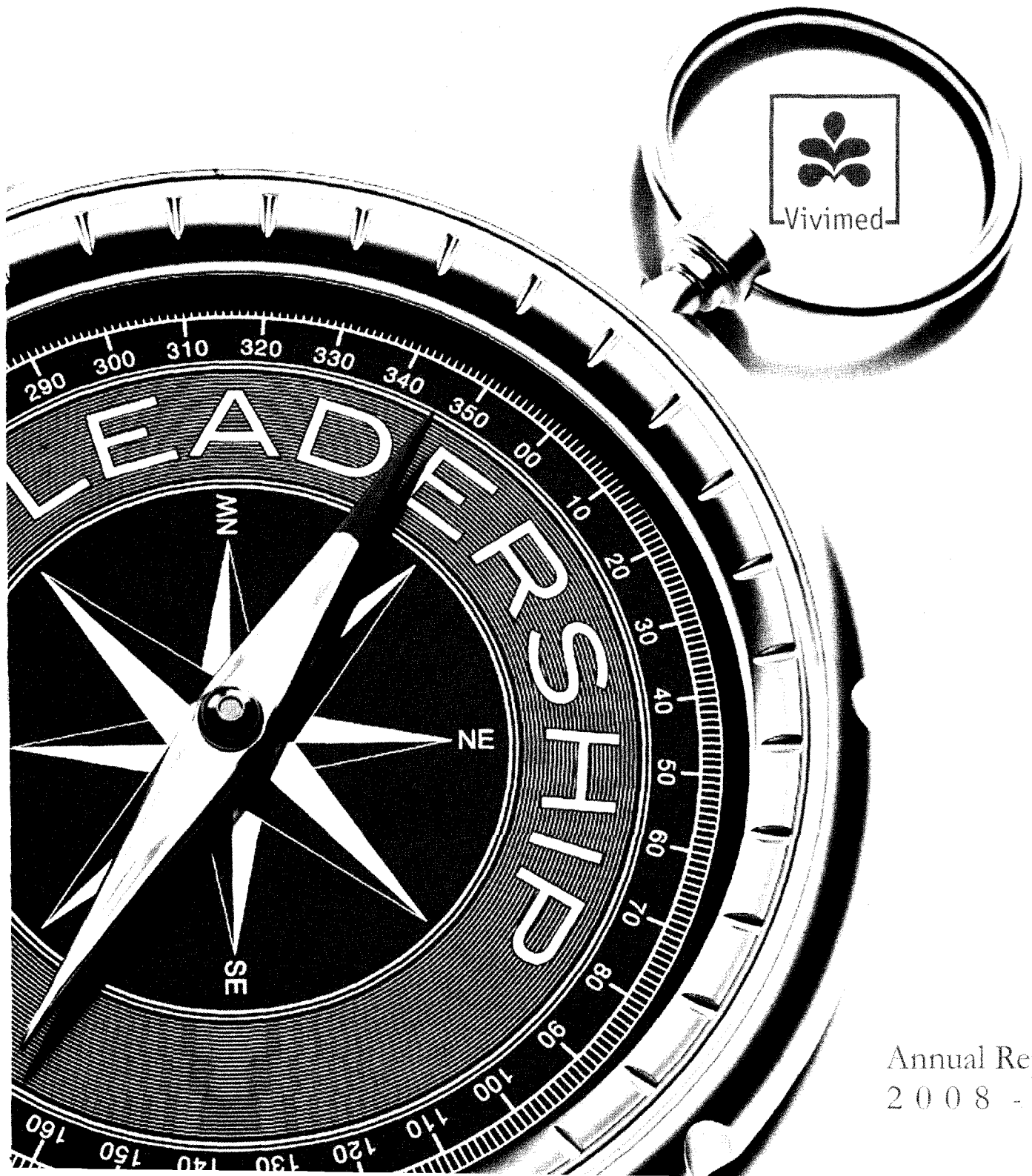


New Directions,
Old Fashioned Commitment



Annual Report
2008 - 09



C O M P A N Y I N F O R M A T I O N

Board of Directors

Dr. V Manohar Rao	-	Chairman
Sri Subhash Varalwar	-	Vice- Chairman
Sri Santosh Varalwar	-	Managing Director
Sri Sandeep Varalwar	-	Executive Director
Sri S Raghunandan	-	Executive Director
Sri R K Dhar	-	Executive Director
Sri R N Dhar	-	Director
Sri M Bhagavantha Rao	-	Director
Sri P V Rathnam	-	Director
Sri Peesapati Venkateswarlu	-	Director
Sri D Hanumantha Rao	-	Director
Sri Y. Krishna	-	Additional Director

Company Secretary

Sri Chanakya Chandra Reddy P

Registered Office

78/A, Kolhar Industrial Area, Bidar - 585 403

Corporate Office

2nd Floor, Veeranag Towers, Habsiguda, Hyderabad - 500 007

Auditors

M/s P. Murali & Co, Chartered Accountants

Registrar & Transfer Agents

M/s Aarthi Consultants Pvt. Ltd.

Bankers

State Bank of Hyderabad

Axis Bank

EXIM Bank

HDFC Bank



C O N T E N T S

Notice	1-3
Directors' Report	4-18
Corporate Governance Report	19-29
Auditors' Report	30-33
Financial Statements of Vivimed Labs Limited	34-49
Auditors' Report	50-53
Consolidated Financial Statements	54-68
Proxy Form & Attendance Slip	69

N O T I C E
21st Annual General Meeting



Annual Report
2008 - 09

Notice is hereby given that Twenty First Annual General Meeting of Members of Vivimed Labs Limited will be held on Wednesday, the 30th September, 2009 at 11.30 Hrs. at the Registered Office of the Company at 78-A, Kolhar Industrial Area, UNIT-I, Bidar-585403, Karnataka to transact the following business

Ordinary Business

1. To consider and adopt Balance Sheet as at 31st March, 2009, Profit and Loss Account for the year ended on that date, and Auditor's Report thereon and Director's Report.
2. To consider declaration of dividend on equity shares.
3. To appoint Director in place of Sri Divvela Hanumantha Rao, who retires by rotation in this Annual General Meeting. Being eligible, he offered himself for re-appointment.
4. To appoint Director in place of Shri Peesapati Venkateswarlu, who retires by rotation in this Annual General Meeting. Being eligible, he offered himself for re-appointment.
5. To appoint Director in place of Shri R N Dhar, who retires by rotation in this Annual General Meeting.
6. To appoint Auditors and fix their remuneration.

Special Business:

7. To consider and if thought fit, to pass with or without modification(s), following resolution as an Ordinary Resolution:

"RESOLVED THAT Sri Krishna Yeachuri, who was appointed as an Additional Director in terms of Section 260 of the Companies Act, 1956 with effect from June 30, 2009 and in respect of whom the Company received a notice under Section 257 of the Companies Act, 1956 be and is hereby appointed Director of our Company, whose period of office shall be liable to determination by retirement of Directors by rotation."

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

Dr. V Manohar Rao
Chairman

Place: Hyderabad
Date: 31-08-2009

Vivimed Labs Limited

Registered office: 78/A, Kolhar Industrial Area, Bidar - 585403, Karnataka



NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT PROXY TO ATTEND AND ON POLL, TO VOTE INSTEAD OF HIMSELF/ HERSELF, AND PROXY NEED NOT BE A MEMBER. TO BE EFFECTIVE PROXIES SHOULD BE DEPOSITED AT REGISTERED OFFICE OF OUR COMPANY 48 HOURS BEFORE COMMENCEMENT OF THE MEETING. FORM OF PROXY IS ANNEXED.
2. Pursuant to Section 173(2) of the Companies Act, 1956, explanatory statement on the Special Business to be transacted is annexed hereto.
3. Register of Members and Share Transfer Books of our Company will be closed from 28th September, 2009 to 30th September, 2009 (both days inclusive).
4. Members are requested to bring Attendance Slip along with their copy of Annual Report for admission.
5. Corporate members intending to send their authorized representative to attend the Meeting are requested to send a certified copy of Board Resolution authorising the representative to attend and vote on their behalf.
6. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
7. Documents referred to in the accompanying Notice are open for inspection by members at Registered Office of our Company on all working days, except Saturdays, between 11.00 hrs. and 13.00 hrs. upto the date of Meeting.
8. Dividend for the year ended 31st March, 2009 recommended by the Board, if approved at the meeting, will be paid to those members whose names appear in Register of Members of our Company on the book closure dates.
9.
 - a. In order to provide protection against fraudulent encashment of dividend warrants, Members who hold shares in physical form are requested to intimate Company's Registrars and Transfer Agents, M/s. Aarthi Consultants Private Limited, under signature of Sole/First joint holder, following information to be incorporated on dividend warrants:
 - i. Name of Sole/First joint holder and the Folio Number.
 - ii. Particulars of Bank Account, viz.:
 - Name of the Bank
 - Name of the Branch
 - Complete address of the Bank with Pin Code Number
 - Account type, whether Savings (SA) or Current Account (CA)
 - Bank Account Number
 - b. Members who hold shares in dematerialised form may note that their Bank Account details, furnished by their Depositories to our Company, will be printed on their dividend warrants as per applicable regulations of the Depositories and our Company will not entertain any direct request from such Members for deletion of or change in such Bank Account details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in electronic form. Members who wish to change such Bank Account details are therefore requested to advise their Depository Participants about such change with complete details of Bank Account.
 - c. To avoid loss of dividend warrants in transit and undue delay in receipt of dividend warrants, our Company has provided facility to the Members for remittance of dividend through the Electronic Clearing System (ECS). ECS facility is available at locations identified by Reserve Bank of India from



time to time and covers most of the cities and towns. Members holding shares in physical form and desirous of availing this facility are requested to contact the Company's Registrars and Transfer Agents, M/s. Aarathi Consultants Private Limited.

10. Members who hold shares in physical form in multiple folios in identical names or joint accounts holding in the same order of names are requested to send the share certificates to the Company's Registrars and Transfer Agents, M/s. Aarathi Consultants Private Limited, for consolidation into a single folio.
11. Non-Resident Indian Members are requested to inform Company's Registrars and Transfer Agents, M/s. Aarathi Consultants Private Limited, immediately:
 - a. Change in their Residential status on return to India.
 - b. Particulars of their Bank Account maintained in India with complete name, branch, account type, account number and address of the Bank with Pin Code Number, if not furnished earlier.
12. In terms of Articles 113 and 114 of Articles of Association of our Company, Shri Divvela Hanumantha Rao, Shri Peesapati Venkateswarlu, Directors retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges in India, following information is furnished about the Directors. Board of Directors of our Company commend their re-appointment.

Sri Venkateswarlu Peesapati

A highly qualified B. Sc (Spl), M. Sc (Andhra University), Ph. D (Delhi University), C. Chem. FRSC (London) having 35 years of experience of Research/teaching experience in various universities in USA, UK and India. He is associated with leading International Experts in the field of Organic, Bio-organic, Medicinal and Polymer Chemistry.

Sri D. Hanumantha Rao

A B.Pharm, PGDHA with Strong expertise in application, evaluation and teaching of regulatory affairs in Govt., industry and academia. He has over 30 yrs of experience in various national and international regulatory laws. He served on various assignments of government and private sector in his field of specialization.

EXPLANATORY STATEMENT

PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

The following Explanatory Statement sets out all material facts relating to Special Business mentioned in the accompanying Notice:

Item 5: Appointment of Sri Krishna Yeachuri as a Director of the Company.

Sri Krishna Yeachuri, a Commerce Graduate and Associate member of Institute of Chartered Accountants of India since July'1987, has work experience covering multi facets of business with reputed domestic and multi national companies. He was responsible for strategic planning, budgeting, treasury planning in several Companies for over two decades.

The Board recommends his appointment.

None of the Directors are interested in this resolution.

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

Dr. V Manohar Rao
Chairman

Place: Hyderabad
Date: 31-08-2009

D I R E C T O R S ' R E P O R T



Annual Report
2008 - 09

To the members,

We are delighted to present this Directors' Report on business of our company for the year ended March 31, 2009.

Financial Highlights

Rupees million

Particulars	Standalone		Consolidated	
	2008-09	2007-08	2008-09	2007-08
Net Revenues from Sales	1514.88	1556.05	2761.23	1810.09
Value of production	1554.80	1577.62	2879.00	1836.76
Other Income	15.77	7.51	25.30	7.91
Expenditure	1258.38	1303.82	2428.93	1523.57
Profit Before Interest, depreciation and tax	312.19	281.31	475.37	321.10
Depreciation	33.56	31.09	71.49	40.10
Profit Before Interest and Tax	278.63	250.21	403.88	281.00
Interest	95.70	57.56	172.73	66.65
Profit Before tax	182.93	192.66	231.15	214.35
Provision for Income Tax	23.56	22.63	27.73	25.29
Deferred Tax	13.38	31.42	9.89	29.54
Profit after Tax	145.99	138.61	193.52	159.52
Earning Per Share (Rupees)	15.53	14.74	20.59	16.97

Consolidated Business Performance

Your Company made extremely good business in the Financial Year 2008-09. Net Revenues from sales have gone up from Rs. 1810.09 million in previous year to Rs. 2761.23 million in the present year. Profit after tax for the year was Rs. 193.52 million against Rs. 159.52 million of the previous year. The Earning per Share rose by 21 % to Rs. 19.81 from Rs. 16.97.

Appropriations

Dividend

Your Directors in their meeting held on 30th June 2009 recommended dividend of Re. 1.50 per Equity Share fully paid-up to the shareholders in the company

Transfer to reserves

Your Directors have transferred Rs. 7.30 millions to the General Reserve of the Company from the Profit and Loss Account leaving balance of Rs. 647.74 million.

