

FUTURE FOCUSED

ANNUAL REPORT 2010-11



Vivimed



THE VIVIMED
CARE.
YOU WILL
FIND IT
EVERYWHERE.

Vivimed touches the lives of people around the world, at every turn, almost every day. The company's touch can be felt in the active ingredients in toothpastes, in the preservatives / moisturizers in face creams, in the UV filters in sunscreens, in various hair colorants, in photochromic dyes in eyecare and in myriad other ways.

Vivimed exhibits a deft understanding of today's changing world of perceptions in oral care, hair care, skin care, sun care, preservatives, imaging and pharmaceuticals.

A world-leading organization with a unique portfolio of products, focused on pharmaceuticals, personal care and colour chemistry, Vivimed provides high performance products of quality and value to improve the lives of its clients' consumers.

Vivimed's chemistry delivers clean living, by fighting microbes in people's homes and kitchens. Vivimed's high-end chemistry coats the screen of mobile telephones, as well as the windscreens of cars. It also makes a wide range of imaging chemicals for the photographic industry.

Vivimed's chemistry brings affordable cures to the needy, through small parenterals in oncology, drug delivery systems and discoveries in treating arthritis, macular degeneration, psoriasis, stress and more.

Vivimed is also a thinking supply chain partner that specializes in customized manufacturing. A Home & Personal Care (H&PC) actives company. A high-end contract researcher. A pharma company that cares for people's health.

Vivimed adds value, beauty, protection and well-being.



SPECIALITY CHEMICALS

HOW DO WE MAKE A DIFFERENCE?



Hair Care

Backed by a century of expertise in this field, Vivimed is an essential ingredient in some of the world's most famous beauty brands.

The company specializes in anti-dandruff agents, anti-fungal agents, hair loss actives, hair growth agents, emollients and guar gums for use in shampoos, conditioners and styling products.

Skin Care

Vivimed's range of sunscreens provides the ingredients needed to meet the exacting demands of the personal care market. Vivimed strives to keep the skin protected from UV-induced damage and excessive dryness during sun exposure. It makes broad spectrum, water / oil-soluble UV-A and UV-B filters and inhibitors for skin care formulations, with potent anti-acne and anti-cellulite properties. Its products help inhibit melanin, lighten the skin and reduce blemishes / hyper-pigmentation. It also makes a range of effective moisturizers and emollients that alleviate skin irritations, bruises and insect bites.



Oral Care

Vivimed's oral care products find applications in some of the most effective products in the market for good oral health, including anti-bacterials for toothpastes / mouthwashes, neutralizers for dental enamel protection.

The company makes cosmetic products, general personal hygiene and hair care products, disinfectants, textile and paper treatments and food contact additives in plastics.

Our products are also effective against facultative anaerobes / yeast and find uses in antiseptic hand wipes, skin preparations, soaps, surgical scrubs and as oral rinses for treating sore gums and ulcers.



SPECIALITY CHEMICALS

Thickeners and Conditioners



Derived from a natural extract of the guar bean, Vivimed's range of speciality 'Co-Guar' thickeners and conditioners covers many personal care and cosmetic applications. They are used as thickeners for hand and face creams, lotions, body washes and shower gels. They also find application as stabilizers for shampoos and conditioners which build base for hair, increase softness and add bounce.

Anti-Microbials and Preservatives



Vivimed makes a wide range of broad-spectrum anti-microbial and anti-fungal actives that find application in hand washes / soaps / shampoos, surgical scrubs, skin preparations, mouthwashes / toothpastes, preservatives, cosmetics products, general personal hygiene and hair care, disinfectants, paints, textiles, paper treatments and food contact additives in plastics.

Photochromic Dyes

Vivimed manufactures the most comprehensive range of patented, high-performance dyes and derivatives in the world.

Photochromic Lenses: Our dyes are induced within the matrix of an optical monomer and then thermally or UV-cured. Photochromics can also be incorporated into a sandwich layer of a lens as coating.

Plastics: Vivimed's applications include toys, novelties, packaging, security markers, films / laminates, clothes and cosmetics such as nail varnish.

Inks and Coatings: Photochromic dyes can be induced into solvent-based ink and overprint varnishes as well as coating systems for use in gravure and flexo printing, screen print for T-shirts and nail varnish.



Imaging Chemicals

Vivimed manufactures photographic chemicals used in traditional photographic imaging technology such as medical and industrial X-ray imaging, consumer photography and litho-plate production for the graphic arts industry. Vivimed provides a full range of black-and-white photographic developers, anti-fog additives for image optimization in medical and industrial X-ray imaging and also essential elements in the litho-plate developing process of graphic arts.



SPECIALITY CHEMICALS

MANUFACTURING FACILITIES



Bidar (Karnataka)

A wide range of Active Cosmetic Ingredients, anti-microbials, preservatives and sunscreen actives is manufactured in this integrated, state-of-the-art facility with an installed capacity of 390 MT per annum.

It has over 60 reactors comprising of glass-lined and stainless steel with over 300 kl of handling capacity together with several centrifuges, driers and associated production equipment. The facility is ISO 9001:2000 and ISO14001 certified.



Bonthapally (Hyderabad, Andhra Pradesh)

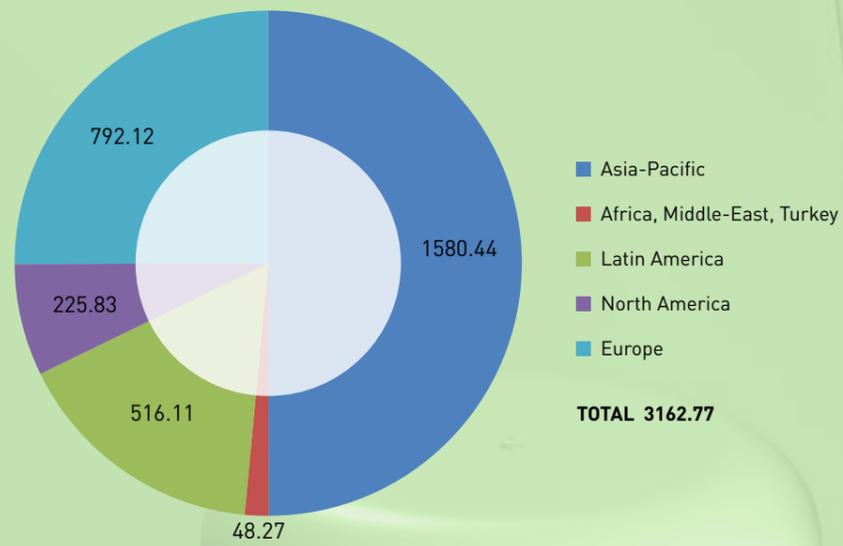
Vivimed manufactures several home and personal care bulk actives in this ISO 9001:2000 certified facility, which has an installed capacity of 500 MT per annum. The facility has 78 reactors comprising of glass-lined and stainless steel with over 300 kl of handling capacity together with several centrifuges, driers and associated production equipment.



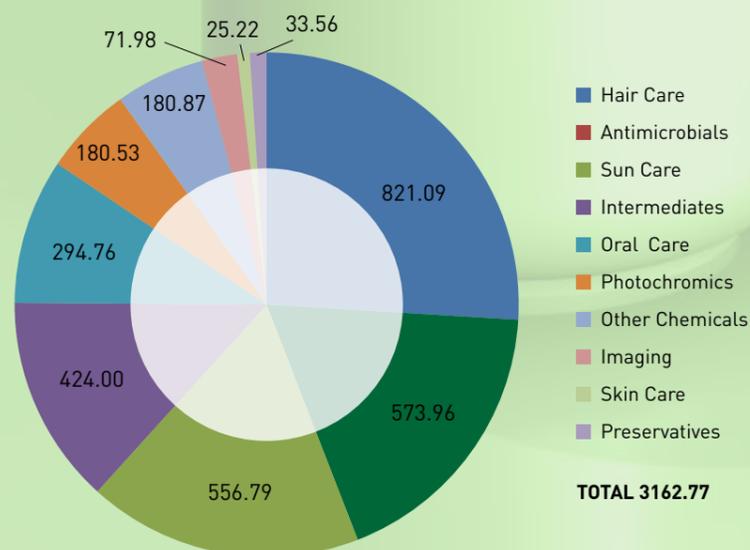
SPECIALITY CHEMICALS

(CONSOLIDATED)

Region-Wise Sales (in ₹ Million)

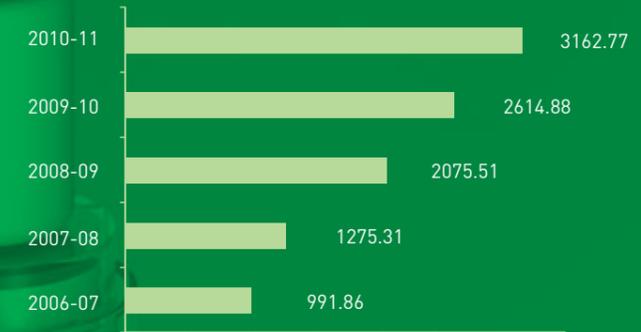


Segment-Wise Sales (in ₹ Million)



FIVE-YEAR PERFORMANCE TRACK

Total Sales (in ₹ Million)



EBIDTA (in ₹ Million)



Earnings After Tax (in ₹ Million)





P HARMACEUTICALS

HOW DO WE MAKE A DIFFERENCE?

Vivimed offers cost-effective molecules customized to customers' requirements in anti-malarials, pain management and certain other therapeutic segments. It is a global provider of formulations for key therapeutic areas like oncology and tuberculosis.

The company offers branded formulations and also engages in contract manufacturing of well known brands and is actively focused on product registrations across the globe and exports in Europe, Russia and other CIS countries.

Its product range in pharmaceuticals includes:

- Capsules / Tablets: Flexasur; Spasmocip Plus; Codarin; Butaproxivon; Valenzia; Arachitol; C Pink.
- Syrups and Liquids: Codarex; Inalgel; Viscodyne; Brozedex (sugar-free); Celadrin; Codeine Linctus; Candid Lotion; Candid Mouth Paint.
- Small Volume Parenterals: Otrivin; Nasivion Moist (Spray); Nasivion (Nasal Drops); Candbiotic Ear Drops; Otrivin Nasal Spray; Tobrop.

In addition to strengthening its speciality chemicals business, Vivimed is enhancing its presence in pharmaceuticals globally. Seeking to tap various potential avenues and opportunities available in this sector, Vivimed is increasing its footprint in the manufacture of Active Pharmaceuticals (APIs) and formulations in key therapeutic segments like oncology, tuberculosis and anti-ulcerants.

Vivimed is increasingly realizing the opportunity in creating a value-add model that transitions from APIs to various formulations and new drug delivery systems. The objective is to translate the customer relationships into a more holistic and comprehensive model which enables the Company to capture and retain profit from value-add at every step.

Further the Company is intending to create a marketing and distribution network for introducing new formulations.

To equip itself with the required infrastructure and facilities, Vivimed is setting up a new facility for manufacture of formulations at Choutuppal, Hyderabad. A separate facility for manufacturing APIs / speciality chemicals is proposed at an SEZ in Srikakulam District of Andhra Pradesh.

Financing of the new projects is tied up with funding from IFC in the form of equity and debt.



P HARMACEUTICALS

MANUFACTURING FACILITIES

Jeedimetla (Hyderabad, Andhra Pradesh)

This facility – which also has a modern R&D unit – manufactures various types of dosage forms such as capsules, tablets, liquid orals and ointment formulations in several product categories. The facility is approved by leading regulatory agencies including WHO and ISO, based on specific filings.



Kashipur (Uttarakhand)

This facility is designed to manufacture a range of oral products, including capsules, tablets, liquid orals and ointment formulations.



Haridwar (Uttarakhand)

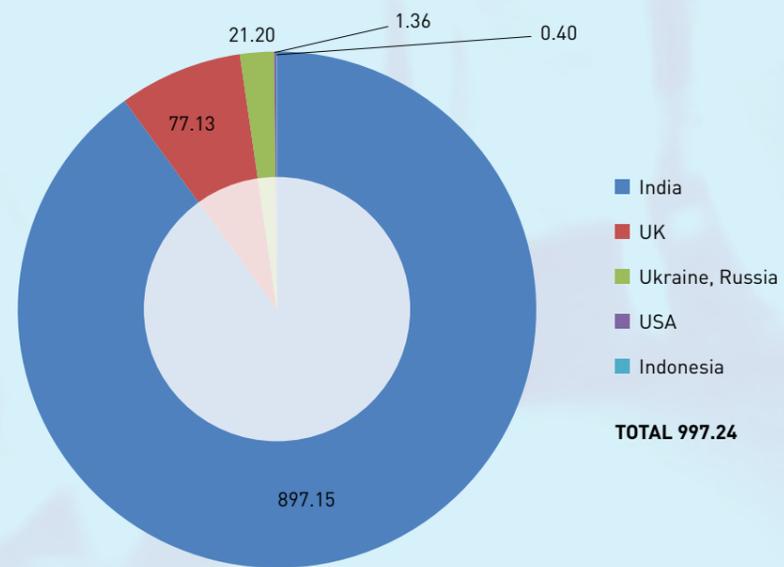
This facility manufactures several formulations including Small Volume Parenterals (SVPs) and sterile products (eye, ear and nasal drop formulations). With sophisticated equipment designed for high throughput, stringent systems and processes tuned for regulatory compliance, this facility is designed to cater to the advanced markets of the US and Europe.



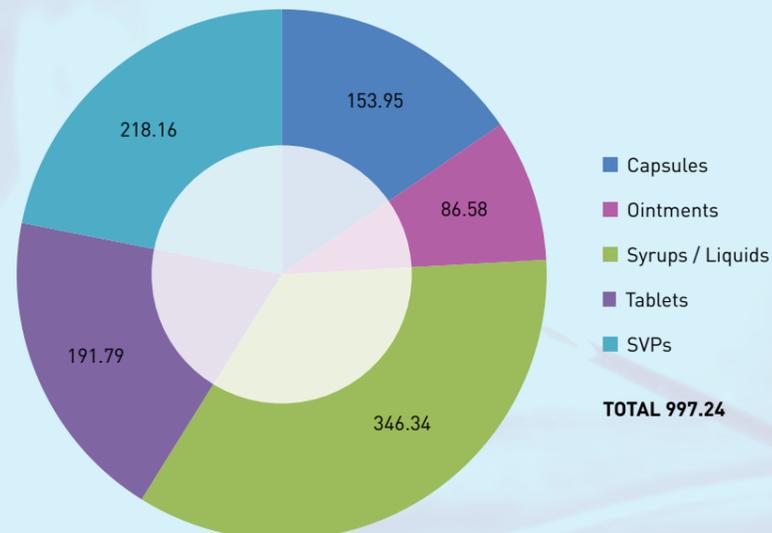
P HARMACEUTICALS

(CONSOLIDATED)

Region-Wise Sales (in ₹ Million)

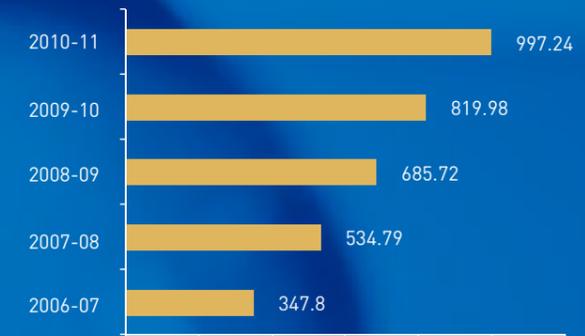


Segment-Wise Sales (in ₹ Million)

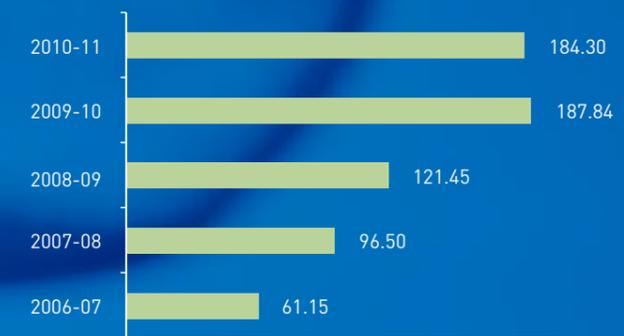


FIVE-YEAR PERFORMANCE TRACK

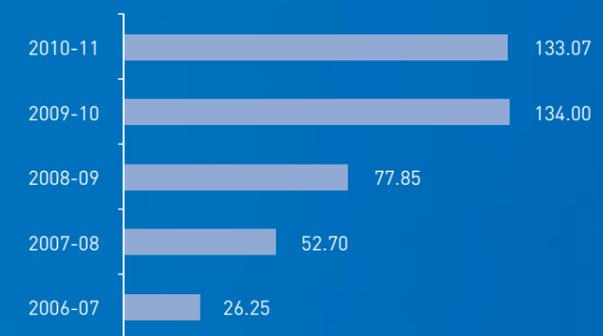
Total Sales (in ₹ Million)



EBIDTA (in ₹ Million)



Earnings After Tax (in ₹ Million)





HOW IS OUR BUSINESS STRUCTURED?

Headquartered in Hyderabad (India), Vivimed has five manufacturing facilities in India. It has two state-of-the-art R&D facilities, at Hyderabad and Huddersfield (UK). The Huddersfield operation is also the company's European office for finance, marketing and administrative functions, as well as a dedicated REACH compliance unit. There is also a sales and distribution hub in New Jersey (USA) and a representative office in Guangzhou (China).

Vivimed has a presence in two distinct industry segments:

- Speciality Chemicals
- Pharmaceuticals

Speciality Chemicals

Vivimed is a global supplier of active ingredients for a comprehensive and diverse range of beauty care products, as well as industrial products such as preservatives, antimicrobials, anti-fouling agents and biocides.

The company has a wide international presence in both developed and emerging markets.

Pharmaceuticals

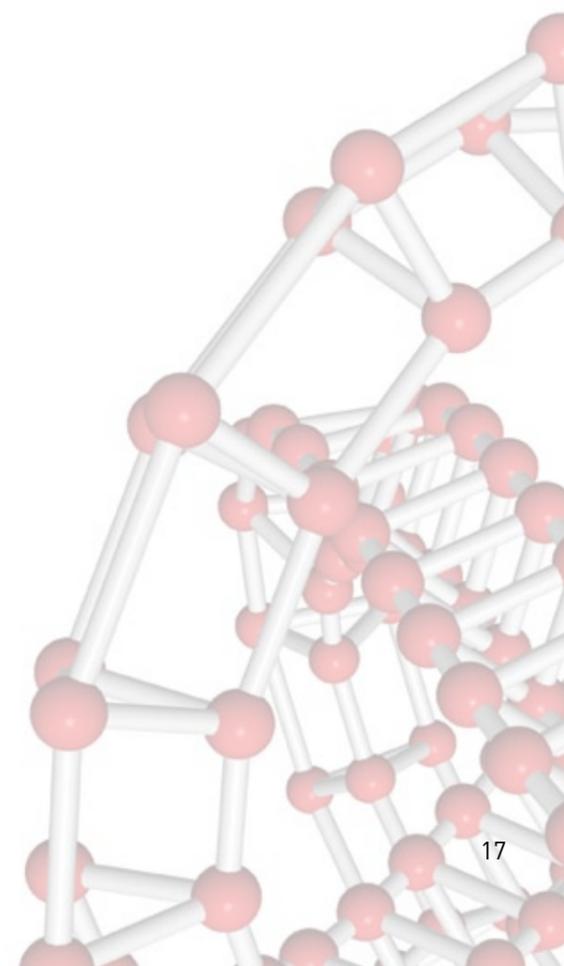
Vivimed is preferred by large global players as a collaborative research and supply chain partner in drug discovery / delivery in various segments like oncology, tuberculosis and anti-ulcerants.

