemical division in the year 2007 to consolidate and create Global Identity. In 2009 under his leadership the Company went ahead to acquire two overseas companies namely James Robinson Limited (Now known as Vivimed Labs Europe Limited) in UK and Har- Met International Inc. in USA which got merged with Vivimed Labs USA Inc.

Apart from Marketing, identifying and developing in-house innovations for niche molecules and bringing them within the reach of the customers, an essential part of his role has been to create a sense of leadership towards extending the goals of the Company, worldwide.

**Mr. Subhash Varalwar: Vice-Chairman**

Mr. Subhash Varalwar, aged 62 years is a Post Graduate in Chemical Engineering and a Management Graduate from Leeds University, U.K. After his post graduation he joined The Fertilizer Corporation of India (FCI) in 1974 as Asst. Project Engineer (Chemical). He held various positions in FCI and worked on various areas like designing & commissioning of fertilizer plant, production etc. He resigned from FCI in 1989 to join Vivimed. Mr. Subhash brings along with him an exposure to various aspects of Industrial Management, including production, planning & commissioning, gained from 15 years of his career span with FCI.

Mr. Subhash is responsible for Technology & New Product Development in the chemical segment of the Company. He also heads Production, Quality control and R&D function. He successfully led the technical integration teams of UK/India after acquisition of James Robinson Limited and has successfully implemented the stringent regulatory compliances across all its manufacturing operations globally.

**Mr. Sandeep Varalwar, Whole Time Director**

Mr. Sandeep Varalwar, aged 41 years has completed his Graduation in B.Pharmacy. After completion of graduation, he gained 18 years of rich experience in manufacturing and marketing divisions of Pharma industry.

He is the main strength behind the growth of Pharma division of the company and took an active role in VVS Pharmaceuticals and Chemicals Pvt Ltd. After the Company's merger with Vivimed Labs Limited, Mr Sandeep is appointed as a whole time Director on the Board of Vivimed Labs Limited.

**Dr. M. Bhagvanth Rao, Director**

Prof. M. Bhagvanth Rao aged 62 years is a PhD in chemical engineering from the Indian Institute of Sciences, Bangalore and has done his post doctoral studies at the Tokyo Institute of Technology, Japan. He has memberships to various professional associations including Fellowships in the Indian Institute of Chemical Engineers and A.P. Academy of Sciences, Life Membership in the Indian Society for Technical Education, etc. He has over 30 years of experience in research and teaching in the fields of chemical reaction engineering, catalysis, thermodynamics and bio chemical engineering. He has been involved with the Osmania University, Hyderabad in various positions including the Dean of Development and UGC Affairs, Director of Regional Centre for Urban and Environmental Studies and Director of Physical Education. He has various research publications to his credit some of which include articles in the Canadian Journal of Chemical Engineering, Industrial Engineering and Chemistry Fundamentals (USA), Journal of Polymer Sciences (USA), etc. He also acts as a research consultant to various laboratories like IICT, BHEL R&D NFC, etc.

**Mr. P.V. Rathnam – Director**

Mr. Rathnam aged 67 years is a Fellow Member of the Institute of Chartered Accountant of India and Management Graduate, with post professional qualification experience, in various levels of Management, in private and public sector undertakings in chemicals, fertilizers, pharmaceuticals, automobile and electrical engineering industries, spanning over 43 years, ending with Chairman and Managing Director, from 1990 to 2005, of a medium scale unit engaged in concept to commissioning of custom built electrical machines for on board installation in Indian Warships, Submarines and Combat Aircraft.

**Dr. R.K. Dhar – Director Research and Development**

Dr. Dhar aged 55 years has done his Post Doctoral studies at Marburg, Germany, started his career with Hoechst R&D Germany, and ever since has been involved in Organic Synthetic chemistry for more than a couple of decades. Has several novel product developments to his credit, and was the chief architect of Vivimed's VINTOX- NDGA. Has been involved with Vivimed since inception and his responsibility is to guide and steer the r&d team to achieve the organisation's objectives as a technical anchor.



### **Mr. S. Raghunandan – Director Operations**

Mr. S. Raghunandan aged 49 years is a Science Post Graduate, began his career with Chandra Pharmaceuticals – the largest producers of Ibuprofen in India at that time, and was with them handling various aspects of Production. Joined Vivimed as Head- Production at Bidar Plant and subsequently rose to the position of Director – Production. His association with the company is now more than 18 years.

### **Mr. D. Hanumantha Rao – Director**

Mr. D. Hanumantha Rao aged 65 years has degree in B.Pharm, PGDHA got rich expertise in application, evaluation and teaching of regulatory affairs in Govt., industry and academia. Over 30 years of experience in various national and international regulatory laws. He served on various assignment for government and private sector in his field of specialization.

### **Dr. Venkateswarlu Peesapati - Director**

Dr. Peesapati aged 66 years has done B. Sc (Spl), M. Sc (Andhra University), Ph. D (Delhi University), C. Chem. FRSC (London). He got 35 years of experience of Research/teaching experience in various universities in USA, UK and India. Associated with leading International Experts in the field of Organic, Bio-organic, Medicinal and Polymer Chemistry.

### **Mr. Krishna Yeachuri – Director**

Mr. Krishna Yeachuri aged 50 years is Commerce Graduate and Associate member of Institute of Chartered Accountants of India and has experience covering multi facets of business with reputed domestic and multi national companies. He was responsible for strategic planning, business development, budgeting, and treasury planning in various Companies in India and overseas for over two decades.

### **Mr. Nixon Patel – Director**

Mr. Nixon Patel aged 49 years is B.Tech (Hons.) from Indian Institute of Technology, Kharagpur and has done his MS in Computer Science from New Jersey Institute of Technology. Mr. Nixon Patel, is a successful entrepreneur with a proven track record for growing 5 businesses from startup to millions of US\$ in annual sales, developed in a short span of 20 years. His businesses are spread across the globe in the fields of Information Technology, Telecom, Pharmaceutical and Renewable energy industries.

Mr. Nixon Patel an

- Advisory Committee Member at World Wide Web Consortium (W3C), and an
- Advisory Committee Member at Voice Browser Working Group (VBWG)

## **Corporate Governance**

Our Company has an Executive Chairman. Non Executive Independent Directors account for 50% of the total number of Directors. Complying with the Clause 49 of the listing Agreement pertaining to compositions of directors.

None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49), across all the companies in which he is a Director. Disclosures regarding Committee positions have been made by the Directors.

The names and categories of Directors on the Board, their attendance at Board Meetings during the year and at the last Annual General Meeting, as also the number of Directorships and Committee Memberships held by them in other companies are as follows:

Name	Category	No. of Board Meetings attended during 2009-10	Whether attended AGM held on 30 <sup>th</sup> September 2009	Directorship in other Public Companies*		Committee Position held in other Public Companies**	
Dr. V. Manohar Rao (Chairman)	Executive and Not Independent	7	Yes	Nil	Nil	Nil	Nil
Mr. Santosh Varalwar (Managing Director)	Executive and Not Independent	7	Yes	Nil	Nil	Nil	Nil
Mr. Subhash Varalwar (Vice Chariman)	Executive and Not Independent	8	Yes	Nil	Nil	Nil	Nil
Mr. Sandeep Varalwar	Executive and Not Independent	6	Yes	Nil	Nil	Nil	Nil
Dr. R.N. Dhar (ceased to be a director w.e.f. 30.09.2009)	Independent	3	No	Nil	Nil	Nil	Nil
Dr. M. Bhagvanth Rao	Independent	6	No	Nil	Nil	Nil	Nil
Mr. P.V. Rathnam	Independent	8	Yes	Nil	Nil	Nil	Nil
Mr. R. K. Dhar	Executive and Not Independent	6	Yes	Nil	Nil	Nil	Nil
Mr. S. Raghunandan	Executive and Not Independent	6	Yes	Nil	Nil	Nil	Nil
Mr. D. Hanumantha Rao	Independent	2	No	Nil	Nil	Nil	Nil
Dr. Peesapati Venkateswarlu	Independent	5	No	Nil	Nil	Nil	Nil
Mr. Krishna Yeachuri	Independent	3	No	Nil	Nil	Nil	Nil
Mr. Nixon Patel (Appointed as an additional director on 28.06.2010)	Independent	N.A.	N.A.	Nil	Nil	Nil	Nil

\* Excludes Directorships in associations, private, foreign and Section 25 companies.

\*\* Represents Chairmanships/Memberships of Audit Committee and Shareholders'/Investors' Grievance Committee.

**Eight Board** Meetings were held during the year 2009-10 and gap between any two consecutive meetings did not exceed four months. The dates on which the Board Meetings were held were as follows:

17<sup>th</sup> April, 2009, 30<sup>th</sup> June, 2009, 31<sup>st</sup> July, 2009, 31<sup>st</sup> August, 2009, 16<sup>th</sup> October, 2009, 27<sup>th</sup> October, 2009, 29<sup>th</sup> January, 2010 and 5<sup>th</sup> February, 2010.

Dates of the Board Meetings are decided in advance and communicated to the Directors. Agenda of the meetings along with the explanatory notes is sent in advance to the Directors.

The information as required under Annexure IA of Clause 49 is made available to the Board.



**Information Placed before the Board Meetings Include:**

1. Annual operating plans and budgets and updates.
2. Capital budgets and updates.
3. Quarterly results of operating divisions or business segments.
4. Minutes of meetings of audit committee and other committees of the board.
5. Information on recruitment and remuneration of senior officers just below the board level, including appointment or removal of Chief Financial Officer and Company Secretary.
6. Show cause, demand, prosecution notices and penalty notices, which are materially important
7. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
8. Any material default in financial obligations to and by the company, or substantial nonpayment for goods sold by the company.
9. Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the company.
10. Details of any joint venture or collaboration agreement.
11. Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
12. Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.
13. Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business.
14. Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
15. Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

► Following further information is also placed before the Board

- Terms of reference of Board Committees.
- Dividend recommendation
- Quarterly summary of all long term borrowings made, bank guarantees issued, loans and investments made.
- Statement of significant transactions and arrangements entered by the unlisted subsidiary companies.  
The Board periodically reviews compliance report of all applicable laws. Steps are initiated by Board to rectify instances of non-compliance, if any.  
During the year 2009-10, our Company did not have any material pecuniary relationship transaction with Non-Executive and Independent Directors.

**3. Audit Committee**

Our Board has constituted an Audit Committee. Scope of Audit Committee is as set out in Clause 49 of the listing agreement with the Stock Exchanges read with Section 292A of the Companies Act, 1956. Terms of reference of Audit Committee cover the following:

1. Recommendation to Board on appointment/reappointment and replacement or removal of the Statutory Auditors and fixation of their remuneration.
2. Approval of payment to Statutory Auditors for any other services rendered by Statutory Auditors.
3. Reviewing with management, Audited Financial Statement before submission to Board for approval with particular reference to:
  - Matters required to be included in Director's Responsibility Statement in Directors' Report in terms of sub-section (2AA) of Section 217 of the Companies Act, 1956.
  - Changes, if any, in accounting policies and practices and reasons for the same.
  - Major accounting entries involving estimates based on exercise of judgment by management.
  - Significant adjustments made in financial statements arising out of audit findings.
  - Compliance with listing and other legal requirements relating to financial statements.
  - Disclosure of related party transactions

4. Reviewing with management, quarterly financial statements before submission to the Board for approval.
5. Reviewing with management, performance of Statutory and Internal Auditors, adequacy of Internal Control System.
6. Reviewing adequacy of internal audit function, including structure of internal audit department, staffing and seniority of officials heading the department, reporting structure, coverage and frequency of internal audit.
7. Discussion with Internal Auditors any significant findings and follow up thereon.
8. Reviewing the findings of any internal investigations by Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to Board.
9. To look into reasons for defaults, if any, in payment to depositories, shareholders (in case of non-payment of declared dividend) and creditors.
10. Carrying out such other functions as may be specifically referred by the Board of Directors and/or other committees of Directors of the Company.
11. To review following:
  - Management Discussion and Analysis of financial condition and result of operations;
  - Statement of significant related party transactions (as defined by Audit Committee);
  - Management letters/ letters of internal control weaknesses issued by Statutory Auditors;
  - Internal Audit Reports relating to internal control weaknesses; and
  - Appointment, removal and terms of remuneration of Internal Auditors.
12. Reviewing financial statements and in particular investments made in unlisted subsidiaries of the Company.
13. Review of uses/application of funds raised through an issue of shares (public issue, rights issue, preferential issue, etc.)

Mr. P.V. Rathnam Chairman of Audit Committee was present at Annual General Meeting held on 30<sup>th</sup> September, 2009.

The composition of Audit Committee and details of meetings attended by Directors are given below:

Name of the Member	Category	No. of Meetings attended during the year 2009-10
Mr. P.V. Rathnam	Independent Non Executive	3
Mr. S. Raghunandan	Executive	2
Dr. M. Bhagvanth Rao	Independent Non Executive	5
Dr. R.N. Dhar (Ceased to be a member with effect from 30.09.2009)	Independent Non Executive	3

**Five Audit** Committee Meetings were held during 2009-10. Dates on which the said meetings were held were as follows:

17<sup>th</sup> April, 2009, 30<sup>th</sup> June, 2009, 31<sup>st</sup> July, 20, 27<sup>th</sup> October, 2009 and 29<sup>th</sup> January, 2010.

#### 4. Remuneration Committee

Our Board has constituted a Remuneration Committee. Broad terms of reference of Remuneration Committee are as follows:

- a) Review performance of Managing Director and Whole Time Directors, considering performance of our Company.
- b) Recommend to the Board remuneration including salary, perquisites and commission to be paid to the Company's Managing Director and Whole Time Directors.





- c) Finalize perquisite package of Managing Director and Whole Time Directors within overall ceiling fixed by Board;

Dr. M. Bhagvanth Rao is the Chairman of the Remuneration Committee:

The Composition of Remuneration Committee is as follows:

Name of the Member	Category
Dr. M. Bhagvanth Rao	Independent Non Executive
Mr. Subhash Varalwar	Executive Not Independent
Mr. Sandeep Varalwar	Executive Not Independent
Mr. D. Hanumantha Rao	Independent Non Executive
Mr. Peesapati Venkateswarlu	Independent Non Executive

### Remuneration Policy

While deciding the remuneration package of senior management members our Company takes into consideration the following items:

- Employment scenario
- Remuneration package in our industry and
- Remuneration package of comparable managerial talent of other industries.

Details of Remuneration during the are as follows:

### Non Executive Directors:

Name of Director	Sitting Fees (In Rs.)
Dr. R.N. Dhar	30,000
Dr. M. Bhagvanth Rao	55,000
Mr. P.V. Rathnam	55,000
Mr. D. Hanumantha Rao	10,000
Dr. Peesapati Venkateswarlu	25,000
Mr. Krishna Yeachuri	15,000

### Managing and Whole-time Directors

Name	Salary Rs. million	Perquisites & Allowances	Commission
Mr. Santosh Varalwar	3.00	Nil	Nil
Dr. V. Manohar Rao	2.40	Nil	Nil
Mr. Subhash Varalwar	2.40	Nil	Nil
Mr. Sandeep Varalwar	2.40	Nil	Nil
Mr. R.K. Dhar	1.08	Nil	Nil
Mr. S. Raghunandan	1.08	Nil	Nil

## 5. Shareholders/ Investors Grievance Committee

Our Board has constituted Shareholders/ Investors Redressal Committee, to look into redressal of Investors Complaints like transfer of Shares, non- receipt of balance sheet and non- receipt of declared dividends etc.