Subsidiaries and Particulars under Section 212 of the Companies Act

Our Company has three subsidiaries:

- Creative Health Care Private Limited, India
- Vivimed Holdings Limited, Hong Kong and
- James Robinson Limited, UK.

Pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies, Statement is attached to the accounts. Consolidated Financial Statements presented in this Annual Report are prepared as per Accounting Standard 21. In terms of approval granted by the Central Government under Section 212(8) of the Companies



Act, 1956, Audited Statements of Accounts and Auditors' Reports thereon for the period/year ended 31st March, 2009 and Reports of Board of Directors of the Company's subsidiaries are not annexed. The Company will make them available on request to any member interested in obtaining the same. However, as directed by the Central Government, while granting the said exemption, certain financial data of the subsidiaries has been furnished under 'Subsidiary Companies' Particulars' forming part of the Annual Report

Developments during the year

Financial Year 2008-09 has been Significant in Vivimed's Journey. Our Company further strengthened its footing in Global Markets with acquisition of James Robinson Limited, more than a hundred year old Company. The acquisition, which got completed in May, 2008 is of strategic importance in seamlessly positioning Vivimed in very large and high value space of high-end specialty chemicals. James Robinson is an award winning company. It serves key markets in hair dyes, imaging and personal care product space. It also offers a novel range of photochromic dyes for a wide variety of applications including ophthalmics, plastics, coatings and inks, and fluorescent dyes for both textile and non-textile applications.

Identifying commonality in product lines between our Company and James Robinson and more competitive manufacturing competencies in India, the company decided to integrate all product lines of James Robinson with those of Vivimed. This lead to closure of James Robinson's manufacturing facility in Germany and consequent significant reduction in costs without losing out on the product lines and revenues.

our Company has received new product approvals from several existing clients. Vivimed is approved as Supplier for Johnson and Johnson. The Company has tied up with L'oreal and P & G for innovative research on new molecules. On Pharmaceutical business front, Vivimed's Oncology Products obtained registration in Ukraine & Russia.

Our Company acquired 80 acres of land at Vishakhapatnam to set up a Greenfield Project to meet growing market demand in Chemical Sector and for Diversification. Another Greenfield US-FDA compliant plant at Choutuppal near Hyderabad is on drawing board, which is being setup to cater to needs of finished dosages for export requirement. Our Company inaugurated a new state of the Art FDA compliant manufacturing block for production of hair dye intermediates and imaging specialty chemicals at Hyderabad, India.

Pharma division of our Company successfully developed Trimedronate Capsules 250 mg, a cardio- regulator formulation for Russia and CIS Markets and registered the API and formulations in Russia and Ukraine. The product is successfully launched in Ukraine and will be launched in October, 09 in Russia. Vivimed has recently registered two formulations for the Ukranian market viz., Bolarex and Rapidact.

Intellectual Properties

Gearing up with the new facilities and venturing into new markets will provide the required fillip to the company in terms of drawing advantages out of its IP also. Our Company presently has the following advantages:

- Process patent valid across the Globe for our Antimicrobial Triclosan(VIV20)
- Patents applied for innovative anti aging ingredient VINTOX
- Patents in place for key hair Dye intermediates JAROCOL range
- Key patents for High end photochromic specialties branded as REVERSACOL range
- Patent filed for new innovative Hair growth molecule branded as VIVIDINE
- Exclusive patent for manufacturing SY124 a prime fuel marker used across the globe.
- Pre registered all the products under REACH



MANAGEMENT DISCUSSION AND ANALYSIS

Specialty Chemicals are high-value added chemicals, generally produced in smaller quantities, and used in industries ranging from pharmaceuticals to plastics. Specialty chemical companies are those that primarily produce high value added chemicals used in the manufacture of a wide variety of products, including fine chemicals, cosmetics, additives, advanced polymers, adhesives, sealant and specialty paints, pigments and coatings. The dyestuffs segment has traditionally been one of the largest segment in the speciality chemical industry and continues to be crucial because of its forward and backward linkages with a large number of other industries such as textiles, leather, paper, printing inks and food processing.

Developments in the Pharmaceutical Industry

Global pharmaceutical industry will continue to register steady growth due to increase in ageing population across the developed world, prevalence of lifestyle diseases and greater access to affordable medicines and healthcare in the advanced and emerging markets. In most of the markets, healthcare expenditure by the national governments is likely to increase.

Most pharmaceutical companies are facing challenge of depleting research pipeline, increasing research costs and lower growth in revenue due to their blockbuster drugs going off-patent. For sustained growth, these companies are focussing on expansion into emerging markets and outsourcing to cost-effective manufacturing bases in Asia. India offers great advantages in terms of a large number of USFDA approved production facilities; lower operating costs; diverse talent pool comprising chemists, physicians, biologists and clinicians to support the outsourcing activities.

Industry Structure and Development

Chemical industry is one of the oldest industries in India. It not only plays a crucial role in meeting daily needs of common man, but also contributes significantly towards industrial and economic growth of the country. Indian chemical Industry is worth USD 43 billion. The industry is highly diversified and meets varying demands of the society in all walks of life. It contributes 2.8% GDP of the country. India produces a large number of fine and specialty chemicals having diverse applications. CAGR in production of major chemicals, including dyes and dyestuffs during 2002-03 to 2006-07 is 4.69% and the annual growth in imports and exports of these major chemicals is 14.79% and 14.13% respectively. Dyes and dyestuffs accounts for maximum growth of 28.06% in imports whereas export growth is led by organic chemicals which account for 20.48%. The industry has had a tough time in domestic markets due to lowering of entry barriers and reduction in import tariffs. Most of the segments of the dyes and specialty chemical industry have been facing poor growth either due to low demand, surging imports or poor performance by user industry segments. In view of severe competition, profit margins are under pressure. The plastics & polymer segment in Indian market is still very attractive due to very high potential of domestic consumption. It remains one of the fastest growing markets in the recent past. Many overseas plastic processors have started investing in India for exports as well as for domestic consumption. However, the capacities of these plants remain small. International demand is helping to up-grade the quality of products, technical services, cost competitiveness and processing efficiencies, etc. Skin care sector is also one of the fastest growing segments as Indian consumers have started using specialized skin care products according to their skin type. The market for fairness creams, facial creams, moisturizers, cleansers are growing at a rate of 18-20%.

Outlook

Due to global melt down, chemical industry world over is passing through difficult time forcing shut down of crackers and down stream units. Many of the global players in specialty chemical segment have downsized their operations and are preparing themselves to face the uncertain future challenges. India is no exception to the woes of this meltdown and the economy has seen sharp reversal in fortunes since October 2008. Our country seems to be heading for a significant fall in GDP growth from 9% recorded in 2007-08 to around 7.1% in 2008-09. A glimpse of the deteriorating economy can be gauged from the fact that exports declined by 12.11% in October



2008, for the first time in last 3 years. Indian Rupee continues to remain weak. Positive factor for Indian chemical industry is the demand for its products that is largely driven by domestic market and considering very low per capita consumption ratio, the impact of slow down is not significant. Despite the difficult time, dyestuff and specialty chemical industry holds a lot of promise for India. The industry is potential powerhouse benefiting from comparative low labour costs, excellent army of technical manpower, research and development facilities, huge but undeveloped domestic market and potential to increase its share in global markets.

Diversified product range, proactive preparedness in adjusting to demand and supply levels and aggressive marketing strategies has provided a cushion to the Company to withstand the pressure of global meltdown and downturn in the industry. The Company is gearing itself for sustaining its market position by adjusting to the market environment through improved service levels and continuous emphasis on cost management.

Opportunities and Threats

In this impending scenario, the existing players will need to further consolidate their position by acquiring brands that fit with their overall growth strategy. In order to survive and sustain, industry players will have to cut costs, continue to invest in brand building and provide products that the consumer wants.

India being leader in knowledge power and its vast experience in handling customer demands, opportunities exist for rapid export growth by development of innovative products meeting high standards of quality. The important challenge in marketing area that specialty chemical industry is facing is to improve the level of quality performance of products and services. One of the common concerns hindering India's export growth is poor logistic facilities for containers handling at ports and speed of transportation. Further, the growth of dyes, pigments and specialty chemical industry is directly related to overall growth of industry segments to which it caters for. Slow down in economy and under performance by any of the user industry will have negative impact on the industry.

Our Company has set up world class Research laboratory with excellent product testing facilities and processes that enable us to undertake a comprehensive range of tests encompassing process tests, ecological tests and test for banned and restricted substances.

Risks and Concerns

Risk taking is intrinsic to business growth. All business organisations face risks either from internal operations or from external environment. The base of any business is a healthy appetite for risk. This is why one of the greatest and most important challenges for an organisation is to define the optimal risk level for its business to ensure that its activities produce risk adjusted returns. The risks to which the Company is exposed and the initiatives taken by the Company to mitigate such risks are given below:

Hazard risks are related to natural hazards arising out of nature of product/ operations, accidents, fire, earthquake or cyclone etc. Risk associated with protection of environment, safety of operations and health of people at work is monitored regularly with reference to statutory regulations prescribed by the government authorities and guidelines defined by our Company. Our Company does not merely fulfill the legal requirements concerning emission, waste water and waste disposal, but actually works to even stricter self imposed standards. Risk arising from product liability is protected through insurance policies or limited through contractual agreements wherever possible.

Financial risks are concerned with volatility in interest and exchange rates, credit, asset-liability mismatch. Our Company is exposed to forex risks arising from various currency exposures, primarily with respect to USD, GBP and Euro.

Our Company has an appropriate policy in place and covers the risk partly through hedging by means of forward transactions. We have written policy to deal with risk involved in investment of surplus funds. Company has put in place system driven credit control procedure and proactive approach to prepare liquidity planner and constant review thereof.



Operational risks are associated with systems, processes and people and covers areas such as succession planning, attrition and retention of people, operational failure or interruption, disruption in supply chain, failure of research & development facilities, and faulty application of information technology and non-compliance of regulatory provisions. Our Company is exposed to all such operational risks. However, the policies and process framework of our Company supported by the strong management information system and group guidelines provide proactive approach to mitigate operational risks to a great extent. Our Company's business critical software is operated on a server with regular maintenance and back-up of data. Our Company has put in place system driven legal compliance manual and certification process that ensures compliance of regulatory provisions and the same is reviewed by the Board of directors.

Strategic risks arise from inability to adjust to changes in the environment such as arising from acquisition or merger, customer priorities, customer loyalty, competition threats etc.

Being a multinational company after its successful implementation of mergers, our Company is better placed to mitigate risk arising out of such strategies. Company's approach in providing solution and servicing its customer for over the past two decades, its attitude towards the customers to consider them as its partners in progress provide the Company requisite comforts to mitigate risks arising out of competition and customer loyalty.

Industry Strengths:

- Capital Investment in Technology: Owing to the availability of advanced technology at low costs, companies can produce drugs at lower costs.
- Cost Effective: The filing cost of ANDAS and DMFs is comparatively low for the Indian companies.
- Manpower: There is a large pool of technical experts available at modest salaries.
- Contract Research & Contract Manufacturing: There is good scope for contract research and contract manufacturing.
- Infrastructure: There is a well-developed infrastructure for the pharmaceutical industry.
- Generic Drugs: In the last few years, the generic drug-manufacturing segment has received huge investments, in the process making it more competitive and efficient.

Human Resources

Our Company operates in a highly competitive environment vis-à-vis attracting the best talent for its operations. Therefore, human resources management has assumed vital importance. The key to the success of our Company lies in its people whose skills, expertise, and talent help the Company to achieve and sustain its market position. It is the people's commitment, technical know-how, innovative ability and performance driven mindset that enable Vivimed to react swiftly and creatively to the evolving customer and market needs. Our Company provides requisite training at regular intervals to all its employees. Specialized training and business exposure with a focus on building leadership in all areas of the Company's operations was a major initiative taken up during the year. The process of improving organizational and human capability is continued through competencies mapping of managerial positions, development of leadership and building of talent for the future. Cordial relations with the employees prevailed at all Company locations during the year.

The total number of employees of Vivimed and its subsidiaries as at March 31, 2009 was around 1060 including those on contract.

About Vivimed

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



Specialty Chemical Division

Our Customers include many global players in cosmetics, toiletries and pharmaceutical segments. Our manufacturing and distributing activities are spread across several countries.

In May 2008, our Company acquired James Robinson Limited, a over 100 year old UK based Company and certain associated assets from Yule Catto & Co plc in order to increase our global presence in the specialty chemicals market. We expect to gain global footprint and new customers for our specialty chemicals for beauty care and Industrial care, especially hair dyes, photochromics and photo imaging products.