Vivimed Labs Europe

Vivimed Labs Europe Limited is a leading global supplier of speciality chemicals with a focus on hair dye intermediates, imaging chemicals and photochromics for ophthalmic applications, and provides a robust marketing and distribution network in Europe well supported by technical services.

Vivimed Labs USA

Vivimed Labs USA, Inc. enhances the company's global footprint and cuts down the time to market for global customers, by facilitating a smooth, seamless distribution and delivery channel for the entire North America.



RESEARCHING INTO THE FUTURE



Vivimed's research effort – conducted by over 75 dedicated scientists and engineers – is directed at finding cutting-edge solutions, undertaken in tandem with its customers' roadmap. Its processes ensure strict adherence to quality, cost efficiencies, timelines and the ability to consistently scale up from lab to market, combined with an abiding commitment for toxicology and environmental impact.

Working in collaboration with universities and knowledge banks, Vivimed's R&D centers are located at Mallapur (Hyderabad, with six labs) and Huddersfield (UK). Mallapur Hyderabad, R&D center is certified as 'Good Laboratory Practices' (GLP) labs by the Government of India's Council of Scientific and Industrial Research (CSIR). We also have a pilot plant located at Nacharam (Hyderabad).

Huddersfield is also a center for REACH (Registration, Evaluation and Authorization of Chemicals) compliance.

The company is focused on research that would generate ideas from creation of a new molecule to multiple and new uses for various molecules that would translate into new processes and product avenues to the customer and create collaborative manufacturing opportunities for the company.



Vivimed R&D Manager Receives 'Top Dye Chemistry' Award

Dr Andy Towns, Vivimed's R&D Manager at Huddersfield, UK has been honoured with a 'Research Medal' by the London-based Worshipful Company of Dyers, for his paper on the 'Synthesis, properties and application of colorants that are not only more environmentally friendly, but also better performing', which was also published in the 'Journal of The Society of Dyers and Colourists'.

WHAT DRIVES US?

Our Core Values and Principles

Our core values and principles guide us in all that we do. We are committed to ethical, responsible and sustainable business practices.

- We focus on opportunities
- We build on our capabilities
- We embrace change
- We strive for continuous improvement

Our Concern for Quality

During the year 2010-11, Vivimed Labs successfully renewed the following certifications via TUV Nord:

- ISO 9001:2008 (Quality Management)
- ISO14001:2004 (Environment Management)
- OHSAS 18001:2007 (Occupational Health and Safety)
- SA 8000:2008 (Social Accountability)

This certification covers quality, environment, occupational health and safety systems for the manufacture and supply of speciality chemicals and active pharmaceutical ingredients.

In addition to the above, Vivimed has also earned the following certifications:

- Integrated Management System (IMS) certification for manufacturing and supply of speciality chemicals and APIs
- United States Environmental Protection Agency (EPA) certification for Triclosan (VIV-20)
- Certification for bio-terrorism preparedness from the USFDA (a prerequisite for exports to certain countries)

Our Ability to Innovate and Integrate

- We innovate to provide local and global product features.
- We integrate operations, technologies and processes world-wide.
- We sustain local work cultures whilst ensuring commitment to an underlying Vivimed culture.

Human Resource Development

Aiming to be recognized as an employer by choice, Vivimed maintains good employee relations within the company and its subsidiaries. Its SA 8000 certification at select locations only emphasizes the company's determination to raise the standard in terms of fair employment policies and adherence to best practices. The company has strengthened its middle management levels and laid out clearly defined career development plans by identifying staff with potential using well designed HR Matrix and hiring external consultants. Vivimed is an equal-opportunity employer, regardless of nationality, race, political belief, gender, age, sexual orientation or marital status.

Learning and Improvement

Employees are Vivimed's principal assets; their loyalty, integrity and determination fuels the company's growth. The employees are helped to achieve their full potential through sustained learning initiatives. Several technical training programs for the staff were conducted last year at the manufacturing locations. Strategic programs for senior management have also been initiated to encourage innovation and creative thinking in the leaders of tomorrow. A career development program has been initiated for entry-level candidates with short-term reviews. Self-improvement circulars and awards and accolades to change agents have fostered the spirit of positive change.

To facilitate a free interaction and sharing of ideas and knowledge amongst the employees, the company has launched an in-house newsletter titled 'Josh'.



Employee Welfare

To strengthen the employee-employer relationship and provide more intangible benefits, Vivimed has significantly revised the terms of its Group Medclaim Policy, both in terms of inclusions and coverage of dependents. This effort has been of great support to employees, especially in light of increasing healthcare burden on individuals.

Plant personnel are provided with complete personal protective equipment while at work and are periodically trained in Safety, Health and Environment practices, as well as in fire fighting and emergency preparedness.





WE CARE -
A VIVIMED
PERSPECTIVE



Vivimed's corporate tradition is rooted in the principles of personal integrity and doing what's right for the long-term. While working to satisfy its multinational customers, Vivimed continues to be responsible to the local community through Tanmai, a socio-cultural foundation active in supporting local education, healthcare and child labour laws. Vivimed has undertaken several educational initiatives for children, particularly those who are visually challenged.

Vivimed has helped fund schools in underprivileged areas. The company also plans to adopt a needy school in the vicinity of its Head Office and improve infrastructure and facilities. It has tied up with Project 511, an NGO that works to improve infrastructure in poorly funded government schools in Andhra Pradesh.

White Board Education

Vivimed has launched 'White Board', an integrated education and training initiative that offers a wide range of services through virtual and interactive learning classroom networks across the country to deliver quality and affordable education for both urban and rural prospects. Through an online web-based initiative, Vivimed is bringing quality education and medical counseling from metros / large cities to students in suburbs / rural areas. The company is working on creating a network of professionals and medical practitioners willing to devote some time to the cause.

Blood Donation Camp

In March 2011, Vivimed's Hyderabad office organized a voluntary blood donation camp in association with Hyderabad Red Cross Society. Several employees participated in the program, which will hereafter be conducted regularly across India.



In January 2011, Vivimed sponsored a special New Year event at Devnar School for the Blind (Hyderabad) and is committed to supporting the school over the coming years too.



SHOWCASING VIVIMED



At HPCI Congress, Istanbul

On 1-2 June 2011, Vivimed participated in the second HPCI Congress in Istanbul, along with its Turkish distributor, Parkoteks. The company set up a special stand to showcase its products / services.

in-cosmetics®

Vivimed Launches 'Jarocol Blue 15'

Vivimed launched 'Jarocol Blue 15' at an in-cosmetics exhibition held at Milan on 29-31 March 2011. 'Jarocol Blue 15' gives exceptional vibrancy of colour, wide pH stability, excellent wash-resistance and outstanding light fastness.

Reversacol Photochromic Dyes Captivate Visitors



A new experimental installation featured Vivimed's Reversacol dyes within a novel segmented panel construction, which reacts to the interplay of sunlight on the panels. When in shade the segments are translucent white; when in sunlight they transform to vivid colours, bathing the space beneath them with rich hues of light. An extension of the installation was the geometric photochromic jewellery as seen worn in the image shown alongside.

PETEC / Northern Way Printable Electronics Project

Vivimed recently completed its initial R&D in the PETEC / Northern Way Printable Electronics Project, a UK Government funded, cutting-edge development program to look at next-generation printable products. The chief target for novel printable electronics molecules is newly emerging flexible screen display technologies which are built upon Vivimed's excellence in novel organic heterocyclic chemistry.





OUR
FUTURE
LOOKS
BEAUTIFUL

The company has built holistic relationship with industry majors in both the personal care and pharmaceutical sectors and has made investments in building a global presence and distribution network to cater to both developed and developing markets.

In the speciality chemicals sector, it has acquired international companies to consolidate its global presence and business integration. It has pre-registered phase-in products for REACH in European countries and has entered into a manufacturing alliance with ISP Inc. to become the world's largest manufacturer in sunscreens. It is expanding its industrial care business and obtaining necessary approvals, making anti-microbial applications in the Indian market, diversifying its photochromic portfolio and research into new chemicals for printed electronics. It is judiciously making several capex investments to integrate its manufacturing facilities in India and build up its SEZ infrastructure.

In the pharmaceuticals sector, Vivimed has forayed into formulation exports to Russia / other CIS countries. It has also established a sales team in Africa and is entering research-based formulations in different therapeutic segments. It has made product registrations for key therapeutic areas like oncology and tuberculosis and obtained key certifications for its manufacturing facilities and products.

Vivimed's products are sold in more than 50 countries and exports account for more than 50% of its revenues. Guided by an experienced management team, the company has taken several initiatives to fuel the next level of growth for itself in the coming years and is all set to offer a superior value proposition to all its stakeholders.

New Projects

Special Economic Zone (SEZ)

Over the last two decades, the Speciality Chemicals industry has been providing growth and value-added characteristics. Likewise, the Pharmaceutical and Healthcare market has also been undergoing a spurt of growth in its coverage and spending in the public and private sectors.

To tap the growing market needs and augment its exports, Vivimed has made a strategic decision to set up its own sector-specific Special Economic Zone (SEZ) in Chittivallasa, Boyapalem and Naravu villages in Ranasthalam Mandal (Srikakulam District, AP), which will help the company to support its growing demand from the export markets and also from upcoming industries for manufacture of chemicals and APIs.

The SEZ will have synthetic organic chemicals (cosmetics, dye intermediates, bulk drugs and its intermediates) manufacturing industries and commercial R&D (pilot and lab). The company has received in-principle approval from the authorities and is in the process of acquiring 305 acres of land, which is expected to be completed by September 2011.

Pharma Formulation Plant at Choutuppal

India's long-established position as a preferred manufacturing location for multinational drug manufacturers is quickly spreading into other areas of outsourcing activities. Soaring costs of R&D and administration are persuading drug manufacturers to move their discovery research and clinical trials activities to the subcontinent by capitalizing on India's high levels of scientific expertise as well as low cost of manufacturing.

Against this backdrop, Vivimed proposes to establish a plant for manufacture of tablets and capsules in accordance with USFDA and cGMP standards. Land acquisition for this facility is complete and initial activities such as obtaining approvals, fencing the land, etc., are in progress.

Expansion of Existing Facilities

- Bidar (Karnataka): To cater to the growing global demand for pharmaceuticals and speciality chemicals, Vivimed has acquired an additional 7 acres of land adjacent to the existing facility, which has readily available superstructures in place for warehousing, QA/QC, finished goods areas, employees' canteen, etc.
- Bonthapally (AP): With a view to augmenting its capacities, the company has acquired an additional 6 acres of land adjacent to the existing facilities.



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CORPORATE INFORMATION

Board of Directors

Dr. V. Manohar Rao	Chairman
Mr. Santosh Varalwar	CEO & Managing Director
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
Mr. Krishna Yeachuri	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

Registered Office

78/A, Kolhar Industrial Area,
Bidar – 585403, Karnataka

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, Majestic Mansion,
Shyamlal Buildings,
Begumpet, Hyderabad – 500016

Registrar & Transfer Agents

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

Notice is hereby given that the Twenty Third Annual General Meeting of the Members of Vivimed Labs Limited will be held on 30th September 2011 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 2011, 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 Mr. P.V. Rathnam, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. D. Hanumantha Rao, who retires by rotation and being eligible offers himself for re-appointment.
5. To reappoint M/s P. Murali & Co., Chartered Accountants, Hyderabad as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

Special Business

6. Payment of remuneration to Non Executive Directors of the Company by way of Commission:
To Consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:
"RESOLVED THAT in accordance with the provisions of Section 198,309(4), 310 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s), or re-enactment thereof for the time being in force, Articles of Association of the Company and necessary statutory approval(s), if any, an annual remuneration by way commission upto an extent of 1% of net profits of the Company, be paid to Non Executive Directors of the Company, taken together, in such manner as may be decided by the Board of Directors or by its duly authorized committee.
"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take such steps as may be necessary, desirable or expedient to give effect to this resolution."

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 the Company. The authorized proxy form, if intended to be used, should reach the registered office of the 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 28th September, 2011 to 30th September, 2011 (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 5th October, 2011 to the members whose names appear in the Register of Members on 28th September, 2011.
8. Members holding shares in electronic form may please note that their bank account detail as furnished by the representative depositories to the company will be printed on the dividend warrant as per the applicable regulations of the depositories and the 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 the 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 Savings 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 the 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 the Company for further clarifications.

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

Date : 03.09.2011
Place : Hyderabad

Sd/-
Santosh Varalwar
CEO & Managing Director

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

Item No. 6

Payment of remuneration by way of commission to Non Executive Directors

As per the terms of Section 309(4)(b) of the Companies Act, 1956 a director who is neither in whole time employment of the Company nor a CEO & Managing Director may be paid a remuneration by way of commission if the company by Special Resolution authorized such payment.

The maximum remuneration paid to all non executive directors taken together shall not exceed one percent of the net profits of the Company as the Company is having Whole Time Directors and CEO & Managing Director.

The Board acknowledges and appreciated the contributions made by the non executive directors towards growth and development of the Company and hence has decided to recommend the resolution set forth in Item No. 6 for approval of the members.

None of the Directors except Mr. P.V. Rathnam, Dr. M. Bhagvanth Rao, Dr. Peesapati Venkateswarlu, Mr. D. Hanumantha Rao, M. Krishna Yeachuri and Mr. Nixon Patel are interested in the above resolution.

Details of Directors seeking appointment / reappointment at the 23rd Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement)

1. P.V. Rathnam

Mr. P.V. Rathnam aged 68 is a Fellow Member of the Institute of Chartered Accountants 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 44 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.

2. D. Hanumantha Rao

Mr D. Hanumantha Rao aged 66 has degree in B. Pharm, PGDHA and has got rich expertise in application, evaluation and teaching of regulatory affairs in Government, industry and academia. He has over 30 years of experience in various national and international regulatory laws. He served on various assignments for government and private sector in his field of specialization. He retired as Director, Drugs Control Administration, Government of Andhra Pradesh. Presently he is working as consultant to leading pharma companies.



DIRECTORS' REPORT

To the Members,
Our Directors have the pleasure in presenting the Twenty Third Annual Report together with the Audited Accounts of the Financial Year ended on 31st March 2011.

Financial Performance

(₹ in mn)

Particulars	Stand Alone			Consolidated		
	Year Ended 31.03.2011	Year Ended 31.03.2010	Change	Year Ended 31.03.2011	Year Ended 31.03.2010	Change
Net Sales	3098.10	2105.89	47.12%	4160.01	3434.86	21.11%
Other Income	2.87	20.08	(85.71)%	9.33	65.26	(85.70)%
Increase / (Decrease) in Stocks	44.50	15.81	181.46%	45.91	24.55	87.10%
Total Income	3145.47	2141.78	46.86%	4215.25	3524.66	19.59%
Total operating Expenditure	2578.69	1723.63	49.62%	3354.65	2819.97	18.96%
Operating Profit (EBIDTA)	566.78	418.15	35.54%	860.60	704.69	22.12%
Interest	176.31	144.37	22.12%	205.96	212.28	(2.98)%
Depreciation and Amortisation	60.79	52.54	15.70%	102.01	95.96	6.30%
Profit Before Tax	329.68	221.24	49.01%	552.63	396.45	39.39 %
Provision for Tax	66.55	19.68	238.18%	0.94	56.21	67.23%
Deferred Tax	(14.50)	36.16	(140.10)%	(29.69)	30.13	198.54%
Profit After Tax	277.62	165.40	67.85%	488.32	310.11	57.47%
Add: Profit B/F from Previous Year	786.15	647.74	21.37%	1000.47	717.35	39.47%
Profit available for appropriation	1063.77	813.14	30.82%	1488.79	1027.46	44.90%
Appropriation as Under						
Transfer to General Reserves	20.82	9.50	119.16	20.82	9.50	119.16
Proposed Dividend	20.33	14.95	35.99	20.33	14.95	35.99
Tax on Dividend	3.45	2.54	35.83	3.45	2.54	35.83
Balance Carried Forward to Next Year	1019.16	786.15	29.64%	1444.18	1000.47	44.35%

Operations Review

During the financial year ended March 31st, 2011, our Company has scaled new heights and set new benchmarks in terms of Income and profitability.

Stand Alone Highlights

Total Income increased from ₹ 2141.78 million during the previous year to ₹ 3145.47 million in the year under review registering a growth of 46.86%.

Operating Profit, before interest and depreciation, amounted to ₹ 566.78 million as against ₹ 418.15 million during the previous an increase of 35.54% on year on year basis.

During the year under review. Net Profit, after providing for interest, depreciation and Tax amounted to ₹ 277.62 million as against ₹ 165.40 million during the previous year, registering an increase of 67.85%.

The amount available for appropriations, including surplus from previous year amounted to ₹ 1063.77 million. Surplus ₹ 1019.16 million has been carried forward to the Balance Sheet after providing for Dividend of ₹ 20.33 million, dividend tax ₹ 3.45 million and General Reserve of ₹ 20.82 million.

Earnings Per Share

EPS was at ₹ 27.31 for the year under review as against ₹ 16.60 during the previous year.

Our Company has recorded commendable growth during the year under review.

Consolidated Highlights

The Consolidated Total Income from operations in India, UK and USA amounted to ₹ 4215.25 million and Net Profit, after providing for interest, depreciation and tax amounted to ₹ 488.32 million recording a growth of 19.59% in total income and 57.47% in Net Profit respectively.

Capital Structure

Changes to Share Capital

During the year under review the Issued, Subscribed and Paid up Capital has increased to ₹ 101.64 million from ₹ 99.65 million as a result of allotment of additional 199,112 Equity Shares of ₹ 10 each on October 4, 2011. The Authorised Share Capital of the Company Stands at 200 million.

Dividend

Our Directors recommend a Dividend of ₹ 2.00 on fully paid equity share of ₹ 10 each for the FY2010-11 for your approval. There will be no tax deduction at source on Dividend Payments, but the Company will have to bear tax on dividend @16.97 %, inclusive of surcharge.

The dividend if approved, shall be payable to the shareholders registered in the books of the Company as the beneficial owners as per details furnished by the depositories, determined with reference to the book closure from September 28, 2011 to September 30, 2011 (both days inclusive).

Transfer to Reserves

Our Board has decided to transfer an amount of ₹ 20.82 million to General Reserves.

Subsidiaries

Our Company has four Subsidiary Companies as on 31st March, 2011

- Creative Health Care Private Limited (India)
- Vivimed Holdings Limited (Hong Kong)
- Vivimed Labs Europe Limited (UK)
- 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 this Annual Report.

Pursuant to the provisions of Section 212(8) of the Companies Act, 1956 Act, the Ministry of Corporate Affairs vide its General Circular No. 2/2011 dated February 8, 2011 has granted a general exemption subject to certain conditions to holding companies from complying with the provisions of Section 212 of the Act which requires the attaching of the Balance Sheet, Profit & Loss Account and other documents of its subsidiary companies to its Balance Sheet. Accordingly, the said documents are not being included in this Annual Report. The main financial summaries of the subsidiary companies are provided in Annexure 'A' which forms part of Directors 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 will also be kept for inspection by any investor at its Corporate Office in Hyderabad and that of the subsidiary companies concerned.

Energy, Technology And Foreign Exchange

Details of conservation of energy, technology absorption and foreign exchange earnings and outgo 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 the Directors 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 the Directors Report.