Mr. P.V. Rathnam is Chairman of Investors Redressal Committee.

The Composition of Investors Redressal Committee is as follows:

Name of the Member	Category
Mr. P.V. Rathnam	Independent Non Executive
Mr. Santosh Varalwar	Executive Not Independent
Dr. V. Manohar Rao	Executive Not Independent

### Details of Shareholder's Complaints received and resolved during the year

The total number of complaints/correspondence received and resolved during the year ended 31<sup>st</sup> March, 2010 were 4. There were no pending as on 31<sup>st</sup> March, 2010. No transfers of shares were pending as on 31<sup>st</sup> March, 2010.

Complaints were attended within seven days from the date of receipt.

## 6. Compensation Committee

Our Board constituted a compensation committee on 29<sup>th</sup> May, 2010 for the purpose of administration and superintendence of ESOS and ESPS as per the requirements of SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

Mr. Krishna Yeachuri is Chairman of Compensation Committee

The Composition of Compensation Committee is as follows:

Name	Category
Mr. Krishna Yeachuri	Independent Non Executive
Mr. Santosh Varalwar	Executive Not Independent
Mr. S. Raghunandan	Executive Not Independent
Mr. P.V. Rathnam	Independent Non Executive
Dr. M. Bhagvanth Rao	Independent Non Executive

Compensation Committee has been entrusted with the task of formulating terms and conditions of ESOS including

- The quantum of option to be granted under an ESOS per employee and in aggregate;
- The conditions under which options vested in employees may lapse in case of termination of employment for misconduct;
- The exercise period within which an employee should exercise the option;
- the specified time period within which the employee shall exercise the vested options in the event of termination or resignation of an employee;
- the right of an employee to exercise all the options vested in him at one time or at various points of time within the exercise period;
- the procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of corporate actions such as rights issue, bonus issue, merger, sale of division and others.
- The grant, vest and exercise of option in case of employees who are on long leave; and
- The procedure for cashless exercise of options.

## 7. Management Committee

Our Board constituted a management committee on 29<sup>th</sup> May, 2010 which has been entrusted with certain routine matters such as opening and closing of Bank accounts of the Company, making application to various authorities etc. Members of the Committee are Dr. V. Manohar Rao, Mr. Santosh Varalwar and Mr. Krishna Yeachuri.



## 8. General Body Meetings

- i) Location, date and time of Annual General Meeting held during preceding 3 years are as follows:

Year	Location	Date	Time
2008-09	Plot No. 78/A, Kolhar Industrial Area, Bidar, Karnataka	30.09.2009	11.30 A.M.
2007-08	Plot No. 78/A, Kolhar Industrial Area, Bidar, Karnataka	27.09.2008	11.30 A.M.
2006-07	Plot No. 78/A, Kolhar Industrial Area, Bidar, Karnataka	27.12.2007	11.30 A.M.

- ii) Special Resolutions passed in previous three Annual General Meetings are as follows:

Date of AGM	No. of Special Resolution Passed	Details of Special Resolution
30.09.2009	Nil	N.A.
27.09.2008	Three	1. Appointment of Mr. Sandeep Varalwar as Whole Time Director and fixing his remuneration 2. Appointment of Mr. S. Raghunandan as Whole Time Director 3. Appointment of Mr. R.K. Dhar as Whole Time Director
27.12.2007	Four	1. Issue warrants on preferential basis 2. Revision of Remuneration payable to Mr. Santosh Varalwar 3. Revision of Remuneration payable to Mr. Subhash Varalwar 4. Revision of Remuneration Payable to Dr. V. Manohar Rao

- iii) Special Resolutions Passed at Extra Ordinary General Meetings of our Company during the year are as follows:

Date of EGM	Time and Venue of EGM	No. of Special Resolution Passed	Details of Special Resolution
5 <sup>th</sup> March, 2010	11.30 A.M. at 78/A Kolhar Industrial Area, Bidar - 585403	One	To Issue Convertible Warrants on Preferential basis
21 <sup>st</sup> November, 2009	11.30 A.M. at Hotel Sapna International, Udgir Road Bidar	One	To Issue Convertible Warrants on Preferential basis

## 9. Disclosures

- i) Our Board received disclosures from key managerial personnel relating to material, financial and commercial transactions where they and/or their relatives have personal interest. There are no materially significant related party transactions which have potential conflict with the interest of the Company at large. Disclosure on transactions with related parties as required under Accounting Standard 18 has been made in Notes on Accounts forming part of Statements of Accounts.
- ii) Our Company circulated code of conduct among Board members and senior management personnel and affirm that they are complying with the code. Text of the Code of Conduct is posted on Company's website viz. [www.vivimedlabs.com](http://www.vivimedlabs.com).
- ii) Our Company has complied with requirements of Stock Exchanges, SEBI and other statutory authorities on all matters relating to capital markets during the last three years. No penalties or strictures have been imposed / passed on our Company by Stock Exchanges, SEBI or other statutory authorities.

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### **Secretarial Audit**

A qualified practicing Company Secretary carried out secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The Audit Report confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

### **10. Mode of Publication**

- i) Half yearly Results were published in newspapers.
- ii) Quarterly and half yearly results of the Company are generally published in Financial Express, Samyukta Karnataka and Andhra Prabha.

### **News Releases, Presentations etc.**

Official news releases, analysis and information to investors, etc. are displayed on our Company's website [www.vivimedlabs.com](http://www.vivimedlabs.com) after duly complying with the provisions of listing agreement.

### **Website**

Our Company's website [www.vivimedlabs.com](http://www.vivimedlabs.com) contains dedicated Section 'Investor Information'. Full Annual Report is also made available on website in a user friendly and downloadable format.



## Annexure 'G' to the Directors' Report

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### Certificate of the Auditors on Compliance of Conditions of Corporate Governance

To Members of  
Vivimed Labs Limited

We have examined compliance of conditions of Corporate Governance by VIVIMED LABS LIMITED for the year ended 31<sup>st</sup> March, 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges in India.

Compliance of conditions of Corporate Governance is responsibility of Company's Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring Compliance of conditions of Corporate Governance. It is neither an audit nor an expression of opinion on financial statements of the Company.

In our opinion and to best of our information and according to explanations given to us, we certify that the Company has complied with conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement, as required under Clause 49 of Listing Agreement.

We state that in respect of investor grievances received during the year ended 31<sup>st</sup> March 2010, no investor grievances is pending.

We further state that such compliance is neither an assurance as to future viability of the Company nor efficiency or effectiveness with which management has conducted affairs of the Company.

For **P. Murali & Co.,**  
Chartered Accountants

Sd/-

**P.Murali Mohana Rao**  
Partner

Place : Hyderabad  
Date : 14.08.2010

## Annexure 'H' to the Directors' Report

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### Declaration from Managing Director and CEO in Terms of Clause 49(1)(d)(iii) of Listing Agreement

I, Santosh Varalwar, Managing Director of Vivimed Labs Limited hereby declare that all Board Members and Senior Managerial Personnel have affirmed Compliance with Code of Conduct of the Company during the year ended 31<sup>st</sup> March 2010.

Sd/-

**Santosh Varalwar**  
Managing Director and CEO

Place : Hyderabad  
Date : 14.08.2010

## Annexure 'I' to the Directors' Report

### General Shareholder Information

(Under Clause 49 of the Listing agreement with Stock Exchanges)

AGM: Date, time & venue : 18.09.2010 at 11.30 A.M. 78/A, Kolhar Industrial Area, Bidar  
As required under Clause 49 IV(G)(i), particulars of Directors seeking appointment/reappointment are given in the Explanatory Statement to the Notice of the Annual General Meeting to be held on 18<sup>th</sup> September, 2010.

### Financial Year

Financial year of our Company is of 12 Months beginning from 1st April and ending on 31<sup>st</sup> March.

Calendar of events for FY 2010-2011 (Proposed)

Results for the quarter ending on 30<sup>th</sup> June 2010 : Second Week of August, 2010  
Results for the quarter ending on 30<sup>th</sup> September, 2010 : Second Week of November, 2010  
Results for the quarter ending on 31<sup>st</sup> December, 2010 : Second Week of February, 2010  
Results for the quarter ending on 31<sup>st</sup> March, 2010 : Second Week of May, 2010  
Annual General Meeting for the year ending 31<sup>st</sup> March, 2011 : Before end of September, 2011

### Listing on Stock Exchanges

Our Company's equity shares are listed on following two stock exchanges in India

Bombay Stock Exchange Limited National Stock Exchange of India Limited  
Phiroze Jeejeebhoy Towers Exchange Plaza, Bandra Kurla Complex  
Dalal Street - Mumbai - 400001 Bandra East, Mumbai - 400051

Our Company has paid annual listing fees to the above Stock Exchanges for financial year 2009-10.

### Stock Codes/Symbols/International Securities Identification Number (ISIN) for Ordinary Shares

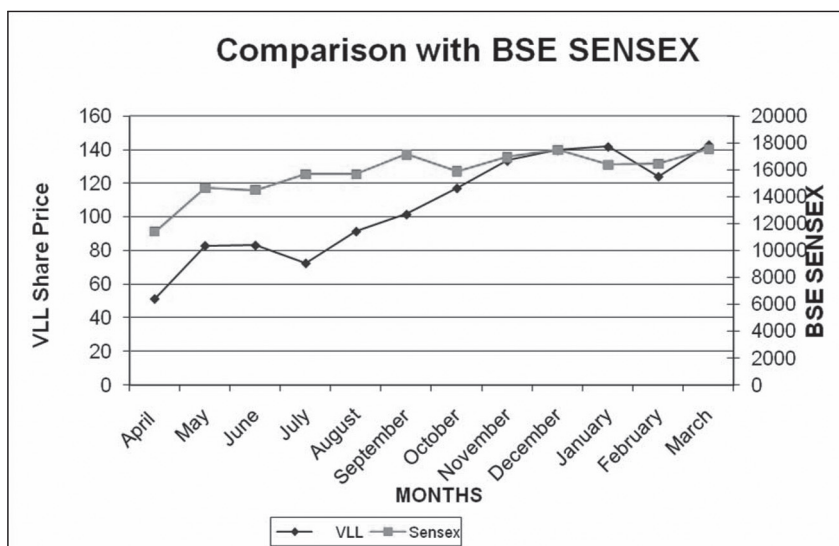
Stock Exchange	Stock Code/ Symbol	ISIN
Bombay Stock Exchange Limited	532660	INE526G01013
National Stock Exchange of India Ltd.	VIVIMED	INE526G01013

### Market Information

Market Price Data: High, Low (based on closing prices) and volume during each month in the financial year ended 31.03.2010.

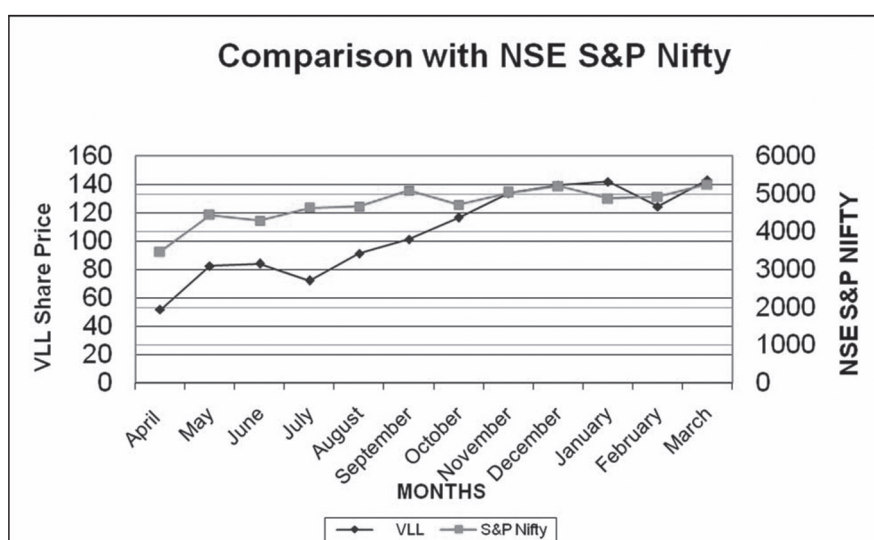
#### Bombay Stock Exchange Limited

Month	Months High Price	Months Low Price	Spread (High- Low)	Closing Price	Volume	BSE Sensex (Closing)
Apr-09	58.70	42.05	16.65	51.20	146815	11,403.25
May-09	96.90	52.50	44.40	82.85	381244	14,625.25
Jun-09	93.90	69.35	24.55	83.05	232334	14,493.84
Jul-09	83.90	68.55	15.35	72.40	103421	15,670.31
Aug-09	96.50	73.50	23.00	91.35	269108	15,666.64
Sep-09	105.00	87.70	17.30	101.50	441814	17,126.84
Oct-09	137.20	90.15	47.05	117.10	635272	15,896.28
Nov-09	135.35	111.30	24.05	133.40	308403	16,926.22
Dec-09	145.50	122.50	23.00	139.65	415862	17,464.81
Jan-10	164.40	131.10	33.30	141.80	694412	16,357.96
Feb-10	150.50	114.60	35.90	124.05	200299	16,429.55
Mar-10	157.20	126.00	31.20	142.90	567141	17,527.77



National Stock Exchange of India Limited

Month	Months High Price	Months Low Price	Spread (High- Low)	Closing Price	Volume	NSE NIFTY (Closing)
Apr-09	60.00	40.60	19.40	51.75	166155	3473.95
May-09	97.40	52.00	45.40	82.70	666466	4448.95
Jun-09	96.00	70.15	25.85	84.05	417590	4291.10
Jul-09	84.10	67.00	17.10	72.31	91830	4636.45
Aug-09	96.50	74.15	22.35	91.20	180176	4662.10
Sep-09	106.90	88.00	18.90	101.25	483804	5083.40
Oct-09	138.45	91.00	47.45	116.70	1077396	4711.70
Nov-09	134.20	111.50	22.70	133.85	346334	5032.70
Dec-09	146.50	122.15	24.35	139.60	703778	5201.05
Jan-10	164.80	134.00	30.80	141.85	922171	4882.05
Feb-10	150.95	112.40	38.55	124.30	269528	4922.30
Mar-10	157.80	125.00	32.80	143.25	734022	5249.10



### Registrar and Share Transfer Agents

Registrars and Share Transfer Agents of our Company are Aarhi Consultants Private Limited, whose address for correspondence is as follows:

Aarhi Consultants Private Limited  
1-2-285, Domalguda,  
Hyderabad – 500029  
Phone: 040-27638111/ 27634445  
Fax: 040-27632184  
Email: info@aarhiconsultants.com

### Share Transfer System

Share transfer and transmission work is executed by Registrars and Transfer Agents. Investors are advised to contact either our Company or Aarhi Consultants Private Limited, in case of any issue relating to transfer or transmission of Shares. Applications for transfer of shares in physical form are processed and share certificates returned within 21 days from the date of receipt of application and all supporting documents.

Our Company obtained Certificates of a Practicing Company Secretary on compliance with Share Transfer Formalities as per Clause 47(c) of listing agreement.