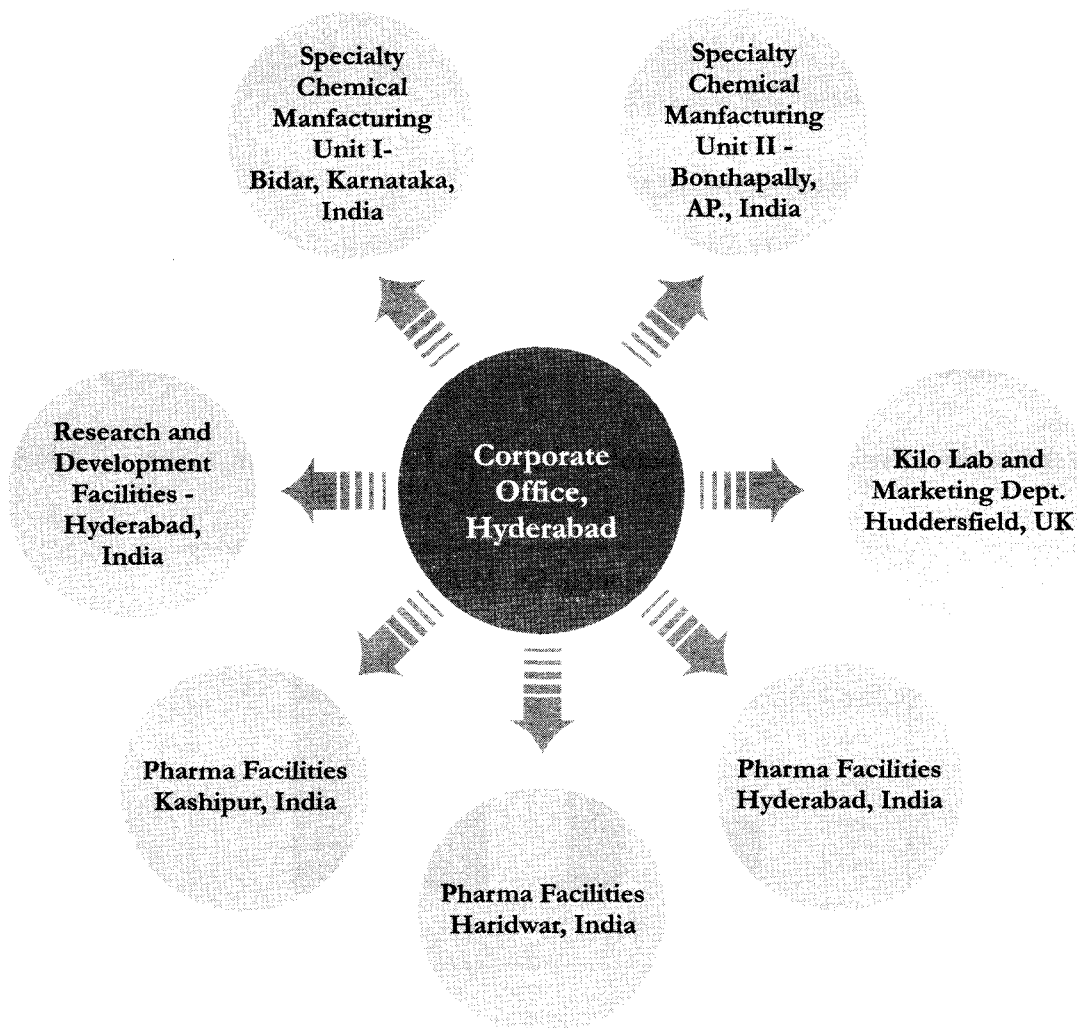
Pharma Division

Pharma Business of our Company consists of 3 units located at Jeedimetla (Hyderabad), Haridwar and Kashipur (Uttaranchal) which are WHO GMP Compliant. The facilities include State of the Art equipment for solid orals, liquid orals, lotions and creams with full fledged and equipped in-house analytical laboratories which house, GC HPLC, UV Spectrometer, etc.

Pharma Division of our Company caters to requirement of many reputed MNCs, which include Novartis, Cipla, Merck, Lupin, Glenmark, Wockhardt, , etc. Besides we export to CIS, SE Countries.

All plants of our Company have separate teams for Quality Control and Quality Assurance, headed by well experienced and highly qualified Professionals, including Doctorates.

Facilities of Vivimed labs Limited and its Subsidiaries





Awards

Our company was ranked by Business Today as one among the 1000 most valuable companies in India, 2006 and by Business World as one among 100 fast growing companies in the mid-segment in July 2007. Vivimed received Frost and Sullivan Award for best product line strategy for 2006 and Export Gold Award from Karnataka State for the last six consecutive years.

Accreditations

Our company has ISO 9001:2000 QMS certification for its manufacturing facilities, ISO 14001 certification for Environmental Management System, United States Environmental Protection Agency (EPA) certification for Triclosan (VIV-20) and also Certification for Bio-Terrorism preparedness from the US FDA (a prerequisite for exports to certain countries) and has pre-registered its products for REACH (Registration, Evaluation, Authorisation and restriction of CHEMicals), which came into force in 2007 for Registration, Evaluation, Authorisation and restriction of Chemicals in the European Countries.

SEGMENTWISE PERFORMANCE

Rs. Million

Revenue

Beauty Care and Industrial Care (Specialty Chemicals)	2,075.51
Health Care (Pharma)	685.72

Profit before Interest & Tax

Beauty Care and Industrial Care (Specialty Chemicals)	273.26
Health Care (Pharma)	105.32

Capital Employed

Beauty Care and Industrial Care (Specialty Chemicals)	3389.91
Health Care (Pharma)	435.95

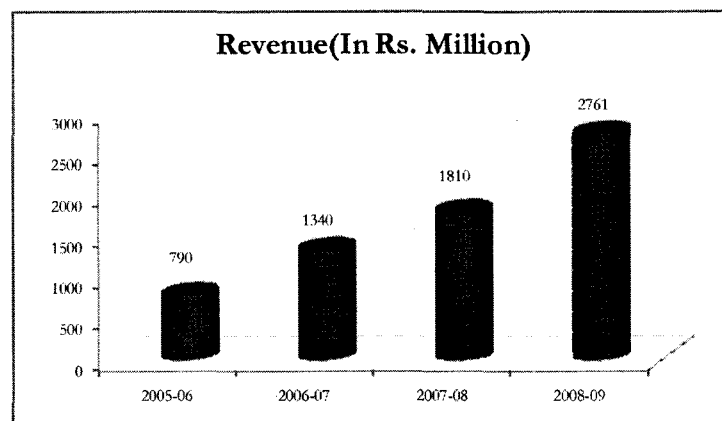
SAFETY, HEALTH AND ENVIRONMENT

Vivimed believes in giving back to the society in the areas of safety, health and environment it aims to anticipate customer requirements, protect the health of employees, contractors, visitors and the community as a whole and avoid or minimize environmental impacts.

FINANCIAL PERFORMANCE

Total revenues

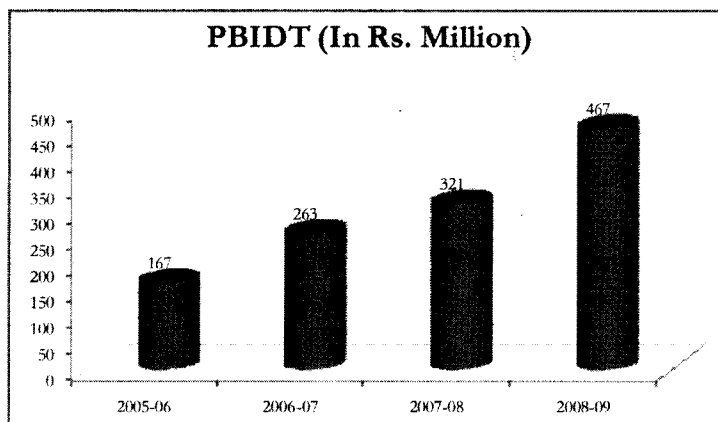
Consolidated revenues increased by 53% percent from Rs. 1810 million in 07-08 to Rs. 2761 million in 2008-09





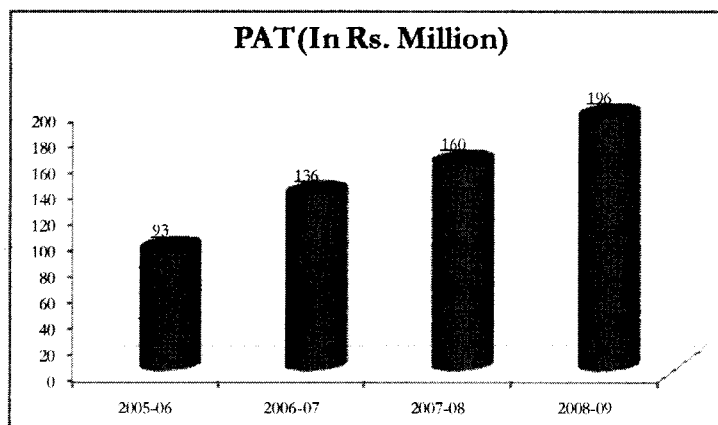
Profits before Interest Depreciation and Tax

PBIDT recorded an increase of 48 percent, increasing from Rs 321million in the previous financial year to Rs. 475 million in the current Financial Year.



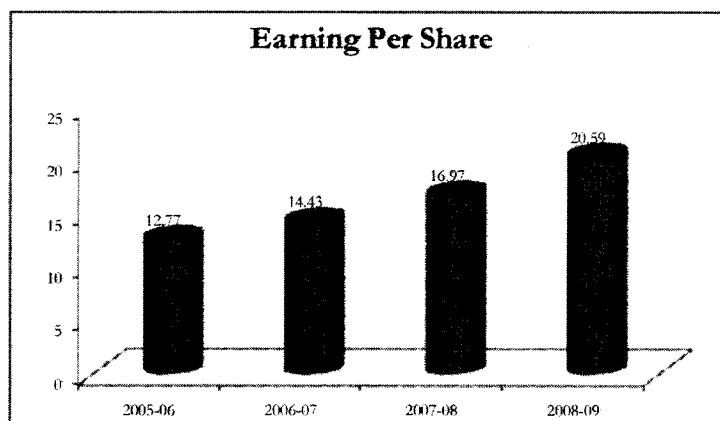
Profit after Tax

PAT increased by 21 percent from Rs. 160 million to Rs. 194 million in the year.



Earnings per Share

Earning per Share rose by 21 % to Rs. 20.59 in 2008-09 from Rs. 16.97 in 2007-08.





FUTURE

Rising disposable incomes increase the potential for driving users to branded products. Favourable government policies, on direct and indirect taxes and deterrent laws to curb sales of spurious products are expected to give the organized sector a greater competitive edge.

Internet and e-commerce will play a significant role in changing the dynamics of this industry, helping companies improve their procurement, distribution and selling efficiencies. This will, in turn, help them reduce prices and still remain profitable.

Personal care industry will witness further restructuring, with players focusing on their core business and divesting those that they believe have no fit with their overall growth strategy.

Our Company is all set to move to the next orbit with well designed and well defined organic plans to reach the summits in its Industry. Top management is being decentralized with goals and targets defined for each segment of its Business. Vivimed is continuously improving its infrastructural facilities to create the required strong platform.

Particulars of employees

In terms of provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, names and other particulars of employees are required to be given.

However, having regard to the provisions of Section 219(1)(b)(iv) of the said Act, Annual Report excluding aforesaid information is being sent to all members of Vivimed and others entitled thereto. Any member interested in obtaining such particulars may write to Company Secretary at Corporate Office of the Company.

Directors

In terms of provisions of the Companies Act, 1956 and Articles of Association of the company, Shri Divvela Hanumantha Rao and Shri Peesapati Venkateswarlu, Directors retires by rotation and being eligible offered themselves for reappointment at 21st Annual General Meeting.

Brief resume of the Directors, nature of their expertise in specific functional areas and names of companies in which they hold directorship and membership/ chairmanship of the Board as stipulated by Clause 49 of the listing agreement with the Stock Exchange are provided else where in this Annual Report.

Responsibility statement of the Board

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Director's Responsibility Statement, it is hereby confirmed that,

- i. in preparation of the annual accounts, applicable accounting standards have been followed.
- ii. Accounting policies are applied consistently to give true and fair view of the state of affairs of the Company as at 31st March, 2009 and profit of our Company for the year ended on that date;
- iii. Proper and sufficient care is taken for maintenance of adequate accounting records in accordance with provisions of the Companies Act, 1956, for safe guarding assets of our Company and for preventing and detecting fraud and other irregularities.
- iv. Annual accounts of our Company are prepared on going concern basis.

Auditors

M/s P. Murali & Co Chartered Accountants, Statutory Auditors of the company hold office until conclusion of ensuing Annual General Meeting and are eligible for re-appointment. Company has received letters from Auditors to the effect that their appointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956 and that they are not disqualified for re-appointment within the meaning of section 226 of the said act.



Corporate governance

Our Company has been practicing good corporate governance with strong emphasis on transparency, accountability and integrity. Pursuant to Clause 49 of the Listing Agreements with Stock Exchanges, Corporate Governance Report, Managing Director's and Auditors' Certificate regarding compliance with conditions of Corporate Governance are included in the Annual Report.

Management Discussion and Analysis

Management discussion and analysis for the year under review as stipulated under clause 49 of the Listing Agreement with stock exchanges is covered in this Directors Report itself and hence not dealt with again separately for brevity.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Particulars required to be furnished in the report of Directors in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, in respect of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are furnished in prescribed format and Annexed to this report.

Statement Pursuant to Listing Agreement

Company's Equity shares are listed at:

1. Bombay Stock Exchange Limited, Mumbai.
2. The National Stock Exchange of India Limited, Mumbai.

Annual Listing Fees to the above Stock Exchanges is paid by your Company.

Deposits

Our company has not accepted any deposits falling under Section 58A of the Companies Act, 1956 during the year under review.

Acknowledgements

Your Directors would like to express their grateful appreciation of the assistance and co-operation received from Bankers, Government authorities, Customers, Vendors, Shareholders and Investors during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services of the executives, staff and workers of the company.