Human Resource Management

Our Company believes that Competent Human Resources are the driving force for any Organization that enables a Company to grow in leaps and bounds. The Company has been able to create a favourable work environment that encourages continuous learning and thereby leading to innovation. With vibrant work atmosphere, Our Company provides an opportunity to employees to work. Our Company has put in place a Scalable Recruitment and Human Resources Plan, devised to attract and retain high caliber personnel.

Vivimed labs Ltd has been fortunate in having a set of committed employees at all levels and looks forward to nurture them and retain their loyalty. Our Company recognizes the value of the committed workers and efforts are being made to enhance the bonding between the Company and the committed employees.

Risk management

Our Company is in the process of developing 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 risk mitigator.

Directors

Mr. P V Rathnam and Mr. D.Hanumantha Rao, retire by rotation at the ensuing Annual General Meeting scheduled to be held on 30th September, 2011 and being eligible offers himself for reappointment.

Auditors

The Statutory Auditors of the 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 Audit Committee of the Board of Directors recommended reappointment of M/s P. Murali & Co. as Statutory Auditors of the Company for the financial year 2011-12 for shareholders approval.

Group

Pursuant to intimations from promoters, names of promoters and companies comprising the 'Group' as defined in Monopolistic and Restrictive Trade Practices ('MRTP') Act, 1969 have been 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 amount of principal or interest was outstanding as of the Balance Sheet date.

Management Discussion and Analysis

The Management Discussion and Analysis Report of the Company has been provided in Annexure 'E' which forms part of the Directors Report.

Corporate Governance Report and General Shareholders Information

As required by Clause 49(VI) of the listing agreement entered into by the Company with the stock exchanges, a detailed report on Corporate Governance is provided in Annexure 'F' of the Directors Report. The General Shareholders Information has been provided as Annexure 'G' which forms part of the Directors Report. The Company is in compliance with the requirements and disclosures that have to be made in this regard. The auditors' certificate on compliance with corporate governance requirements by the Company is attached to Corporate Governance Report and forms part of the Directors Report.

Directors Responsibility Statement

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

1. In the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
2. They have, in selection of the Accounting Policies, consulted the Statutory Auditors and have applied them 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 the Company at the end of the financial year and of the profit of the Company for that period;
3. They have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. They have prepared the annual accounts on a going concern basis.

Acknowledgement

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

We also acknowledge the support and wise counsel extended to us by bankers, government agencies, shareholders and investors at large. We look forward to have the same support in our endeavor to attain our vision.

For and on Behalf of Board of Directors
Sd/-

Santosh Varalwar
CEO & Managing Director

Date : 03.09.2011
Place : Hyderabad



ANNEXURE 'A' TO DIRECTORS' REPORT

Statement pursuant to Section 212 of the Companies Act, 1956, related to Subsidiary Companies

Particulars	Creative Health Care Private Limited, India	Vivimed Holding Limited, Hong Kong	Vivimed Labs Europe Limited, UK	Vivimed Labs USA Inc., USA
Financial Year ended	31.03.2011	31.03.2011	31.03.2011	31.03.2011
Shares of the Subsidiary Company held by the Company				
a) Number	2,500,000	10,000	100,000 & GBP 1	1000 & USD .01
b) Face Value	₹10	HKD 1		
c) Extent of Holding	100%	100%	100% (held through Vivimed Holdings Limited)	100%
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 is not dealt with in the accounts of the Company:				
a) For the financial year ended on 31 st March, 2011	Not Applicable	Not Applicable	Not Applicable	Not Applicable
b) For the previous financial year of the Company since it became a subsidiary				
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 are dealt with in the accounts of the Company:				
a) For the financial year ended on 31 st March, 2011 – ₹ million	32.83	77.33	99.26	1.26
b) For the previous financial year of the subsidiaries since it became a subsidiary – ₹ million	40.94	[28.95]	132.47	0.23
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	As the financial year of the holding and the subsidiary company coincide, there are no particulars to furnish	None	As the financial year of the holding and the subsidiary company coincide, there are no particulars to furnish	None
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:				
a) the subsidiaries fixed assets	As the financial year of the holding and subsidiary company coincide, there are no particulars to furnish.	None	As the financial year of the holding and subsidiary company coincide, there are no particulars to furnish.	None
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

(₹ in mn)

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	7.19	0.00045
Reserves	133.08	3.38	296.90	10.40
Total Assets	272.24	970.26	516.50	309.23
Total Liabilities	114.15	966.82	212.40	298.82
Investments	Nil	(Investment in Subsidiary) 795.42	Nil	Nil
Turnover	320.44	98.45	836.89	372.35
Profit Before Tax	43.15	77.33	99.40	3.04
Provision for Taxation	10.33	Nil	0.15	1.78
Profit After Tax	32.83	77.33	99.26	1.26
Proposed Dividend	Nil	Nil	Nil	Nil

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



Vivimed

Annual Report 2010 11

Conservation of Energy**a. Energy Conservation Measures Taken**

Improvement in energy efficiency is a continuous process at Vivimed 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 :

Coal intensifiers are being used for complete burning of coal, so that the total calorific value of the coal is utilized. The latent heat generated thereby is transferred to steam generation resulting in reduction of coal consumption at our Bidar Plant

Two 40HP Motors replaced by one 60 HP Motor, for RT Circulation resulting in substantial saving of energy at our Bonthapally plant.

Fifty 125 watt fixtures replaced by hundred 23 watts fixtures resulting in saving of 3950 watts of energy per hour of operation, hence annually we are able to save 17000 KWH of energy at our Bonthapally plant.

b. Impact of Above Measures

The impact & efficiency is monitored on operational parameters & fuel consumption.

Form for disclosure of particulars with respect to conservation of energy**A. Power and fuel consumption**

1. Electricity

(a) Purchased		Year ended 31.03.2011	Year ended 31.03.2010
Unit	(Million Kwh)	10.03	7.40
Total amount	(₹ million)	49.89	31.43
Rate/unit	(₹)	4.97	4.24
(b) Own generation			
(i) Through diesel			
Units	(Million Kwh)	1.41	1.67
Units - Diesel consumed	(Million Litres)	0.35	-
Cost per unit	(₹)	10.14	11.76
Cost per unit of diesel	(₹)	40.41	35.29

2. Coal (specify quality and where used)

C/D grade coal used as fuel for 3TPH
1TPH 5TPH coal fired boilers

Quantity	(MT)	7459.21	5163.30
Total cost	(₹ million)	33.75	20.24
Average rate Per tonne	(₹)	4524.24	3921

Disclosure on Technology absorption**Specific areas of Research and Development**

Our company remained focused on discovery and applied research management to enter the area of "critical technology applications" mainly in the direction of distinct Home and Personal care products, photochromics and plastic electronics, invitro drug activity using specific enzyme models and technology upgradation which envisages better economical process handling and parameters.

As a larger part of R&D strategy some of the areas encompassed are:

1. Photochromics and Plastic electronics: A large number of photo-transition organics have been synthesised, of which about 30 have been commercialised. Research is being presently attempted on short transition photochromics with high fatigue resistance.

Work is continued to develop proprietary IP on key intermediates to synthesise different pentacene derivatives which find favourable usage as organic semi conductors.

2. A novel range of water soluble and organic soluble UV-absorbers have been developed with a balance UV-A : UV-B properties. These UV-absorbers will find usage in varied plastic and polymers.

3. Skin whiteners and antityrosinase active entities: A large cell line proliferation and invitro toxicology was conducted for certain 4C-alkylated Resorcinols in isolation and in tandem with other polyhydroxylated antioxidants.

- A series of high redox potentiated organic entities have been evaluated for the micro wrinkle management.
- Sunscreens: Novel range of sun screens is presently under advanced testing for enhancement of SPF values.
- Antifungal and antidandruff actives: Work is directed towards stabilized nano particle technology.
- Oral care: Next generation oral care antibacterials are presently being tested for their activity spectrum.
- High performance naturals: Different categories of high performance semi synthetic guar gums have been developed for their silicone entrapment properties.
- Active IP / Patenting process is in the pipeline.
- A group created for investigating certain classes of anti-cancers and solid tumour inhibiting active chemical entities has initiated its work.

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:

- A near coverage of the body care segment.
- A directed - chemical / natural product approach to address the problems of larger FMCG companies.
- Minimal attrition due to a novel pipeline.
- Cost and time cutting for our international clients.
- 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:

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

Expenditure on R&D

(a) Capital - ₹ 10.07 million

(b) Recurring - ₹ 122.15 million

Total - ₹ 132.22 million

Total R&D Expenditure as a percentage of total turnover - 4.27%

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.

- Complex hair colorants
- Black & White photographics
- Photochromics
- Analytical profiles adapted to the new European directives
- US and REACH regulatory documentation.

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 earning and outgo

Particulars	Foreign Currency	Year ended 31.03.2011		Year ended 31.03.2010	
		Amount in Foreign Currency	₹ million	Amount in Foreign Currency	₹ million
Earnings					
On Export of Goods	USD	14,714,542	649.21	13,048,764	589.02
	Euro	5,781,797	361.87	4,614,065	279.42
Outgo					
Raw Materials	USD	5,912,464	263.68	4,469,028	201.73
	EURO	585,107	36.85	422,144	25.57
Capital Goods	USD	11,940	0.5	9,465	0.43
	EURO	Nil	Nil	3,121	0.19
	YEN	Nil	Nil	9,725,054	4.71
Foreign Exhibitions	USD	Nil	Nil	14,527	0.66
	GBP	Nil	Nil	6,242	0.42
	SGD	Nil	Nil	710	0.02
FCCB Buyback	USD	Nil	Nil	9,010,250	406.72
Travelling	GBP	29,500	2.42	22,510	1.53
	USD	57,400	2.56	48,550	2.28
Foreign Company renewal fee	HKD	10,500	0.02	4,265	0.02
Foreign Currency Term Loan	USD	4,375,000	195.94	1,559,586	70.34
Others (Analytical charges, Subscription for Journals, Legal Opinion Charges etc.)	USD	Nil	Nil	29,550	1.33
	EURO	Nil	Nil	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 Director's Report for the Year ended 31st March, 2011

Name of the Employee	Dr. V. Manohar Rao	Mr. Santosh Varalwar	Mr. Subhash Varalwar	Mr. Sandeep Varalwar	Dr. R. K. Dhar	Mr. S. Raghunandan	Mr. K.S. Sastry
Age	75	49	63	42	56	50	44
Designation / Nature of Duty	Chairman	CEO & Managing Director	Vice Chairman	Whole Time Director	Whole Time Director	Whole Time Director	Sr. Vice President Finance
Gross Remuneration ₹ Million	3.00	3.75	3.00	3.00	1.80	1.80	0.58
Qualification	Post Graduation in Veterinary Sciences from Edinburgh University, UK	Management Graduate from Osmania University	Post Graduate in Chemical Engineering and Management Graduated from Leeds University, U.K.	B. Pharma	Post Doctoral studies at Marburg, Germany	M.Sc.	Associate member of the Institute of Chartered Accountants of India ICAI
Experience Years	More than 42 Years	26 Years	37 Years	19 Years	30 Years	28 Years	19 Years
Date of Commencement of Employment	10.11.1994	09.11.1989	09.11.1989	23.01.2008	23.01.2008	02.11.1990	17.01.2011
Particulars of Last Employment	Joint Director "The Veterinary Biological Research Institute" (VBRI)	Chief Officer - Shipping Corporation of India	Project Engineer (Chemical) - Fertilizer Corporation of India	Executive Director V S Pharmaceuticals	Chief Research Scientist in Fundamental Research at Heochst Pharmaceuticals	Production Planning, Plant Coordination, Process development - Chandra Pharmaceuticals Limited	Associate VP at Maytas Infra Limited

ANNEXURE 'D' TO DIRECTORS' REPORT

Group under MRTP 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 Projects 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	Sheetal Varalwar and her relatives
9	Padma Varalwar and her relatives
10	Dr. V. Vijay Kumar and his relatives
11	Madhavi Varalwar and her relatives
12	Ashwini Gooty Agraharam and her relatives
13	S Raghunandan and his relatives
14	Mamata Gurnurkar and her relatives
15	Neelima and her relatives
16	Venkatesh Gangakhedkar and his relatives
17	Smita Gangakhedkar and her relatives
18	Vipul R. Shah and his relatives
19	S. Chandra Sekhar Rao and his relatives
20	Dr. Satish Gooty and his relatives
21	Ghanshyam M Nahilani and his relatives
22	Narendra C Surti and his relatives
23	Satish Gooty Agraharam and his relatives
24	Butterfly Agri Products Private Limited
25	Bhandachary and his relatives
26	Sheetal and her relatives
27	Ramesh Challa and his relatives
28	G. Mamatha and her relatives
29	Amita Patel and her relatives
30	Meenakshi Kothari and her relatives

ANNEXURE 'E' TO DIRECTORS' REPORT

Management Discussion and Analysis

Industry Structure and Developments

The Company continues its strategic focus on two distinct and separate industry segments

1. Speciality Chemicals
2. Pharmaceuticals

Vivimed Labs Ltd

Vivimed Labs Ltd (VLL) manufactures and markets Speciality Chemicals predominantly for personal care and cosmetic industries and Pharmaceuticals.

The Company's product portfolio continues to expand as part of its continuing growth strategy.

1. Speciality Chemicals
 - a. Active ingredients for hair care, skin care, sun care and oral care products manufactured by global leaders in Personal and Beauty Care products.
 - b. Active components within anti-microbial and biocidal industrial care products
 - c. Black and White developers for the photographic and x-ray imaging markets
 - d. Photochromic dyes for prescription lenses, sunglasses and sportswear lenses
2. Pharmaceutical Finished products
 - a. Anti-cancer products
 - b. Anti-tuberculosis
 - c. Small volume parentals and branded products for
 - i. institutional customers in India
 - ii. Distributors in export markets

The Market for Speciality Chemicals in 2010-11

The Indian chemical and petrochemical industry was worth \$83bn in 2010 and it was the third largest in Asia and 12th worldwide by volume. The industry has consistently been moving towards knowledge based speciality products but with a recognition of the importance of being self-sufficient in primary feedstocks to service the growing demand for higher added value products.

The global speciality chemicals market, at \$740bn represents 22% of the global chemical industry, saw a sharp rebound from the downturn in 2009.

Increasing raw material costs continued to be a major factor, accelerating further in H2 2010 and impacting on margins but this was mitigated by the increase in demand enabling some companies to improve margins and post higher sales levels. Many companies undertook restructurings to reduce costs and thus took greater advantage from higher volumes. Other companies restructured the portfolio towards even more higher margin specialities and quality products.

Towards the back end of 2010 and into 2011, the level of M&A activity increased leading to further consolidation within the market with the largest deal being BASF's acquisition of Cognis.

The global crisis and recovery also signalled the overall strength of Asia in chemical manufacture and the growing importance of India as both a producer and consumer of speciality chemicals.

The Indian speciality chemicals (excluding Knowledge Chemicals) market was estimated at \$15bn in 2010 and is forecasted to grow at 15% pa to 2015 primarily driven by the growth in the number of middle class consumers who are able to afford products which consume speciality chemicals. This in turn is underpinned by growth in exports to meet the demands in existing global markets for competitively priced solutions to customer needs.

Due to the investment in base petrochemicals and other feedstocks within India, MNEs within the Speciality Chemical industry are focusing on India as a manufacturing base for both the local and global markets.

Speciality Chemicals Division

The Division's main activities are in the manufacture and marketing of active ingredients for use within the global Personal Care and Cosmetics industries. These active components represent 40% of all chemicals used within Personal Care products. In India, the market is forecasted to grow to just under \$800m by 2015.

The company has been recognised as one of the leading manufacturing companies in India specialising in this industry segment and through its investments in both production and research, is well placed to consolidate its position in domestic and export growth markets. As per Plimsoll latest global ranking Vivimed has been ranked 54th Largest Company in the Hair, Nail and Skincare industry.



The Division continued its impressive growth performance achieving sales of ₹ 316.28mn, a 21% increase over the previous year this was achieved through a combination of increase in market share and new product approvals in both domestic and global markets. Substantial investment are made in existing facilities at Bonthapally and Bidar for hair dye intermediates, hair care, sun care and antimicrobials, as part of its on-going expansion plan.

A manufacturing and marketing partnership with ISP Inc. (USA) for sunscreens was announced and new manufacturing facilities were commissioned and started during the year. A distribution agreement for Latin America excluding Brazil was agreed with Merck AG for the Division's products.

In response to the growing demands for natural products within the Personal Care industry, the Division started the development of a range of natural skin care actives in partnership with Nisarg, a local SME in Andhra Pradesh. This partnership will be expanded to cover the whole portfolio of natural personal care ingredients.

R&D in both India and the UK focused on cost reduction and margin improvement activities as well as the development of new products. The latter included a new range of photochromic speciality for the Asian market and initial sales quantities of a novel building block for use within the Printable Electronics industry. New products for skin care including skin brightening were introduced.

The Division has continued its REACH activities in Europe and significant progress has been made in meeting our commitments for the next series of authorisations in 2013 in our capacity as a Lead Registrant and SIEF member.

The company together with two major customers located in both NAFTA and Europe formed the Triclosan Task Force to focus on developments within the European Biocidal Products Directive. The company's US subsidiary is working with the EPA and major US customers in supporting the product's continued uses in various antimicrobial applications.

The company achieved certification from TUV for its Integrated Management Systems in Quality, Environments, Occupational Health and Safety and Social Accountability.

Pharmaceutical Division

The global pharmaceutical market is now estimated to be US \$800 billion and is growing at a rate of about 5% per annum. US, Japan and Europe constitute about 85% of the global pharmaceutical market and are growing at a slower annual rate of about 4% mainly due to loss of exclusivity, lesser new product approvals and price erosions due to generics competition.

In contrast, pharmaceutical market of emerging economies like India, Brazil, Mexico, etc. are growing at a much faster rate of 12% – 16% per annum driven by improved per capita income, increased access and rising awareness of modern medicines and strengthening of healthcare infrastructure.

The Indian Pharmaceutical Industry currently tops the chart amongst India's Science based industries with wide range of capabilities in the complex field of drug manufacture and technology.

India's pharmaceutical industry is now the third largest in terms of volume and stands 14th in terms of value, By 2015, it will rank among top 10 in the world, overtaking Brazil, Mexico, South Korea and Turkey. According to data published by Department of Pharmaceuticals, Ministry of Chemicals and Fertilizers, the total turnover of India's pharmaceutical industry between September 2008 and September 2009 was USD 21.04 billion. Of this the domestic market was worth USD 12.26 billion. The Indian Pharmaceutical market is expected to reach USD 55 billion in 2020 from USD 12.26 billion in 2009. The market has the further potential to reach USD 70 billion by 2020 in an aggressive growth scenario.

Generics

India tops the world in exporting generic medicine worth USD 11 billion and currently the Indian Pharmaceutical Industry is one of the world's largest and most developed. Moreover, Indian generic drug market is expected to grow at a CAGR of around 17% between 2010-11 to 2014-15.

Advantage India

The Indian Pharmaceutical Industry, particularly, has been the front runner in wide range of specialities involving complex drug manufacture, development and technology. With advantage of being highly organised sector, the pharmaceutical companies in India are growing at an annual rate of 8-9 %.

Competent workforce: India has a pool of personnel with high managerial and technical competence and also skilled workforce. Professional services are easily available.

Cost-effective chemical synthesis: Its track record of development, particularly in area of improved cost-beneficial chemical synthesis for various drug molecules is excellent. It provides wide variety of bulk drugs and exports sophisticated bulk drugs.