### Distribution of Shareholding as on 31.03.2010

Shareholding of Nominal Value (In Rs.)	Number of Shareholders	Percentage of Total	Number of Shares held	Percentage
1 - 5000	6420	89	796649	7.99
5001 - 10000	346	5	286531	2.88
10001 - 20000	196	3	297620	2.99
20001 - 30000	83	1	214791	2.16
30001 - 40000	42	1	154870	1.55
40001 - 50000	34	0	161397	1.62
50001 - 100000	59	1	416697	4.18
100001 & Above	71	1	7636349	76.63
<b>TOTAL</b>	<b>7251</b>	<b>100</b>	<b>9964904</b>	<b>100.00</b>

### Categories of Shareholders as on 31.03.2010

Category	No. of Shares held	Percentage
Promoter & Promoter Group	5521239	55.41
Mutual funds	2000	0.02
Financial Institutions/Banks	20100	0.20
Foreign Institutional Investors	472036	4.74
Bodies Corporate	370815	3.72
Indian Public	2799224	28.09
Clearing Members	17290	0.17
NRI and OCB	700629	7.03
Trusts	61571	0.62
<b>TOTAL</b>	<b>9964904</b>	<b>100.00</b>





### Dematerialization of shares

Our Company provides option to the Shareholders to hold Shares of our Company either in physical form or in the dematerialized form. For the purpose of holding equity shares of our Company in dematerialized form, our Company entered into a Tripartite Agreement with both National Security Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The International Securities Identification Number (ISIN) allotted to our Company's Shares is INE526G01013.

### Dividend Payment History of our Company

Financial Year	Rate of Dividend
2008-09	15%
2007-08	10%

### Address for Correspondence

Corporate Office  
2<sup>nd</sup> Floor, Veeranag Towers, Habsiguda  
Hyderabad - 500007  
Phone: 91(0) 4027176005/6  
Fax: 91(0) 4027150599  
E-Mail: fahim.aslam@vivimedlabs.com  
Website: www.vivimedlabs.com

### Plant Location

#### Specialty Chemicals Segment

1. 78/A, Kolhar Industrial Area, Bidar - 585403, State-Karnataka
2. Survey No. 202, 207/A, 207/E & 207/AA, Bonthapally Village, Narsapur Mandal, Medak District - 502313, State - Andhra Pradesh

#### Pharmaceutical Segment

1. D 125 & 128, Phase III, Jedimetla Industrial Estate, Hyderabad - 500055, State - Andhra Pradesh
2. Plot No. 25, Kundeshwari Village, Kashipur, Udham Singh Nagar - 244713, State - Uttranchal
3. D-9, Industrial Area, Haridwar - 249401, State - Uttranchal

#### R & D Lab

1. Plot D-125 & 128, Phase III, IDA, Mallapur, Hyderabad
2. Leeds Road, Huddersfield, West Yorkshire, HD1 6BU

## Auditors' Report on Standalone Financials

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To  
The Members of  
Vivimed Labs Limited

1. We have audited the attached Balance Sheet of Vivimed Labs Limited (the 'Company') as at 31st March, 2010 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on the date annexed thereto (collectively referred as the 'financial statements'). These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis of our opinion.
3. As required by the Companies (Auditor's Report) order 2003 and as amended by the Companies (Auditor's Report)(Amendment) order 2004, issued by the Central Government of India in terms of the sub-section(4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our Audit;
  - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - (iii) The financial statements dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the financial statements dealt with by this report comply with the Accounting standards referred to in sub-section (3C) of Section 211 of Companies Act, 1956;
  - (v) On the basis of written representations received from the Directors, as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010 from being appointed Director in terms of clause(g) of sub-section(1) of section 274 of the Companies Act, 1956;
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
    - (b) In the case of the Profit & Loss Account, of the Profit for the period ended on that date; and
    - (c) the Cash Flow Statement, of the cash flows for the year ended on that date.

For P. Murali & Co.,  
Chartered Accountants  
FRN: 007257S

Sd/-  
P. Murali Mohana Rao  
Partner  
Membership No. 23412

Place : Hyderabad  
Date : 29.05.2010



## **Annexure to the Auditors' Report of even date to the members of Vivimed Labs Limited, on the financial statements for the year ended 31st March, 2010**

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, We report that:

- I. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.  
(b) As explained to us, the fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies between the book records and the physical inventory have been noticed on such verification.  
(c) The Company has not disposed off substantial part of the Fixed Assets.
- II. (a) The Inventory has been physically verified during the year and in our opinion, the frequency of verifications is reasonable  
(b) In our opinion, the procedures of the physical verification of inventory followed by the Management are reasonable and adequate in relation of the size of the Company and the nature of its business.  
(c) The Company is maintaining proper records of inventory and as explained to us, there were no material discrepancies noticed on such verification of stocks as compared to book records.
- III. (a) The Company has not granted any loans, secured or unsecured to Companies, Firms or other Parties covered in the register maintained U/s.301 of the Companies Act, 1956.  
(b) As the Company has not granted any loans, the clause of whether the rate of interest & other terms and conditions on which loans have been granted to parties listed in the register maintained under section 301 is prejudicial to the interest of company, is not applicable.  
(c) As no loans are granted by company, the clause of receipt of interest & principal amount from parties, is not applicable to the company.  
(d) No loans have been granted to Companies, Firms & other parties listed in the register U/s.301 of the Companies Act, 1956, hence overdue amount of more than rupees one lac does not arise and the clause is not applicable.  
(e) The Company has not taken any loans, secured or unsecured from Companies, Firms or other Parties covered in the register maintained U/s.301 of the Companies Act, 1956.  
(f) As the Company has not taken any loans, the clause of whether the rate of interest & other terms and conditions on which loans have been taken from parties listed in the register maintained under section 301 is prejudicial to the interest of company, is not applicable.  
(g) As no loans are taken by the company, the clause of repayment of interest & principal amount to parties, is not applicable to the company.
- IV. In our opinion and according to the information and explanations given to us, there are generally adequate internal control systems commensurate with the size of the company and the nature of its business with regard to purchase of inventory and fixed assets and for sale of goods and services. There is no continuing failure by the company to correct any major weaknesses in internal control.
- V. (a) In our opinion and according to the information and explanation given to us, the contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been made by the company in respect of the financial year, are entered in register U/s 301 of the Companies Act, 1956 does not arise.  
(b) According to the information and explanations given to us, as no such contracts or arrangements made by the company, the applicability of the clause of charging the reasonable price having regards to the prevailing market prices at the relevant time does not arise.
- VI. The Company has not accepted any deposits from the public and hence the applicability of the clause of directives issued by the Reserve Bank of India and provisions of section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under does not arise. As per information and explanations given to us the order from the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal has not been received by the Company.
- VII. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- VIII. We have broadly reviewed the books of account relating to the materials, labour and other items of cost maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.

- IX.** a) The Company is regular in depositing undisputed statutory dues including PF, ESI, Income Tax, Sales tax, Custom Duty Excise Duty, Cess and any other statutory dues with the appropriate authorities and at the last of the financial year there were no amounts outstanding which were due for more than 6 months from the date they became payable.
- b) According to the information and explanations given to us, no undisputed amounts are payable in respect of PF, ESI, Income Tax, Sales tax, Custom Duty Excise Duty, Cess and any other statutory dues as at the end of the period, for a period more than six months from the date they became payable.
- X.** The Company has been registered for a period of not less than 5 years, and the Company has no accumulated losses at the end of the financial year and the company has not incurred cash losses in this financial year and the immediately preceding financial year.
- XI.** In our opinion, the Company has not defaulted in repayment of dues to a financial institutions or banks.
- XII.** According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities and hence the applicability of the clause regarding maintenance of adequate documents in respect of loans does not arise.
- XIII.** This clause is not applicable to this Company as the Company is not covered by the provisions of special statute applicable to Chit Fund in respect of Nidhi/Mutual Benefit Fund/Societies.
- XIV.** According to the information and explanations given to us, the company is not dealing or trading in shares, securities, Debentures and other investments and hence the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order 2003, are not applicable to the Company.
- XV.** According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Banks or Financial Institutions, and hence the applicability of this clause regarding terms and conditions which are prejudicial to the interest of the company does not arise.
- XVI.** According to the information and explanations given to us, the term loans obtained by the Company were applied for purpose for which such loans were obtained by the Company.
- XVII.** According to the information and explanations given to us, no funds are raised by the Company on short-term basis. Hence the clause of short term funds being used for long-term investment does not arise.
- XVIII.** According to the information and explanations given to us, the Company has not made any preferential allotment of Shares to parties and Companies covered in the Register maintained under section 301 of the Companies Act, 1956 and hence the applicability of the clause regarding the price at which shares have been issued and whether the same is prejudicial to the interest of the Company does not arise.
- XIX.** According to the information and explanations given to us, the company does not have any debentures and hence the applicability of the clause regarding the creation of security or charge in respect of debentures issued does not arise.
- XX.** According to information and explanations given to us, the company has not raised money by way of public issues during the year, hence the clause regarding the disclosure by the management on the end use of money raised by Public Issue is not applicable.
- XXI.** According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year under audit.

For P. Murali & Co.,  
Chartered Accountants  
FRN: 007257S

Sd/-  
P. Murali Mohana Rao  
Partner  
Membership No. 23412

Place : Hyderabad  
Date : 29.05.2010



Vivimed

# *Q1* Standalone Results

## Balance Sheet As At 31st March, 2010

Rs. million

PARTICULARS	Schedule No.	As at 31.03.2010	As at 31.03.2009
<b>SOURCES OF FUNDS</b>			
<b>SHARE HOLDER'S FUNDS</b>			
Share Capital	1	99.65	94.01
Reserves & Surplus	2	1,085.08	838.49
Warrant Application Money		49.56	23.35
<b>LOAN FUNDS</b>			
Secured Loans	3	1,471.80	961.44
Unsecured Loans	4	7.41	767.01
<b>DEFERRED TAX LIABILITY</b>	5	172.82	135.24
<b>TOTAL</b>		<b>2,886.32</b>	<b>2,819.54</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	6	1,595.52	1,424.26
Less: Depreciation		204.70	160.71
<b>NET BLOCK</b>		<b>1,390.82</b>	<b>1,263.55</b>
Capital Work in Progress		3.39	252.34
<b>INVESTMENTS</b>	7	34.88	25.09
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
<b>Current Assets</b>			
Inventories	8	606.06	498.85
Receivables	9	753.23	545.30
Cash & Bank Balances	10	34.06	68.91
Loans And Advances	11	310.69	316.41
<b>Less: CURRENT LIABILITIES AND PROVISIONS</b>	12		
Current Liabilities		219.33	176.28
Provisions		85.39	61.93
<b>NET CURRENT ASSETS</b>		<b>1,399.32</b>	<b>1,191.26</b>
<b>MISCELLANEOUS EXPENDITURE</b>	13	57.91	87.30
(to the extent not written off or adjusted)			
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	23		
<b>NOTES FORMING PART OF ACCOUNTS</b>	24		
<b>TOTAL</b>		<b>2,886.32</b>	<b>2,819.54</b>

Schedules 1 to 24 form integral part of Accounts

As per our report of even date

**For P. Murali & Co.,**  
Chartered Accountants

**Dr. V. Manohar Rao**  
Chairman

**Santosh Varalwar**  
Managing Director & CEO

**P. Murali Mohana Rao**  
Partner

**Fahim Aslam Khan**  
Company Secretary

Place : Hyderabad  
Date : 29.05.2010



## Profit & Loss Account for the year Ended 31st March, 2010

Rs. million

PARTICULARS	Schedule No.	For the year ended 31.03.2010	For the year ended 31.03.2009
<b>INCOME</b>			
Net Sales	14	2,105.89	1,514.89
Other Income	15	20.08	15.77
Increase In Stocks	16	15.81	39.91
<b>TOTAL</b>		<b>2,141.78</b>	<b>1,570.57</b>
<b>EXPENDITURE</b>			
Consumption of Materials	17	1,275.85	924.00
Manufacturing Expenses	18	198.79	151.91
R & D Expenses	19	15.32	12.05
Salaries, Wages & Allowances	20	102.04	81.14
Selling & Administrative Expenses	21	131.63	83.76
Financing Charges	22	144.37	95.70
Depreciation	6	43.99	33.56
Preliminary & Pre-Operative Expenses		8.55	5.52
<b>TOTAL</b>		<b>1,920.54</b>	<b>1,387.64</b>
<b>PROFIT BEFORE TAX</b>		<b>221.24</b>	<b>182.93</b>
Less: Provision for Taxation		19.68	22.50
Less: Provision for Deferred Tax Liability for Current Year		36.16	13.38
Less: Fringe Benefit Tax		-	1.06
<b>PROFIT AFTER TAX</b>		<b>165.40</b>	<b>145.99</b>
Add: Balance brought forward from Previous Year		647.74	525.55
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		<b>813.14</b>	<b>671.54</b>
<b>Less: Appropriations</b>			
Transfer To General Reserve		9.50	7.30
Proposed Dividend On Equity Shares		14.95	14.10
Dividend Tax		2.54	2.40
<b>Balance Carried to Balance Sheet</b>		<b>786.15</b>	<b>647.74</b>
Basic Earnings Per Share		17.00	15.53
Diluted Earnings Per Share		16.60	15.53
No. of Equity Shares		9,964,904	9,400,986
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	<b>23</b>		
<b>NOTES FORMING PART OF ACCOUNTS</b>	<b>24</b>		

Schedules 1 to 24 form integral part of Accounts

As per our report of even date

**For P. Murali & Co.,**  
Chartered Accountants

**Dr. V. Manohar Rao**  
Chairman

**Santosh Varalwar**  
Managing Director & CEO

**P. Murali Mohana Rao**  
Partner

**Fahim Aslam Khan**  
Company Secretary

Place : Hyderabad  
Date : 29.05.2010

**SCHEDULE 1  
SHAREHOLDER'S FUNDS**

Rs. million

Particulars	As at 31-Mar-10	As at 31-Mar-09
<b>AUTHORISED:</b>		
1,50,00,000 Equity Shares of Rs. 10/- each	<b>150.00</b>	<b>150.00</b>
<b>ISSUED, SUBSCRIBED AND PAID UP:</b>		
99,64,904 (94,00,986) Equity Shares of Rs. 10/- each fully paid	<b>99.65</b>	94.01
<b>Total</b>	<b>99.65</b>	<b>94.01</b>

**SCHEDULE 2  
RESERVES & SURPLUS**

Rs. million

Particulars	As at 31-Mar-10	As at 31-Mar-09
Capital Reserve	<b>8.57</b>	8.57
Revaluation Reserve	<b>10.00</b>	10.00
Share Premium	<b>254.24</b>	155.56
Capital Subsidy - Bidar	<b>2.50</b>	2.50
Capital Subsidy - Haridwar	<b>2.98</b>	2.98
APSFC Subsidy	<b>0.06</b>	0.06
Investment Subsidy	<b>1.11</b>	1.11
General Reserve	<b>19.47</b>	9.97
Profit & Loss Account	<b>786.15</b>	647.74
<b>Total</b>	<b>1,085.08</b>	<b>838.49</b>