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

Place: Hyderabad
Date: 31-08-2009

Dr. V Manohar Rao
Chairman



Annexure to the Directors' Report

Particulars required under the companies
(Disclosure of particulars in the Report of & Board of Directors) Rules, 1988

A. CONSERVATION OF ENERGY

(a) Energy Conservation Measures taken

Improvement in energy efficiency is a continuous process at VLL and conservation of energy is given a very high priority in all our plants and offices. Energy audits and benchmarking are done regularly to identify areas of improvement and steps are taken to implement the measures required for such improvement.

(b) Additional Investments and Proposals for Reduction of Consumption of Energy

The company is implementing various measures to automate the process, recovery of energy which will result in reduction of energy consumption.

(c) Impact of the above measures

The above measures have resulted in savings on account of consumption of power and fuel

(d) Total energy consumption and energy consumption per unit of production

Power and Fuel consumption

1. Electricity	
a. Purchased Units	57,43,327
Total Amount Rupees	2,82,60,775
Average rate per unit Rupees	4.92
b. Own Generation	
I. Through Diesel Generator	
Units	11,65.172
Total Amount Rupees	3,51,34,895
Average cost per unit Rupees	30.15
II. Through Steam turbine/generators	
Units	
Unit per tonne of coal	
2. Coal (Specify quality and where used)	Nil
I. Coaking Coal for Boiler (Ton)	
Total Cost Rupees	
Average rate per Tonne	
3. Furnace Oil	Nil
4. Others	Nil



B. TECHNOLOGY ABSORPTION

Research and Development, Technology Absorption, Adoption and Innovation.

Our Company has a full-fledged R&D Division continuously engaged in research on new products and on process re-engineering of existing products. The Company has developed indigenous technology in respect of the products manufactured by it. As soon as the technology is developed for a product, it is tested in Pilot Plant and thereafter commercial production is taken up. It is our philosophy to continuously upgrade the technology.

Specific Areas in which the company carries out R&D and Benefits Derived/ Further Action

Process Re-Engineering

Vivimed is continuously improving existing processes, targeting cost efficiency and purity profile of its product.

Example:

VIV-20 (Anti-microbial) introduction of high vacuum ejector system for the distillation of the Amine step, reduced the overall cost by 6%.

Earlier technology involved steam sparging, which had output constraints as well as high energy consumption

New Products & New Technologies

Working on alternate products in the existing segments or improved delivery systems which can provide value added advantages.

New Products

- Microencapsulation of Avobenzone & OMC was successfully completed leading to elimination of certain incompatibilities and also increasing the efficiency of these materials
- Microencapsulation of DEET.

New Technology Development

- C-40309 A promising sunscreen
 - Jojoba oil based hybrid sunscreen
- [These products are still in development stage]

Contract Research

- Developed a Novel Hair Growth Active Ingredient for a Global Cosmetic Major
- Developed Kojic Acid Derivatives for a Korean Cosmetic Manufacturer
- Developed New products for CHIMEX-a 100% manufacturing subsidiary of L'Oreal
- Working on a Hybrid technology based Skin Care Product with a Israeli Company
- Research Partnerships with Majors Multinationals in the area of fundamental and developmental research.

In the Area of Research and Development

Vivimed's Key Strengths:

- Collaborative Research
- Team of Chemical Engineers and PhD's
- Consistent endeavor to research and discover new molecules through cost effective process



- Focused and Idea-seeking research from creation of a molecule (Molecular Research), or a derivative, to partnering with a manufacturer (Collaborative Manufacturing)

Capabilities

- R&D Labs
 - State of the Art R&D Centre at Mallapur -Hyderabad; comprising of eight Laboratories
 - Pilot Plant located at Nacharam -Hyderabad
 - Kilo Lab for Hair Dyes & Photochromics at Huddersfled, UK
- Organized technology transfer between development and production
- Rigorous process for project justification and prioritization
- Track record of process innovation
- Collaboration with Universities & Knowledge centers
- Research Laboratory approved by the Council of Scientific and Industrial Research (Govt. of India)
- Adherence to GLP
- Well equipped Analytical /Research & Development Facility

New Products in Pipeline

- Sodium Ascorbyl Phosphate
- Ethyl Hexyl Triazone
- Iopamidol - A
- Kinetines w RNA Fragments
- A Typical Anticancer Nucleoside
- Synthesis of active Amino acids
- Side Chain Cascading
- Complex Synthesis

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Sustained efforts of our Company in exploring export markets have resulted in the growth of exports. The particulars are as under:

Earnings:

USD 8,947,707 equivalent to INR 371,801,895 (USD 6,310,985 equivalent to INR 262,905,622 during Previous Year 2007-2008) in Exports.

Euros 2,137,717 equivalent to INR 127,237,459 (Euros 2,217,013 equivalent to INR 126, 912, 555 during Previous Year 2007 - 2008) in Exports.

Outgo:

USD 3,623,189 equivalent to INR 143,499,262 for import of Raw Materials (USD 3,269,816 equivalent to INR 133,604,682) Euros 65,499 equivalent to INR 10,161,681.



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

Sl.No.	Name of the subsidiary companies	Creative Health Care Pvt. Ltd.	Vivimed Holdings Ltd. (VHL)	James Robinson Limited
1)	Financial year	31-03-2009	31-03-2009	31-03-2009
2)	Shares of the subsidiary held by the Company on the above date: a) Number and face value b) Extent of holding	2,500,000 / Rs. 10 100%	10,000 /HKD.1 100%	100,000/ GBP 1 100% held by VHL
3)	The net aggregate of profit/(loss) of the subsidiary for the above financial year so far as they concern the members of the Company and is not dealt within the accounts of the Company: a) For the financial year ended on 31st March, 2009 b) For the previous financial year of the subsidiaries since it became a subsidiary	N.A.	N.A.	N.A.
4)	The net aggregate of profit/(loss) of the subsidiary for the above financial year so far as they concern the members of the Company and is dealt with in the accounts of the Company: a) For the financial year ended on 31st March, 2009 b) For the previous financial year of the subsidiaries since it became a subsidiary	341.74	(454.83)	588.40
5)	Change in the 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 subsidiary companies coincide, there are no particulars to furnish.		
6.	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 b) its investments c) money lent by the subsidiary company d) the money borrowed by it for any purpose other than that of meeting current liabilities	As the financial year of the holding and subsidiary companies coincide, there are no particulars to furnish.		



SUBSIDIARY COMPANIES' PARTICULARS

(Rs. in '000)

Particulars	Creative Health Care Private Limited, India	Vivimed Holdings Limited, Hong Kong	James Robinson Limited, United Kingdom
Capital	25,000	93	7,264
Reserves	56,318	(45,534)	69,227
Total Assets	220,379	498,980	512,341
Total Liabilities	144,172	1,366,887	556,362
Investments	Nil	Nil	Nil
Turnover	324,194	Nil	974,124
Profit Before Tax	34,860	(45,483)	58,840
Provision for Taxation	4,175	-	-
Profit After Tax	34,174	(45,483)	58,840
Proposed Dividend	Nil	Nil	Nil

FORWARD LOOKING STATEMENT

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and others statements-written and oral - that we periodically make contain forward - looking statements that set our anticipated results based on the

management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expect', 'project', 'intend', 'plan', 'believe', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumption. The achievement of results is subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



C O R P O R A T E G O V E R N A N C E R E P O R T

1. Company's Philosophy on Code of Governance

Vivimed is expanding its capacities and becoming globally competitive in its business. Vivimed believes in adopting 'best practices' that are followed in Corporate Governance. Vivimed emphasises the need for full transparency and accountability in all transactions. Board considers itself as a Trustee of its Shareholders and acknowledges its responsibilities towards them for creation and safeguarding their wealth.

Board of Directors is at the core of our corporate governance and protects long-term interests of all our stakeholders. We believe that an active, well-informed and independent Board is necessary to ensure highest standards of Corporate Governance.

Vivimed recognises that good Corporate Governance is a continuing exercise and reiterates its commitment to pursue highest standards of Corporate Governance in the overall interest of all stakeholders.

In order to maintain best governance practices that to create a long term sustainable shareholder value, Vivimed follows the following framework:

- Constitution of Board of Directors of appropriate composition, size, varied expertise and commitment to discharge its responsibilities and duties.
- Ensuring timely flow of information to Board and its Committees to enable them to discharge their functions effectively.
- A sound system of risk management and internal control.
- Timely and balanced disclosure of all material information concerning Company to all stakeholders.
- Transparency and accountability.
- Compliance with all applicable rules and regulations.
- Fair and equitable treatment of all its stakeholders including employees, customers, shareholders and investors.

2. Board Composition and Particulars of Directors

Board of Vivimed consists of 6 executive or full-time directors, and 6 non- executive and independent directors.

During the year, Sri Raj Barathur, an Independent Director resigned from Directorship and Sri Y Krishna was appointed as an additional Director.

Four of the executive directors are of Promoter Group. Board believes that current size is appropriate, based on our present circumstances. Board periodically evaluates the need for change in its composition and size.

No Director is related to any other Director on the Board under the Companies Act, 1956, except the following:

- Sri V. Manohar Rao and Sri Subhash Varalwar are brothers
- Sri V Manohar Rao is the father of Sri Santosh Varalwar and Sri Sandeep Varalwar
- Sri Santosh Varalwar and Sri Sandeep Varalwar are brothers



Attendance of Directors at Board Meetings

Name of the Director	Category	No. of other Director ship held	Membership/ Chairmanship held in Committees of other Companies	No. of Board Meetings attended	Attendance at Last AGM held
Sri Santosh Varalwar	Executive Non- Independent	---	----	6	Yes
Sri Subhash Varalwar	Executive Non- Independent	---	----	5	Yes
Dr. V. Manohar Rao	Executive Non- Independent	---	----	5	Yes
Prof. M. Bhagavanth Rao	Non-Executive Independent	---	----	4	No
Sri R.N. Dhar	Non-Executive Independent	---	----	5	No
Sri Raj Barathur*	Non-Executive Independent	---	----	0	No
Sri Sandeep Varalwar	Executive Non- Independent	---	----	4	No
Sri R K Dhar Non- Independent	Executive	---	----	4	Yes
Sri S Raghunandan	Executive Non- Independent	---	----	5	No
Sri P V Rathnam	Non-Executive Independent	---	----	4	Yes
Sri Peesapati Venkateswarlu	Non-Executive Independent	---	----	3	No
Sri D Hanumantha Rao	Non-Executive Independent	---	----	3	No
Sri Yeachuri Krishna*	Non-Executive Independent	---	----	0	No

* Sri Raj Barathur resigned with effect from 30th November, 2008

* Sri Yeachuri Krishna was appointed on 30th June, 2009 as Additional Director

Other Directorships do not include alternate directorships, directorships of private limited companies, section 25 companies and of companies incorporated outside India. Chairmanship / Membership of Board Committees include only Audit and Shareholders / Investors Grievance Committees.

None of the Directors on the Board is a Member of more than 10 committees or Chairman of more than 5 Committees across all Companies in which he is a Director. Directors have made necessary disclosures regarding Committee positions in other public companies as on March 31, 2009.

Board Meetings, its Committee Meetings and Procedures

A. Information placed before Board includes:

- General notices of interest of Directors.



- Terms of reference of Board Committees.
 - Minutes of meetings of Audit Committee and other Committees of the Board, as also resolutions passed by circulation.
 - Annual operating plans of business, capital budgets and any updates.
 - Quarterly results of Company and its operating divisions or business segments.
 - 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 unlisted subsidiary companies.
 - Proposals for investment, mergers and acquisitions.
 - Details of joint venture and collaboration agreement.
 - Making of loans and investment of surplus funds.
 - Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer (if any), etc.
 - Show cause, demand, prosecution notices and penalty notices which are materially important.
 - Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company.
 - Significant labour problems and their proposed solutions. Any significant development in Human Resources / Industrial Relations front like implementation of Voluntary Retirement Scheme etc.
 - Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- (i) Chairman and Company Secretary in consultation with other concerned members of senior management, finalise agenda papers for Board meetings.

B. Number of Board Meetings held and dates on which held

Six Board meetings were held during the year, as against minimum requirement of four meetings. Vivimed held one Board meeting in every three months and maximum time gap between any two meetings was not more than four months. Details of Board meetings are as under:

Details of Board Committees and other related information are provided hereunder:

Sl.No.	Date	Board Strength	No. of Directors Present
1.	13th May, 2008	12	5
2.	28th June, 2008	12	9
3.	31st July, 2008	12	10
4.	29th October, 2008	12	9
5.	19th December, 2008	12	6
6.	21st January, 2009	12	9



(i) Audit Committee

Composition: Audit Committee of Board comprises three Independent Non-Executive Directors and an Executive Director, as follows:

Mr. P V Rathnam	Chairman
Dr. R .N. Dhar	Member
Prof. M. Bhagavanth Rao	Member
Mr. S Raghunandan	Member

All members of Audit Committee are financially literate and its Chairman has Financial Expertise. Composition of Audit Committee meets requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

Objective: Audit Committee assists the Board in its responsibility for overseeing quality and integrity of the accounting, auditing and reporting practices and compliance with legal and regulatory requirements. The Committee oversees accounting and financial reporting process of our Company, reviews of financial statements, appointment, independence and performance of statutory auditors and performance of internal auditors.