Legal Framework: India has a 64 year old democracy and hence has a solid legal framework and financial markets. There is already established international industry and business community.

Globalisation: The country is committed to free market economy and globalisation. This has resulted in increased flow of Foreign Direct Investment inflow.

Consolidation: International pharmaceutical industry is finding great opportunities in India. The process of consolidation, which has become a general phenomenon in world pharmaceutical industry, has started taking place in India.

Recent Developments

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

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

- (i) Own brand sales in Eastern European Markets / New markets development in Rest of the World.
- (ii) Contract Manufacturing
- (iii) Domestic Marketing

The Company has forayed into formulation exports to Russia / CIS countries, while promoting the New drug delivery system in Anti tuberculosis molecule namely Sodium PAS Enteric Coated Granules and also multi ingredient ready to use sachet of Anti TB actives to the Government sponsored TB programmes in Ukraine and Moscow. Simultaneously also promoting own brands in Ukraine and Russia with the local marketing groups while registering the products which is big challenge in CIS countries. Revenues from pharma segment during the year went up by 40% when compared to last year. Company has been actively registering more products for the future exports in Pain management, critical care and oncology segment. The division has now appointed a full fledged sales team for the African Continent and has already initiated registrations in eight African countries.

The pharma division envisages immense growth opportunity in the domestic markets. The company has started promoting branded formulations and has plans to acquire new brands from existing companies.

In line with strategy for growth in pharmaceutical segment the company has initiated setting up a USFDA compliant facility with a capital outlay of ₹ 500 mn. This facility shall commence commercial production by FY 13 which will provide immense opportunity for its export growth and well complimented with state of the art R&D centre at its existing plant in Hyderabad.

The Company continues to focus on new drug delivery system and offering unique formulations for its customers.

Recognition and Certifications

- ISO 9001:2000 QMS certification for its manufacturing facilities
- ISO 14001:2004 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)
- Pre-registered its products for REACH (Registration, Evaluation and Authorization of Chemicals) in the European countries.
- WHO GMP approved formulation plants at Hyderabad, Haridwar and Kashipur.
- R&D certified as a GLP Laboratory by CISR a government of India undertaking.
- United States Environmental Protection Agency (EPA) certification for Triclosan (VIV-20).
- FROST & SULLIVAN Award for Excellence in Product Line Strategy in the Indian Preservatives Markets in the year 2005.
- Star Exports Excellence Award: Product Category, SSI Gold from the Govt of Karnataka, India, for a decade in the year 2005
- The Company's UK based R&D team was awarded the Centenary Medal by The Society of Dyers and Colorists (SDC) for their work on Photochromic Dyes in the year 2005.
- Award from Johnson & Johnson appreciating for Implementation of Supplier Enabled Innovative Idea in the year 2005
- Queen's Award for Technology (2006)
- ISO 18001: 2007 Certification for Safety Management System
- Integrated Management System (IMS) certification for manufacturing and supply of speciality Chemicals and Active Pharmaceutical Ingredients & Social Accountability (SA 8000:2008)
- Certificate of Appreciation from Hindustan Unilever Limited in the year 2009



- Award from Johnson & Johnson on Supplier Day 2010 – Quality Promise to Zero Defect for the year 2010
- Dyers' Company Research Medal. The award was conferred upon the Company for a paper entitled Synthesis and Spectroscopic properties of novel phthalimide – derived monoazo disperse dyes containing ester groups.

Highlights of Consolidated results

A Sources of funds

1. Share Capital

Share Capital of the Company stands increased by ₹ 1.99 million as a result of allotment of 1,99,112 additional equity shares.

2. Reserves and Surplus

General reserves, Profit & Loss Account and Share Premium have gone up by ₹ 20.83 million, ₹ 443.71 million and ₹ 16.53 million respectively.

3. Loan Funds

Secured loans have gone up by ₹ 724.29 million during the year mainly on account of borrowings for working capital.

4. Current Liabilities and Provisions

Current liabilities and provisions increased by ₹ 89.27 million.

B. Application of Funds

1. Fixed Assets

Cost of additions to the fixed assets is ₹ 281.32 million on account of land, plant and machinery and expansion of existing manufacturing facilities.

2. Current assets, loans and advances

(₹ in mn)

Particulars	2011	2010
Inventories	844.75	793.49
Sundry Debtors	1275.55	938.55
Cash and Bank Balances	110.96	56.21
Loans and Advances	915.56	152.32

a. Cash and Bank Balances

As at 31st March, 2011 the cash and bank balances stands at ₹ 110.96 million as against ₹ 56.21 million in the previous financial year.

b. Loans and Advances

Loans and Advances increased by ₹ 763.24 million.

Analysis of Operating Results

1. Sales

Sales increased by ₹ 725.15 million 21.11% from ₹ 3434.86 million in FY 2009-10 to ₹ 4160.01 million in FY 2010-11.

2. Financial Charges

Financial charges represent interest and bank charges. Financial charges decreased by 2.98% to 205.96 million in FY 2010-11 as compared to ₹ 212.28 million in FY 2009-10.

3. Depreciation / Amortization

The Company provided for a sum of ₹ 102.01 million and ₹ 95.96 million towards depreciation and amortization for the years FY 2010-11 and FY 2009-10.

4. Profit

The Consolidated EBIDTA amounted to ₹ 1168.53 million and ₹ 704.69 million for the FY 2010-11 and FY 2009-10 representing 28.08% and 20.51% of total sales respectively.

Profit after Tax amounted to ₹ 488.32 million and ₹ 310.11 million for the FY 2010-11 and FY 2009-10 respectively representing 11.73 % and 9.02% of total sales respectively.

ANNEXURE 'F' TO DIRECTORS' REPORT

Corporate Governance Report for the year 2010-11

(Under Clause 49 of the Listing Agreements entered 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

Dr. V. Manohar Rao aged 75 years has Retired as Joint Director of "The Veterinary Biological and Research Institute" (VBRI) and 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 V V S Pharmaceuticals and Chemicals Pvt. Ltd. (V V S). 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 V V S to transform from a Biological Processing Unit into a pharmaceutical Manufacturing Unit for manufacturing of Liquid Orals, Tablets, Capsules, Ointments etc.

Mr. Santosh Varalwar – CEO & Managing Director

Mr. Santosh Varalwar aged 49 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 V V S 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.



Mr. Subhash Varalwar – Vice Chairman

Mr. Subhash Varalwar, aged 63 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

Mr. Sandeep Varalwar aged 42 years has completed his Graduation in B. Pharmacy. After completion of graduation, he gained 19 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 V V S 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.

Mr. S. Raghunandan

Mr. S. Raghunandan aged 50 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 – Operations. His association with the company is now more than 20 years.

Dr. Raj Kumar Dhar

Dr. Dhar aged 56 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 three decades. Has several novel product developments to his credit and is the chief architect of Vivimed's VINTOX - NDGA. Has been involved with Vivimed in various capacities since inception and became a Whole Time Director in 2008.

Mr. P.V. Rathnam

Mr. Rathnam aged 68 is a Fellow Member of the Institute of Chartered Accountants 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 44 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. M. Bhagvanth Rao

Dr. M. Bhagvanth Rao aged 67 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 biochemical engineering. He has been involved with 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.

Dr. Peesapati Venkateswarlu

Dr. P Venkateswarlu aged 68 has done B. Sc (Spl), M. Sc (Andhra University), Ph. D (Delhi University), C. Chem. FRSC (London). He has 35 years of experience in Research / teaching 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. D. Hanumantha Rao

Mr. D. Hanumantha Rao aged 66 has degree in B.Pharm, PGDHA and has 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. He retired as Director, Drugs Control Administration, Government of Andhra Pradesh. Presently he is working as consultant to leading pharma companies.

Mr. Krishna Yeachuri

Mr. Krishna Yeachuri aged 51 is a 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

Mr. Nixon Patel aged 50 holds Bachelors degree in Technology (Hons.) from Indian Institute of Technology, Kharagpur and has pursued 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.

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 the 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 given below:

Name	Category	No. of Board Meetings attended during 2010-2011	Whether attended AGM held on 18 th September 2010	No. of Directorship in other Public Companies*	No. of Committee Position held in other Public Companies**
Dr. V. Manohar Rao (Chairman)	Executive and Not Independent	5	Yes	Nil	Nil
Mr. Santosh Varalwar (CEO & Managing Director)	Executive and Not Independent	5	No	Nil	Nil
Mr. Subhash Varalwar (Vice Chairman)	Executive and Not Independent	6	Yes	Nil	Nil
Mr. Sandeep Varalwar	Executive and Not Independent	5	No	Nil	Nil
Dr. M. Bhagvanth Rao	Independent	5	Yes	Nil	Nil

Mr. P.V. Rathnam	Independent	6	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	6	No	Nil	Nil	Nil	Nil
Mr. Krishna Yeachuri	Independent	6	No	Nil	Nil	Nil	Nil
Mr. Nixon Patel	Independent	2	No	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.

Six Board Meetings were held during the year 2010-2011 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held were as follows:

24th April 2010, 29th May 2010, 14th August, 2010, 9th October, 2010, 23rd October 2010 and 29th January 2011.

Dates of the Board Meetings are decided in advance and communicated to the Directors. Board Meetings are held at Corporate Office of the Company. The Agenda along with the explanatory notes are sent in advance to the Directors.

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

Information Placed before the Board Meeting Includes:

1. Annual operating plans and budgets and any updates.
2. Capital budgets and any updates.
3. Quarterly results for the company and its operating divisions or business segments.
4. Minutes of meetings of audit committee and other committees of the Board.
5. The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the 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.
11. 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 to the Company. Necessary steps are taken by the Company to rectify instances of non-compliance, if any.

During the year 2010-2011, the Company did not have any material pecuniary relationship transaction with Non-Executive Directors and Independent Directors.

1. Audit Committee

The Company has constituted an Audit Committee. The Scope of the activities of the 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. The terms of reference of the Audit Committee are broadly as follows:

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 the Statutory Auditors.
3. Reviewing with management, the Audited Financial Statement before submission to Board for approval with particular reference to:
 - Matters required to be included in Director's Responsibility Statement in Director's 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 Systems.
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 the 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 (public issue, right issue, preferential issue, etc.)

Mr. P.V. Rathnam Chairman of the Audit Committee was present at the Annual General Meeting held on 18th September, 2010.

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

Name of the Member	Category	No. of Meetings attended during the year 2010-2011
Mr. P.V. Rathnam	Independent Non Executive	4
Mr. S. Raghunandan	Executive	3
Dr. M. Bhagvanth Rao	Independent Non Executive	4
* Mr. Krishna Yeachuri	Independent Non Executive	1

* Mr. Krishna Yeachuri has been inducted in audit committee on 23rd October, 2010.

Four Audit Committee Meetings were held during 2010-2011. The dates on which the said meetings were held were as follows:

29th May 2010, 14th August 2010, 23rd October 2010 and 29th January 2011.

The necessary quorum was present at the meetings.

6. Remuneration Committee

The Company has constituted a Remuneration Committee. The Broad terms of reference of the Remuneration Committee are as follows:

- Review the performance of the CEO & Managing Director and Whole Time Directors, after considering the Company's performance.
- Recommend to the Board remuneration including salary, perquisites and commission to be paid to the Company's CEO & Managing Director and Whole Time Directors.
- Finalize the perquisite package of the CEO & Managing Director and Whole Time Directors within the overall ceiling fixed by the Board;

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

The Composition of Remuneration Committee is given as below:

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

The Company while deciding the remuneration package of senior management members takes into consideration the following items:

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

Details of Remuneration for the Financial Year 2010-2011

Non-Executive Directors

Name of Director	Sitting Fees (In ₹)
Mr. P.V. Rathnam	50,000
Dr. M. Bhagvanth Rao	45,000
Mr. D. Hanumantha Rao	10,000
Dr. Peesapati Venkateswarlu	30,000
Mr. Krishna Yeachuri	35,000
Mr. Nixon Patel	10,000

Managing and Whole-time Directors

Name	Salary ₹ million	Perquisites & Allowances	Commission
Mr. Santosh Varalwar	3.75	N.A.	N.A.
Dr. V. Manohar Rao	3.00	N.A.	N.A.
Mr. Subhash Varalwar	3.00	N.A.	N.A.
Mr. Sandeep Varalwar	3.00	N.A.	N.A.
Mr. R.K. Dhar	1.80	N.A.	N.A.
Mr. S. Raghunandan	1.80	N.A.	N.A.

7. Shareholders / Investors Grievance Committee

Our Board has constituted Shareholders / Investors Redressal Committee, to look into the 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 the Chairman of the Investors Redressal Committee

The Composition of Investors Redressal Committee is given as below:

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 2010-2011

The total number of complaints / correspondence received and replied to the satisfaction of the shareholders during the 12 months period ended on 31st March, 2011 were 3. There were no outstanding complaints as on 31st March, 2011. No Shares were pending transfer as on 31st March, 2011.

Complaints were attended within seven days from the date of receipt of Complaint, as communicated by our Registrar and Share Transfer Agents.

8. Compensation Committee

Our Board has constituted a compensation committee on 29th 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 the Chairman of the 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

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

- The quantum of options 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 the employee should exercise the option and the option would lapse on failure to exercise the option within the exercise period;
- 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.

9. Management Committee

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

10. General Body Meetings

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

Year	Location	Date	Time
2009-10	Plot No. 78/A, Kolhar Industrial Area, Bidar, Karnataka	18.09.2010	11.30 A.M.
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.

- 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
18.09.2010	Ten	<ol style="list-style-type: none"> 1. Appointment of Mr. Nixon Patel as Director of the Company. 2. Appointment of Mr. Santosh varalwar as CEO & Managing Director of the Company. 3. Appointment of Dr. V Manohar Varalwar as Chairman and Whole Time Director of the Company. 4. Appointment of Mr. Subhash Varalwar as Vice Chairman and Whole time Director of the Company. 5. Appointment of Mr. Sandeep Varalwar as Whole Time Director of the Company. 6. Appointment of Dr. R.K Dhar as Whole Time Director of the company. 7. Appointment of Mr. S. Raghunandan as Whole Time Director of the Company. 8. To Equity shares to the employees of the company under the Employees Stock Option Scheme of the Company. 9. To issue equity shares to the employees of the Subsidiaries of the company under the Employees Stock Option Scheme of the Company. 10. To amend Article 101 of the Articles of Association so as to increase the maximum number of directors to 18.
30.09.2009	Nil	N.A
27.09.2008	Three	<ol style="list-style-type: none"> 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.

- iii) Special Resolution Passed at Extra Ordinary General Meeting of the Company during the year.

Date of AGM	No. of Special Resolution Passed	Details of Special Resolution
06.11.2010	Five	<p>Further issue of Equity shares Increase in the Authorized Capital. Alteration of Capital Clause of Memorandum of Association Alteration of Capital Clause of Articles of Association Increase in the permitted FII limit</p>
04.12.2010	One	Allotment of Equity shares to share holders of Har-Met International Inc.

9. Disclosures

- i) The Board has 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 party as required under Accounting Standard 18 has been made in Notes on Accounts forming part of Statement of Accounts.

- ii) Company circulated code of conduct among Board members and senior management personnel and affirms that they are complying with the code. Text of the Code of Conduct is posted on Company's website viz. www.vivimedlabs.com.
- ii) The Company has complied with the requirements of the 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 on the Company by the Stock Exchanges, SEBI or other statutory authorities relating to the above.

10. Reconciliation of Share Capital Audit

A qualified practicing Company Secretary carried out a reconciliation of share capital 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 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.

11. Means of Communication

Results

- 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 the Company's website www.vivimedlabs.com after duly complying with the provisions of listing agreement.

Website

Company's website www.vivimedlabs.com contains separate dedicated Section 'Investor Information'. Full Annual Report is also made available on website in a user friendly and downloadable format.



Certificate from the Auditors on Compliance of Conditions of Corporate Governance

To the Members of
Vivimed Labs Limited

We have examined compliance of conditions of Corporate Governance by VIVIMED LABS LIMITED for the year ended 31st March, 2011 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 31st March 2011, no investor grievances are pending.

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

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

Sd/-
M. V. Joshi
Partner

Place : Hyderabad
Date : 3rd September, 2011

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

I, Santosh Varalwar, CEO & Managing Director of Vivimed Labs Limited hereby declare that all Board Members and Senior Managerial Personnel have affirmed for the year ended 31st March, 2011 Compliance with Code of Conduct of the Company laid down for them.

Sd/-
Santosh Varalwar
CEO & Managing Director

Place : Hyderabad
Date : 3rd September, 2011

ANNEXURE 'G' TO DIRECTORS' REPORT

General Shareholder Information

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

AGM: Date, time & venue : **30.09.2011 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 30th September, 2011.

Financial Year

The financial year of the Company is of 12 Months beginning from 1st April and ending on 31st March. Financial Year Calendar for 2011-2012 (Proposed)

Results for the quarter ending on 30th June, 2011 - Second Week of August, 2011
Results for the quarter ending on 30th September, 2011 - Second Week of November, 2011
Results for the quarter ending on 31st December, 2011 - Second Week of February, 2012
Results for the quarter and year ending on 31st March, 2012 - Second Week of May, 2012
Annual General Meeting for the year ended on 31st March, 2012 - Before end of September, 2012

Date of Book Closure - 28th September, 2011 to 30th September, 2011 (Both Days Inclusive)

Dividend Payment Date - On or after 5th October, 2011

Listing on Stock Exchanges

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

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

The Company has paid annual listing fees to each of the above Stock Exchanges for the financial year 2011-2012.