**SCHEDULE 3  
SECURED LOANS**

Rs. million

Particulars	As at 31-Mar-10	As at 31-Mar-09
<b>STATE BANK OF HYDERABAD</b>		
- Cash Credit	674.02	536.63
- Packing Credit	30.11	76.53
- Foreign Usance Bills Discounted (INR)	26.03	110.67
- Foreign Usance Bills Discounted (Foreign Currency)	16.64	-
(Secured by First Pari passu charge on Stocks of Raw Materials, Packing Materials, Stock-in-Process, Finished Goods, Consumables, Stores, Spares, Book Debts, etc. present and future and Second Pari Passu Charge on Fixed Assets of the Company; Equitable mortgage of Director's personal properties and personal guarantee of the promoter Directors of the Company)		
<b>EXIM BANK</b>	220.38	-
- Packing Credit (Secured by Pari passu first charge on entire Current Assets and second charge on entire Fixed Assets of the Company)		
<b>Term Loans</b>		
- EXIM Bank (Secured by first Pari passu charge on entire Fixed Assets both present and future and second Pari passu charge on Current Assets of the Company and personal guarantee of promoters of the Company)	326.18	-
- State Bank of Hyderabad Secured by Pari passu first charge on the Immovable and Movable Assets of the Company present and future including equitable mortgage of factory lands and buildings and Second pari passu charge on the Current Assets. Equitable mortgage of Director's personal properties and personal guarantee of the promoter Directors of the Company	6.10	21.65
- Axis Bank Secured by Pari passu first charge on the Immovable and Movable Assets of the Company present and future including equitable mortgage of factory lands and buildings and Second pari passu charge on the Current Assets.	149.63	172.83
Term Loan Against Hypothecation of Vehicles (Secured by Hypothecation of specific Vehicles of the Company)	4.06	3.72
Loan against Mortgage of Property from HDFC Bank (Secured by Mortgage of specific Immovable Property)	18.65	39.41
<b>Total</b>	<b>1,471.80</b>	<b>961.44</b>

**SCHEDULE 4  
UNSECURED LOANS**

Rs. million

Particulars	As at 31-Mar-10	As at 31-Mar-09
Nil (15000) Foreign Currency Convertible Bonds of USD 1000 each carrying 1% Coupon.	-	759.60
Sales Tax Deferrment	7.41	7.41
<b>Total</b>	<b>7.41</b>	<b>767.01</b>

**SCHEDULE 5  
DEFERRED TAX LIABILITY**

Rs. million

Particulars	As at 31-Mar-10	As at 31-Mar-09
Upto the year 2006-07	90.44	90.44
For the year 2007-08	31.42	31.42
For the year 2008-09	13.38	13.38
For the year 2009-10	37.58	-
<b>Total</b>	<b>172.82</b>	<b>135.24</b>

## Vivimed Labs Limited (Standalone)

### SCHEDULE 6 FIXED ASSETS

Rs. million

Particulars	Gross Block				Rate of Depreciation	Depreciation Block			Net Block as at 31.03.2010	Net Block as at 31.03.2009
	As at 01.04.2009	Additions during the year	Capitalised during the year	Sale / Deletions during the year		As at 31.03.2010	As at 01.04.2009	For the year		
Land	106.96	-	-	0.50	106.46	-	-	-	106.46	106.96
Building	226.09	79.81	-	-	305.90	3.34%	8.20	31.05	274.85	203.24
Plant & Machinery	983.91	70.11	-	-	1,054.02	4.75%	27.37	138.29	915.73	872.98
Electrical Equipment	32.83	0.31	-	-	33.14	4.75%	1.54	10.54	22.60	23.83
Laboratory Equipment	20.46	12.17	-	-	32.63	4.75%	1.18	4.58	28.05	17.06
Office Equipment	4.68	0.68	-	-	5.36	4.75%	0.23	1.40	3.96	3.51
Computers	14.32	1.50	-	-	15.82	16.21%	2.40	5.16	10.66	11.56
Furniture	13.57	2.48	-	-	16.05	6.33%	0.91	3.64	12.41	10.84
Vehicle	20.24	4.70	-	-	24.94	9.50%	2.11	9.91	15.03	12.44
Borewell	0.05	-	-	-	0.05	3.34%	-	0.03	0.02	0.02
Generator	1.15	-	-	-	1.15	4.75%	0.05	0.10	1.05	1.10
sub-total (a):	1,424.26	171.76	-	0.50	1,595.52	-	43.99	204.70	1,390.82	1,263.55
Capital Work In Progress	92.29	19.53	4.21	104.22	3.39	-	-	-	3.39	92.29
Exchange Fluctuations on FCCB Loan	160.05	-	-	160.05	-	-	-	-	-	160.05
sub-total (b):	252.34	19.53	4.21	264.27	3.39	-	-	-	3.39	252.34
Total (a + b)	1,676.60	191.29	4.21	264.77	1,598.91	-	43.99	204.70	1,394.21	1,515.89
Previous Year	1,093.49	645.20	62.09	-	1,676.60	-	33.56	160.71	1,515.89	966.34



## SCHEDULE 7 INVESTMENTS

Rs. million

Particulars	As at 31-Mar-10	As at 31-Mar-09
<b>Unquoted Shares at Cost - Other than Trade</b>		
- 25,00,000 Equity Shares of Creative Health Care Private Ltd. (wholly owned Indian subsidiary @ Rs. 10 each, fully paid)	25.00	25.00
- 10,000 Equity shares of Vivimed Holdings Ltd., HongKong, (wholly owned Foreign Subsidiary @ 1 HKD per share fully paid)	0.08	0.09
- 1,000 Equity Shares of Vivimed Labs USA Inc., (wholly owned Foreign subsidiary @ USD 0.01 per share fully paid)	9.80	-
<b>Total</b>	<b>34.88</b>	<b>25.09</b>

## SCHEDULE 8 INVENTORIES

Rs. million

Particulars	As at 31-Mar-10	As at 31-Mar-09
Raw Materials	321.37	228.45
Packing Materials	15.11	16.63
Work in Process & Intermediates	120.59	109.64
Finished Goods	148.99	144.13
<b>Total</b>	<b>606.06</b>	<b>498.85</b>

## SCHEDULE 9 RECEIVABLES

Rs. million

Particulars	As at 31-Mar-10	As at 31-Mar-09
<b>(Unsecured and considered good)</b>		
Debts Outstanding beyond six months	27.87	31.60
Other Debts	725.36	513.70
<b>Total</b>	<b>753.23</b>	<b>545.30</b>

## SCHEDULE 10 CASH & BANK BALANCES

Rs. million

Particulars	As at 31-Mar-10	As at 31-Mar-09
Cash on Hand	0.08	0.07
<b>Bank Balances with Scheduled Banks</b>		
in Current Accounts	10.31	19.44
in Deposit Accounts	23.67	49.40
<b>Total</b>	<b>34.06</b>	<b>68.91</b>

**SCHEDULE 11  
LOANS & ADVANCES**

Rs. million

Particulars	As at 31-Mar-10	As at 31-Mar-09
<b>ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED</b>		
Vivimed Holdings Limited (Wholly Owned Foreign Subsidiary)	125.28	115.62
Vivimed Labs USA Inc. (Wholly Owned Foreign Subsidiary)	77.84	-
Advances to Suppliers	41.91	93.06
Advances to Staff	2.32	0.85
Other Advances	8.36	5.51
Prepaid Expenses	0.19	-
Foreign Company Acquisition Expenses	-	2.45
TDS Receivable	8.40	3.53
VAT Receivable	0.14	0.02
<b>DEPOSITS</b>		
Deposit with Others (Sales Tax Deposit, Excise Deposit, etc.)	46.25	39.37
Inter Corporate Deposit	-	56.00
<b>Total</b>	<b>310.69</b>	<b>316.41</b>

**SCHEDULE 12  
CURRENT LIABILITIES & PROVISIONS**

Rs. million

Particulars	As at 31-Mar-10	As at 31-Mar-09
Creditors for Supplies	201.75	119.61
Creditors for Capital Goods	17.21	56.56
Unpaid dividend for 2007-08	0.10	0.11
Unpaid dividend for 2008-09	0.27	-
<b>Sub Total</b>	<b>219.33</b>	<b>176.28</b>
Provision for Expenses	67.94	45.33
Provision for Proposed Dividend	14.91	14.20
Provision for Dividend Tax	2.54	2.40
<b>Sub Total</b>	<b>85.39</b>	<b>61.93</b>
<b>Total</b>	<b>304.72</b>	<b>238.21</b>

**SCHEDULE 13  
MISCELLANEOUS EXPENDITURE**

Rs. million

Particulars	As at 31-Mar-10	As at 31-Mar-09
Preliminary Expenses	2.77	3.32
Public Issue / IPO Expenses	7.82	9.38
F.C.C.B. Issue Exp.	-	47.27
Foreign Company Acquisition Expenses	47.32	27.33
<b>Total</b>	<b>57.91</b>	<b>87.30</b>

**SCHEDULE 14  
NET SALES**

Rs. million

Particulars	Year ended 31-Mar-10	Year ended 31-Mar-09
Sales - Domestic	1,099.86	846.45
Sales - Export	1,006.03	668.44
<b>Total</b>	<b>2,105.89</b>	<b>1,514.89</b>

**SCHEDULE 15  
OTHER INCOME**

Rs. million

Particulars	Year ended 31-Mar-10	Year ended 31-Mar-09
Interest received on other Deposits	10.55	3.42
Interest on Bank Fixed Deposits	0.06	3.58
Interest received on Electricity Deposits	0.04	0.05
Interest received from Vivimed Holdings Limited, HongKong	9.43	8.72
<b>Total</b>	<b>20.08</b>	<b>15.77</b>

**SCHEDULE 16  
INCREASE / (DECREASE) IN STOCKS**

Rs. million

Particulars	Year ended 31-Mar-10	Year ended 31-Mar-09
Opening Stock of Work in Process	109.64	96.43
Opening Stock of Finished Goods	144.13	117.43
	<b>253.77</b>	<b>213.86</b>
Closing Stock of Work in Process	120.59	109.64
Closing Stock of Finished Goods	148.99	144.13
	<b>269.58</b>	<b>253.77</b>
Increase in Stocks	15.81	39.91

**SCHEDULE 17  
CONSUMPTION OF MATERIALS**

Rs. million

Particulars	Year ended 31-Mar-10	Year ended 31-Mar-09
Opening Stock of Raw Materials and Consumables	228.45	201.74
Opening Stock of Packing Materials	16.63	12.33
Add: Purchases during the year	1,367.25	955.01
Less: Closing Stock of Raw Materials and Consumables	321.37	228.45
Less: Closing Stock of Packing Materials	15.11	16.63
<b>Total</b>	<b>1,275.85</b>	<b>924.00</b>

**SCHEDULE 18  
MANUFACTURING EXPENSES**

Rs. million

Particulars	Year ended 31-Mar-10	Year ended 31-Mar-09
Stores & Spares	9.76	21.09
Job Work Charges	22.63	7.21
Power & Fuel	77.21	61.64
Factory Maintenance - Repairs to Factory Building	6.09	4.56
Factory Maintenance - Repairs to Machinery	7.79	14.00
Other Manufacturing Expenses	75.31	43.41
<b>Total</b>	<b>198.79</b>	<b>151.91</b>

**SCHEDULE 19  
R & D EXPENSES**

Rs. million

Particulars	Year ended 31-Mar-10	Year ended 31-Mar-09
Purchase of Lab Chemicals & Other Expenses	15.32	12.05
<b>Total</b>	<b>15.32</b>	<b>12.05</b>

**SCHEDULE 20  
SALARIES, WAGES & ALLOWANCES**

Rs. million

Particulars	Year ended 31-Mar-10	Year ended 31-Mar-09
Salaries & Wages	87.29	71.19
Employer Contribution to P.F. & E.S.I.	4.53	3.63
Bonus	7.17	3.32
Staff Welfare	-	1.60
Gratuity	1.36	0.89
Leave Encashment	1.69	0.51
<b>Total</b>	<b>102.04</b>	<b>81.14</b>


**SCHEDULE 21  
SELLING & ADMINISTRATIVE EXPENSES**

Rs. million

Particulars	Year ended 31-Mar-10	Year ended 31-Mar-09
<b>SELLING EXPENSES</b>		
Business & Marketing Expenses	9.87	9.86
Commission & Discounts	0.01	0.24
Travelling Expenses - Foreign	3.58	5.74
Rebates & Discounts	0.53	0.46
Freight Outward	24.10	22.60
Fluctuations in Foreign Exchange	18.72	(13.78)
Other Selling Expenses	1.23	-
<b>ADMINISTRATIVE EXPENSES</b>		
Printing & Stationery	1.92	2.48
Telephone & Postage Expenses	2.65	5.95
Travelling Expenses	3.36	1.67
Rates & Taxes	1.35	1.38
Conveyance	-	1.24
Consultancy Charges	0.28	0.15
Auditors Remuneration - Audit Fee	0.10	0.07
- Tax Matters	0.03	0.03
Insurance	3.02	4.36
Rent	2.11	1.97
Managerial Remuneration - Salary	12.36	12.36
Directors' Sitting Fee	0.19	0.16
Bank charges	2.87	6.37
Processing charges on Term Loan	6.68	1.54
Other Administrative Expenses	36.67	18.91
<b>Total</b>	<b>131.63</b>	<b>83.76</b>

**SCHEDULE 22  
FINANCING CHARGES**

Rs. million

Particulars	Year ended 31-Mar-10	Year ended 31-Mar-09
Interest on Term Loan	60.96	18.29
Interest on Working Capital	83.02	68.37
Interest on Vehicle Loans	0.39	0.35
Interest on Foreign Currency Convertible Bonds	-	8.69
<b>Total</b>	<b>144.37</b>	<b>95.70</b>

## SCHEDULE 23

### SIGNIFICANT ACCOUNTING POLICIES

Financial Statements are prepared on a going concern basis under historical cost convention on accrual method and complying with the applicable Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI), referred to in Section 211 (3C) of the Companies Act, 1956 as adopted consistently by the Company. The Significant Accounting Policies adopted in presentation of the Accounts are as under:

- (a) Accounting Convention and Revenue Recognition:  
The Financial Statements have been prepared on a going concern basis in accordance with historical cost convention except for such fixed assets which are revalued. Both Income and Expenditure are recognized on accrual basis.  
Sales are accounted Net of Excise Duty, Taxes and Sales Returns. Other Items of Revenue are recognized in accordance with AS-9.
- (b) Retirements Benefits:  
Staff benefits arising out of retirements / death, comprising of contributions to Provident Fund, Superannuation & Gratuity Schemes, accrued Leave En-cashable and other post-separation benefits are accounted for on the basis of an independent actuarial valuation, in accordance with AS-15. The actuarial liability is determined with reference to employees at the end of each financial year.
- (c) Fixed Assets:  
Fixed Assets are stated at cost of acquisition and subsequent improvements thereto, inclusive of taxes, freight, and other incidental expenses related to acquisition, improvements and installation, except in case of revaluation of Fixed Assets where it is stated at revalued amount, as contained in AS-10. Capital Work-in-Progress includes cost of Fixed Assets under installation, any unallocated expenditure and Interest during construction period on loans taken to finance the Fixed Assets.
- (d) Depreciation:  
Depreciation on Fixed Assets is provided on straight-line method as per the rates specified in Schedule XIV of the Companies Act, 1956. This is in accordance with the AS-6 and there is no change in the method of Depreciation during the year.
- (e) Accounting for Government Grants:  
Government Grants / Subsidies are accounted in accordance with AS-12. The Company has correctly accounted the amounts received from Govt. Departments / Agencies to Reserve A/c. instead of Crediting the Block of Asset. The pre-condition is that the company should be existing for the ensuing 10 years from the date of sanction of the subsidy, and that such 10 year period has not expired as on the date of the Balance sheet.
- (f) Accounting for Investments:  
Investments are valued at cost of acquisition including related expenses thereto. No Provision has been made by the Company during the year, since there is no permanent fall in valuation of investments. This is in accordance with AS-13.
- (g) Intangible Assets:  
Intangible assets are capitalized at cost if:
- It is probable that the future economic benefits that are attributable to the asset will flow to the company;
  - The company will have control over the assets;
  - The cost of these assets can be measured reliably and is more than Rs. 10,000/-;
  - This is in accordance with AS-26.
- (h) Expenditure on Research and Development:  
Capital Expenditure on Research and Development has been capitalized as Fixed Assets at the cost of acquisition inclusive of taxes, freight, and other incidental expenses related to acquisition and installation.  
Revenue Expenditure on research including the expenditure during the research phase of Research and Development projects is charged to Profit and Loss Account as expense in the year of occurrence.  
The above accounting is in compliance with AS-8.