Terms of Reference: Terms of reference / powers of Audit Committee are as under:

A. Role of Audit Committee includes:

1. Recommending to Board appointment / reappointment and replacement or removal of Statutory Auditors and fixation of audit fees.
2. Approval of payment to Statutory Auditors for any other services rendered by Statutory Auditors.
3. Reviewing with management, Annual Financial Statements before submission to Board for approval, with particular reference to :
 - Matters required to be included in Directors' Responsibility Statement in Directors' Report in terms of sub-section (2AA) of Section 217 of the Companies Act, 1956.
 - Changes, if any, in accounting policies and practices and reasons for the same.
 - Major accounting entries involving estimates based on exercise of judgement 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.
 - Qualifications in audit report.
4. Reviewing with management, quarterly financial statements before submission to 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 the official 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 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 depositors, shareholders (in case of non - payment of declared dividends) and creditors.
10. Carrying out such other functions as may be specifically referred by Board of Directors and / or other Committees of Directors of the Company.
11. To review following:
 - Management Discussion and Analysis of financial condition and results of operations;
 - Statement of significant related party transactions (as defined by Audit Committee), submitted by management;
 - 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 by unlisted subsidiaries of the Company.
13. Review of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc).

Meetings:

Five meetings of Audit Committee were held during the year ended March 31, 2009. Necessary quorum was present at all meetings.

Executives of Finance and Accounts Department, Secretarial Department and Representatives of Statutory and Internal Auditors were invited to attend Audit Committee Meetings, whenever considered expedient.

Chairman of Audit Committee was present at the last Annual General Meeting.

IV) Composition of Audit Committee and attendance of each member of Audit Committee are given below:

Name of the Director	Category	Designation	No. of Meetings ATTENDED	No. of Meetings HELD
			(During the year 2008-09)	
Sri P V Rathnam	Independent, Non-Executive	Chairman	4	4
Sri S Raghunandan	Executive, Non-Independent	Member	3	4
Dr. R .N. Dhar	Independent, Non-Executive	Member	4	4
Prof. M. Bhagavanth Rao	Independent, Non-Executive	Member	4	4

(ii) Remuneration Committee

Remuneration Committee comprises of following Directors:

Prof. M. Bhagvanth Rao	Chairman
Sri Subhash Varalwar	Member
Sri Sandeep Varalwar	Member
Sri D Hanumatha Rao	Member
Sri Peesapati Venkateswarlu	Member



Remuneration Committee has been constituted to recommend/ review remuneration of Managing Director and Whole time Directors, based on their performance and terms of appointment.

Details of Remuneration paid/payable to Directors for the year ended 31st March, 2009 is as under;

Name	Relationship with Company	Loans from Company	Sitting Fees	Salary & perks	Commission	Total
		(Rs)	(Rs)	(Rs)	(Rs)	(Rs)
Sri Santosh Varalwar	Promoter Director	NIL	-	30,00,000	---	30,00,000
Sri Subash Varalwar	Promoter Director	NIL	-	24,00,000	---	24,00,000
Dr. V. Manohar Rao	Promoter Director	NIL	-	24,00,000	---	24,00,000
Prof. M. Bhagvanth Rao	Director	NIL	40,000	---	---	40,000
Sri R.N. Dhar	Director	NIL	45,000	---	---	45,000
Sri Raj Barathur	Director	NIL	-	---	---	---
Sri Sandeep Varalwar	Director	NIL	-	24,00,000	---	24,00,000
Sri R K Dhar	Director	NIL	-	10,80,000	---	10,80,000
Sri S Raghunandan	Director	NIL	-	10,80,000	---	10,80,000
Sri P V Rathnam	Director	NIL	40,000	---	---	40,000
Sri Peesapati Venkateswarlu	Director	NIL	15,000	---	---	15,000
Sri D Hanumantha Rao	Director	NIL	15,000	---	---	15,000

Apart from sitting fees, no payment was made to any non-executive / independent director on account of any other pecuniary relationship or transaction. (iii) Shareholders/Investors Redressal Committee

(iii) Shareholders/Investors Redressal Committee

Board has constituted Shareholders'/ Investors' Redressal Committee, to look into grievances / issues of share holders/investors relating to non-receipt of dividend, non-receipt of Balance Sheet, Shares sent for transfer etc.

Directors periodically reviewed investors complaints received and redressed. Committee also monitors implementation and compliance of Company's Code of Conduct

Composition

Name	Designation	Status
Sri P V Rathnam	Chairman	Non-executive Independent Director
Sri Raj Barathur	Member	Non-executive Independent Director
Sri Santosh Varalwar	Member	Executive - Non-Independent Director
Dr. V Manohar Rao	Member	Executive - Non-Independent Director

Details of status of references/complaints received and replied/resolved during the year are given below

Sri Chanakya Chandra Reddy P is Compliance Officer.

Sl. No	Nature of Reference / Complaints	Received (in No)	Resolved (in No)	Pending (in No)
1.	Change of Address	1	1	Nil
2.	Bank mandates	5	5	Nil
3.	Transfer/ Transmission	13	13	Nil
4.	Others	3	3	Nil



Complaints were attended within seven days from date of receipt of complaint, as communicated by our Registrars and Share Transfer Agents. Outstanding complaints as on 31st March 2009 were: NIL

4. Details of Annual General Meetings:

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

Year	Location	Date	Time
2005-2006	Plot No:78/A, Kolhar Industrial Area, Bidar, Karnataka	29-09-2006	11.30 A.M
2006-2007	Plot No:78/A, Kolhar Industrial Area, Bidar, Karnataka	27-12-2007	11.30 A.M
2007-2008	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 Resolutions Passed	Details of Special Resolutions
27-09-2008	9	<ol style="list-style-type: none">1. Appointment of Sri Sandeep as Director2. Appointment of Sri Raghunandan as Director3. Appointment of Sri R K Dhar as Director4. Appointment of Sri D Hanumantha Rao as Director5. Appointment of Sri P V Rathnam as Director6. Appointment of Sri Peesapati Venkateswarlu as Director7. Appointment of Sri Sandeep as whole time Director8. Appointment of Sri Raghunandan as whole time Director9. Appointment of Sri R K Dhar as whole time Director
27-12-2007	5	<ol style="list-style-type: none">1. Issue of warrants on Preferential basis2. Revision of remuneration payable to Sri Santosh Varalwar, managing Director3. Revision of Remuneration payable to Sri Subhash Varalwar, Vice-Chairman4. Revision of Remuneration payable to Dr. V Manohar Rao, Director5. Enhancement of Borrowing Limits to the Board
29-09-2006	1	Increase of Authorised Share Capital of the Company from Rs. 110,000,000 to Rs. 150,000,000

iii. Special resolutions passed in Extra-ordinary General Meetings during the year 2008-09:

No Extra-ordinary General meetings were conducted during the year.

5. Disclosures

No transactions of material nature were entered into by the company with its promoters, directors, their relatives or management that may have a potential conflict with the Company's Interests.

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.



Company circulated Code of Conduct among Board members and senior management personnel and affirms that they are complying with code on. Text of the Code of Conduct is posted on company's website viz. www.vivimedlabs.com Managing Director certified that the company has complied with all provisions of clause 49 (V) of Listing Agreement.

6. Means of Communications

Quarterly / Half yearly results

Quarterly / Half yearly results are published in Financial Express & Vijay Karnataka published in Karnataka.

News Releases, Presentations etc

Official news releases, analysis and information to investors, etc are displayed on Company's website www.vivimedlabs.com after duly complying with provisions of Listing Agreement by informing stock holders.

Website

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

7. General Shareholder Information

(i) Annual General Meeting

Date	30th September, 2009
Time	11.30 A.M
Venue	78/A, Kolhar Industrial Area, Bidar, Karnataka
(ii) Financial Calendar from 1st April to 31st March and financial reporting will be as follows:	
Quarter ending June, 30 2009	Last week of July 09
Quarter ending September 30 2009	Last week of October 09
Quarter ending December 31 2009	Last week of January, 10
Quarter ending March 31 2010	Last week of April, 10
Annual General Meeting for FY ended 31st March, 2008	Before end of September, 2010
(iii) Date of Book Closure	28th September, 2009 to 30th September, 2009
(iv) Dividend payment date	If, declared will be paid within stipulated time as per the Act.
(v) Listing on Stock Exchanges	<p>i. Bombay Stock Exchange Limited, Mumbai (BSE) Phrioze Jeejeebhoy Towers, Dalal Street, Mumbai-400001</p> <p>ii. The National Stock Exchange of India Limited Exchange Plaza, Bandra-Kurla Complex, Bandra (East) Mumbai- 40005</p> <p>An annual listing fee for the year 2009-10 (as applicable) has been paid by the company to the respective stock exchanges.</p>
Stock Code	
Bombay Stock Exchange Limited	532660
The National Stock Exchange of India Ltd.	vivimedlab
Dematerialization of Securities	ISIN: INE526G01013



Market Price Data	
High, Low during each Month in last Financial Year	During the financial year shares of our company were traded on both Bombay Stock Exchange Limited and National Stock Exchange of India Limited. Monthly data High, Low during each Month in the last Financial year are as follows:

High, Low during each Month in last Financial Year ended 31st March, 2009

Month & Year	Bombay Stock Exchange Limited		National Stock Exchange of India Limited	
	High	Low	High	Low
April, 2008	103.00	86.45	103.85	85.20
May, 2008	109.75	90.15	110.50	91.35
June, 2008	107.95	77.10	102.40	76.10
July, 2008	77.90	67.30	78.00	67.10
August, 2009	79.25	68.00	79.00	65.15
September, 2008	77.80	50.50	76.00	50.50
October, 2008	60.05	35.00	60.75	33.10
November, 2008	53.75	32.20	54.05	33.00
December, 2008	42.50	32.50	42.70	32.65
January, 2009	51.50	39.30	52.35	38.60
February, 2009	54.00	40.55	54.50	41.00
March, 2009	44.10	38.15	44.00	34.05

(VIII) Stock Performance in Comparison to Broad-based indices such as BSE Sensex, CRISIL Index, BZX 200, Nifty etc.	During the financial year shares of Vivimed were traded actively.
(IX) Registrar & Transfer Agent	M/s. Aarthi Consultants Private Limited 1-2-285, Domalguda, Hyderabad – 500 029. Ph: 040-2763 8111; 040-2763 4445, Fax: 040-2763 2184 Website: www.aarthiconsultants.com Email: info@arthiconsultants.com
(X) Share Transfer System	Documents will be accepted at M/s. Aarthi Consultants Private Limited 1-2-285, Domalguda, Hyderabad – 500 029. Ph: 040-2763 8111; 040-2763 4445, Fax: 040-2763 2184

Presently, share transfers which are received in physical form are processed and share certificates returned within 21 days from the date of receipt, subject to documents being valid and complete in all respects.

Board has delegated authority for approving transfer, transmission etc of company's securities to Aarthi Consultants Private Limited, who are the Companies Registrar and Transfer Agents. A summary of share transfers/transmissions of securities of the company so approved are placed at every Board Meeting.



company obtains half yearly Certificate of Compliance with Shares Transfer formalities as required under clause 47

(C) of the Listing Agreement with Stock exchanges from a Company Secretary in practice and same is submitted to Stock Exchange within the period prescribed.

(XI) (a) Distribution of Shareholding as on 30-06-2009

Shareholding of Nominal Value		Shareholders		Share Amount	
Rs.	Rs.	Numbers	% of Total	In Rs.	% of Total
1	5000	8057	89	10610190	11.29
5001	10000	432	5	3569390	3.8
10001	20000	225	2	3418490	3.64
20001	30000	92	1	2404400	2.56
30001	40000	47	1	1703550	1.81
40001	50000	38	0	1812890	1.93
50001	10000	61	1	4415250	4.7
100001	& Above	75	1	66075700	70.29
Total		9027	100	94009860	100

(XII) Dematerialization of shares & liquidity The Company's shares are compulsorily traded in dematerialized form and are available for trading on both Depositories in India viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Shares representing 81.84% of the company's share capital are dematerialized as on 30-06-2009.

Company's shares are listed and eligible to trade on above-mentioned Stock Exchanges in electronic form. Under Depository System, the International Securities Identification Number (ISIN) allotted to Company's shares is ISIN: INE526G01013.

12. Compliance Certificate of Auditor

Certificate from Auditors, M/s P.Murali & Co, confirming compliance with conditions of Corporate Governance as stipulated under clause 49 of the listing Agreement is annexed to Directors' Report forming part of the Annual Report.

This Certificate has been forwarded to Stock Exchange where securities of the company are listed.



Certificate from Auditors Regarding Compliance of Conditions of Corporate Governance

Board of Directors
Vivimed Labs Limited
Bidar.

We have examined compliance of conditions of Corporate Governance by VIVIMED LABS LIMITED, for year ended 31st March, 2009 as stipulated in Clause 49 of the Listing Agreements of said Company with stock exchange 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 Company has complied with conditions of Corporate Governance as stipulated in above mentioned Listing Agreement, as required under Clause of 49 of Listing Agreement.

We state that in respect of investor grievances received during the year ended 31st March, 2009, 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 with which management has conducted affairs of the Company.

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

Place : Hyderabad
Date : 31-08-2009

Sd/-
P. Murali Mohana Rao
Partner

Declaration Regarding Compliance by Board Members and Senior Management Personnel with Company's Code of Conduct

I, Santosh Varalwar, Managing Director of Vivimed Labs Limited hereby declare that all board members and senior managerial personnel have affirmed for the year ended 31 March 2009 compliance with code of conduct of the company laid down for them.

Place : Hyderabad
Date : 31-08-2009

Sd/-
Santosh Varalwar
Managing Director

A U D I T O R S ' R E P O R T

To,
The Members
VIVIMED LABS LIMITED,

We have audited the attached Balance Sheet of VIVIMED LABS LIMITED as at 31st March, 2009 and also the Profit & Loss Account for the period ended on the date annexed thereto and cash flow statement for the period ended on that date. 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.