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

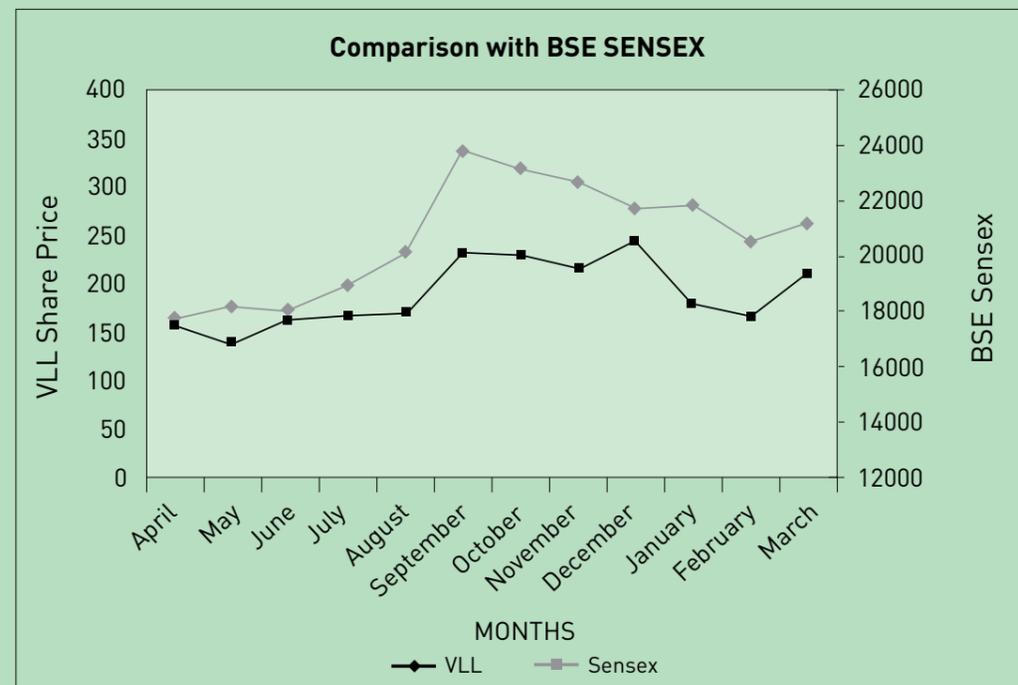
Market Price Data: High, Low (based on the closing prices) and volume during each month in last financial year

Bombay Stock Exchange Limited

Month	Months High Price	Months Low Price	Spread (High- Low)	Closing Price	Volume	BSE SENSEX (Closing)
Apr 10	174.75	143.00	31.75	164.10	1087171	17558.71
May10	179.50	145.00	34.50	177.80	588368	16944.63
Jun10	183.85	159.20	24.65	172.20	546319	17700.90
Jul10	215.50	168.05	46.85	199.00	975374	17868.29

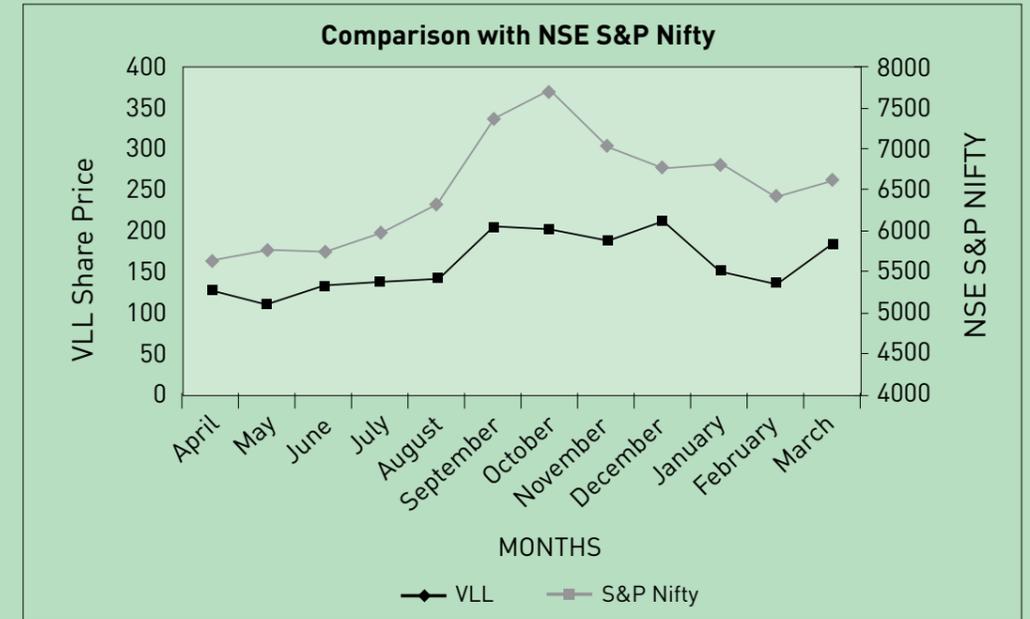


Aug10	248.30	192.00	56.30	232.40	2301487	17971.12
Sep10	350.90	232.25	118.65	338.10	4948360	20069.12
Oct 10	350.00	295.00	55.00	319.25	1446418	20032.34
Nov10	349.70	292.00	57.70	305.60	1219761	19521.25
Dec10	330.00	231.65	98.35	276.55	2164573	20509.09
Jan11	321.20	259.00	62.20	281.85	2919484	18327.76
Feb11	299.65	216.00	83.65	243.95	774211	17823.40
Mar 11	275.00	234.90	40.10	262.75	420025	19445.22



National Stock Exchange of India Limited

Month	Months High Price	Months Low Price	Spread (High- Low)	Closing Price	Volume	NSE NIFTY (Closing)
Apr 10	174.40	142.15	32.25	164.25	1066848	5278.00
May10	179.40	146.20	33.20	177.40	486135	5086.30
Jun10	184.00	158.00	26.00	172.40	445211	5312.50
Jul10	215.40	167.10	48.30	198.65	1011938	5367.60
Aug10	248.35	195.15	53.20	232.25	2703771	5415.45
Sep10	352.00	232.20	119.80	337.75	7631765	6029.95
Oct 10	350.50	295.00	55.50	370.20	2185435	6017.70
Nov10	350.00	290.00	60.00	304.75	1581385	5862.70
Dec10	329.25	231.00	98.25	276.55	2422006	6134.50
Jan11	320.00	260.00	60.00	282.05	3496121	5505.90
Feb11	308.00	216.35	91.65	241.80	1246238	5333.25
Mar11	278.95	233.05	45.90	262.70	472228	5833.75



Registrar and Transfer Agents

The Registrars and Transfer Agents of the Company are M/s Aarthi Consultants Private Limited. Address for correspondence is as below:

Aarthi Consultants Private Limited

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

Share Transfer System

Share transfer and transmission work is being looked after by the Registrar and Transfer Agents. Investors are advised to contact either the Company or Aarthi Consultants Private Limited, the Registrar and Share Transfer Agents of the Company in case of any problem relating to transfer or transmission of Shares. Share transfer which are received in physical form are processed and share certificates returned within 21 days from the date of receipt, subject to document being valid and complete in all respects.

Company has obtained half yearly Certificate from Practicing Company Secretary on compliance with Share Transfer Formalities as per the requirement of Clause 47(c) of listing agreement.

Distribution of Shareholding as on 31.03.2011

Shareholding of Nominal Value (In ₹)	Number of Shareholders	Percentage of Total	Number of Shares held	Percentage
1 - 5000	7971	90	845109	8.31
5001 - 10000	411	5	332557	3.27
10001 - 20000	212	2	325316	3.2
20001 - 30000	81	1	210026	2.07
30001 - 40000	31	0	112146	1.1
40001 - 50000	40	0	184858	1.82
50001 - 110000	74	1	556890	5.48
110001 & Above	83	1	7597114	74.75
TOTAL	8903	100	10164016	100

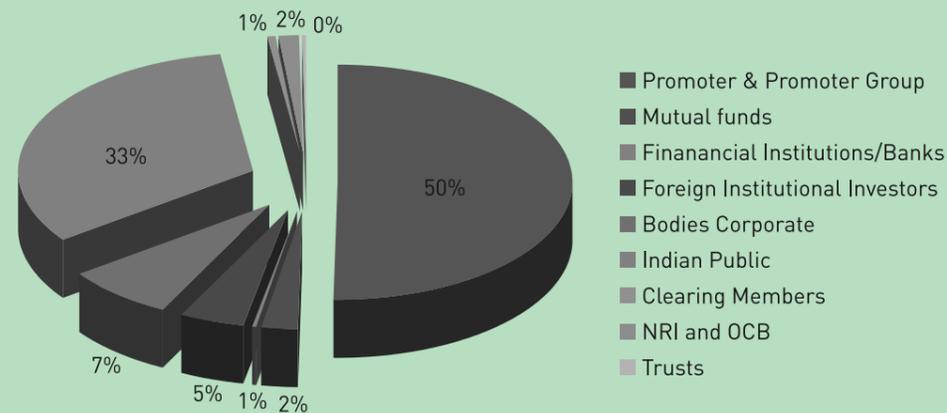
Categories of Shareholders as on 31.03.2011

Category	No. of Shares held	Percentage
Promoter & Promoter Group	5117816	50.35
Mutual funds	242142	2.38
Financial Institutions / Banks	20000	0.20
Foreign Institutional Investors	477398	4.70
Bodies Corporate	744988	7.33
Indian Public	3328360	32.75
Clearing Members	66215	0.65
NRI and OCB	141496	1.39
Trusts	25601	0.25
TOTAL	10164016	100

Dematerialization of shares

The Company has provided an option to the Shareholders to hold the Shares of the Company either in physical form or in the dematerialized form. For the purpose of holding equity shares of the Company in dematerialized form, the Company has 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 the Company's Shares is INE526G01013.

The annual Custodial charges to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for the financial year 2010 - 2011 have been paid.



Dividend Payment History of the Company

Financial Year	Rate of Dividend
2009-10	15%
2008-09	15%
2007-08	10%

Address for Correspondence

Corporate Office

2nd 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

Speciality Chemicals Division

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

Pharma Division

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

AUDITORS' REPORT ON STANDALONE FINANCIALS

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, 2011 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, 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2011 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, 2011;
 - (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

M.V Joshi
Partner
Membership No. 24784

Place : Hyderabad
Date : 27.05.2011

ANNEXURE TO THE AUDITORS' REPORT OF EVEN DATE TO THE MEMBERS OF VIVIMED LABS LIMITED, ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31ST, 2011

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 to 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, no contracts or arrangements referred to in section 301 of the Companies Act, 1956 and enter into by the Company in respect of the financial year.
 - (b) According to the information and explanations given to us, as no such contracts or arrangements are 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 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 given guarantee for loans taken by others from Banks or Financial Institutions and terms and conditions whereof are not prejudicial to the interest of the Company.
- 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

M.V Joshi
Partner
Membership No. 24784

Place : Hyderabad
Date : 27.05.2011

Standalone Results

BALANCE SHEET AS AT 31ST MARCH, 2011

Particulars	Schedule No.	As at	
		31.03.2011	31.03.2010
(<i>₹ in mn</i>)			
SOURCES OF FUNDS			
Share Holder's Funds			
Share Capital	1	101.64	99.65
Reserves & Surplus	2	1,348.82	1,085.08
Warrant Application Money		88.64	49.56
LOAN FUNDS			
Secured Loans	3	2,272.60	1,471.80
Unsecured Loans	4	7.41	7.41
DEFERRED TAX LIABILITY	5	156.90	171.40
TOTAL		3,976.01	2,884.90
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	6	1,855.25	1,595.52
Less: Depreciation		255.01	204.70
NET BLOCK		1,600.24	1,390.82
Capital Work In Progress		11.38	3.39
INVESTMENTS	7	33.99	34.88
CURRENT ASSETS, LOANS & ADVANCES			
Current Assets			
Inventories	8	667.06	606.06
Sundry Debtors	9	959.61	753.23
Cash & Bank Balances	10	86.32	34.06
Loans and Advances	11	815.81	264.44
DEPOSITS			
Deposits		43.80	46.25
Less: CURRENT LIABILITIES AND PROVISIONS	12		
Current Liabilities		174.94	219.33
Provisions		134.10	86.81
NET CURRENT ASSETS		2,263.56	1,397.90
MISCELLANEOUS EXPENDITURE	13	66.84	57.91
(to the extent not written off or adjusted)			
SIGNIFICANT ACCOUNTING POLICIES	23		
NOTES FORMING PART OF ACCOUNTS	24		
TOTAL		3,976.01	2,884.90

Schedules 1 to 24 form integral part of Accounts

As per our report of even date

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

For and on behalf of the board
For Vivimed Labs Limited

M.V. Joshi
Partner
M.No. 24784

Dr. V. Manohar Rao
Chairman

Santosh Varalwar
CEO & Managing Director

Place : Hyderabad
Date : 27.05.2011

Fahim Aslam Khan
Company Secretary

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

Particulars	Schedule No.	For the year ended	
		31.03.2011	31.03.2010
(<i>₹ in mn</i>)			
INCOME			
Net Sales	14	3,098.10	2,105.89
Other Income	15	2.87	20.08
Increase in Stocks	16	44.50	15.81
TOTAL		3,145.47	2,141.78
EXPENDITURE			
Consumption of Materials	17	1,988.45	1,275.85
Manufacturing Expenses	18	280.60	198.79
R & D Expenses	19	61.40	15.32
Salaries & Allowances	20	105.39	102.04
Selling & Administrative Expenses	21	142.85	131.63
Financing Charges	22	176.31	144.37
Depreciation	6	50.31	43.99
Preliminary & Pre-Operative Expenses		10.48	8.55
TOTAL		2,815.79	1,920.54
PROFIT BEFORE TAX		329.68	221.24
Less: Provision for Taxation		66.56	19.68
Less: Provision for Deferred Tax Liability for Current Year		(14.50)	36.16
PROFIT AFTER TAX		277.62	165.40
Add: Balance Brought forward from Previous Year		786.15	647.74
PROFIT AVAILABLE FOR APPROPRIATION		1,063.77	813.14
Less: Appropriations			
Transfer To General Reserve		20.83	9.50
Proposed Dividend On Equity Shares		20.33	14.95
Dividend Tax		3.45	2.54
Balance Carried to Balance Sheet		1,019.16	786.15
Basic Earnings Per Share		27.31	17.00
Diluted Earnings Per Share		23.82	16.60
No. of Equity Shares		10,164,016	9,964,904
SIGNIFICANT ACCOUNTING POLICIES	23		
NOTES FORMING PART OF ACCOUNTS	24		

Schedules 1 to 24 form integral part of Accounts

As per our report of even date

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

For and on behalf of the board
For Vivimed Labs Limited

M.V. Joshi
Partner
M.No. 24784

Dr. V. Manohar Rao
Chairman

Santosh Varalwar
CEO & Managing Director

Place : Hyderabad
Date : 27.05.2011

Fahim Aslam Khan
Company Secretary



SCHEDULES

SCHEDULE 1 SHAREHOLDER'S FUNDS

(₹ in mn)

Particulars	As at 31-Mar-11	As at 31-Mar-10
AUTHORISED:		
2,00,00,000 Equity Shares of ₹ 10/- each	200.00	150.00
ISSUED, SUBSCRIBED AND PAID UP:		
1,01,64,016 [99,64,904] Equity Shares of ₹ 10/- each fully paid [Out of the above 1,99,112 Equity Shares @ ₹ 10/- each, are issued for consideration other than cash]	101.64	99.65
Total	101.64	99.65

SCHEDULE 2 RESERVES & SURPLUS

(₹ in mn)

Particulars	As at 31-Mar-11	As at 31-Mar-10
Capital Reserve	8.57	8.57
Revaluation Reserve	10.00	10.00
Share Premium	270.79	254.24
Capital Subsidy - Bidar	-	2.50
Capital Subsidy - Haridwar	-	2.98
APSFC Subsidy	-	0.06
Investment Subsidy	-	1.11
General Reserve	40.30	19.47
Profit & Loss Account	1,019.16	786.15
Total	1,348.82	1,085.08

...SCHEDULES

SCHEDULE 3: SECURED LOANS

(₹ in mn)

Particulars	As at 31-Mar-11	As at 31-Mar-10
STATE BANK OF HYDERABAD		
- Cash Credit	926.06	674.02
- Packing Credit	102.76	30.11
- FUBD (INR)	195.00	26.03
- FUBD (USD)	73.59	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).		
EXIM BANK		
- Packing Credit	227.82	220.38
(Secured by Pari passu first charge on entire Current Assets and second charge on entire Fixed Assets of the Company)		
TERM LOANS		
- EXIM Bank	251.13	326.18
(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)		
- State Bank of Hyderabad	-	6.10
(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 Directors' personal properties and personal guarantee of the promoter Directors of the Company)		
- State Bank of Hyderabad		
- Corporate Loan	110.07	-
(Secured by first Pari passu charge on fixed assets of the Company. Secured by second Pari passu charge on current assets of the Company. Further secured by exclusive charge by way of equitable mortgage of Promoter Directors of the Company).		
- Axis Bank	331.88	149.63
(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)		
Term Loan Against Hypothecation of Vehicles	2.76	4.06
(Secured by Hypothecation of specific Vehicles of the Company).		
Loan against Mortgage of Property from HDFC Bank	51.53	18.65
(Secured by Mortgage of specific Immovable Property)		
Total	2,272.60	1,471.80

SCHEDULE 4: UNSECURED LOANS

(₹ in mn)

Particulars	As at 31-Mar-11	As at 31-Mar-10
Sales Tax Deferment	7.41	7.41
Total	7.41	7.41

SCHEDULE 5: DEFERRED TAX LIABILITY

(₹ in mn)

Particulars	As at 31-Mar-11	As at 31-Mar-10
Upto the year 2006 - 2007	90.44	90.44
For the year 2007 - 2008	31.42	31.42
For the year 2008 - 2009	13.38	13.38
For the year 2009 - 2010	36.16	36.16
For the year 2010 - 2011	(14.50)	-
Total	156.90	171.40

...SCHEDULES

SCHEDULE 6 FIXED ASSETS

(₹ in mn)

Particulars	Gross Block			Depreciation Block			Net Block as at				
	As at 01.04.2010	Additions during the year	Capitalised during the year	Sale / Deletions during the year	As at 31.03.2011	Rate of Depreciation	As at 01.04.2010	For the year	Total Depreciation	31.03.2011	31.03.2010
Land	106.46	71.46	-	-	177.92	-	-	-	-	177.92	106.46
Building	305.90	17.05	-	-	322.95	3.34%	31.05	10.27	41.32	281.63	274.85
Plant & Machinery	1,054.02	163.01	-	6.64	1,210.39	4.75%	138.29	30.30	168.59	1,041.80	915.73
Electrical Equipment	33.14	2.28	-	-	35.42	4.75%	10.54	1.60	12.14	23.28	22.60
Laboratory Equipment	32.63	6.22	-	-	38.85	4.75%	4.58	1.64	6.22	32.63	28.05
Office Equipment	5.36	1.27	-	-	6.63	4.75%	1.40	0.29	1.69	4.94	3.96
Computers	15.82	2.29	-	-	18.11	16.21%	5.16	2.69	7.85	10.26	10.66
Furniture	16.05	0.52	-	-	16.57	6.33%	3.64	1.01	4.65	11.92	12.41
Vehicles	24.94	2.27	-	-	27.21	9.50%	9.91	2.46	12.37	14.84	15.03
Borewell	0.05	-	-	-	0.05	3.34%	0.03	0.00	0.03	0.02	0.02
Generator	1.15	-	-	-	1.15	4.75%	0.10	0.05	0.15	1.00	1.05
Sub-Total (A):	1,595.52	266.37	-	6.64	1,855.25		204.70	50.31	255.01	1,600.24	1,390.82
Capital Work In Progress	3.39	21.52	13.53	-	11.38	-	-	-	-	11.38	3.39
Sub-Total (B):	3.39	21.52	13.53	-	11.38		-	-	-	11.38	3.39
Total (A+B)	1,598.91	287.89	13.53	6.64	1,866.63		204.70	50.31	255.01	1,611.62	1,394.21
Previous Year	1,676.60	191.29	4.21	264.77	1,598.91		160.71	43.99	204.70	1,394.21	1,515.89

...SCHEDULES

SCHEDULE 7 INVESTMENTS

(₹ in mn)

Particulars	As at 31-Mar-11	As at 31-Mar-10
Unquoted Shares at Cost - Other than Trade		
- 25,00,000 Equity Shares of Creative Health Care Private Ltd. (wholly owned Indian subsidiary @ ₹ 10 each, fully paid)	25.00	25.00
- 10,000 Equity shares of Vivimed Holdings Ltd., Hong Kong, (wholly owned Foreign Subsidiary @ 1 HKD per share fully paid).	0.06	0.08
- 1,000 Equity Shares of Vivimed Labs USA Inc., (wholly owned Foreign subsidiary @ USD 0.01 per share fully paid)	8.93	9.80
Total	33.99	34.88

SCHEDULE 8 INVENTORIES

(₹ in mn)

Particulars	As at 31-Mar-11	As at 31-Mar-10
Raw Materials	327.98	321.37
Packing Materials	24.99	15.11
Work in Process & Intermediates	134.10	120.59
Finished Goods	179.99	148.99
Total	667.06	606.06

SCHEDULE 9 RECEIVABLES

(₹ in mn)