- (i) Transactions in Foreign Exchange:  
Sales / Purchases and revenue incomes / expenses in foreign currency are booked at the exchange rate prevailing on the date of transaction. Gain / Loss arising out of fluctuations in exchange based on the rate on date of realization is accounted for in the Profit and Loss Account as per AS-11.  
Foreign Currency Monetary assets and liabilities are translated at year end exchange rates.  
Foreign currency loans covered by forward contracts are realigned at the forward contract rates while those not covered by forward contracts are realigned at the rate prevailing at the year end.
- (j) Borrowing Cost:  
Borrowing cost that is attributable to the acquisition / construction of Fixed Assets is capitalized as part of the cost of respective assets. Other Borrowing Costs are recognized as expense and charged to revenue in the Profit and Loss Account in the period in which they are incurred, as per AS-16.
- (k) Inventories:  
Inventories of Raw Materials, Packing Materials, Consumables and Work in Process is valued at Cost on Weighted Average basis. Finished Goods are valued at lower of Cost or Net Realizable Value, as per AS-2.
- (l) Taxes on Income:  
(i) Income tax is computed in accordance with AS-22 on Accounting for Taxes on Income. Tax expenses are accounted in the period to which the revenue and expenses relate.  
(ii) Income Tax: Provision for current income tax is made on the tax liability calculated on taxable income after considering tax allowances, deductions and exemptions determined in accordance with the prevailing Tax Laws.  
(iii) Deferred Tax Liability: Provision for Deferred Income Tax Liability is made on the accumulated timing differences at the end of the accounting year in accordance with prevailing Tax Laws. Timing differences are those differences between taxable income and accounting income for a period that originate in one period and are capable of reversal in one or more subsequent periods.  
(iv) Deferred Tax Assets: Deferred Tax Assets are recognized only if there is reasonable certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date. There are no Deferred Tax Assets recognized by the Company during the year.
- (m) Accounting for Provisions, Contingent Liabilities and Contingent Assets:  
Provisions have been recognized by the Company for all present obligations arising from past events, where it is probable that there will be outflow of resources to settle the obligation and when a reliable estimate of the amount of the obligation can be made by using a substantial degree of estimation. This is as per AS-28.  
Contingent Liabilities are recognized only when there is a possible obligation arising from past events due to occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or where any present obligation cannot be measured in terms of future outflow of resources or where a reliable estimate of the obligation cannot be made. Obligations are assessed on an on-going basis and only those having a largely probable outflow of resources are provided for.  
Contingent Assets have not been recognized in the financial statements.
- (n) Earnings per Share:  
The earnings considered in ascertaining the Earning Per Share comprise of Net Profit after Tax. The number of shares used in computing Basic Earnings Per Share is the Weighted Average number of shares outstanding during the year, as per AS-20.
- (o) Impairment of Assets:  
The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the management estimates recoverable amounts of the assets and if such amounts are less than its carrying cost the carrying cost is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Profit and Loss Account. If at the Balance Sheet date, there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost, in accordance with AS-28. However, there are no impairment losses recognized by the Company in the Financial Statements during the year.
- (p) Related Party Disclosures:  
The Company as required by AS-18, furnishes the details of Related Party Disclosures in Schedule 24.

## SCHEDULE 24

### NOTES FORMING PART OF ACCOUNTS

- Foreign Currency Convertible Bonds (FCCB) of nominal value of USD 12.5 Million have been brought back and cancelled and FCCB of nominal value of USD 2.5 Million have been converted into 5,63,918 Equity Shares. Conversion was done at Rs. 41.73 per USD and Rs. 185 per Equity Share.

Claim for allotment of about 2,00,000 additional Equity Shares due to inadvertent error in the notice of conversion of Bondholder (FCCB) is not acknowledged as debt.

- Warrant Application Money of Rs. 49.56 Million includes Rs. 23.35 Million received in earlier years towards Warrant Application Money for which Warrants were not issued for want of approval from Stock Exchanges.
- The Breakup of Net Deferred Tax Liability as at 31-03-2010 on account of timing difference is as under:

Rs. million

Deferred Tax Liabilities	As at 31-03-2010	As at 31-03-2009
Opening Balance	135.24	121.86
Add: Adjustment for timing difference of Depreciation as per Companies Act, 1956 and Income Tax Act, 1961.	37.58	13.38
<b>Closing Balance</b>	<b>172.82</b>	<b>135.24</b>

- Treatment of Capital Work in Progress:  
Capital Work in Progress includes cost of land under acquisition and plant & equipment under installation.
- Detailed information regarding quantitative particulars under part II of schedule VI to the Companies Act, 1956:
  - Quantitative information with regard to
    - Licensed Capacity and
    - Installed Capacity per annum

Item	Qty.
Speciality Chemicals (MT)	3000
Capsules (Million)	300
Tablets (Million)	30
Lotions (KL)	20
Ointments (MT)	30

- Actual production for 2009-10

Items	Qty.
Speciality Chemicals (MT)	2,209.00
Capsules (Million)	387.27
Tablets (Million)	14.92
Lotions (KL)	17.44
Ointments (MT)	3.86
Small Volume Parentals (Million)	14.50



## 7. Sales Data

Product	Qty		Value Rs. million	
	2009-10	2008-09	2009-10	2008-09
Speciality Chemicals (MT)	1,830.36	1,831.49	1,619.34	1,153.36
Capsules (Million)	387.57	254.74	142.48	85.59
Tablets (Million)	14.90	10.62	101.72	87.68
Lotions (KL)	17.41	7.89	49.14	22.24
Ointments (MT)	3.84	1.98	6.78	4.16
Small Volume Parentals (Million)	14.53	8.65	186.43	161.86
<b>Total</b>			<b>2,105.89</b>	<b>1,514.89</b>

## 8. Opening &amp; Closing Stock of Finished Goods

Items	Opening Stock as at 01.04.2009		Closing Stock as at 31.03.2010	
	Qty	Value Rs. million	Qty	Value Rs. million
Specialty Chemicals (MT)	159.59	139.98	538.19	140.87
Capsules (Million)	1.17	1.87	0.87	2.38
Tablets (Million)	0.07	0.58	0.09	0.43
Lotions (KL)	0.05	1.12	0.08	0.97
Ointments (MT)	0.01	0.58	0.03	0.10
Small Volume Parentals (Million)	0.17	-	0.14	4.24
<b>Total</b>		<b>144.13</b>		<b>148.99</b>

## 9. Consumption of Materials

Particulars	Qty (Kgs.)	2009-10 Rs. million
2,4-Dichloro Phenol	507,880	92.28
Per Chloro Ethylene	884,159	85.20
Sulphuric Acid	2,598,856	78.78
Caustic Potash Flakes	225,065	74.25
Cast Iron Powder	573,502	71.17
Acetic Acid	151,165	67.51
2,5-Dichloro Nitro Benzene	508,450	66.04
Caustic Soda Flakes	261,562	65.38
Sodium Nitrite	119,700	53.26
Other Raw Materials	850,520	621.98
<b>Total</b>		<b>1,275.85</b>

10. Related Party Disclosure:

Particulars of related parties and transactions with them are:

<b>Name of the Related Party</b>
Dr. V. Manohar Rao, Chairman
Subhash Varalwar, Vice Chairman
Santosh Varalwar, Managing Director & CEO
Sandeep Varalwar, Executive Director
Mr. S. Raghunandan, Director (Operations)
Dr. R.K. Dhar, Director (Technical)
Creative Health Care Private Limited, Mumbai, (Wholly owned Indian Subsidiary)
Vivimed Holdings Limited, HongKong. (Wholly Owned Foreign Subsidiary)
Vivimed Labs USA Inc., (Wholly Owned Foreign Subsidiary)
Vivimed Labs Europe Limited, U.K., (Wholly Owned Foreign Step Down Subsidiary)

Transactions during the year with related Parties

Rs. million

<b>Name of the Party</b>	<b>Nature of Transaction</b>	<b>Year ended 31.03.2010</b>	<b>Year ended 31.03.2009</b>
Dr.V.Manohar Rao, Chairman	Remuneration	2.40	2.40
Subhash Varalwar, Vice Chairman	Remuneration	2.40	2.40
Santosh Varalwar, Managing Director & CEO	Remuneration	3.00	3.00
Sandeep Varalwar, Director	Remuneration	2.40	2.40
Creative Health Care Private Limited, (wholly owned Indian Subsidiary)	Sale	-	6.33
	Investment in shares	25.00	25.00
Vivimed Holdings Limited, HongKong, (wholly owned Foreign Subsidiary)	Advance to Subsidiaries	125.28	115.62
	Investment in Shares	0.09	0.09
Vivimed Labs Europe Limited, U.K, (wholly owned Foreign Step Down Subsidiary)	Sales	224.53	51.97
Vivimed Labs USA Inc., (wholly Owned Foreign Subsidiary)	Advance	51.83	-
	Investment in Shares	9.80	-
	Sales	93.24	-

11. Contingent Liabilities

Rs. million

		<b>As at 31.03.2010</b>	<b>As at 31.03.2009</b>
Letters of Credit	Foreign	110.64	93.14
	Inland	41.04	6.77
Bank Guarantees	State Bank of Hyderabad, Balnagar Branch, Hyderabad	4.66	4.71



## 12. Contingent Liability on account of Corporate Guarantees

Rs. million

Name of the Subsidiary	Details of the Lender	As at 31-03-2010	As at 31-03-2009
Vivimed Holdings Private Limited, HongKong.	State Bank of India, London Branch	760.50	1139.40
Vivimed Labs Europe Limited, UK.	State Bank of India, London Branch	63.51	249.66
Creative Health Care Private Limited, India.	Axis Bank, Hyderabad, India	65.00	65.00

13. Amount of delayed outstanding dues to Micro and Small Enterprise as per MSME Development Act 2006, could not be ascertained at the end of the financial year.

14. Employee benefits: Provision for Gratuity, Leave Encashment and Bonus is made as per AS-15, on the basis of Actuarial Valuation.

## 15. Foreign Exchange Earnings and Outgo:

Particulars	Nature of Currency	Year 2009-10		Year 2008-09	
		Amount in Foreign Currency	Rs. million	Amount in Foreign Currency	Rs. million
<b>EARNINGS</b>					
On Export of Goods	USD	13,048,764	589.02	8,947,707	371.81
	EURO	4,614,065	279.42	2,137,717	127.24
<b>OUTGO</b>					
Raw Materials	USD	4,469,028	201.73	3,623,189	143.50
	EURO	422,144	25.57	165,499	10.16
Capital Goods	USD	9,465	0.43	-	-
	EURO	3,121	0.19	-	-
	YEN	9,725,054	4.71	-	-
Foreign Exhibitions	USD	14,527	0.66	-	-
	GBP	6,242	0.42	-	-
	SGD	710	0.02	-	-
FCCB Buy Back	USD	9,010,250	406.72	-	-
Travelling	GBP	22,510	1.53	-	-
	USD	48,550	2.28	-	-
Foreign Company Renewal Fee	HKD	4,265	0.02	-	-
Foreign Currency Term Loan	USD	1,559,586	70.34	-	-
Others (Analytical Charges, Subscriptions for Journals, Legal Opinion charges, etc.)	USD	29,550	1.33	-	-
	EURO	508	0.03	-	-

## 16. Earnings Per Share:

Particulars		2009-10	2008-09
Net profit after tax	(Rs. million)	165.40	145.99
Weighted Average Number of shares		9,730,067	9,400,986
Basic EPS	(Rs.)	17.00	15.53
Diluted EPS	(Rs.)	16.60	15.53

17. Segment Information is as follows:

- (i) Our Company has two reporting segments viz., Speciality Chemicals and Pharmaceuticals. Segments have been identified and reported taking into account nature of products and internal business reporting systems. Accounting policies adopted for segment reporting are in line with accounting policy of the company and are in accordance with the AS-17.
- (ii) The Speciality Chemicals segment manufactures a broad range of products active ingredients for Home and Personal Care and personal hygiene products. Pharmaceutical Segment is engaged in contract manufacturing and Job Works in addition to own patented products.
- (iii) Primary Segment (Business Segments):

Rs. million

Particulars	Speciality Chemicals		Pharmaceuticals		Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
<b>REVENUE</b>						
External Turnover	1,619.34	1,153.36	486.55	361.53	2,105.89	1,514.89
Inter Segment Turnover	-	-	-	-	-	-
<b>TOTAL REVENUE</b>	<b>1,619.34</b>	<b>1,153.36</b>	<b>486.55</b>	<b>361.53</b>	<b>2,105.89</b>	<b>1,514.89</b>
<b>RESULTS</b>						
<b>Operating Profit</b>	<b>208.13</b>	<b>186.02</b>	<b>137.40</b>	<b>76.84</b>	<b>345.53</b>	<b>262.86</b>
Interest Expenses	136.32	86.06	8.05	9.64	144.37	95.70
Interest Income	20.08	15.77	-	-	20.08	15.77
<b>Profit Before Tax</b>	<b>91.89</b>	<b>115.73</b>	<b>129.35</b>	<b>67.20</b>	<b>221.24</b>	<b>182.93</b>
Current Tax	1.43	17.69	18.26	4.81	19.68	22.50
Fringe Benefit Tax	-	0.98	-	0.08	-	1.06
Deferred Tax	33.68	10.89	2.48	2.49	36.16	13.38
<b>Net Profit After Tax</b>	<b>56.78</b>	<b>86.17</b>	<b>108.62</b>	<b>59.82</b>	<b>165.40</b>	<b>145.99</b>
<b>OTHER INFORMATION</b>						
Segment Assets	2,626.02	2,650.82	507.11	319.63	3,133.13	2,970.45
Unallocated Corporate Assets	-	-	-	-	-	-
<b>Total Assets</b>	<b>2,626.02</b>	<b>2,650.82</b>	<b>507.11</b>	<b>319.63</b>	<b>3,133.13</b>	<b>2,970.45</b>
<b>Capital Employed</b>	<b>1,060.37</b>	<b>904.41</b>	<b>420.73</b>	<b>202.35</b>	<b>1,481.10</b>	<b>1,106.76</b>
Segment Liabilities	1,565.64	1,746.41	86.39	117.28	1,652.03	1,863.69
Unallocated Corporate Liabilities	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>2,626.02</b>	<b>2,650.82</b>	<b>507.11</b>	<b>319.63</b>	<b>3,133.13</b>	<b>2,970.45</b>
Capital Expenditure - Net	151.80	554.61	19.47	28.49	171.26	583.10
Depreciation	36.92	27.06	7.07	6.50	43.99	33.56
Non Cash Exp. Other than Depreciation	8.33	5.30	0.22	0.22	8.55	5.52



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18. During the year confirmation of balances are not received from most of the Debtors / Creditors.
19. Previous year numbers have been regrouped, rearranged, recasted, wherever necessary to conform to Current Year Classification.
20. Numbers have been rounded off to the nearest million of rupees.