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 statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 term of 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,

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 accounts as required by law have been kept by the Company, so far as appears from our examination of those books;
- (iii) The Balance Sheet & Profit & Loss Account dealt with by this report are in agreement with the books of accounts.
- (iv) In our opinion, the Balance Sheet & the Profit & Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the directors, as on 31st March, 2009, and taken on record by the Board of Directors, we Report that non of the Directors is disqualified as on 31st March, 2009 from being appointed as a director under clause (g) of sub-section (1) of section 274 of the Act;
- (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 Balance Sheet, of the state of affairs of the Company as at March 31, 2009 ;
 - b) In the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date and
 - c) In the case of the Cash Flow, of the cash flows for the period ended on that date.

For P. Murali & Co.,
Chartered Accountants

Place : Hyderabad
Date : 28-06-2009

Sd/-
P. Murali Mohana Rao
Partner



ANNEXURE TO THE AUDITORS' REPORT

- 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 are 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 a substantial part of fixed assets during the year.
- II. (a) The inventory has been physically verified during the year and in our opinion, the frequency of verification 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 nature of its business.
- The Company is maintaining proper records of inventory and as explained to us, there were no material discrepancies noticed on physical 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 under section 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 the loans have been granted to parties listed in the register maintained under section 301 is prejudicial to the interest of the 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 under section 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 the 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, since no contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been made by the company in respect of any party in the financial year, the entry in the register u/s 301 of the Companies Act, 1956 does not arise.
- (b) According to the information and explanations given to us, as no such contracts or arrangements made by the company, the applicability of the clause of charging the reasonable price having regard to 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 and 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 the size and 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 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 of 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 not accumulated losses at the end of the financial year and the company has not incurred any cash losses in this financial year and in the immediately preceding financial year.
- XI. According to the information and explanations given to us, 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 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 pre-judicial to the interest of the Company.
- XVI. According to the information and explanations given to us, the term loans were applied by the company for the purpose for which the loans were obtained.
- XVII. According to the information and explanation 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 explanation 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 explanation given to us, the Company does not have any debentures and hence the applicability of the clause regarding creation of security or charge in respect of debentures issued does not arise.
- XX. According to the information and explanation given to us, the Company has not raised any money by way of public issues during the year, hence the clause regarding 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

Place : Hyderabad
Date : 28-06-2009

Sd/-
P. Murali Mohana Rao
Partner



BALANCE SHEET AS AT 31ST MARCH, 2009.

(Rupees 000's)

Particulars		As at 31-03-2009	As at 31-03-2008
SOURCES OF FUNDS			
Share Holder's Funds			
Share Capital	1	94,010	94,010
Warrant Application Money		23,346	23,346
Reserves & Surplus	2	838,486	708,992
Loan Funds			
Secured Loans	3	961,440	483,079
Unsecured Loans	4	767,015	611,561
Deffered Tax Liability	5	135,237	121,856
Total		2,819,532	2,042,844
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	6	1,424,249	992,956
Less: Depreciation		160,707	127,150
Net Block		1,263,542	865,806
Capital work in progress		252,341	100,532
Investments	7	25,093	25,051
Current Assets, Loans & Advances			
Inventories	8	498,847	427,928
Sundry Debtors	9	545,302	516,147
Cash & Bank Balances	10	68,911	152,517
Loans Advances & Deposits			
Loans, Advances	11	221,038	141,485
Deposits		95,368	52,122
Less: Current Liabilities, Provisions & Advances			
Current Liabilities	12	176,169	192,081
Provisions		62,042	108,693
Net Current Assets		1,191,255	989,426
Miscellaneous Expenditure (to the extent not written off or adjusted)		87,301	62,030
Significant Accounting Policies	23		
Notes on Accounts	24		
Total		2,819,532	2,042,844

SCHEDULES 1 TO 24 FORM INTEGRAL PART OF STATEMENTS OF ACCOUNTS

As per our report of even date

For VIVIMED LABS LIMITED

For **P. Murali & Co.**,
Chartered Accountants
Sd/-
P. Murali Mohana Rao
Partner

Sd/-
Dr. V. Manohar Rao
Chairman

Sd/-
Santosh Varalwar
Managing Director

Place : Hyderabad
Date : 28-06-2009

Sd/-
Chanakya Chandra Reddy
Company Secretary



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

(Rupees 000's)

Particulars		As at 31-03-2009	As at 31-03-2008
INCOME			
Net Sales	14	1,514,886	1,556,055
Other Income	15	15,768	7,507
Increase/(Decrease) in stocks	16	39,910	21,569
Total		1,570,564	1,585,131
EXPENDITURE			
Consumption of Materials	17	923,998	935,803
Manufacturing Expenses	18	151,901	149,771
R & D Expenses	19	12,050	11,693
Salaries, Wages & Other Allowances	20	81,138	67,560
Selling & Administrative Expenses	21	83,771	127,951
Interest & Financial Charges	22	95,701	57,556
Depreciation	6	33,557	31,093
Preliminary & Pre-operative Expenses		5,518	11,047
Total		1,387,634	1,392,473
PROFIT/(LOSS) BEFORE TAX		182,930	192,658
Less: Provision for Taxation		22,499	21,828
Less: Provision for Diferred		13,380	31,420
Tax Liability for Current Year			
Less: Fringe Benefit Tax		1,059	799
PROFIT/(LOSS) AFTER TAX		145,991	138,610
Add: Balance Brought forward from Previous Year		525,553	400,612
Profit Available for Appropriation		671,544	539,223
Less : Appropriation			
Transfer to General Reserve		7,303	2,671
Proposed Dividend on Equity Shares		16,498	10,999
BALANCE CARRIED TO BALANCE SHEET		647,743	525,553
Basic Earnings Per Share of			
Face Value Rs. 10/- Each		15.53	14.74
No. of Equity Shares		9,400,986	9,400,986
Significant Account Policies	23		
Notes on Accounts	24		

As per our report of even date

For VIVIMED LABS LIMITED

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

Sd/-

P. Murali Mohana Rao
Partner

Place : Hyderabad
Date : 28-06-2009

Sd/-

Dr. V. Manohar Rao
Chairman

Sd/-

Santosh Varalwar
Managing Director

Sd/-

Chanakya Chandra Reddy
Company Secretary



(Rupees 000's)

	As at 31-03-2009	As at 31-03-2008
SCHEDULE 1	SHAREHOLDERS' FUNDS	
Authorised :		
1,50,00,000 Equity Shares of Rs. 10/- each	150,000	150,000
Issued, Subscribed and Paid-up:		
94,00,986 Equity Shares of Rs. 10/- each fully paid	94,010	94,010
	94,010	94,010
SCHEDULE 2	RESERVES & SURPLUS	
Capital Reserve	8,571	8,571
Revaluation Reserve	10,000	10,000
Share Premium	155,557	155,557
Capital Subsidy - Bidar	2,499	2,499
Capital Subsidy - Haridwar	2,977	2,977
APSFC Subsidy	55	55
Investment Subsidy	1,109	1,109
General Reserve		
Opening Balance as on 01-04-2008	2,671	
Add : Transfer from P & L A/c.	7,303	9,974
		2,671
Balance of Profit & Loss Account		
Opening Balance as on 01-04-2008	525,553	
Add : Transfer from P & L A/c.	122,190	647,743
		525,553
	838,486	708,992
SCHEDULE 3	SECURED LOANS	
State Bank of Hyderabad		
Cash Credit	536,625	183,154
Packing Credit	76,533	121,754
Foreign Usance Bills Discounted	110,672	102,094
(The above limits are Secured by Pari Passu First Charge on company's existing and future Fixed Assets, Raw Materials, Stock-in-Process, Packing Materials, Consumables, Spares, Book Debts and Receivables. Pari passu Equitable Mortgage on the properties of the Directors and Personal Guarantee of the Director)		
Term Loans		
Term Loan against Fixed Assets (SBH)	21,654	46,615
Term Loan against Fixed Assets (AXIS Bank)	172,828	
(Secured by Pari pasu second charge of immovable and movable assets of the company)		
Term Loan against hypothecation of vehicles	3,724	5,626
(Secured by hypothecation of vehicles of the company)		
HDFC Bank Limited		
Loan against mortgage of Property	39,404	23,837
(Secured by mortgage of movable property)		
	961,440	483,079



(Rupees 000's)

	As at 31-03-2009	As at 31-03-2008
SCHEDULE 4	UNSECURED LOANS	
15000 Foreign Currency Convertible Bonds of USD 1000 each carrying 1% coupon	759,603	599,550
Loans from Others	-	4,599
Sales Tax Deferrment	7,412	7,412
	767,015	611,561
SCHEDULE 5	DEFERRED TAX LIABILITY	
Upto 31-03-2007	90,436	90,436
For the year 2007 - 2008	31,420	31,420
For the year 2008 - 2009	13,381	-
	135,237	121,856
SCHEDULE 7	INVESTMENTS	
Unquoted Shares at Cost - Other than Trade 25,00,000 Equity Shares in Creative Health Care Private Ltd. (100 % Subsidiary) @ Rs. 10 each, fully paid	25,000	25,000
10,000 Equity shares in Vivimed Holdings Ltd., HongKong @ 1 HKD per share fully paid equivalent to USD 1284	93	51
	25,093	25,051
SCHEDULE 8	INVENTORIES	
Raw Materials	228,454	201,737
Packing Materials	16,625	12,333
Work in Progress & Intermediates	109,636	96,149
Finished Goods	144,132	117,709
	498,847	427,928
SCHEDULE 9	SUNDRY DEBTORS	
(Unsecured and considered good)		
Debts Outstanding beyond six months	31,600	21,865
Other Debts	513,703	494,282
	545,303	516,147
SCHEDULE 10	CASH & BANK BALANCES	
Cash on Hand	69	41
Bank Balances with Scheduled Banks		
Current A/cs.	19,438	120,117
Deposit A/cs.	49,404	32,359
	68,911	152,517

SCHEDULE 6 :

FIXED ASSETS AS AT 31ST MARCH, 2009

(Rupees 000's)

Sl. No.	Particulars	Gross Block					Rate of Depreciation	Depreciation Block			Net Block as at 31.03.2009	Net Block as at 31.03.2008
		As at 01.04.2008	Additions during the year	Capitalised during the year	Sale/Deletions during the year	As at 31.03.2009		As at 01.04.2008	For the year 2008-2009	Total Depreciation		
1	Land	35,815	71,146	-	-	106,961	0.00%	-	-	-	106,961	35,815
2	Building	199,135	26,954	-	-	226,089	3.34%	18,300	4,553	22,853	203,236	180,835
3	Plant & Machinery	669,832	314,070	-	-	983,902	4.75%	88,729	22,190	110,919	872,983	581,103
4	Electrical Equipment	31,338	1,488	-	-	32,826	4.75%	7,495	1,507	9,003	23,823	23,842
5	Lab. Equipment	14,804	5,653	-	-	20,456	4.75%	2,597	802	3,400	17,057	12,206
6	Office Equipment	4,271	411	-	-	4,682	4.75%	964	208	1,172	3,510	3,307
7	Computers	5,701	8,621	-	-	14,322	16.21%	1,153	1,604	2,757	11,565	4,548
8	Furniture	12,749	820	-	-	13,570	6.33%	1,912	815	2,727	10,843	10,838
9	Vehicle	19,149	1,093	-	-	20,242	9.50%	5,930	1,871	7,801	12,441	13,219
10	Borewell	49	-	-	-	49	3.34%	27	2	28	21	23
11	Generator	114	1,037	-	-	1,151	4.75%	43	5	49	1,102	70
	sub-total	992,955	431,293	-	-	1,424,249		127,150	33,557	160,707	1,263,542	865,806
12	Capital Work in Progress	100,532	53,851	62,094	-	92,288	0.00%	-	-	-	92,288	100,532
13	Exchange Fluctuations on FCCB	160,053	-	-	160,053	0.00%	-	-	160,053	-	-	-
	sub-total	100,532	213,904	62,094	-	252,341		-	-	-	252,341	100,532
	TOTAL	1,093,487	645,197	62,094	-	1,676,590		127,150	33,557	160,707	1,515,883	966,337
	Previous Year	653,778	441,187	1,478	-	1,093,487		96,056	31,093	127,150	966,338	557,722

38





(Rupees 000's)

	As at 31-03-2009	As at 31-03-2008
SCHEDULE 11 LOANS, ADVANCES & DEPOSITS		
Deposits		
Deposit with others (Sales Tax Deposit, Excise Deposit, etc.)	39,368	52,122
Inter Corporate Deposit	56,000	-
Advances recoverable in Cash or in kind or for value to be received		
Advance to Creative Health Care Pvt. Ltd. (100 % Indian Subsidiary)	-	2,642
Advance to Vivimed Holdings Limited (100 % Foreign Subsidiary)	115,618	18
Advances to Suppliers	93,063	90,14
Staff Advances	846	644
Other Advances	5,506	21,491
Foreign Co. acquisition Exp.	2,455	26,543
TDS Receivable	3,534	-
VAT Receivable	16	-
	316,407	193,607
SCHEDULE 12 CURRENT LIABILITIES & PROVISIONS		
Creditors for Supplies	119,609	178,048
Creditors for Capital Goods	56,561	14,033
Provisions & Outstanding Expenses	45,437	97,694
Provision for Proposed Dividend	16,605	10,999
	238,211	300,774
SCHEDULE 13 MISCELLANEOUS EXPENDITURE		
Preliminary & Public Issue Expenses	12,486	8,849
F.C.C.B. Issue Exp.	47,271	53,180
Preliminary Expenses - Merger & Acquisition of JRL	27,543	-
	87,301	62,030
SCHEDULE 14 INCOME FROM SALES		
Sales - Domestic	832,330	1,062,601
Sales - Export	668,437	480,775
Income from Job Works	14,119	12,679
	1,514,886	1,556,055
SCHEDULE 15 OTHER INCOME		
Interest earned on Foreign Currency Convertible Bond Deposit	-	4,642
Interest earned on Bank Fixed Deposits	6,121	2,419
Interest received from Vivimed Holdings Limited, HongKong		8,718 -
Other Miscellaneous Income	929	445 -
	15,768	7,507