Particulars	As at 31-Mar-11	As at 31-Mar-10
(Unsecured and considered good)		
Debts Outstanding beyond six months	15.65	27.87
Other Debts	861.03	725.36
Dues from VLI, USA	82.93	-
Total	959.61	753.23

SCHEDULE 10 CASH & BANK BALANCES

(₹ in mn)

Particulars	As at 31-Mar-11	As at 31-Mar-10
Cash on Hand	0.14	0.08
Bank Balances with Scheduled Banks		
in Current Accounts	42.63	10.31
in Deposit Accounts	43.55	23.67
Total	86.32	34.06

...SCHEDULES

SCHEDULE 11 LOANS & ADVANCES

(₹ in mn)

Particulars	As at 31-Mar-11	As at 31-Mar-10
ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED		
Vivimed Holdings Limited (Wholly Owned Foreign Subsidiary)	252.05	125.28
Vivimed Labs USA Inc. (Wholly Owned Foreign Subsidiary)	8.14	77.84
Advances to Suppliers for Materials	26.22	41.91
Advances to Suppliers for Capital Goods	276.70	-
Advances to Staff	5.85	2.32
Other Advances	234.59	8.36
Prepaid Expenses	0.09	0.19
Advance tax paid	6.50	-
TDS Receivable	5.59	8.40
VAT Receivable	0.08	0.14
Sub Total	815.81	264.44
DEPOSITS		
Deposit with Others (Sales Tax Deposit, Excise Deposit, etc.)	43.80	46.25
Sub Total	43.80	46.25
Total	859.81	310.69

SCHEDULE 12 CURRENT LIABILITIES & PROVISIONS

(₹ in mn)

Particulars	As at 31-Mar-11	As at 31-Mar-10
Creditors for Supplies	75.74	201.75
Creditors for Capital Goods	25.93	17.21
Creative Health Care Pvt. Ltd. (Wholly owned Indian Subsidiary)	1.17	-
Vivimed Holdings Limited, Hong Kong	15.88	-
Vivimed Labs Europe Limited	45.10	-
Other Misc. Liabilities	10.57	-
Unpaid Dividend for 2007-08	0.10	0.10
Unpaid Dividend for 2008-09	0.27	0.27
Unpaid Dividend for 2009-10	0.18	-
Sub Total	174.94	219.33
Provision for Expenses	110.32	69.36
Provision for Proposed Dividend	20.33	14.91
Provision for Dividend Tax	3.45	2.54
Sub Total	134.10	86.81
Total	309.04	306.14

SCHEDULE 13 MISCELLANEOUS EXPENDITURE

(₹ in mn)

Particulars	As at 31-Mar-11	As at 31-Mar-10
Preliminary Expenses	2.23	2.77
Public Issue / IPO Expenses	6.25	7.82
Foreign Company Acquisition Expenses	45.78	47.32
Private Placement of Equity	12.58	-
Total	66.84	57.91

...SCHEDULES

SCHEDULE 14 NET SALES

(₹ in mn)

Particulars	Year ended 31-Mar-11	Year ended 31-Mar-10
Sales - Domestic	1,733.77	1,099.86
Sales - Export	1,364.33	1,006.03
Total	3,098.10	2,105.89

SCHEDULE 15 OTHER INCOME

(₹ in mn)

Particulars	Year ended 31-Mar-11	Year ended 31-Mar-10
Interest received on other Deposits	-	10.55
Interest on Bank Fixed Deposits	1.85	0.06
Interest received on Electricity Deposits	0.13	0.04
Interest on Loan to Vivimed Holdings Limited, Hong Kong	-	9.43
Other Miscellaneous Income	0.89	-
Total	2.87	20.08

SCHEDULE 16 INCREASE / (DECREASE) IN STOCKS

(₹ in mn)

Particulars	Year ended 31-Mar-11	Year ended 31-Mar-10
Opening Stock of Work in Process	120.59	109.64
Opening Stock of Finished Goods	148.99	144.13
Sub Total	269.58	253.77
Closing Stock of Work in Process	134.09	120.59
Closing Stock of Finished Goods	179.99	148.99
Sub Total	314.08	269.58
Increase in Stocks	44.50	15.81

SCHEDULE 17 CONSUMPTION OF MATERIALS

(₹ in mn)

Particulars	Year ended 31-Mar-11	Year ended 31-Mar-10
Opening Stock of Raw Materials and Consumables	321.37	228.45
Opening Stock of Packing Materials	15.11	16.63
ADD: Purchases during the year	2,004.94	1,367.25
LESS: Closing Stock of Raw Materials and Consumables	327.98	321.37
LESS: Closing Stock of Packing Materials	24.99	15.11
Total	1,988.45	1,275.85

...SCHEDULES

SCHEDULE 18 MANUFACTURING EXPENSES

(₹ in mn)

Particulars	Year ended 31-Mar-11	Year ended 31-Mar-10
Stores & Spares	13.10	9.76
Job Work Charges	24.77	22.63
Power & Fuel	104.97	77.21
Factory Maintenance - Repairs to Factory Building	15.62	6.09
Factory Maintenance - Repairs to Machinery	15.79	7.79
Other Manufacturing Expenses	106.35	75.31
Total	280.60	198.79

SCHEDULE 19 R & D EXPENSES

(₹ in mn)

Particulars	Year ended 31-Mar-11	Year ended 31-Mar-10
Purchase of Lab chemicals and other Expenses	43.48	15.32
Lab Maintenance	17.92	NIL
Total	61.40	15.32

SCHEDULE 20 SALARIES & ALLOWANCES

(₹ in mn)

Particulars	Year ended 31-Mar-11	Year ended 31-Mar-10
Salaries & Allowances	77.32	87.29
Employer Contribution to P.F. & E.S.I.	4.90	4.53
Bonus	8.13	7.17
Conveyance	0.53	-
Staff Welfare	4.98	NIL
Gratuity	6.81	1.36
Leave Encashment	2.72	1.69
Total	105.39	102.04

...SCHEDULES

SCHEDULE 21 SELLING & ADMINISTRATIVE EXPENSES

(₹ in mn)

Particulars	Year ended 31-Mar-11	Year ended 31-Mar-10
SELLING EXPENSES		
Business & Marketing Expenses	10.66	9.87
Commission & Discounts	2.28	0.01
Travelling Expenses - Foreign	4.29	3.58
Rebates & Discounts	0.01	0.53
Freight Outward	29.05	24.10
Fluctuations in Foreign Exchange	(3.91)	18.72
Other Selling Expenses	1.73	1.23
ADMINISTRATIVE EXPENSES		
Printing & Stationery	2.35	1.92
Telephone & Postage Expenses	4.66	2.65
Travelling Expenses	3.58	3.36
Rates & Taxes	1.48	1.35
Consultancy Charges	-	0.28
Auditors Remuneration - Audit Fee	0.62	0.10
- Tax Matters	0.03	0.03
Insurance	3.30	3.02
Rent	3.70	2.11
Managerial Remuneration - Salary	16.35	12.36
Directors' Sitting Fee	0.18	0.19
Bank charges	3.53	2.87
Processing charges on Term Loan	4.23	6.68
Loss on Buy Back of FCCB	14.24	-
Other Administrative Expenses	40.49	36.67
Total	142.85	131.63

SCHEDULE 22 FINANCING CHARGES

(₹ in mn)

Particulars	Year ended 31-Mar-11	Year ended 31-Mar-10
Interest on Term Loan	58.01	60.96
Interest on Working Capital	117.91	83.02
Interest on Vehicle Loans	0.39	0.39
Total	176.31	144.37

**SCHEDULE – 23
SIGNIFICANT ACCOUNTING POLICIES
BASIS OF PREPARATION**

The financial statements have been prepared to comply in all material respects with the accounting standards notified by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956 ('the Act'). The financial statements have been prepared under historical cost convention on an accrual basis in accordance with accounting principles generally accepted in India. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require the management to make estimates and assumptions that affect the reported amounts of Assets and Liabilities and disclosure of Contingent Liabilities at the date of the financial statements and the result of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Significant estimates used by the management in the preparation of these financial statements include estimates of the economic useful life of Fixed Assets and provisions for bad and doubtful debts. Any revision to accounting estimates is recognized prospectively.

(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) Cash Flow Statement: AS-3

The Company has prepared Cash Flow Statement as per AS-3.

(c) Retirements Benefits

Staff benefits arising out of retirements / death, comprising of contributions to Provident Fund, Superannuation & Gratuity Schemes, accrued Leave Encashment 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.

(d) 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 they are 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.

(e) 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.

(f) Accounting for Government Grants

Government Grants / Subsidies are accounted in accordance with AS-12.

(g) Investments

Long term investments are stated at cost. However, provision for diminution is made to recognise any decline, other than temporary, in the value of long term investments. Current Investments are stated at the lower of cost and fair value.

(h) (a) 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 ₹ 10,000/- &
- This is in accordance with AS-26.

(b) 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-26.

(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 relating to acquisition/ construction of qualifying assets are capitalized until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use/sale. Borrowing cost that are attributable to the projects are charged to the respective projects. All other borrowing costs, not eligible for inventorisation /capitalisation, are charged to revenue.

(k) Inventories

Inventories of Raw Materials, Packing Materials, Stores & Spares, Consumables and Work in Process is valued at cost on Weighted Average basis. Finished goods are valued at lower of Cost or Net realisable Value, as per AS-2.

(l) Taxes on Income

- a) Provision for tax for the year comprises current Income Tax and Deferred Tax and is provided as per the Income Tax Act, 1961.
- b) Deferred tax resulting from timing differences between the book and the tax profits is accounted for, at the current rate of tax, to the extent that the timing differences are expected to crystallize. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in the future; however where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is a virtual certainty of realization of such assets. Deferred tax assets/ liabilities are reviewed as at each balance sheet date.

(m) Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

- a) the Company has a present obligation as a result of a past event;
- b) a probable outflow of resources is expected to settle the obligation; and
- c) the amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent Liability is disclosed in the case of:

- a. a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation;
- b. a possible obligation, unless the probability of outflow of resources is remote. Contingent Assets are neither recognized nor disclosed.

(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

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of carrying amount over the higher of the asset's net sale price or present value as determined above.

(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**

1. Warrant Application Money of ₹ 88.64 Million includes ₹ 65.29 Million received towards Warrant Application Money for 1.49 Million Preferential Warrants, the allotment of which is due in October, 2011. Further ₹ 23.35 Million received during the earlier years represents monies received for which Warrants were not issued by the Company for want of approval from Stock Exchanges.

The Company during the year has allotted 1,99,112 shares @ ₹ 161 per share including premium of ₹ 151 per share for consideration other than cash.

2. Details of Deferred Tax Liability as on 31-03-2011 on account of timing difference is as under:

Deferred Tax Liabilities	As on 31-03-2011 (₹ in mn)	As on 31-03-2010 (₹ in mn)
Opening Balance	171.40	135.24
Add: Adjustment for timing difference of Depreciation as per Companies Act, 1956 and Income Tax Act, 1961.	(14.50)	36.16
Closing Balance	156.90	171.40

3. Treatment of Capital Work in Progress

Capital Work in Progress includes cost of Land under acquisition and Plant and Equipment under installation.

4. Detailed information regarding quantitative particulars under part II of schedule VI to the Companies Act, 1956:

- i) Quantitative information with regard to
a) Licensed Capacity and
b) Installed Capacity per annum.

Item	UoM	Qty.
Speciality Chemicals	MT	3000
Capsules	Million	300
Tablets	Million	30
Lotions	KL	20
Ointments	MT	30
Small Volume Parentals	KL	300

5. Production Data

Items	UoM	Qty.	
		2010-11	2009-10
Speciality Chemicals	MT	2414.16	2,209.00
Capsules	Million	482.11	387.27
Tablets	Million	20.33	14.92
Lotions	KL	24.01	17.44
Ointments	MT	8.81	3.86
Small Volume Parentals	KL	311.96	218.34

6. Sales Data

Product	Qty.		Value (₹ in mn)	
	2010-11	2009-10	2010-11	2009-10
Speciality Chemicals	2415.65	1,830.36	2,421.30	1,619.34
Capsules (Nos)	482.96	387.57	109.48	142.48
Tablets (Nos)	20.17	14.90	146.98	101.72
Lotions (KL)	24.01	17.41	163.41	49.14
Ointments	5.12	3.84	38.77	6.78
Small Volume Parentals (million)	31.19	14.53	218.16	186.43
Total			3,098.10	2,105.89

7. Opening & Closing Stock of Finished Goods

Items	Opening Stock as at 01-04-10		Closing Stock as at 31-03-11	
	Qty	Value (₹ in mn)	Qty	Value (₹ in mn)
Speciality Chemicals (MT)	538.19	140.87	536.70	170.72
Capsules (Million)	0.87	2.38	0.02	0.18
Tablets (Million)	0.09	0.43	0.25	2.87
Lotions (KL)	0.08	0.97	0.08	0.78
Ointments (MT)	0.03	0.10	3.72	1.02
Small Volume Parentals (Million)	0.14	4.24	0.15	4.42
Total		148.99		179.99

8. Consumption of Materials

Particulars	UoM	Qty.	2010 - 11 (₹ in mn)
1 2 3 Propane Trint Mone Di Hydrogen Phosphate	MT's	166.500	62.79
10% Palladium on Carbon	MT's	0.157	8.15
2,4-Dichloro Phenol	MT's	941.000	212.35
2,5-Dichloro Nitro Benzene	MT's	742.105	115.84
Acetic Acid	MT's	196.773	55.33
Cast Iron Powder	MT's	912.800	67.44
Caustic Potash Flakes	MT's	877.128	76.35
Caustic Soda Flakes	MT's	443.750	57.88
Codiene Phosphate	MT.s	1.727	58.13
Dextro Propoxylene	MT.s	27.400	62.29
Dicyclomine HCL IP	MT.s	12.450	29.59
EHGC Capsules	Nos.	13,25,00,000	9.99
Glass / Pet Bottles	Nos.	90,15,027	21.42
Hydrochloric Acid	MT.s	10.540	3.91
Iso Propyl Alcohol	MT.s	115.841	28.61
P.T.B.B.A.	MT.s	181.500	25.93
Paracetamol	MT.s	42.417	59.65
Per Chloro Ethylene	MT.s	1,048.950	109.10
Sodium Metho Oxide Powder	MT.s	73.000	3.51
Sorbitol	MT.s	75.775	13.88
Sulphuric Acid	MT.s	3,356.900	81.71
Other Raw Materials			824.60
Total			1,988.45

9. Related Party Disclosure

Particulars of related parties:	
Name of the Related Party	Nature of Relationship
Dr. V. Manohar Rao	Chairman
Subhash Varalwar	Vice - Chairman
Santosh Varalwar	CEO & Managing Director
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, Hong Kong	Wholly Owned Step Down Foreign Subsidiary
Vivimed Labs USA Inc.	Wholly Owned Foreign Subsidiary
Vivimed Labs Europe Limited, U.K.	Wholly Owned Foreign Subsidiary

Transactions during the year with related Parties

Name of the Party	Nature of Relationship	Nature of Transaction	2010-11 (₹ in mn)	2009-10 (₹ in mn)
Dr. V. Manohar Rao	Chairman	Remuneration	3.00	2.40
Subhash Varalwar	Vice – Chairman	Remuneration	3.00	2.40
Santosh Varalwar	CEO & Managing Director	Remuneration	3.75	3.00
Sandeep Varalwar	Executive Director	Remuneration	3.00	2.40
Creative Health Care Private Limited	Wholly Owned Indian Subsidiary	Purchase / Sale Investment in shares Other Advances	NIL 25.00 1.17	NIL 25.00 NIL
Vivimed Holdings Limited, Hong Kong	Wholly Owned Foreign Subsidiary	Investment in Shares Advances	0.09 252.05	0.09 125.28
Vivimed Labs Europe Limited, U.K	Wholly Owned Foreign Step Down Subsidiary	Sales Advances	309.40 NIL	224.53 NIL
Vivimed Labs USA Inc.	Wholly Owned Foreign Subsidiary	Sales Investment in Shares Advances	256.83 8.93 8.14	93.24 9.80 51.83

10. Details of Directors Remuneration

Sl. No.	Name of the Director	Nature of Relationship	Amount of Remuneration 2010 - 11 (₹ in mn)	Amount of Remuneration 2009 - 10 (₹ in mn)
1.	Dr. V. Manohar Rao	Chairman	3.00	2.40
2.	Subhash Varalwar	Vice Chairman	3.00	2.40
3.	Santosh Varalwar	CEO & Managing Director	3.75	3.00
4.	Sandeep Varalwar	Executive Director	3.00	2.40
5.	S. Raghunandhan	Director (Operations)	1.80	1.08
6.	Dr. R. K. Dhar	Director (Technical)	1.80	1.08
TOTAL			16.35	12.36

11. Details of Auditors Remuneration

(₹ in mn)

Sl. No.	Nature of Fees	Amount of Remuneration 2010 - 11	Amount of Remuneration 2009 - 10
1.	Statutory Audit Fee	0.62	0.10
2.	Tax Audit Fee	0.03	0.03
TOTAL		0.65	0.13

12. Contingent Liabilities

(₹ in mn)

		As at 31-03-2011	As at 31-03-2010
Letter of Credit	Foreign LC's	151.93	110.64
	Inland LC's	32.48	41.04
Bank Guarantee	State Bank of Hyderabad, Balanagar Branch, Hyderabad.	4.87	4.66

13. Contingent Liability on account of Corporate Guarantees:

(₹ in mn)

Name of the Subsidiary	Details of the Lender	As at 31-03-2011	As at 31-03-2010
Vivimed Holdings Limited, Hong Kong.	State Bank of India, London Branch	571.61	760.50
Vivimed Labs Europe Limited, UK.	State Bank of India, London Branch	124.51	63.51
Creative Health Care Private Limited, India.	Axis Bank, Hyderabad, India	NIL	65.00

14. 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.

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

Amounts to be recognized in Balance Sheet and Statements of Profit and Loss

(₹ in mn)

	31-03-2011
Present value of Obligation as at the end of the year	6.81
Value of Fund as at the end of the year	NIL
Funded Status	(6.81)
Unrecognized Actuarial (Gains) / Losses	NIL
Net Asset / (Liability) recognized in Balance Sheet	(6.81)

Expense recognized in the Statement of Profit and Loss:

(₹ in mn)

	31-03-2011
Current Service Cost	1.31
Past Service Cost	5.50
Interest Cost	NIL
Expected Return on Plan Assets	NIL
Curtailment Cost / (Credit)	NIL
Settlement Cost / (Credit)	NIL
Net Actuarial (Gain) / Loss recognized in the year	NIL
Expenses Recognized in the Statement of Profit and Loss	6.81

16. FOREIGN EXCHANGE EARNINGS AND OUTFLOW

Particulars	Nature of Currency	Year 2010 – 11		Year 2009 – 10	
		Amount in Foreign Currency	₹ in mn	Amount in Foreign Currency	₹ in mn
EARNINGS / INFLOW					
On Export of Goods	USD	14,714,542	649.21	13,048,764	589.02
	EURO	57,81,797	361.87	4,614,065	279.42
OUTFLOW					
Raw Materials	USD	5,912,464	263.68	4,469,028	201.73
	EURO	585,107	36.85	422,144	25.57
Capital Goods	USD	11,940	0.53	9,465	0.43
	EURO	NIL	NIL	3,121	0.19
	YEN	NIL	NIL	9,725,054	4.71
Foreign Exhibitions	USD	NIL	NIL	14,527	0.66
	GBP	NIL	NIL	6,242	0.42
	SGD	NIL	NIL	710	0.02
FCCB Buy Back	USD	NIL	NIL	9,010,250	406.72
Travelling	GBP	29,500	2.42	22,510	1.53
	USD	57,400	2.56	48,550	2.28
Foreign Company Renewal Fee	HKD	10,500	0.02	4,265	0.02
Foreign Currency Term Loan	USD	4,375,000	195.94	1,559,586	70.34
Others (Analytical Charges, Subscriptions for Journals, Legal Opinion charges, etc.)	USD	NIL	NIL	29,550	1.33
	EURO	NIL	NIL	508	0.03

...SCHEDULES

17. Earnings Per Share

Particulars	2010 - 11	2009 - 10
Net profit after tax (₹ in mn)	277.62	165.40
Weighted Average Numbers of shares	10,164,016	9,730,067
Basic EPS (₹)	27.31	16.60
Diluted EPS (₹)	23.82	16.60

18. Segment wise Information is furnished in Annexure.

19. Closing Balances of Debtors / Creditors / Loans & Advances are subject to confirmation from the parties.

20. Previous year's numbers have been regrouped, rearranged, recasted, wherever necessary to conform to Current Year Classification.