Signatures to Schedules 1 to 24

As per our report of even date

**For P. Murali & Co.,**  
Chartered Accountants

**Dr. V. Manohar Rao**  
Chairman

**Santosh Varalwar**  
Managing Director & CEO

**P. Murali Mohana Rao**  
Partner

**Fahim Aslam Khan**  
Company Secretary

Place : Hyderabad  
Date : 29.05.2010

## Cash Flow Statement

Rs. million

Particulars	Year Ended 31st March, 2010		Year Ended 31st March, 2009	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net Profit / (Loss) before Tax and Extraordinary items		221.24		182.93
Add: Adjustment for				
– Depreciation	43.99		33.56	
– Miscellaneous Expenses	8.55		5.52	
– Financing Charges	144.37	196.91	95.70	134.78
Operating Profit before Working Capital Changes		418.15		317.71
Working Capital changes				
Add / (Less): (Increase) / Decrease in				
– Receivables	(207.93)		(29.16)	
– Inventories	(107.21)		(70.92)	
– Loans, Advances & Deposits	5.72		(122.80)	
– Trade Payables	66.51		(62.57)	
Cash Generated from Operations		(242.91)		(285.45)
Financing Charges		(144.37)		(95.70)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>30.87</b>		<b>(63.44)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of Fixed Assets		(171.26)		(431.30)
(Increase) / Decrease in Capital Work in Progress		248.95		(151.81)
(Increase) / Decrease in Miscellaneous Expenses		20.84		(30.79)
(Increase) / Decrease in Investments		(9.79)		(0.04)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>88.74</b>		<b>(613.94)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>				
– Unsecured Loans	(759.60)		155.45	
– Proceeds from Warrant Money	26.21		-	
– Increase in Share Capital	5.64		-	
– Increase in Share Premium	98.68		-	
– Increase in Deferred Taxes	37.58		13.38	
– Payment of Equity Dividend	(14.95)		(14.10)	
– Payment of Dividend Tax	(2.54)		(2.40)	
– Payment of Direct Tax	(55.84)		(36.93)	
– Secured Loans taken (including Working Capital Finance)	510.36		478.37	
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(154.46)</b>		<b>593.77</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(34.85)</b>		<b>(83.61)</b>
Opening Cash and Equivalents		68.91		152.52
Closing Cash and Equivalents		34.06		68.91

For Vivimed Labs Limited





**Vivimed**

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To,  
The Board of Directors,  
**VIVIMED LABS LIMITED.**

We have verified the attached Cash Flow Statement of VIVIMED LABS LIMITED (Standalone) for the year ended 31st March 2010. The Cash Flow Statement has been prepared by the Company in accordance with the requirement of Clause 32 of listing agreement with Stock Exchange and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report of even date to the members of the Company.

for **P. Murali & Co.**  
**Chartered Accountants**

Place : Hyderabad  
Date : 29.05.2010

(P. Murali Mohana Rao)  
Partner

## Balance Sheet Abstract and Company's General Business Profile

<b>I Registration Details</b>		
CIN Number		L02411KA1988PLC009465
State Code		11
Balance Sheet Date		31.03.2010
<b>II Capital Raised During the Year</b>		<b>Rs. million</b>
Public Issue		NIL
Rights Issue		NIL
Bonus Issue		NIL
Private Placement		5.64
<b>III Position of Mobilisation of and Deployment of Funds</b>		<b>Rs. million</b>
Total Liabilities		3,133.13
Total Assets		3,133.13
<b>Sources of Funds</b>		
Paid up Capital		99.65
Warrant Application Money		49.56
Reserves and Surplus		1085.08
Secured Loans		1471.80
Unsecured Loans		7.41
Deferred Tax Liability		172.82
<b>Application of Funds</b>		
Net Fixed Assets		1390.82
Capital Work in Progress		3.39
Investments		34.88
Net Current Assets		1399.32
Miscellaneous Expenditure		57.91
<b>IV Performance of the Company</b>		<b>Rs. million</b>
Total Turnover		2141.78
Total Expenditure		1920.54
Profit before Tax		221.24
Profit after Tax		165.40
<b>Earning Per Share (Basic)</b>		<b>Rs. 17.00</b>
<b>V Generic Names of Three Principal Products / Services of Company (As per monetary terms)</b>		
Item Code No. (ITC Code):	29145000	
Product Description:	Avis (Avobenzonone)	
Item Code No. (ITC Code):	29095000	
Product Description:	VIV -20 (Triclosan)	
Item Code No. (ITC Code):	29333900	
Product Description:	DANTUFF-Z (Zinc Pyrithione)	

**For P. Murali & Co.,**  
Chartered Accountants

**Dr. V. Manohar Rao**  
Chairman

**Santosh Varalwar**  
Managing Director & CEO

**P. Murali Mohana Rao**  
Partner

**Fahim Aslam Khan**  
Company Secretary

Place : Hyderabad  
Date : 29.05.2010



Vivimed

# Consolidated Results

## Auditor's Report on Consolidated Financials

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1. We have audited the attached Consolidated Balance Sheet of VIVIMED LABS LIMITED ('the Company') and its wholly owned subsidiaries as at 31st March, 2010 and the Consolidated Profit & Loss Account for the year ended on the date annexed thereto and Consolidated Cash flow Statement for the period ended on that date. These Consolidated financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these Consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of its subsidiaries Vivimed Labs USA Inc, Vivimed Holdings Limited, Creative health Care Private Limited as at 31<sup>st</sup> March, 2010. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21 for Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiaries included in the consolidated financial statements.
5. On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company and its subsidiaries, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.
  - (a) in the case of the Consolidated balance Sheet, of the consolidated state of affairs of the Company and its subsidiaries as at 31st March, 2010.
  - (b) In the case of the Consolidated Profit and Loss Account of the consolidated results of operations of the Company and its subsidiaries for the year then ended and
  - (c) In the case of the Consolidated cash flows Statement, of the Consolidated Cash flows of the Company and its subsidiaries for the year then ended.

For **P. Murali & Co.**,  
Chartered Accountants  
FRN: 007257S

Place : Hyderabad  
Date : 29.05.2010

**P. Murali Mohana Rao**  
Partner  
Membership No: 23412



## Balance Sheet As At 31st March, 2010

Rs. million

PARTICULARS	Schedule No.	As at 31.03.2010	As at 31.03.2009
<b>SOURCES OF FUNDS</b>			
<b>SHARE HOLDER'S FUNDS</b>			
Share Capital	1	99.65	94.01
Reserves & Surplus	2	1,299.40	908.10
Warrant Application Money		49.56	23.35
<b>LOAN FUNDS</b>			
Secured Loans	3	2,345.48	2,237.70
Unsecured Loans	4	7.41	767.01
<b>DEFERRED TAX LIABILITY</b>	5	161.88	130.33
<b>TOTAL</b>		<b>3,963.38</b>	<b>4,160.50</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	6	1,951.33	1,736.83
Less: Depreciation		343.90	256.56
<b>NET BLOCK</b>		<b>1,607.43</b>	<b>1,480.27</b>
Capital Work in Progress		11.39	268.76
<b>INTANGIBLE ASSETS</b>			
- Goodwill, Copyrights, Trade Marks	7	939.77	804.77
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
<b>Current Assets</b>			
Inventories	8	793.49	691.30
Receivables	9	938.55	707.48
Cash & Bank Balances	10	56.21	169.75
Loans & Advances	11	152.32	264.14
<b>Less: CURRENT LIABILITIES AND PROVISIONS</b>			
Current Liabilities	12	423.84	207.47
Provisions		170.00	106.06
<b>NET CURRENT ASSETS</b>		<b>1,346.73</b>	<b>1,519.14</b>
<b>MISCELLANEOUS EXPENDITURE</b>			
(to the extent not written off or adjusted)	13	58.06	87.56
<b>SIGNIFICANT ACCOUNTING POLICIES</b>			
<b>NOTES FORMING PART OF ACCOUNTS</b>			
<b>TOTAL</b>		<b>3,963.38</b>	<b>4,160.50</b>

Schedules 1 to 24 form integral part of Accounts

As per our report of even date

For P. Murali & Co.,  
Chartered AccountantsDr. V. Manohar Rao  
ChairmanSantosh Varalwar  
Managing Director & CEOP. Murali Mohana Rao  
PartnerFahim Aslam Khan  
Company SecretaryPlace : Hyderabad  
Date : 29.05.2010

## Profit & Loss Account for the year Ended 31st March, 2010

Rs. million

PARTICULARS	Schedule No.	For the Year ended 31.03.2010	For the Year ended 31.03.2009
<b>INCOME</b>			
Net Sales	14	3,434.86	2,761.23
Other Income	15	65.26	25.30
Increase In Stocks	16	24.54	117.76
<b>TOTAL</b>		<b>3,524.66</b>	<b>2,904.29</b>
<b>EXPENDITURE</b>			
Consumption of Materials	17	2,059.37	1,724.42
Manufacturing Expenses	18	247.32	265.98
R & D Expenses	19	33.65	28.76
Salaries, Wages & Allowances	20	220.71	167.73
Selling & Administrative Expenses	21	258.92	236.44
Financing Charges	22	212.28	172.73
Depreciation	6	87.34	71.49
Preliminary & Pre-Operative Expenses		8.62	5.60
<b>TOTAL</b>		<b>3,128.21</b>	<b>2,673.15</b>
<b>PROFIT BEFORE TAX</b>		<b>396.45</b>	<b>231.14</b>
Less: Provision for Taxation		56.21	26.50
Less: Provision for Deferred Tax Liability for Current Year		30.13	9.89
Less: Fringe Benefit Tax		-	1.23
<b>PROFIT AFTER TAX</b>		<b>310.11</b>	<b>193.52</b>
Add: Balance Brought forward from Previous year		717.35	547.63
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		<b>1,027.46</b>	<b>741.15</b>
<b>Less: Appropriations:</b>			
Transfer to General Reserve		9.50	7.30
Proposed Dividend on Equity Share		14.95	14.10
Dividend Tax		2.54	2.40
<b>Balance Carried to Balance Sheet</b>		<b>1,000.47</b>	<b>717.35</b>
Basic Earnings per share		31.87	20.58
Diluted Earnings per share		31.12	20.58
No. of Equity Shares		9,964,904	9,400,986
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	<b>23</b>		
<b>NOTES FORMING PART OF ACCOUNTS</b>	<b>24</b>		

Schedules 1 to 24 form integral part of Accounts

As per our report of even date

**For P. Murali & Co.,**  
Chartered Accountants

**Dr. V. Manohar Rao**  
Chairman

**Santosh Varalwar**  
Managing Director & CEO

**P. Murali Mohana Rao**  
Partner

**Fahim Aslam Khan**  
Company Secretary

Place : Hyderabad  
Date : 29.05.2010

**SCHEDULE 1  
SHAREHOLDERS FUNDS**

Rs. million

PARTICULARS	As at 31-Mar-10	As at 31-Mar-09
<b>AUTHORISED:</b>		
1,50,00,000 Equity Shares of Rs. 10/- each	150.00	150.00
<b>ISSUED, SUBSCRIBED AND PAID UP:</b>		
99,64,904 (94,00,986) Equity Shares of Rs. 10/- each fully paid	99.65	94.01
<b>Total</b>	<b>99.65</b>	<b>94.01</b>

**SCHEDULE 2  
RESERVES & SURPLUS**

Rs. million

PARTICULARS	As at 31-Mar-10	As at 31-Mar-09
Capital Reserve	8.57	8.57
Revaluation Reserve	10.00	10.00
Share Premium	254.24	155.56
Capital Subsidy - Bidar	2.50	2.50
Capital Subsidy - Haridwar	2.98	2.98
APSFC Subsidy	0.06	0.06
Investment Subsidy	1.11	1.11
General Reserve	19.47	9.97
Profit & Loss Account	1,000.47	717.35
<b>Total</b>	<b>1,299.40</b>	<b>908.10</b>

**SCHEDULE 3  
SECURED LOANS**

Rs. million

PARTICULARS	As at 31-Mar-10	As at 31-Mar-09
<b>STATE BANK OF HYDERABAD</b>		
- Cash Credit	674.02	536.64
- Packing Credit	30.11	76.53
- Foreign Usance Bills Discounted (INR)	26.03	110.67
- Foreign Usance Bills Discounted (Foreign Currency) (Secured by first Pari passu charge on Stocks of Raw Materials, Packing Materials, Stock-in-Process, Finished Goods, Consumables, Stores, Spares, Book Debts etc. and second Pari Passu charge on Fixed Assets of the Company; Equitable mortgage of Director's personal properties and personal guarantee of the promoter Directors of the Company)	16.64	-
<b>STATE BANK OF INDIA, LONDON</b> (Secured by Exclusive Debenture charge over Fixed and Floating assets of Vivimed Labs Europe Limited, U.K. and Corporate Guarantee of the Company)	63.51	61.75
<b>AXIS BANK LIMITED</b>	37.43	49.75
- Cash Credit (Secured by Exclusive first charge on entire Current Assets both present and future. Further secured by the First Charge on entire Fixed Assets both present and future and Equitable Mortgage of Factory Land and buildings of Creative Health Care Private Limited. Personal guarantee of promoter Directors of Creative Health Care Private Limited. Corporate Guarantee of the Company)		
<b>EXIM BANK</b>	220.38	-
- Packing Credit (Secured by Pari passu first charge on the entire Current Assets and second charge on entire Fixed Assets of the Company)		
<b>TERM LOANS</b>		
- <b>EXIM Bank</b> (Secured by first Pari passu charge on entire Fixed Assets both present and future and second Pari passu charge on Current Assents of the Company and Personal guarantee of promoters of the Company)	326.18	-
- <b>State Bank of Hyderabad</b> Secured by Pari passu first charge on the Immovable and Movable Assets of the Company present and future including equitable mortgage of factory lands and buildings and Second pari passu charge on the Current Assets. Equitable mortgage of Director's personal properties and personal guarantee of the promoter Directors of the Company	6.10	21.65
- <b>Axis Bank</b> Secured by Pari passu first charge on the Immovable and Movable Assets of the Company present and future including equitable mortgage of factory lands and buildings and Second pari passu charge on the Current Assets.	149.63	172.83
- <b>Axis Bank Limited</b> Term Loan (Secured by first charge on entire Fixed Assets both present and future including Equitable Mortgage of Factory Land and Buildings of Creative Health Care Private Limited and Corporate Guarantee of the Company and Personal guarantees of promoter Directors)	12.68	25.35
- <b>State Bank of India, London</b> (Secured by Pledge of Shares of Vivimed Labs Europe Limited, U.K., and Corporate Guarantee of the Company)	760.06	1,139.41
- <b>HDFC / ICICI / Tata Capital Fund</b> (Secured by Hypothecation of specific Vehicles of the Company)	4.06	3.72
- <b>HDFC BANK LTD.</b> (Secured by Mortgage of Specific Immovable Property)	18.65	39.40
<b>Total</b>	<b>2,345.48</b>	<b>2,237.70</b>





**SCHEDULE 4  
UNSECURED LOANS**

Rs. million

<b>PARTICULARS</b>	<b>As at 31-Mar-10</b>	<b>As at 31-Mar-09</b>
Nil (15000) Foreign Currency Convertible Bonds of USD 1000 each carrying 1% coupon	-	759.60
Sales Tax Deferrment	<b>7.41</b>	7.41
<b>Total</b>	<b>7.41</b>	<b>767.01</b>