(Rupees 000's)

	Year ended 31-03-2009	Year ended 31-03-2008
SCHEDULE 16 INCREASE / (DECREASE) IN STOCKS		
Opening Stock of Work in Process	96,431	74,693
Opening Stock of Finished Goods	117,426	117,595
	213,857	192,288
Closing Stock of Work in Process	109,636	96,149
Closing Stock of Finished Goods	144,132	117,709
	253,767	213,857
Increase / Decrease in Stocks	39,910	21,569
SCHEDULE 17 CONSUMPTION OF RAW MATERIALS & CONSUMABLES		
Opening stock of Raw materials & Consumables	201,737	183,354
Opening stocks of packing materials	12,333	11,080
Add : Purchases during the year	955,007	955,439
Less : Closing stock of Raw materials & consumables	228,454	201,73
Less : Closing stock of packing materials	16,625	12,333
	923,998	935,803
SCHEDULE 18 MANUFACTURING EXPENSES		
Consumables, Stores & Spares	21,086	47,847
Job Work Charges	7,214	15,326
Power & Fuel	61,635	45,839
Factory Maintenance - Repairs to Factory Building	4,560	6,778
Factory Maintenance - Repairs to Machinery	13,997	7,514
Other Manufacturing Expenses	43,407	26,467
	151,901	149,771
SCHEDULE 19 R & D EXPENSES		
R & D Expenses	12,051	9,247
Lab Maintenance	-	2,446
	12,051	11,693
SCHEDULE 20 SALARIES, WAGES & ALLOWANCES		
Salaries & Wages	70,822	57,579
Provident Fund	3,628	2,919
Bonus	3,324	2,501
Medical Expenses	365	865
Staff Welfare	1,596	2,035
Gratuity	894	747
Leave Encashment	509	915
	81,138	67,560



(Rupees 000's)

	Year ended 31-03-2009	Year ended 31-03-2008
SCHEDULE 21		
SELLING & ADMINISTRATIVE EXPENSES		
SELLING EXPENSES		
Sales Tax	-	8,887
Business & Marketing Expenses	9,864	11,111
Commission & Discounts	243	6,137
Travelling Expenses - Foreign	5,742	-
Rebates & Discounts	460	1,396
Freight Outward	22,603	18,226
Fluctuations in Foreign Exchange	(13,783)	2,148
ADMINISTRATIVE EXPENSES		
Printing & Stationery	2,484	3,138
Telephone & Postage Expenses	5,947	4,978
Travelling Expenses	1,670	7,443
Rates & Taxes	1,384	3,968
Conveyance Expenses	1,244	2,917
Consultancy Charges	152	-
Auditors Remuneration	100	100
Insurance	4,364	4,289
Rent	1,967	642
Directors Remuneration	13,244	5,025
Directors' Sitting Fee	155	85
Bank charges	6,370	-
Processing charges on Term Loan	1,541	-
Other Administrative Expenses	18,021	47,460
	83,771	127,951
SCHEDULE 22		
BANK INTEREST & FINANCIAL CHARGES		
Interest on Term Loan	18,293	6,139
Bank charges	-	4,176
Interest on Working Capital (Bank)	48,597	17,208
Interest on Working Capital (Others)	19,769	24,150
Interest on Vehicle Loans	354	84
Interest on Foreign Currency Convertible Bonds	8,688	5,798
	95,701	57,556



NOTES FORMING PART OF ACCOUNTS

A: Significant Accounting Policies.

1. Basis of preparation of Financial Statement s

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

(a) Accounting Convention and Revenue Recognitions:

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

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

(b) Retirements Benefits:

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

(c) Fixed Assets:

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

(d) Depreciation:

Depreciation on Fixed Assets is provided on straight-line method as per rates specified in Schedule XIV of the Companies Act, 1956.

(e) Accounting for Government Grants:

Government Grants / Subsidies have been accounted for in accordance with provisions of AS-12 issued by ICAI.

(f) Accounting for Investments:

Long Term Investments are valued at cost of acquisition including related expenses. No Provision has been made since there is no permanent fall in valuation of long term investments. Investments in 100% subsidiaries are shown at actual cost.

(g) Intangible Assets:

Intangible assets are capitalized at cost if:

- It is probable that future economic benefits that are attributable to the asset will flow to the company



- Company will have control over the assets
- Cost of these assets can be measured reliably and is more than Rs. 10,000/-

(h) Expenditure on Research and Development:

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

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

(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 rate based on the rate on date of realization is accounted for in the Profit and Loss Account.

Foreign Currency Monetary assets and liabilities are translated at year end exchange rates. Non-monetary assets and Liabilities are translated at exchange rates that existed on the date of transaction.

Foreign currency loans covered by forward contracts are realigned at forward contract rates while those not covered by forward contracts are realigned at the rate prevailing at year end. Differences in realignment are accounted for in Profit and Loss Account as Exchange Rate Fluctuation Profit/Loss.

(h) Borrowing Cost

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

(i) Inventories:

Inventories of Raw Materials, Packing Materials, Consumables and Work in Progress is valued at Cost on Weighted Average basis. Finished Goods are valued at lower of Cost or Net Realizable Value.

(j) Taxes on Income:

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

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

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



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

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

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

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

Contingent Assets have not been recognized in the financial statements.

(l) Earnings per Share:

Earnings considered in ascertaining Earning Per Share comprise of Net Profit after Tax. Number of shares used in computing Basic Earnings Per Share is Weighted Average number of shares outstanding during the year.

(m) Impairment of Assets:

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



SCHEDULE 24

Notes on Accounts annexed to and forming part of Balance Sheet as at 31st March 2009:

1. Details of Directors' and Auditors' Remuneration

(In Rs 000's)

Particulars	Current Year	Previous Year
Directors Remuneration	12,360	5,025
Auditors' Remuneration		
Audit Fee	75	75
Tax Matters	25	25

(In Rs 000's)

2	Accounting for Employee Benefits	
	Company has made a provision for Gratuity, Leave Encashment, Bonus for its employees during the year as required under Accounting Standard – 15 (as revised in 2005) issued by the Institute of Chartered Accountants of India, on the basis of Actuarial Valuation. Provision made for the financial year 2008-09 is as detailed below:	
	Gratuity	894
	Leave Encashment	509
	Bonus	3,324

3	Treatment of Capital Work in Progress:
	Capital Work in Progress includes cost of Fixed Assets under installation, interest on borrowing costs attributable to the assets taken on Finance and any unallocated expenditure pertaining thereto.

4. Basic Earnings per share (Basic EPS)

Particulars	Current Year	Previous Year
Net Profit after Tax (In Rs 000's)	145,991	138,610
Weighted Average Number of shares Considered	9,400,986	9,400,986
EPS (In Rs.)	15.53	14.74

5. In Relation of provision for Current Tax, Deferred Tax & Fringe Benefit Tax : (In Rs 000's)

Particulars	Current Year	Previous Year
Income Tax	22,499	21,828
Fringe Benefit Tax	1,059	799
Deferred Tax Liability	13,380	31,420



6. 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
b) Installed Capacity in MT per annum

S.No.	Item	Quantity
1)	VIV 20	600MT
2)	AVIS	300 MT
3)	COSVAT	400 MT
4)	VIVCAL-G	100 MT
5)	CINNAMON	200 MT
6)	DANTUFF Z (48%)	100 MT
7)	DANTUFF C	50 MT
8)	BENZOPHENONE - 3	80 MT
9)	BENZOPHENONE - 4	95 MT
10)	VIVILIDE	250 MT
11)	HAIRDYES	300 MT
12)	PHOTOGRAPHIC CHEMICALS	150 MT
13)	PHOTOCHROMIC CHEMICALS	50 MT
14)	STARCAT	200 MT
15)	PHARMACEUTICALS INTERMEDIATES	200 MT
16)	OTHERS (VINTOX, VIVINOL, PCMX, OCTYNE- B, etc.	25 MT
17)	CAPSULES	250 Million
18)	TABLETS	30 Million
19)	LOTIONS	15 Kiloliters
20)	OINTMENTS	25 MT

c) Actual production

Sl.No.	Item	Quantity
1.	Speciality Chemicals	1756.653MT
2.	Tablets (Nos.)	7.12 Million
3.	Lotions	14.61 Kiloliters
4.	Ointments	4.12 MT
5.	Capsules	224.16 Million



ii) SALES FOR THE YEAR 2008-09

Sl. No.	Product	Quantity (In Kgs)		Value (In Rs 000's)	
		2008-09	2007-08	2008-09	2007-08
1.	Speciality Chemicals	1,831,491	1,279,510	1,275,309	1,153,360
2.	Medicine Formulations			280,746	361,526
	Total			1,556,055	1,514,886

iii) Opening & Closing Stock of Finished Goods

Sl. No.	Product	Opening Stocks as on 1-4-08		Closing Stock as on 31-3-09	
		Quantity (Kgs)	Value (In Rs 000's)	Quantity (Kgs)	Value (In Rs 000's)
1.	Speciality Chemicals	172,993	108,578	159,590	139,983
2.	Medicine Formulations			8,848	4,148
	Total			117,426	144,132

iv) Raw Material Consumed

Sl.No.	Particulars	Qty (in Kgs.)	2007 - 08 (In Rs 000's)
1.	2,4-Dichloro Phenol	487,250	49,905
2.	Caustic Potash Flakes	200,000	15,116
3.	2,5-Dichloro Nitro Benzene	615,000	36,802
4.	Per Chloro Ethylene	1081,100	26,648
5.	Caustic Soda Flakes	280,000	7,940
6.	Cast Iron Powder	658,000	16,194
7.	Acetic Acid	141,297	5,415
8.	Sulphuric Acid	3324,548	33,735
9.	Sodium Nitrite	299,250	12,041
10.	Other Raw Materials		720,197
	Total		923,998

7. FOREIGN EXCHANGE EARNINGS AND OUTGO

Sustained efforts of the company in exploring export markets have resulted in growth of Exports.

Particulars are as under:

Earnings **USD 8,947,707** equivalent to INR 371,801,895 (USD 6,310,985 equivalent to INR 262,905,622 during Previous Year 2007-2008) in Exports.

Euros 2,137,717 equivalent to INR 127,237,459 (Euros 2,217,013 equivalent to INR 126,912,555 during Previous Year 2007 - 2008) in Exports.

Outgo **USD 3,623,189** equivalent to INR 143,499,262 for import of Raw Materials (USD 3,269,816 equivalent to INR 133,604,682)

Euros 65,499 equivalent to INR 10,161,681.

8. Dues to SSI units outstanding for more than 30 days could not be ascertained at the end of Financial Year



9. In relation to Secured Loans :

- a. Term loans from State Bank of Hyderabad is secured by First charge on Fixed Assets of the Company (Present and Future) including Equitable Mortgage of Factory Land and Buildings. Loan is further secured by Equitable Mortgage on properties of directors and personal guarantees of directors. Term loans are Collaterally Secured by Second Charge on Current Assets of the Company.
- b. Term Loan from Axis Bank is secured by First Pari-passu charge on entire fixed assets of the company both present and future except assets exclusively charged. The Term Loan is Collaterally secured by Second Pari-passu charge on entire current assets both present and future and Personal Guarantees of Directors of the Company.
- c. Vehicle loans from HDFC Bank, Tata Capital Limited and ICICI Bank are secured by hypothecation of vehicles of the Company.
- d. Working Capital Limits including Cash Credit Limit, Packing Credit Limit, FUBD/FDBP Limit from State Bank of Hyderabad, are secured by First Pari Passu charge along with other Working Capital Lenders over Stocks of Raw Materials, Stock in Progress, Finished Goods, Consumables, Spares, Packing Material, Book Debts and Receivables etc. present and future. WC Limits are further secured by Equitable Mortgage on properties of directors and personal guarantees of directors.

10. RELATED PARTIES DISCLOSURES DURING THE YEAR

Particulars of related parties

Sl.No.	Name of the Related Party
1.	Dr. V. Manohar Rao, Chairman
2.	Subhash Varalwar , Vice Chairman
3.	Santosh Varalwar, Managing Director
4.	Sandeep Varalwar, Executive Director
5.	Creative Health Care Private Limited, Kashipur, Uttarakhand. 100% Indian Subsidiary
6.	Vivimed Holdings Limited, HongKong, 100% Foreign Subsidiary
7.	James Robinson Limited, U.K 100% Subsidiary of our 100% Subsidiary M/s Vivimed Holdings Ltd.