21. The 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
FRN 007257S

For and on behalf of the board
For Vivimed Labs Limited

M.V. Joshi
Partner
M.No. 24784

Dr. V. Manohar Rao
Chairman

Santosh Varalwar
CEO & Managing Director

Place : Hyderabad
Date : 27.05.2011

Fahim Aslam Khan
Company Secretary

CASH FLOW STATEMENT

(₹ in mn)

Particulars	Year Ended 31 st March, 2011	Year Ended 31 st March, 2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary items	329.68	221.24
Add: Adjustment for		
- Depreciation	50.31	43.99
- Miscellaneous Expenses	10.48	8.55
- Financing Charges	176.31	144.37
Operating Profit before Working Capital Changes	566.78	418.15
Working Capital changes		
Add / (Less): (Increase) / Decrease in		
- Trade Receivables	(206.38)	(207.93)
- Inventories	(61.00)	(107.21)
- Loans, Advances & Deposits	(20.17)	5.72
- Trade Payables	2.88	66.51
Cash Generated from Operations	(284.67)	(242.91)
Financing Charges	(176.31)	(144.37)
NET CASH FLOWS FROM OPERATING ACTIVITIES	105.80	30.87
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(259.73)	(171.26)
(Increase) / Decrease in Capital Work in Progress	(7.99)	248.95
(Increase) / Decrease in Capital Advances	(528.75)	-
(Increase) / Decrease in Miscellaneous Expenditure	(19.42)	20.84
(Increase) / Decrease in Investments	0.89	(9.79)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(815.00)	88.74
C. CASH FLOWS FROM FINANCING ACTIVITIES		
- Unsecured Loans	-	(759.60)
- Proceeds from Warrant Money	39.08	26.21
- Increase in Share Capital	1.99	5.64
- Increase in Share Premium	16.55	98.68
- Increase in Deferred Taxes	(14.50)	37.58
- Decrease in Govt. Subsidies	(6.55)	-
- Payment of Equity Dividend	(20.33)	(14.95)
- Payment of Dividend Tax	(3.45)	(2.54)
- Payment of Direct Taxes	(52.06)	(55.84)
- Secured Loans taken (including Working Capital Finance)	800.80	510.36
NET CASH FLOWS FROM FINANCING ACTIVITIES	761.53	(154.46)
NET INCREASE IN CASH AND CASH EQUIVALENTS	52.26	(34.85)
Opening Cash and Equivalents	34.06	68.91
Closing Cash and Equivalents	86.32	34.06

For Vivimed Labs Limited

Place : Hyderabad
Date : 27.05.2011

Santosh Varalwar
CEO & Managing Director

22. 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 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 Segments).

(₹ in mn)

Sl. No.	Particulars	Speciality Chemicals		Pharmaceuticals		Total	
		2010 - 11	2009 - 10	2010 - 11	2009 - 10	2010 - 11	2009 - 10
1	REVENUE						
	External Turnover	2,421.30	1,619.34	676.80	486.55	3,098.10	2,105.89
	Inter Segment Turnover	Nil	Nil	Nil	Nil	Nil	Nil
	TOTAL REVENUE	2,421.30	1,619.34	676.80	486.55	3,098.10	2,105.89
2	RESULTS						
	Operating Profit	385.12	208.13	118.01	137.40	503.13	345.53
	Interest Expense	169.13	136.32	7.18	8.05	176.31	144.37
	Interest Income	2.87	20.08	-	-	2.87	20.08
	Profit Before Tax	218.85	91.89	110.84	129.35	329.69	221.24
	Current Tax	43.62	1.43	22.93	18.26	66.55	19.68
	Fringe Benefit Tax	-	-	-	-	-	-
	Deferred Tax	(2.15)	33.68	(12.35)	2.48	(14.50)	36.16
	Net Profit After Tax	177.38	56.78	100.26	108.62	277.64	165.40
3	OTHER INFORMATION						
	Segment Assets	3,699.27	2,626.02	655.50	507.11	4,354.77	3,133.13
	Unallocated Corporate Assets	-	-	-	-	-	-
	Total Assets	3,699.27	2,626.02	655.50	507.11	4,354.77	3,133.13
	Capital Employed	1,187.65	1,060.37	351.48	420.73	1,539.14	1,481.10
	Segment Liabilities	2,374.06	1,565.64	62.85	86.39	2,436.91	1,652.03
	Unallocated Corporate Liabilities	-	-	-	-	-	-
	Total Liabilities	3,561.71	2,626.02	414.33	507.11	3,976.04	3,133.13
	Capital Expenditure - Net	242.42	151.80	25.31	19.47	267.73	171.26
	Depreciation	41.61	36.92	8.70	7.07	50.31	43.99
	Non Cash Expenses other than Depreciation	10.26	8.33	0.22	0.22	10.48	8.55

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I REGISTRATION DETAILS

CIN Number	L02411KA1988PLC009465
State Code	08
Balance Sheet Date	31.03.2011

II CAPITAL RAISED DURING THE YEAR

(₹ in Million)

Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	NIL

III POSITION OF MOBILISATION OF AND DEPLOYMENT OF FUNDS

(₹ in Million)

Total Liabilities	3976.01
Total Assets	3976.01

Sources of Funds

Paid up Capital	101.64
Warrant Application Money	88.64
Reserves and Surplus	1,348.82
Secured Loans	2,272.60
Unsecured Loans	7.41
Deferred Tax Liability	156.90

Application of Funds

Net Fixed Assets	1,600.24
Capital Work in Progress	11.38
Investments	33.99
Net Current Assets	2,263.56
Miscellaneous Expenditure	66.84

IV PERFORMANCE OF THE COMPANY

Total Turnover	3,145.47
Total Expenditure	2,815.79
Profit before Tax	329.68
Profit after Tax	277.62
Earning Per Share	27.31

V Generic Names of Three Principal Products / Services of Company (As per monetary terms)

Item Code No. (ITC Code)	: 29145000
Product Description	: Avis (Avobenzon)
Item Code No. (ITC Code)	: 29105000
Product Description	: VIV -20 (Triclosan)
Item Code No. (ITC Code)	: 29333900
Product Description	: DANTUFF-Z (Zinc Pyrithione)

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

For and on behalf of the board
For Vivimed Labs Limited

M.V. Joshi
Partner
M.No. 24784

Dr. V. Manohar Rao
Chairman

Santosh Varalwar
CEO & Managing Director

Place : Hyderabad
Date : 27.05.2011

Fahim Aslam Khan
Company Secretary

Consolidated Results

AUDITOR'S REPORT ON CONSOLIDATED FINANCIALS

- We have audited the attached Consolidated Balance Sheet of VIVIMED LABS LIMITED ('the Company') and its wholly owned subsidiaries as at 31st March, 2011 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.
- 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.
- We did not audit the financial statements of its subsidiaries Vivimed Labs USA Inc, Creative Health Care Private Limited, Vivimed Labs Europe Limited and Vivimed Holdings Limited, at 31st March, 2011. 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.
- 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.
- 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.
 - In the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiaries as at 31st March, 2011.
 - 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
 - In the case of the consolidated cash flows Statements, of the Consolidated Cash flows of the Company and its subsidiaries for the year then ended.

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

M.V Joshi
Partner
Membership No. 24784

Place : Hyderabad
Date : 27.05.2011

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2011

(₹ in mn)			
PARTICULARS	Schedule No.	As at 31.03.2011	As at 31.03.2010
SOURCES OF FUNDS			
SHARE HOLDER'S FUNDS			
Share Capital	1	101.64	99.65
Reserves & Surplus	2	1,776.83	1,299.40
Warrant Application Money		88.64	49.56
LOAN FUNDS			
Secured Loans	3	3,069.77	2,345.48
Unsecured Loans	4	7.41	7.41
DEFERRED TAX LIABILITY	5	146.52	161.88
TOTAL		5,190.81	3,963.38
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	6	2,232.70	1,951.33
Less: Depreciation		435.37	343.90
NET BLOCK		1,797.33	1,607.43
Capital Work In Progress		17.25	11.39
INTANGIBLE ASSETS	7		
- Copyrights, Trade Marks, Intellectual Property, Goodwill, Etc.		845.55	939.77
CURRENT ASSETS, LOANS & ADVANCES			
CURRENT ASSETS			
Inventories	8	844.75	793.49
Sundry Debtors	9	1,275.55	938.55
Cash & Bank Balances	10	110.96	56.21
LOANS, ADVANCES & DEPOSITS	11		-
- Loans & Advances		870.88	106.05
- Deposits		44.68	46.27
CURRENT LIABILITIES AND PROVISIONS	12		
- Current Liabilities		467.09	423.84
- Provisions		216.02	170.00
NET CURRENT ASSETS		2,463.71	1,346.73
MISCELLANEOUS EXPENDITURE	13	66.96	58.06
(to the extent not written off or adjusted)			
SIGNIFICANT ACCOUNTING POLICIES	23		
NOTES FORMING PART OF ACCOUNTS	24		
TOTAL		5,190.81	3,963.38

Schedules 1 to 24 form integral part of Accounts

As per our report of even date

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

M.V. Joshi
Partner
M.No. 24784

Place : Hyderabad
Date : 27.05.2011

For and on behalf of the board
For Vivimed Labs Limited

Dr. V. Manohar Rao
Chairman

Santosh Varalwar
CEO & Managing Director

Fahim Aslam Khan
Company Secretary

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

(₹ in mn)			
PARTICULARS	Schedule No.	For the Year ended 31.03.2011	For the Year ended 31.03.2010
INCOME			
Net Sales	14	4,160.01	3,434.86
Other Income	15	9.33	65.26
Increase In Stocks	16	45.91	24.54
TOTAL		4,215.25	3,524.66
EXPENDITURE			
Consumption of Materials	17	2415.58	2059.37
Manufacturing Expenses	18	309.32	247.32
R & D Expenses	19	122.15	33.65
Salaries & Allowances	20	199.67	220.71
Selling & Administrative Expenses	21	307.94	258.92
Financing Charges	22	205.96	212.28
Depreciation	6	91.47	87.34
Preliminary & Pre-Operative Expenses		10.55	8.62
TOTAL		3,662.63	3,128.21
PROFIT BEFORE TAX		552.62	396.45
Less: Provision For Taxation		94.00	56.21
Less: Provision For Deferred Tax Liability For Current Year		(29.69)	30.13
PROFIT AFTER TAX		488.31	310.11
Add: Balance Brought forward from Previous year		1,000.47	717.35
PROFIT AVAILABLE FOR APPROPRIATION		1,488.78	1,027.46
Less: Appropriations:			
Transfer To General Reserve		20.82	9.50
Proposed Dividend		20.33	14.95
Dividend Tax		3.45	2.54
BALANCE CARRIED TO BALANCE SHEET		1,444.18	1,000.47
Basic Earnings per share		48.04	31.12
Diluted Earnings per share		41.90	31.12
No. of Equity Shares		10,164,016	9,964,904
SIGNIFICANT ACCOUNTING POLICIES	23		
NOTES FORMING PART OF ACCOUNTS	24		

Schedules 1 to 24 form integral part of Accounts

As per our report of even date

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

For and on behalf of the board
For Vivimed Labs Limited

M.V. Joshi
Partner
M.No. 24784

Dr. V. Manohar Rao
Chairman

Santosh Varalwar
CEO & Managing Director

Place : Hyderabad
Date : 27.05.2011

Fahim Aslam Khan
Company Secretary

SCHEDULES

SCHEDULE 1 SHAREHOLDERS FUNDS

(₹ in mn)		
PARTICULARS	As at 31-Mar-11	As at 31-Mar-10
AUTHORISED:		
2,00,00,000 (1,50,00,000) Equity Shares of ₹ 10/- each	200.00	150.00
ISSUED, SUBSCRIBED AND PAID UP:		
1,01,64,016 (99,64,904) Equity Shares of ₹ 10/- each fully paid [Out of the above 1,99,112 Equity Shares @ ₹ 10/- each, are issued for consideration other than cash]	101.64	99.65
Total	101.64	99.65

SCHEDULE 2 RESERVES & SURPLUS

(₹ in mn)		
PARTICULARS	As at 31-Mar-11	As at 31-Mar-10
Capital Reserve	8.57	8.57
Revaluation Reserve	10.00	10.00
Share Premium	270.78	254.24
Capital Subsidy - Bidar	-	2.50
Capital Subsidy - Haridwar	-	2.98
Capital Subsidy - Kashipur	3.00	-
APSFC Subsidy	-	0.06
Investment Subsidy	-	1.11
General Reserve	40.30	19.47
Profit & Loss Account	1,444.18	1,000.47
Total	1,776.83	1,299.40

SCHEDULE 3 SECURED LOANS

(₹ in mn)		
PARTICULARS	As at 31-Mar-11	As at 31-Mar-10
STATE BANK OF HYDERABAD		
Cash Credit	926.06	674.02
Packing Credit	102.76	30.11
Foreign Usance Bills Discount (INR)	195.00	26.03
Foreign Usance Bills Discount (Foreign Currency)	73.59	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. and Second Pari Passu charge on Fixed Assets of the Company. Equitable Mortgage of Directors' personal properties and personal guarantee of the promoter Directors of the Company].		
STATE BANK OF INDIA, LONDON	124.51	63.51
[Secured by Exclusive Debenture charge over Fixed and Floating assets of Vivimed Labs Europe Limited, U.K. and Corporate Guarantee of the Company]		



...SCHEDULES

AXIS BANK LIMITED 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.)	34.07	37.43
M & T Bank, USA (Secured by Fixed and Floating Charge on the Net Assets of Vivimed Labs, USA)	66.98	-
EXIM BANK Packing Credit (Secured by Pari passu first charge on the entire Current Assets and second charge on entire Fixed Assets of the Company)	227.82	220.38
TERM LOANS		
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)	251.13	326.18
STATE BANK OF HYDERABAD (Secured by Pari passu first charge on the Immovable and Movable Assets of the Company both present and future including equitable mortgage of Factory Land and Buildings and Second Pari passu charge on the Current Assets. Equitable Mortgage of Directors' personal properties and personal guarantee of the promoter Directors of the Company).	-	6.10
STATE BANK OF HYDERABAD - Corporate Loan (Secured by first Pari passu charge on fixed assets of the Company. Secured by second Pari passu charge on current assets of the Company. Further secured by exclusive charge by way of equitable mortgage of Promoter Directors of the Company).	110.07	-
AXIS BANK LIMITED (Secured by Pari passu first charge on the Immovable and Movable Assets of the Company present and future including Equitable Mortgage of Factory Land and Buildings and second pari passu charge on the current assets).	-	149.63
AXIS BANK LIMITED Term Loan (Secured against 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)	331.88	12.68
STATE BANK OF INDIA, LONDON (Secured by Pledge of Shares in Vivimed Labs Europe Limited, U.K. and Corporate Guarantee of the Company)	571.61	760.06
HDFC / ICICI / TATA CAPITAL FUND / KOTAK MAHINDRA BANK (Secured by Hypothecation of specific Vehicles of the Company).	2.76	4.06
HDFC BANK LTD. (Secured by Mortgage of Specific Immovable Property)	51.53	18.65
Total	3,069.77	2,345.48

...SCHEDULES

SCHEDULE 4 UNSECURED LOANS

PARTICULARS	(<i>₹ in mn</i>)	
	As at 31-Mar-11	As at 31-Mar-10
Sales Tax Deferment	7.41	7.41
Total	7.41	7.41

SCHEDULE 5 DEFERRED TAX LIABILITY

PARTICULARS	(<i>₹ in mn</i>)	
	As at 31-Mar-11	As at 31-Mar-10
Upto the year 2006 - 2007	90.90	90.90
For the year 2007 - 2008	29.54	29.54
For the year 2008 - 2009	9.89	9.89
For the year 2009 - 2010	30.13	31.55
For the year 2010 - 2011	(13.94)	-
Total	146.52	161.88



...SCHEDULES

SCHEDULE 6 FIXED ASSETS

(₹ in mn)

Particulars	Gross Block			Depreciation Block			Net Block as at				
	As at 01.04.2010	Additions during the year	Capitalised during the year	Sale / Deletions during the year	As at 31.03.2011	Rate of Depreciation	As at 01.04.2010	For the year	Total Depreciation	Net Block as at 31.03.2011	Net Block as at 31.03.2010
Land	111.84	80.00	-	-	191.84	0.00%	-	-	-	191.84	111.84
Building	371.39	20.19	-	-	391.58	3.34%	47.39	17.23	64.62	326.96	324.00
Plant & Machinery	1,125.12	168.36	-	6.64	1,286.84	4.75%	161.06	35.66	196.72	1,090.12	964.06
Electrical Equipment	38.26	3.03	-	-	41.29	4.75%	12.46	2.08	14.54	26.75	25.78
Laboratory Equipment	49.86	10.07	-	-	59.93	4.75%	16.77	2.47	19.24	40.69	33.09
Office Equipment	7.46	1.36	-	-	8.82	4.75%	1.70	1.07	2.77	6.05	5.76
Computers	43.57	2.20	-	0.14	45.63	16.21%	31.60	2.84	34.44	11.19	11.97
Furniture	18.44	0.52	-	-	18.96	6.33%	3.81	1.08	4.89	14.07	14.63
Vehicle	33.56	2.27	-	3.13	32.70	9.50%	14.36	0.51	14.87	17.83	19.20
Borewell	0.05	-	-	-	0.05	3.34%	0.03	0.00	0.03	0.02	0.02
Generator	1.15	-	-	-	1.15	4.75%	0.10	0.06	0.16	0.99	1.05
Intangible Fixed Assets (IP)	148.77	(0.17)	-	-	148.60	0.00%	54.61	28.47	83.08	65.52	94.16
EPA Registration Costs	1.89	3.40	-	-	5.29	9.50%	-	-	-	5.29	1.89
Sub-Total (A)	1,951.36	291.23	-	9.91	2,232.68		343.89	91.47	435.36	1,797.33	1,607.45
Capital Work in Progress	11.39	23.39	17.55	-	17.23	0.00%	-	-	-	17.23	11.39
Sub-Total (B)	11.39	23.39	17.55	-	17.23		-	-	-	17.23	11.39
Total (A + B)	1,962.75	314.62	17.55	9.91	2,249.91		343.89	91.46	435.36	1,814.58	1,618.84
Previous Year	2,005.59	235.00	4.21	273.63	1,962.75		256.56	87.33	343.89	1,618.86	1,749.03