## VIVIMED LABS LIMITED (CONSOLIDATED)

### SCHEDULE 6 FIXED ASSETS

Rs. million

Particulars	Gross Block				Rate of Depreciation	Depreciation Block			Net Block as at 31.03.2010	Net Block as at 31.03.2009
	As at 01.04.2009	Additions during the year	Capitalised during the year	Sale / Deletions during the year		As at 31.03.2010	As at 01.04.2009	For the year		
Land	112.34	-	-	0.50	111.84	-	-	-	111.84	112.34
Building	266.44	104.95	-	-	371.39	3.34%	13.08	47.39	324.00	232.13
Plant & Machinery	1,049.99	75.13	-	-	1,125.12	4.75%	32.56	161.06	964.06	921.49
Electrical Equipment	37.40	0.86	-	-	38.26	4.75%	1.97	12.46	25.78	26.89
Laboratory Equipment	35.49	14.37	-	-	49.86	4.75%	2.04	16.77	33.09	20.76
Office Equipment	5.57	1.89	-	-	7.46	4.75%	0.39	1.70	5.76	4.26
Computers	41.28	2.29	-	-	43.57	16.21%	3.15	31.60	11.97	12.83
Furniture	13.96	4.48	-	-	18.44	6.33%	0.97	3.81	14.63	11.12
Vehicle	25.12	8.88	-	0.44	33.56	9.50%	3.21	14.36	19.20	13.97
Borewell	0.05	-	-	-	0.05	3.34%	-	0.03	0.02	0.02
Generator	1.15	-	-	-	1.15	4.75%	0.05	0.10	1.05	1.10
Intangible Fixed Assets (Ip)	148.04	0.73	-	-	148.77	-	29.91	54.61	94.16	123.34
Epa Registration Costs	-	1.89	-	-	1.89	9.50%	-	-	1.89	-
sub-total (a)	1,736.83	215.47	-	0.94	1,951.33	-	87.34	343.90	1,607.43	1,480.27
Capital Work In Progress	108.71	19.53	4.21	112.64	11.39	-	-	-	11.39	108.71
Exchange Fluctuations on FCCB Loan	160.05	-	-	160.05	-	-	-	-	-	160.05
sub-total (b)	268.76	19.53	4.21	272.69	11.39	-	-	-	11.39	268.76
TOTAL (a + b)	2,005.59	235.00	4.21	273.63	1,962.72	-	87.33	343.90	1,618.84	1,749.01
Previous year	1,189.00	918.70	62.09	40.03	2,005.18	-	71.49	256.56	1,749.03	1,045.41

**SCHEDULE 5  
DEFERRED TAX LIABILITY**

Rs. million

PARTICULARS	As at 31-Mar-10	As at 31-Mar-09
Upto the year 2006-07	90.90	90.90
For the year 2007-08	29.54	29.54
For the year 2008-09	9.89	9.89
For the year 2009-10	31.55	-
<b>Total</b>	<b>161.88</b>	<b>130.33</b>

**SCHEDULE 7  
INTANGIBLE ASSETS**

Rs. million

PARTICULARS	As at 31-Mar-10	As at 31-Mar-09
Goodwill, Copyrights, Trademarks, etc.	939.77	804.77
<b>Total</b>	<b>939.77</b>	<b>804.77</b>

**SCHEDULE 8  
INVENTORIES**

Rs. million

PARTICULARS	As at 31-Mar-10	As at 31-Mar-09
Raw Materials	343.04	283.38
Packing Materials	32.50	28.61
Work in Process	121.35	116.83
Finished Goods	296.60	262.48
<b>Total</b>	<b>793.49</b>	<b>691.30</b>

**SCHEDULE 9  
RECEIVABLES**

Rs. million

PARTICULARS	As at 31-Mar-10	As at 31-Mar-09
(Unsecured and considered good)		
Debts Outstanding beyond six months	50.89	58.17
Other Debts	887.66	649.31
<b>Total</b>	<b>938.55</b>	<b>707.48</b>

**SCHEDULE 10  
CASH & BANK BALANCES**

Rs. million

PARTICULARS	As at 31-Mar-10	As at 31-Mar-09
Cash on Hand	0.26	0.30
<b>Bank Balances with Scheduled Banks</b>		
in Current Accounts	32.28	120.05
in Deposit Accounts	23.67	49.40
<b>Total</b>	<b>56.21</b>	<b>169.75</b>

**SCHEDULE 11  
LOANS & ADVANCES**

Rs. million

PARTICULARS	As at 31-Mar-10	As at 31-Mar-09
<b>ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED</b>		
- Advances to Suppliers	75.25	148.20
- Other Advances	10.24	6.31
- Foreign Company Acquisition Expenses	-	2.45
- Prepaid Expenses	0.30	0.13
- Advances to Staff	2.51	0.98
- TDS Receivable	17.45	3.53
- VAT Receivable	0.14	0.02
- Advance Income Tax Paid	0.16	6.54
<b>DEPOSITS</b>		
- Deposit with Others	46.27	39.98
- Inter Corporate Deposit	-	56.00
<b>Total</b>	<b>152.32</b>	<b>264.14</b>

**SCHEDULE 12  
CURRENT LIABILITIES & PROVISIONS**

Rs. million

PARTICULARS	As at 31-Mar-10	As at 31-Mar-09
Creditors for Supplies	403.07	135.98
Creditors for Capital Goods	17.20	56.56
Creditors for Other Services	3.20	14.82
Unpaid dividend for 2007-08	0.10	0.11
Unpaid dividend for 2008-09	0.27	-
<b>Sub Total</b>	<b>423.84</b>	<b>207.47</b>
Provision for Expenses	152.55	89.46
Provision for Proposed Dividend	14.91	14.20
Provision for Dividend Tax	2.54	2.40
<b>Sub Total</b>	<b>170.00</b>	<b>106.06</b>
<b>Total</b>	<b>593.84</b>	<b>313.53</b>



**SCHEDULE 13  
MISCELLANEOUS EXPENDITURE**

Rs. million

PARTICULARS	As at 31-Mar-10	As at 31-Mar-09
Preliminary & Public Issue Expenses	10.74	12.73
F.C.C.B. Issue Exp.	-	47.28
Foreign Company Acquisition Expenses	47.32	27.55
<b>Total</b>	<b>58.06</b>	<b>87.56</b>

**SCHEDULE 14  
NET SALES**

Rs. million

PARTICULARS	Year Ended 31-Mar-10	Year Ended 31-Mar-09
Sales - Domestic	1,433.28	1,170.64
Sales - Export	2,001.58	1,590.59
<b>Total</b>	<b>3,434.86</b>	<b>2,761.23</b>

**SCHEDULE 15  
OTHER INCOME**

Rs. million

PARTICULARS	Year Ended 31-Mar-10	Year Ended 31-Mar-09
Interest received on Other Deposits	10.55	3.42
Interest received on Bank Fixed Deposits	24.45	19.26
Interest received on Electricity Deposits	0.14	0.05
Other Miscellaneous Income	31.02	2.57
<b>Total</b>	<b>65.26</b>	<b>25.30</b>

**SCHEDULE 16  
INCREASE / (DECREASE) IN STOCKS**

Rs. million

PARTICULARS	Year Ended 31-Mar-10	Year Ended 31-Mar-09
Opening Stock of Work in Process	116.83	104.95
Opening Stock of Finished Goods	275.12	169.24
	<b>391.95</b>	<b>274.19</b>
Closing Stock of Work in Process	125.14	116.83
Closing Stock of Finished Goods	291.35	275.12
	<b>416.49</b>	<b>391.95</b>
Increase in Stocks	24.54	117.76

**SCHEDULE 17  
CONSUMPTION OF MATERIALS**

Rs. million

PARTICULARS	Year Ended 31-Mar-10	Year Ended 31-Mar-09
Opening Stocks of Raw Materials & Consumables	267.03	226.06
Opening Stocks of Packing Materials	28.61	24.38
Add: Purchases During the Year	2,139.27	1,769.62
Less: Closing Stock of Raw Materials & Consumables	343.04	267.03
Less: Closing Stock of Packing Materials	32.50	28.61
<b>Total</b>	<b>2,059.37</b>	<b>1,724.42</b>

**SCHEDULE 18  
MANUFACTURING EXPENSES**

Rs. million

PARTICULARS	Year Ended 31-Mar-10	Year Ended 31-Mar-09
Consumables	11.59	23.49
Job Work Charges	22.63	7.21
Power & Fuel	82.75	66.16
Factory Maintenance - Repairs to Factory Building	6.09	6.04
Factory Maintenance - Repairs to Machinery	7.79	14.00
Other Manufacturing Expenses	116.47	149.08
<b>Total</b>	<b>247.32</b>	<b>265.98</b>

**SCHEDULE 19  
R & D EXPENSES**

Rs. million

PARTICULARS	Year Ended 31-Mar-10	Year Ended 31-Mar-09
Purchase of Lab Chemicals & Other Expenses	20.65	28.76
Lab Maintenance	13.00	-
<b>Total</b>	<b>33.65</b>	<b>28.76</b>

**SCHEDULE 20  
SALARIES, WAGES & ALLOWANCES**

Rs. million

PARTICULARS	Year Ended 31-Mar-10	Year Ended 31-Mar-09
Salaries & Wages	203.84	156.55
Employer Contribution to Provident Fund & E.S.I.	5.06	4.10
Bonus	7.17	3.32
Medical Expenses	0.60	0.37
Staff Welfare	0.99	1.99
Gratuity	1.36	0.89
Leave Encashment	1.69	0.51
<b>Total</b>	<b>220.71</b>	<b>167.73</b>



**SCHEDULE 21**  
**SELLING & ADMINISTRATIVE EXPENSES**

Rs. million

PARTICULARS	Year Ended 31-Mar-10	Year Ended 31-Mar-09
<b>SELLING EXPENSES</b>		
Business & Marketing Expenses	11.03	10.51
Advertisement & Sales Promotion	0.29	0.38
Travelling Expenses - Foreign	10.19	11.12
Sales Commission	21.99	18.33
Rebates & Discounts	0.69	0.39
Freight Outward	50.10	48.59
Fluctuations in Foreign Exchange	(3.10)	18.74
Other Selling Expenses	9.12	-
<b>ADMINISTRATIVE EXPENSES</b>		
Printing & Stationery	2.78	3.33
Telephone & Postage Expenses	5.33	7.28
Travelling Expenses	10.09	3.17
Rates & Taxes	1.58	1.73
Conveyance Expenses	0.48	1.57
Consultancy Charges	11.76	0.44
Auditors Remuneration - Audit Fee	1.87	0.36
- Tax Matters	0.03	0.03
Insurance	9.68	10.65
Rent	2.69	2.48
Managerial Remuneration	14.76	14.44
Directors' Sitting Fee	0.19	0.16
Bank charges	6.95	8.47
Processing Fee on Term Loans	8.94	3.07
Other Administrative Expenses	81.48	71.20
<b>Total</b>	<b>258.92</b>	<b>236.44</b>

**SCHEDULE 22**  
**FINANCING CHARGES**

Rs. million

PARTICULARS	Year Ended 31-Mar-10	Year Ended 31-Mar-09
Interest on Term Loan	105.85	74.22
Interest on Working Capital	106.04	89.47
Interest on Vehicle Loans	0.39	0.35
Interest on Foreign Currency Convertible Bonds	-	8.69
<b>Total</b>	<b>212.28</b>	<b>172.73</b>

## SCHEDULE 23

### SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of Financial Statements:

Consolidated Financial Statements are prepared on a going concern basis under historical cost convention on an accrual basis and comply with the Accounting Standards (AS) referred to in Section 211 (3C) of the Companies Act, 1956 as adopted consistently by the Company. The Significant Accounting Policies adopted in the presentation of the Accounts are as under:

(a) Use of Estimates:

In preparing the financial statements in conformity with accounting principles generally accepted in India, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as at the date of financial statements, the amounts of revenue and expenses during the reported period. Actual results could differ from those of estimates. Any revision to such estimates is recognized in the period in which the same is determined.

(b) Principles of Consolidation:

The Consolidated Financial Statements relates to VIVIMED LABS LIMITED and its wholly owned Indian subsidiary, Creative Health Care Private Limited, Mumbai, (Share Holding 100%, incorporated in India), Vivimed Holdings Limited, (Incorporated in HongKong including its 100% Subsidiary Vivimed Labs Europe Limited, London) and Vivimed Labs USA Inc., (Share Holding 100% incorporated in USA) as at 31<sup>st</sup> March, 2010, have been prepared on the following basis;

- (i) the financial statements of the company and its subsidiaries have been consolidated on line-by-line basis by adding together the book values of like items of Assets, Liabilities, Income and Expenses, after fully eliminating intra group balances, intra group transactions and unrealized profits on stocks arising out of intra group transactions as per Accounting Standard 21 – “Consolidated Financial Statements” notified by the Companies (Accounting Standard) Rules, 2006;
- (ii) minority interest in the net assets of the consolidated subsidiary is identified and presented in consolidated balance sheet separately from current liabilities and equity of the company.

Minority Interest in the net assets of consolidated subsidiary consists of:

- (i) the amount of equity attributable to minorities at the date on which investment in subsidiary is made and
- (ii) the minorities share of movement in the equity since the date the parent subsidiary relationship came into existence.

(c) Minority Interest in the net profit for the year of consolidated subsidiaries is identified and adjusted against the profit after tax of the group;

(d) The consolidated financial statements are prepared to the extent possible using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the companies separate financial statements.

(e) Accounting Convention and Revenue Recognition:

Consolidated Financial Statements have been prepared on a going concern basis in accordance with historical cost convention except for such fixed assets which are revalued. Both Income and Expenditure items are recognized on accrual basis.

Sales are accounted Net of Excise Duty, Taxes and Sales Returns. Other Items of Revenue are recognized in accordance with AS-9 on Revenue Recognition issued by ICAI.

(f) Retirements Benefits:

Staff benefits arising out of retirements / death, comprising of contributions to Provident Fund, Superannuation & Gratuity Schemes, accrued Leave Encashable and other post-separation benefits are accounted for on the basis of an independent actuarial valuation, in accordance with AS-15. The actuarial liability is determined with reference to employees at the end of each financial year.

(g) Fixed Assets:

Fixed Assets are stated at cost of acquisition and subsequent improvements thereto, inclusive of taxes, freight, and other incidental expenses related to acquisition, improvements and installation, except in case of revaluation of Fixed Assets where it is stated at revalued amount, as contained in AS-10. Capital Work-in-Progress includes cost of Fixed Assets under installation, any unallocated expenditure and Interest during construction period on loans taken to finance the Fixed Assets.





(h) Depreciation:

Depreciation on Fixed Assets is provided on straight-line method as per the rates specified in Schedule XIV of the Companies Act, 1956. This is in accordance with the AS-6 and there is no change in the method of Depreciation during the year.

(i) Accounting for Government Grants:

Government Grants / Subsidies have been accounted for in accordance with the provisions of AS-12. The Company has correctly accounted the amounts received from Govt. Departments / Agencies to Reserve A/c. instead of Crediting the Block of Asset. The pre-condition is that the company should be existing for the ensuing 10 years from the date of sanction of the subsidy, and that such 10 year period has not expired as on the date of the Balance sheet.

(j) Intangible Assets:

Intangible assets are capitalized at cost if:

- It is probable that the future economic benefits that are attributable to the asset will flow to the company;
- The company will have control over the assets;
- The cost of these assets can be measured reliably and is more than Rs. 10,000/-;
- This is in accordance with AS-26.

(k) Expenditure on Research and Development:

Capital Expenditure on Research and Development has been capitalized as Fixed Assets at the cost of acquisition inclusive of taxes, freight, and other incidental expenses related to acquisition and installation.

Revenue Expenditure on research including the expenditure during the research phase of Research and Development projects is charged to Profit and Loss Account as expense in the year of occurrence.

The above accounting is in compliance with AS-8.

(l) Transactions in Foreign Exchange:

Sales / Purchases and revenue incomes / expenses in foreign currency are booked at the exchange rate prevailing on the date of transaction. Gain / Loss arising out of fluctuations in exchange based on the rate on date of realization is accounted for in the Profit and Loss Account as per provisions contained in AS-11.

Foreign Currency Monetary assets and liabilities are translated at year end exchange rates.

Foreign currency loans covered by forward contracts are realigned at the forward contract rates while those not covered by forward contracts are realigned at the rate prevailing at the year end.

The differences in realignment are accounted for in the Profit and Loss Account as Exchange Rate Fluctuation Profit / Loss.

(m) Borrowing Cost:

Borrowing cost that is attributable to the acquisition / construction of Fixed Assets is capitalized as part of the cost of respective assets. Other Borrowing Costs are recognized as expense and charged to revenue in the Profit and Loss Account in the period in which they are incurred, as per the provisions of AS-16.

(n) Inventories:

Inventories of Raw Materials, Packing Materials, Consumables and Work in Process is valued at Cost on Weighted Average basis. Finished Goods are valued at lower of Cost or Net Realizable Value, as per AS-2.

(o) Taxes on Income:

(i) Income tax is computed in accordance with AS-22 on Accounting for Taxes on Income, issued by the ICAI. Tax expenses are accounted in the same period to which the revenue and expenses relate.

(ii) Income Tax: Provision for Current Income Tax is made on the tax liability calculated on taxable income after considering tax allowances, deductions and exemptions determined in accordance with the prevailing Tax Laws.

(iii) Deferred Tax Liability: Provision for Deferred Income Tax Liability is made on the accumulated timing differences at the end of the accounting year in accordance with prevailing Tax Laws. Timing differences are those differences between taxable income and accounting income for a period that originate in one period and are capable of reversal in one or more subsequent periods.

(iv) Deferred Tax Assets: Deferred Tax Assets are recognized only if there is reasonable certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date. There are no Deferred Tax Assets recognized by the Company during the year.

(p) Accounting for Provisions, Contingent Liabilities and Contingent Assets:

Provisions have been recognized by the Company for all present obligations arising from past events, where it is probable that there will be outflow of resources to settle the obligation and when a reliable estimate of the amount of the obligation can be made by using a substantial degree of estimation. This is as per the provisions of AS-4.

Contingent Liabilities are recognized only when there is a possible obligation arising from past events due to occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or where any present obligation cannot be measured in terms of future outflow of resources or where a reliable estimate of the obligation cannot be made. Obligations are assessed on an on-going basis and only those having a largely probable outflow of resources are provided for.

Contingent Assets have not been recognized in the financial statements.

(q) Earnings per Share:

The earnings considered in ascertaining the Earning Per Share comprise of Net Profit after Tax. The number of shares used in computing Basic Earning Per Share is the Weighted Average number of shares as per AS - 20.

(r) Impairment of Assets:

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the management estimates recoverable amounts of the assets and if such amounts are less than its carrying cost the carrying cost is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Profit and Loss Account. If at the Balance Sheet date, there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of the depreciable historical cost, in accordance with the provisions contained in AS - 28. However, there are no impairment losses recognized by the Company in the Financial Statements during the year.

(s) Related Party Disclosures:

The Company as required by AS - 18, furnishes the details of Related Party Disclosures in Schedule 24.

**SCHEDULE 24****NOTES FORMING PART OF ACCOUNTS**

1. Foreign Currency Convertible Bonds (FCCB) of nominal value of USD 12.5 Million (at cost Rs. 759.55 Million) have been brought back and cancelled and FCCB of nominal value of USD 2.5 Million (at cost Rs. 104.33 Million) have been converted into 5,63,918 Equity Shares. Conversion was done at Rs. 41.73 per USD and Rs. 185 per Equity Share.

Claim for allotment of about 2,00,000 additional Equity Shares due to inadvertent error in the notice of conversion of Bondholder (FCCB) is not acknowledged as debt.

2. Warrant Application Money of Rs. 49.56 Million includes Rs. 23.35 Million received in earlier years towards Warrant Application Money for which Warrants were not issued for want of approval from Stock Exchanges.
3. Treatment of Capital Work in Progress:

Capital Work in Progress includes cost of land under acquisition, minor civil work and Plant & Machinery under installation.

4. Earnings Per Share

Particulars		2009-10	2008-09
Net profit after tax	(Rs. million)	310.11	193.52
Weighted average numbers of shares		9,730,067	9,400,986
EPS	(Rs.)	31.87	20.58

5. Related Party Disclosure:

Particulars of related parties and transactions with them are:

Name of the Related Party
Dr. V. Manohar Rao, Chairman
Subhash Varalwar, Vice Chairman
Santosh Varalwar, Managing Director & CEO
Sandeep Varalwar, Executive Director
Mr. S. Raghunandan, Director (Operations)
Dr. R.K. Dhar, Director (Technical)
Creative Health Care Private Limited, Mumbai. (Wholly owned Indian Subsidiary)
Vivimed Holdings Limited, HongKong. (Wholly Owned Foreign Subsidiary)
Vivimed Labs USA Inc., (Wholly Owned Foreign Subsidiary)
Vivimed Labs Europe Limited, U.K., (Wholly Owned Foreign Step Down Subsidiary)

Transactions during the year with related Parties:

Rs. million

Name of the Party	Nature of Transaction	Year ended 31.03.2010	Year ended 31.03.2009
Dr.V.Manohar Rao, Chairman	Remuneration	2.40	2.40
Subhash Varalwar, Vice Chairman	Remuneration	2.40	2.40
Santosh Varalwar, Managing Director	Remuneration	3.00	3.00
Sandeep Varalwar, Executive Director	Remuneration	3.60	2.40
Mr. S. Raghunandan	Remuneration	1.08	1.08
Dr. R.K. Dhar	Remuneration	1.08	1.08
Creative Health Care Private Limited, (Wholly Owned Indian Subsidiary)	Sales	-	6.33
Vivimed Holdings Limited, HongKong, (Wholly Owned Foreign Subsidiary)	Advance to Subsidiary	125.28	115.62
Vivimed Labs Europe, U.K., (Wholly Owned Foreign Step Down Subsidiary)	Sales	224.53	51.97
Vivimed Labs USA Inc., (Wholly Owned Foreign Subsidiary)	Advance to Subsidiary	51.83	-
	Investment in Shares	9.80	-
	Sales	93.24	-

6. Contingent Liabilities:

Rs. million

		As at 31.03.2010	As at 31.03.2009
Letters of Credit	Foreign	110.64	93.14
	Inland	41.04	6.77
Bank Guarantees	State Bank of Hyderabad, Balanagar Branch, Hyderabad.	4.66	4.71

7. Contingent Liability on account of Corporate Guarantees:

Rs. million

Name of the Subsidiary	Details of the Lender	As at 31.03.2010	As at 31.03.2009
Vivimed Holdings Private Limited, HongKong.	State Bank of India, London Branch	760.50	1139.40
Vivimed Labs Europe, U.K.	State Bank of India, London Branch	66.51	61.74
Creative Health Care Private Limited, India.	Axis Bank, Hyderabad, India	65.00	65.00



8. Segment Information is as follows:

- (i) The company has two reporting segments viz., Speciality Chemicals and Pharmaceuticals. Segments have been identified and reported taking into account nature of products and internal business reporting systems. The accounting policies adopted for segment reporting are in line with the Accounting Policy of the Company and are in accordance with the Accounting Standard - 17.
- (ii) The Speciality Chemicals segment manufactures a broad range of products active ingredients for Home and Personal Care and personal hygiene products. Pharmaceutical Segment is engaged in contract manufacturing and Job Works in addition to own patented products.
- (iii) Primary Segment (Business Segment):

Rs. million

Particulars	Speciality Chemicals		Pharmaceuticals		Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
<b>REVENUE</b>						
External Turnover	2,614.88	2,075.51	819.98	685.72	3,434.86	2,761.23
Inter Segment Turnover	-	-	-	-	-	-
Total Revenue	2,614.88	2,075.51	819.98	685.72	3,434.86	2,761.23
<b>RESULTS</b>						
Operating Profit	436.48	298.55	172.25	105.32	608.73	403.87
Interest Expense	194.41	152.70	17.87	20.03	212.28	172.73
Interest Income	64.92	24.69	0.34	0.61	65.26	25.30
Profit before Tax	241.73	145.24	154.72	85.90	396.45	231.14
Current Tax	31.95	17.69	24.26	8.81	56.21	26.50
Fringe Benefit Tax	-	0.98	-	0.25	-	1.23
Deferred Tax	33.68	10.89	(3.55)	(1.00)	30.13	9.89
Net Profit after Tax	176.11	115.69	134.00	77.83	310.11	193.52
<b>OTHER INFORMATION</b>						
Segment Assets	3,975.69	3,846.47	523.47	540.00	4,499.16	4,386.47
Unallocated corporate assets	-	-	-	-	-	-
<b>Total Assets</b>	3,975.69	3,846.47	523.47	540.00	4,499.16	4,386.47
<b>Capital Employed</b>	1,009.92	501.96	380.63	435.94	1390.55	937.90
Segment Liabilities	2,965.77	3,344.51	142.84	104.06	3108.61	3,448.57
Unallocated corporate Liabilities	-	-	-	-	-	-
<b>Total Liabilities</b>	4,356.32	4,282.41	142.84	104.06	4,499.16	4,386.47
Capital Expenditure - Net	(53.19)	1,505.68	267.69	243.34	214.50	1,749.02
Depreciation	72.37	56.26	14.97	15.23	87.34	71.49
Non Cash Expenses other than Depreciation	8.33	5.31	0.29	0.29	8.62	5.60

9. During the year confirmation of balances are not received from most of the Debtors / Creditors.
10. Previous year numbers have been regrouped, rearranged, recasted, wherever necessary to conform to Current year classification.
11. Numbers have been rounded off to the nearest million of rupees.

Signatures to Schedules 1 to 24

As per our report of even date

**For P. Murali & Co.,**  
Chartered Accountants

**Dr. V. Manohar Rao**  
Chairman

**Santosh Varalwar**  
Managing Director & CEO

**P. Murali Mohana Rao**  
Partner

**Fahim Aslam Khan**  
Company Secretary

Place : Hyderabad  
Date : 29.05.2010



## Consolidated Cash Flow Statement for the year ended 31st March, 2010.

Rs. million

Particulars	Year Ended 31st March, 2010		Year Ended 31st March, 2009	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net Profit / (Loss) before Tax and Extraordinary items		396.45		231.14
Add: Adjustment for				
- Depreciation	87.34		71.49	
- Miscellaneous Expenses	8.62		5.60	
- Financing Charges	212.28		172.73	
Operating Profit / (Loss) before Working Capital Changes		308.24		249.82
Working Capital changes		<b>704.69</b>		<b>480.96</b>
Add / (Less): (Increase) / Decrease in				
- Receivables	(231.07)		(143.29)	
- Inventories	(102.19)		(229.29)	
- Loans, Advances & Deposits	111.82		(67.01)	
- Trade Payables	280.31		(36.86)	
Cash Generated from Operations		58.87		(476.45)
Financing Charges		(212.28)		(172.73)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>551.28</b>		<b>(168.22)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of Fixed Assets	(214.50)		(616.14)	
(Increase) / Decrease in Capital Work in Progress	257.37		(158.97)	
(Increase) / Decrease in Miscellaneous Expenses	20.88		(30.82)	
(Increase) / Decrease in Intangible Assets	(135.00)		(804.77)	
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(71.25)</b>		<b>(1,610.70)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>				
- Unsecured Loans	(759.60)		155.45	
- Proceeds from Warrant Money	26.21		-	
- Increase in Share Capital	5.64		-	
- Increase in Share Premium	98.68		-	
- Increase in Deferred Taxes	31.55		9.89	
- Payment of Equity Dividend	(14.95)		(14.10)	
- Payment of Dividend Tax	(2.54)		(2.40)	
- Payment of Direct Tax	(86.34)		(37.62)	
- Secured Loan taken (including Working Capital Finance)	107.78		1,682.04	
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(593.57)</b>		<b>1793.26</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(113.54)</b>		<b>14.34</b>
Opening Cash and Equivalents		169.75		155.41
Closing Cash and Equivalents		56.21		169.75

For Vivimed Labs Limited

Place : Hyderabad  
Date : 29.05.2010

Santosh Varalwar  
Managing Director







Vivimed

**Vivimed Labs Limited**

Registered Office: 78/A, Kolhar Industrial Area, Bidar – 585403, Karnataka

**Proxy Form**

Regd. Folio No. / Client ID : \_\_\_\_\_

No. of Shares held : \_\_\_\_\_

I/We \_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_ being members of the above named Company, hereby appoint \_\_\_\_\_ of \_\_\_\_\_ as my /or Proxy to attend and vote for me/us on my/our behalf at the 22<sup>nd</sup> Annual General Meeting of the Company to be held on Saturday, 18<sup>th</sup> September, 2010 at 11.30 A.M. at 78/A, Kolhar Industrial Area, Bidar – 585403, Karnataka and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010

Affix Re. 1  
Revenue  
Stamp

**Noted:**

- a) Proxy need not be member of the Company.
- b) The Proxy form duly filled in and signed by the member(s) across Revenue Stamp should reach the Company's Registered Office: Vivimed Labs Limited 78/A, Kolhar Industrial Area, Bidar – 585403 at least 48 hours before the time fixed for the meeting.
- c) Corporate members intending to send their authorized representative(s) to attend meeting are requested to send a Certified Copy of the Board Resolution authorizing their representative(s) to attend and vote on their behalf at the meeting.



Vivimed

**Vivimed Labs Limited**

Registered Office: 78/A, Kolhar Industrial Area, Bidar – 585403, Karnataka

**Attendance Slip**

Regd. Folio No. / Client ID : \_\_\_\_\_

Name and Address of First/Sole Shareholder : \_\_\_\_\_

No. of Shares held : \_\_\_\_\_

I hereby record my presence at the 22<sup>nd</sup> Annual General Meeting of the Company to be held on Saturday, 18<sup>th</sup> September, 2010 at 11.30 A.M. at 78/A, Kolhar Industrial Area, Bidar – 585403 Karnataka

Signature of Member/Proxy

Note: Member/Proxy who wish to attend the meeting must bring this attendance slip to the meeting and hand over at the entrance duly filled in and signed.







**Vivimed**

**Registered Office**

78/A, Kolhar Industrial Area, Bidar – 584403, Karnataka

**Corporate Office**

2nd Floor, Veeranag Towers, Habsiguda, Hyderabad – 500007  
Tel: 91-40-27176005/27176006, Fax: 91-40-27172242

**Branch Offices**

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USA: +1 732 398 0008  
China: +86 (0) 20 8626 6003

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