...SCHEDULES

SCHEDULE 7 INTANGIBLE ASSETS

(₹ in mn)

PARTICULARS	As at 31-Mar-11	As at 31-Mar-10
Goodwill, Copyrights, Intellectual Property, Trademarks, etc.	845.55	939.77
Total	845.55	939.77

SCHEDULE 8 INVENTORIES

(₹ in mn)

PARTICULARS	As at 31-Mar-11	As at 31-Mar-10
Raw Materials	352.48	343.04
Packing Materials	44.00	32.50
Work in Process	139.97	121.35
Finished Goods	308.30	296.60
Total	844.75	793.49

SCHEDULE 9 RECEIVABLES

(₹ in mn)

PARTICULARS	As at 31-Mar-11	As at 31-Mar-10
(Unsecured and considered good)		
Debts Outstanding beyond six months	16.61	50.89
Other Debts	1,258.94	887.66
Total	1,275.55	938.55

SCHEDULE 10 CASH & BANK BALANCES

(₹ in mn)

PARTICULARS	As at 31-Mar-11	As at 31-Mar-10
Cash on Hand	0.63	0.26
Bank Balances with Scheduled Banks		
in Current Accounts	66.78	32.28
in Deposit Accounts	43.55	23.67
Total	110.96	56.21

...SCHEDULES

SCHEDULE 11 LOANS & ADVANCES

(₹ in mn)

PARTICULARS	As at 31-Mar-11	As at 31-Mar-10
ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED		
- Advances to Suppliers	460.86	75.25
- Other Advances	367.19	10.24
- Prepaid Expenses	15.35	0.30
- Advances to Staff	6.49	2.51
- TDS Receivable	5.59	17.45
- VAT Receivable	0.08	0.14
- Advance Income Tax Paid	15.32	0.16
DEPOSITS		
- Deposit with Others	44.68	46.27
Total	915.56	152.32

SCHEDULE 12 CURRENT LIABILITIES & PROVISIONS

(₹ in mn)

PARTICULARS	As at 31-Mar-11	As at 31-Mar-10
Creditors for Supplies	239.89	403.07
Creditors for Capital Goods	25.93	17.20
Creditors for Other Services	200.73	3.20
Unpaid Dividend for 2007-08	0.10	0.10
Unpaid Dividend for 2008-09	0.27	0.27
Unpaid Dividend for 2009-10	0.18	-
Sub Total	467.10	423.84
Provision for Expenses	192.24	152.55
Provision for Proposed Dividend	20.33	14.91
Provision for Dividend Tax	3.45	2.54
Sub Total	216.02	170.00
Total	683.12	593.84

SCHEDULE 13 MISCELLANEOUS EXPENDITURE

(₹ in mn)

PARTICULARS	As at 31-Mar-11	As at 31-Mar-10
Preliminary & Public Issue Expenses	8.58	10.74
Foreign Company Acquisition Expenses	45.78	47.32
Private Placement of Equity	12.59	-
Total	66.95	58.06

...SCHEDULES

SCHEDULE 14 NET SALES

(₹ in mn)

PARTICULARS	Year Ended 31-Mar-11	Year Ended 31-Mar-10
Sales - Domestic	2,054.21	1,433.28
Sales - Export	2,105.80	2,001.58
Total	4,160.01	3,434.86

SCHEDULE 15 OTHER INCOME

(₹ in mn)

PARTICULARS	Year Ended 31-Mar-11	Year Ended 31-Mar-10
Interest received on Other Deposits	-	10.55
Interest on Bank Fixed Deposits	1.85	24.45
Interest received on Electricity Deposits	0.13	0.14
Other Miscellaneous Income	7.35	30.12
Total	9.33	65.26

SCHEDULE 16 INCREASE / (DECREASE) IN STOCKS

(₹ in mn)

PARTICULARS	Year Ended 31-Mar-11	Year Ended 31-Mar-10
Opening Stock of Work In Process	125.15	116.83
Opening Stock of Finished Goods	277.21	275.12
	402.36	391.95
Closing Stock of Work In Process	139.97	125.14
Closing Stock of Finished Goods	308.30	291.35
	448.27	416.49
Increase in Stocks	45.91	24.54

SCHEDULE 17 CONSUMPTION OF MATERIALS

(₹ in mn)

PARTICULARS	Year Ended 31-Mar-11	Year Ended 31-Mar-10
Opening Stocks of Raw Materials & Consumables	343.04	267.03
Opening Stocks of Packing Materials	32.50	28.61
Add: Purchases During the Year	2436.53	2139.27
Less: Closing Stock of Raw Materials & Consumables	352.49	343.04
Less: Closing Stock of Packing Materials	44.00	32.50
	2415.58	2059.37

...SCHEDULES

SCHEDULE 18 MANUFACTURING EXPENSES

(₹ in mn)

PARTICULARS	Year Ended 31-Mar-11	Year Ended 31-Mar-10
Consumables	14.98	11.59
Job Work Charges	24.77	22.63
Power & Fuel	110.83	82.75
Factory Maintenance - Repairs to Factory Building	15.62	6.09
Factory Maintenance - Repairs to Machinery	15.79	7.79
Other Manufacturing Expenses	127.33	116.47
	309.32	247.32

SCHEDULE 19 R & D EXPENSES

(₹ in mn)

PARTICULARS	Year Ended 31-Mar-11	Year Ended 31-Mar-10
Purchase of Lab Chemicals and other Expenses	104.23	20.65
Lab Maintenance	17.92	13.00
	122.15	33.65

SCHEDULE 20 SALARIES, WAGES & ALLOWANCES

(₹ in mn)

PARTICULARS	Year Ended 31-Mar-11	Year Ended 31-Mar-10
Salaries & Wages	169.46	203.84
Employer Contribution to Provident Fund & E.S.I.	5.48	5.06
Bonus	8.13	7.17
Medical Expenses	-	0.60
Conveyance	0.53	-
Staff Welfare	6.54	0.99
Gratuity	6.81	1.36
Leave Encashment	2.72	1.69
	199.67	220.71

...SCHEDULES

SCHEDULE 21 SELLING & ADMINISTRATIVE EXPENSES

(₹ in mn)

PARTICULARS	Year Ended 31-Mar-11	Year Ended 31-Mar-10
SELLING EXPENSES		
Business & Marketing Expenses	10.66	11.03
Advertisement & Sales Promotion	1.34	0.29
Travelling Expenses - Foreign	17.78	10.19
Sales Commission	24.90	21.99
Rebates & Discounts	0.01	0.69
Freight Outward	59.04	50.10
Fluctuations in Foreign Exchange	7.17	(3.10)
Other Selling Expenses	16.61	9.12
ADMINISTRATIVE EXPENSES		
Printing & Stationery	3.42	2.78
Telephone & Postage Expenses	8.89	5.33
Travelling Expenses	9.96	10.09
Rates & Taxes	2.15	1.58
Conveyance Expenses	0.30	0.48
Consultancy Charges	9.44	11.76
Auditors Remuneration - Audit Fee	0.90	1.87
- Tax Matters	0.03	0.03
Audit Expenses	1.99	-
Insurance	11.29	9.68
Rent	6.51	2.69
Managerial Remuneration - Salary	18.75	14.76
Directors' Sitting Fee	0.18	0.19
Bank charges	6.61	6.95
Loss on Buy Back of FCCB	14.24	-
Processing Fee on Term Loans	6.10	8.94
Interest Paid on Inter Company Loans	1.62	-
Other Administrative Expenses	68.05	81.48
	307.94	258.92

SCHEDULE 22 FINANCING CHARGES

(₹ in mn)

PARTICULARS	Year Ended 31-Mar-11	Year Ended 31-Mar-10
Interest on Term Loan	80.66	105.85
Interest on Working Capital	125.63	106.04
Interest on Vehicle Loans	0.39	0.39
Interest on Inter Company Loans	(0.72)	-
	205.96	212.28



**SCHEDULE – 23
SIGNIFICANT ACCOUNTING POLICIES.**

Basis of Preparation

The financial statements have been prepared to comply in all material respects with the accounting standards notified by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956 ('the Act'). The financial statements have been prepared under historical cost convention on an accrual basis in accordance with accounting principles generally accepted in India. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the result of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Significant estimates used by the management in the preparation of these financial statements include estimates of the economic useful life of Fixed Assets and Provisions for Bad and Doubtful Debts. Any revision to accounting estimates is recognized prospectively.

1. 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 Hong Kong including its 100 % Subsidiary Vivimed Labs Europe Limited, London) and Vivimed Labs USA Inc., (Share Holding 100 % incorporated in USA) as at 31st March, 2011, 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 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.
 - (a) Minority Interest in the net profit for the year of Consolidated subsidiaries is identified and adjusted against the profit after tax of the group;
 - (b) 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.

2. 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**.

3. Cash Flow Statement: AS - 3

The Company has prepared Cash Flow Statement as per the **AS-3**.

4. Retirements Benefits

Staff benefits arising out of retirements / death, comprising of contributions to Provident Fund, Superannuation & Gratuity Schemes, accrued Leave Encashment 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.

5. 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.

6. 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.

7. Accounting for Government Grants

Government Grants / Subsidies are accounted in accordance with **AS-12**.

8. Investments

Long term investments are stated at cost. However, provision for diminution is made to recognise any decline, other than temporary, in the value of long term investments. Current Investments are stated at the lower of cost and fair value.

9. Intangible Assets

(a) 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 ₹ 10,000/- &
- This is in accordance with **AS-26**.

(b) 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-26**.

10. 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.

11. Borrowing Cost

Borrowing cost relating to acquisition / construction of qualifying assets are capitalized until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use / sale. Borrowing cost that are attributable to the projects are charged to the respective projects. All other borrowing costs, not eligible for inventorisation / capitalisation, are charged to revenue.

12. Inventories

Inventories of Raw Materials, Packing Materials, Stores & Spares, Consumables and Work in Process is valued at cost on Weighted Average basis. Finished goods are valued at lower of Cost or Net realisable Value, as per **AS-2**.

13. Taxes on Income

- a) Provision for tax for the year comprises current Income Tax and Deferred Tax and is provided as per the Income Tax Act, 1961.
- b) Deferred tax resulting from timing differences between the book and the tax profits is accounted for, at the current rate of tax, to the extent that the timing differences are expected to crystallize.

...SCHEDULES

Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in the future; however where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is a virtual certainty of realization of such assets. Deferred tax assets / liabilities are reviewed as at each balance sheet date.

14. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if:

- the Company has a present obligation as a result of a past event;
- a probable outflow of resources is expected to settle the obligation; and
- the amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent Liability is disclosed in the case of:

- a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation;
- a possible obligation, unless the probability of outflow of resources is remote. Contingent Assets are neither recognized nor disclosed.

15. 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**.

16. Impairment of Assets

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sale price or present value as determined above.

17. Related Party Disclosures

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

...SCHEDULES

SCHEDULE 24

NOTES FORMING PART OF ACCOUNTS

- Warrant Application Money of ₹ 88.64 million includes ₹ 65.29 million received towards Warrant Application Money for 1.49 million Preferential Warrants, the allotment of which is due in October, 2011. Further ₹ 23.35 million received during the earlier years represents monies received for which Warrants were not issued by the Company for want of approval from Stock Exchanges.

The Company during the year has allotted 1,99,112 Equity Shares @ ₹ 161 per share including premium of ₹ 151 per share for consideration other than cash.

- Details of Deferred Tax Liability as on 31-03-2011 on account of timing difference is as under:

Deferred Tax Liabilities	As on 31-03-2011 (₹ in mn)	As on 31-03-2010 (₹ in mn)
Opening Balance	160.46	130.33
Add: Adjustment for timing difference of Depreciation as per Companies Act, 1956 and Income Tax Act, 1961.	(13.94)	30.13
Closing Balance	146.52	160.46

3. Treatment of Capital Work in Progress

Capital Work in Progress includes cost of Land under acquisition and Plant and Equipment under installation.

4. Related Party Disclosure:

Particulars of related parties	
Name of the Related Party	Nature of Relationship
Dr. V. Manohar Rao	Chairman
Subhash Varalwar	Vice – Chairman
Santosh Varalwar	CEO & Managing Director
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, Hong Kong	Wholly Owned Step Down Foreign Subsidiary
Vivimed Labs USA Inc.	Wholly Owned Foreign Subsidiary
Vivimed Labs Europe Limited, U.K.	Wholly Owned Foreign Subsidiary

Transactions during the year with related Parties:

Name of the Party	Nature of Relationship	Nature of Transaction	2010-11 (₹ in mn)	2009-10 (₹ in mn)
Dr. V. Manohar Rao	Chairman	Remuneration	3.00	2.40
Subhash Varalwar	Vice-Chairman	Remuneration	3.00	2.40
Santosh Varalwar	CEO & Managing Director	Remuneration	3.75	3.00
Sandeep Varalwar	Executive Director	Remuneration	4.20	3.60
Creative Health Care Private Limited	Wholly Owned Indian Subsidiary	Purchase / Sale	NIL	NIL
		Investment in shares	25.00	25.00
		Other Advance	1.17	NIL
Vivimed Holdings Limited, Hong Kong	Wholly Owned Foreign Subsidiary	Investment in Shares	0.09	0.09
		Advance	252.05	125.28
Vivimed Labs Europe Limited, U.K.	Wholly Owned Foreign Step Down Subsidiary	Sales	309.40	224.53
		Advance	NIL	NIL
Vivimed Labs USA Inc.	Wholly Owned Foreign Subsidiary	Sales	256.83	93.24
		Investment in Shares	8.93	9.80
		Advance	8.14	51.83

...SCHEDULES

5. (a) Contingent Liabilities:

(₹ in mn)

		As at 31-03-2011	As at 31-03-2010
Letter of Credit	Foreign LC's	151.93	110.64
	Inland LC's	32.48	41.04
Bank Guarantee	State Bank of Hyderabad, Balanagar Branch, Hyderabad.	4.87	4.66

(b) Contingent Liability on account of Corporate Guarantees:

(₹ in mn)

Name of the Subsidiary	Details of the Lender	As at 31-03-2011	As at 31-03-2010
Vivimed Holdings Limited, Hong Kong.	State Bank of India, London Branch	571.61	760.50
Vivimed Labs Europe Limited, UK.	State Bank of India, London Branch	124.51	63.51
Creative Health Care Private Limited, India.	Axis Bank, Hyderabad, India	NIL	65.00

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

(d) Segment wise Information is furnished in Annexure.

9. Previous year's numbers have been regrouped, rearranged, recasted, wherever necessary to conform to Current Year Classification.

10. The 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
FRN 007257S

For and on behalf of the board
For Vivimed Labs Limited

M.V. Joshi
Partner
M.No. 24784

Dr. V. Manohar Rao
Chairman

Santosh Varalwar
CEO & Managing Director

Place : Hyderabad
Date : 27.05.2011

Fahim Aslam Khan
Company Secretary

...SCHEDULES

Segment Information

Company has identified two reporting segments viz., Speciality Chemicals and Pharmaceuticals. Segments have been identified and reported taking into account nature of products and services the differing risks and returns and the 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 issued by the Institute of Chartered Accountants of India.

Primary Segment Information:

(₹ in mn)

Sl. No.	Particulars	Speciality Chemicals		Pharmaceuticals		Total	
		2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
01	REVENUE						
	External Turnover	3162.77	2614.88	997.24	819.98	4160.01	3434.86
	Inter Segment Turnover	NIL	NIL	NIL	NIL	NIL	NIL
	TOTAL REVENUE	3162.77	2614.88	997.24	819.98	4160.01	3434.86
02	RESULTS						
	Operating Profit	584.79	436.48	164.45	172.25	749.24	608.73
	Interest Expenses	194.58	194.41	11.38	17.87	205.96	212.28
	Interest Income	8.41	64.92	0.92	0.34	9.33	65.26
	Profit Before Tax	398.63	241.73	153.99	154.72	552.62	396.45
	Current Tax	61.30	31.95	32.70	24.26	94.00	56.21
	Deferred Tax	(17.90)	33.68	(11.79)	(3.55)	(29.69)	30.13
	Profit After Tax	355.24	176.11	133.07	134.00	488.31	310.11
03	OTHER INFO						
	Segment Assets	5495.24	3975.69	927.67	523.47	6422.91	4499.16
	Unallocated Corporate Assets	NIL	NIL	NIL	NIL	NIL	NIL
	Total Assets	5495.24	3975.69	927.67	523.47	6422.91	4499.16
	Segment Liabilities	3495.94	2965.77	96.92	142.84	3592.86	3108.61
	Unallocated Corporate Liabilities	NIL	NIL	NIL	NIL	NIL	NIL
	Total Liabilities	5001.54	4356.32	606.49	142.84	5608.03	4499.16
	Capital Employed	1505.60	1009.92	509.57	380.63	2015.17	1390.55
	Capital Expenditure - Net	249.60	(53.19)	37.55	267.69	287.15	214.50
	Depreciation	72.81	72.37	18.65	14.97	91.46	87.34
	Non Cash Exp. Other than Depreciation	10.27	8.33	0.28	0.29	10.55	8.62



Vivimed

Annual Report 2010 11

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

(₹ in mn)

Particulars	Year Ended 31st March, 2011	Year Ended 31st March, 2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit / (Loss) before Tax and Extraordinary items	552.63	396.45
Add: Adjustment for		
– Depreciation	91.46	87.34
– Amortisation Expenses	10.55	8.62
– Financing Charges	205.96	212.28
	307.97	308.24
Operating Profit / (Loss) before Working Capital Changes	860.60	704.69
Working Capital changes		
Add / (Less): (Increase) / Decrease in		
– Trade Receivables	(337.01)	(231.07)
– Inventories	(51.26)	(102.19)
– Loans, Advances & Deposits	(251.76)	111.82
– Trade Payables	89.28	280.31
Cash Generated from Operations	(550.75)	58.87
Financing Charges	(205.96)	(212.28)
NET CASH FLOWS FROM OPERATING ACTIVITIES	103.89	551.28
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(281.37)	(214.50)
(Increase) / Decrease in Capital Work in Progress	(5.86)	257.37
(Increase) / Decrease in Miscellaneous Expenditure	(19.45)	20.88
(Increase) / Decrease in Capital Advances	(511.49)	-
(Increase) / Decrease in Intangibles	94.22	(135.00)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(723.95)	(71.25)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
– Unsecured Loans	-	(759.60)
– Proceeds from Warrant Money	39.09	26.21
– Increase in Share Capital	1.99	5.64
– Increase in Share Premium	16.53	98.68
– Decrease in Govt. Subsidies	(6.64)	-
– Increase in Capital Subsidy	3.00	-
– Increase / (Decrease) in Deferred Taxes	(15.37)	31.55
– Payment of Equity Dividend	(20.33)	(14.95)
– Payment of Dividend Tax	(3.45)	(2.54)
– Payment of Direct Taxes	(64.31)	(86.34)
– Secured Loans taken (including Working Capital Finance)	724.30	107.78
NET CASH FLOWS FROM FINANCING ACTIVITIES	674.81	(593.57)
NET INCREASE IN CASH AND CASH EQUIVALENTS	54.75	(113.54)
Opening Cash and Equivalents	56.21	169.75
Closing Cash and Equivalents	110.96	56.21

For and on Behalf of the Board
For Vivimed Labs Limited

Place : Hyderabad
Date : 27.05.2011

Santosh Varalwar
CEO & Managing Director



Vivimed

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Warehouses

- Bonthapally (Hyderabad, India)
- Arnhem (Netherlands)
- New Jersey, North Carolina (USA)
- Hong Kong (China)