List of Transactions with Related Parties during the year

(In Rs 000's)

Sl.No.	Name of the party & Relation	Nature of Transaction	2008-09	2007-08
1.	Dr. V. Manohar Rao, Chairman	Remuneration	2,400	1,050
2.	Subhash Varalwar , Vice Chairman	-do-	2,400	1,500
3.	Santosh Varalwar, Managing Director	-do-	3,000	1,875
4.	Sandeep Varalwar , Director	-do-	2,400	600
5.	Creative Health Care (p) Limited 100% Indian Subsidiary	Purchase / Sales	6,329	2,642
6.	Vivimed Holdings Limited, 100% Foreign Subsidiary	Advance	115,618	18
7.	James Robinson Limited, U.K, 100% Subsidiary of Vivimed Holdings Limited	Sales	51,971	Nil



11. Contingent Liabilities:

Corporate Guarantees:

Corporate Guarantees given by the Company on account of its Subsidiaries:

Name of Subsidiary	Details of Lender	Amount of Guarantee given	Liability as on 31-03-2009 (in Rs.000's)
M/s Vivimed Holdings Private Limited, HongKong	State Bank of India, London Branch	USD 22.5 Million	1139,405
M/s James Robinson Limited, UK	State Bank of India, London Branch	GBP 3.42 Million	248,434
M/s Creative Health Care Private Limited, India	Axis Bank, Hyderabad, India	INR 6.5 Crores	65,000

12. Investment of Rs.25,093,178/- represents :

- (i) Investment of 2,500,000 Equity Shares of Rs.10/- each in M/s. Creative Health Care Private Limited, a 100% Indian Subsidiary of the Company. The shares are unquoted and hence are valued at cost, and
- (ii) Investment of Rs. 93,178.00 (HKD 10,000) in 10,000 Equity Shares of HKD 1/- each in M/s. Vivimed Holdings Limited, a 100% Foreign Subsidiary of the company.

13. The company has not received confirmations from all Debtors / Creditors from / to whom amounts are receivable / payable during the year.
14. Numbers of the previous year have been regrouped, rearranged, recasted, wherever necessary to conform to those of Current Year.
15. Numbers have been rounded off to nearest thousand rupees.

SIGNATURES TO SCHEDULES 1 TO 24

As per our report of even date

For VIVIMED LABS LIMITED

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

Sd/-
Dr. V. Manohar Rao
Chairman

Sd/-
Santosh Varalwar
Managing Director

Sd/-
P. Murali Mohana Rao
Partner

Sd/-
Chanakya Chandra Reddy
Company Secretary

Place : Hyderabad

Date : 28-06-2009

A U D I T O R S ' R E P O R T



Annual Report
2008 - 09

To,
The Members
VIVIMED LABS LIMITED,

CONSOLIDATED FINANCIAL STATEMENTS OF VIVIMED LABS LIMITED AND ITS SUBSIDIARIES

We have audited the attached Consolidated Balance Sheet of VIVIMED LABS LIMITED and its wholly owned subsidiaries as at 31st March, 2009 and the consolidated Profit & Loss Account for the period ended on that 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 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 consolidated financial statements 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 presentation. We believe that our audit provides a reasonable basis for our opinion.

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 term of 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,

Further to our comment 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 accounts as required by law have been kept by the Company, so far as appears from our examination of those books;
- (iii) The consolidated Balance Sheet & consolidated Profit & Loss Account dealt with by this report are in agreement with the books of accounts.
- (iv) In our opinion, the Balance Sheet & the Profit & Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the directors, as on 31st March, 2009, and taken on record by the Board of Directors, we Report that non of the Directors is disqualified as on 31st March, 2009 from being appointed as a director under clause (g) of sub-section (1) of section 274 of the Act;
- (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 consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2009 ;
 - b) In the case of the consolidated Profit and Loss Account, of the profit of the Company for the year ended on that date and
 - c) In the case of the consolidated Cash Flow, of the cash flows for the period ended on that date.

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

Place : Hyderabad
Date : 31-08-2009

Sd/-
P. Murali Mohana Rao
Partner



ANNEXURE TO THE AUDITORS' REPORT

- 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 are 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 a substantial part of fixed assets during the year.
- II. (a) The inventory has been physically verified during the year and in our opinion, the frequency of verification 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 nature of its business.

The Company has maintained proper records of inventories and as explained to us, no material discrepancies were noticed on physical 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 under section 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 the loans have been granted to parties listed in the register maintained under section 301 is prejudicial to the interest of the 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 maintained under section 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 to Companies, Firms or other Parties covered in the register maintained under section 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 the loans have been taken from parties listed in the register maintained under section 301 is prejudicial to the interest of the 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 the internal control.
- V. (a) In our opinion and according to the information and explanation given to us, since no contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been made by the company in respect of any party in the financial year, the entry in the register u/s 301 of the Companies Act, 1956 does not arise.
- (b) According to the information and explanations given to us, as no such contracts or arrangements made by the company, the applicability of the clause of charging the reasonable price having regard to 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 and 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 the size and 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 statutory dues including PF, ESI, Income Tax, Sales Tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities during the year 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 of 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 any accumulated losses at the end of the financial year and the company has not incurred any cash losses in this financial year and in the immediately preceding financial year.
- XI. According to the information and explanations given to us, 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 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 were applied by the company for the purpose for which the loans were obtained.
- XVII. According to the information and explanation 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 explanation 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 explanation given to us, the Company does not have any debentures and hence the applicability of the clause regarding creation of security or charge in respect of debentures issued does not arise.
- XX. According to the information and explanation given to us, the Company has not raised any money by way of public issues during the year, hence the applicability of the clause regarding 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

Place : Hyderabad
Date : 31-08-2009

Sd/-
P. Murali Mohana Rao
Partner



Annual Report
2008 - 09
(Rupees 000's)

CONSOLIDATED

BALANCE SHEET AS AT 31ST MARCH, 2009

Particulars	As at 31-03-2009	As at 31-03-2008
SOURCES OF FUNDS		
Share Holder's Funds		
Share Capital	1	94,010
Warrant Application Money		23,346
Reserves & Surplus	2	908,094
Loan Funds		731,096
Secured Loans	3	2,237,693
Unsecured Loans	4	767,015
Differed Tax Liability	5	130,330
Total		4,160,488
APPLICATION OF FUNDS		
Fixed Assets		
Gross Block	6	1,736,826
Less: Depreciation		256,562
Net Block		1,480,264
Capital work in progress		258,757
Intangible Assets	7	
Goodwill		804,770
Investments		-
Current Assets, Loans & Advances		
Current Assets		
Inventories	8	691,298
Sundry Debtors	9	707,482
Cash & Bank Balances	10	169,752
Loans Advances & Deposits		
Loans & Advances	11	168,165
Deposits		95,981
Current Liabilities, Provisions & Advances		
Current Liabilities	12	207,354
Provisions		106,176
Net Current Assets		1,519,147
Miscellaneous Expenditure	13	87,550
(to the extent not written off or adjusted)		
Significant Accounting Policies	23	
Notes to Accounts	24	
Total		2,136,090

SCHEDULES 1 TO 24 FORM INTEGRAL PART OF STATEMENTS OF ACCOUNTS

As per our report of even date

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

Sd/-
P. Murali Mohana Rao
Partner

Place : Hyderabad
Date : 31-08-2009

For VIVIMED LABS LIMITED

Sd/-
Dr. V. Manohar Rao
Chairman

Sd/-
Santosh Varalwar
Managing Director

Sd/-
Chanakya Chandra Reddy
Company Secretary



Annual Report
2008 - 09

CONSOLIDATED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009.

(Rupees 000's)

Particulars	As at 31-03-2009	As at 31-03-2008
INCOME		
Net Sales 14	2,761,233	1,810,095
Other Income 15	25,298	7,912
Increase/(Decrease) in stocks 16	117,764	26,667
	2,904,295	1,844,674
EXPENDITURE		
Consumption of Materials 17	1,724,420	1,127,237
Manufacturing Expenses 18	265,979	162,132
R & D Expenses 19	28,758	11,693
Salaries, Wages & Other Allowances 20	167,730	75,521
Selling & Administrative Expenses 21	236,444	135,940
Interest & Financial Charges 22	172,734	66,652
Depreciation 6	71,490	40,101
Preliminary & Pre-operative Expenses	5,594	11,075
Total	2,673,149	1,630,351
PROFIT/(LOSS) BEFORE TAX	231,146	214,322
Less: Provision for Taxation	26,499	24,328
Less: Provision for Deferred Tax Liability for Current Year	9,891	29,544
Less: Fringe Benefit Tax	1,234	959
PROFIT/(LOSS) AFTER TAX	193,522	159,491
Add: Balance Brought forward from Previous Year	547,630	401,810
PROFIT AVAILABLE FOR APPROPRIATION	741,152	561,300
Less : Appropriation		
Transfer to General Reserve	7,303	2,671-
Proposed Dividend	16,498	10,999.
BALANCE CARRIED TO BALANCE SHEET	717,351	547,630
Basic Earnings Per Share of Face Value Rs. 10/- Each	20.59	16.97
No. of Equity Shares	9,400,986	9,400,986
Significant Account Policies 23		
Notes on Accounts 24		

SCHEDULES 1 TO 24 FORM INTEGRAL PART OF STATEMENTS OF ACCOUNTS

As per our report of even date
For **P. Murali & Co.**,
Chartered Accountants
Sd/-
P. Murali Mohana Rao
Partner

Place : Hyderabad
Date : 31-08-2009

For VIVIMED LABS LIMITED

Sd/-
Dr. V. Manohar Rao
Chairman

Sd/-
Santosh Varalwar
Managing Director

Sd/-
Chanakya Chandra Reddy
Company Secretary



(Rupees 000's)

SCHEDULE 1	SHAREHOLDERS' FUNDS	As at 31-03-2009	As at 31-03-2008
AUTHORISED :			
1,50,00,000 Equity Shares of Rs. 10/- each		150,000	150,000
ISSUED, SUBSCRIBED AND PAID UP:			
94,00,986 Equity Shares of Rs. 10/- each fully paid		94,010	94,010
		94,010	94,010
SCHEDULE 2	RESERVES & SURPLUS		
Capital Reserve		8,571	8,571
Revaluation Reserve		10,000	10,000
Share Premium		155,557	155,557
Capital Subsidy - Bidar		2,499	2,499
Capital Subsidy - Haridwar		2,977	2,977
APSFC Subsidy		55	55
Investment Subsidy		1,109	1,109
General Reserve		9,974	2,671
Balance of Profit & Loss Account		717,351	547,656
Total		908,094	731,096
SCHEDULE 3	SECURED LOANS		
State Bank of Hyderabad			
Cash Credit		536,625	183,154
Packing Credit		76,533	121,754
Foreign Usance Bills Discounted		110,672	102,094
(The above limits are Secured by Pari Passu First Charge on company's existing and future Fixed Assets, Raw Materials, Stock-in-Process, Packing Materials, Consumables, Spares, Book Debts and Receivables. Pari passu Equitable Mortgage on the properties of the Directors and Personal Guarantee of the Director)			
State Bank of India, London		61,745	-
Cash Credit			
(Secured by Fixed and Floating Charge on the Net Assets of the Company)			
Axis Bank Limited			
Cash Credit		49,750	44,237
(Secured against first charge on entire Current Assets of the Company both present and future and is further secured by Corporate Guarantee of Holding Company and personal guarantee of Promoter Director)			
Term Loans			
State Bank of Hyderabad			
Against Fixed Assets		21,654	46,615
(The above limits are Secured by Pari Passu first charge on the Immovable and Movable properties of the Company)			



(Rupees 000's)

SCHEDULE 3	SECURED LOANS (CONTD.)	As at 31-03-2009	As at 31-03-2008
Axis Bank Ltd. Against Fixed Assets (Secured against first charge on entire Fixed Assets of the Company both present and future including Equitable Mortgage of Land at Kashipur, Uttaranchal, and is further secured by a Corporate Guarantee of Holding Company and personal guarantee of Promoter Director)		198,181	28,322
State Bank of India, London Against Fixed Assets (The above limits are Secured by Pari Passu first charge on the Immovable and Movable properties of the Company)		1,139,405	-
HDFC Bank Ltd. / ICICI / TATA Capital Fund Against Hypothecation of Vehicles (Secured by Hypothecation of Vehicles of the Company).		3,725	5,626
HDFC Bank Ltd. Loan against Mortgage of Property (Secured by Mortgage of Immovable Property)		39,404	23,837
		2,237,693	555,638
SCHEDULE 4	UNSECURED LOANS		
15000 Foreign Currency Convertible Bonds of USD 1000 each carrying 1% coupon		759,603	599,550
Loans from Others		-	4,599
Sales Tax Deferrment		7,412	7,412
		767,015	611,561
SCHEDULE 5	DEFERRED TAX LIABILITY		
Upto 31-03-2007		90,895	90,895
For the year 2007 - 2008		29,544	29,544
For the year 2008 - 2009		9,891	-
		130,330	120,440
SCHEDULE 7	INTANGIBLE ASSETS		
Goodwill, Copyrights, Trademarks etc.		804,770	-
		804,770	
SCHEDULE 8	INVENTORIES		
Raw Materials		283,379	217,564
Packing Materials		28,610	24,378
Work in Progress		116,826	101,759
Finished Goods		262,483	118,308
		691,298	462,008

SCHEDULE 6 :

FIXED ASSETS AS AT 31ST MARCH, 2009

(Rupees 000's)

Sl. No.	Particulars	Gross Block					Rate of Depreciation	Depreciation Block			Net Block as at 31.03.2009	Net Block as at 31.03.2008
		As at 01.04.2008	Additions during the year	Capitalised during the year	Sale/Deletions during the year	As at 31.03.2009		As at 01.04.2008	For the year 2008-2009	Total Depreciation		
1	Land	41,195	71,146	-	-	112,341	0.00%	-	-	-	112,341	41,195
2	Building	220,018	46,422	-	-	266,440	3.34%	21,770	12,542	34,312	232,128	98,248
3	Plant & Machinery	723,571	326,423	-	-	1,049,995	4.75%	100,420	28,086	128,506	921,489	623,152
4	Electrical Equipment	35,897	1,488	-	-	37,385	4.75%	8,487	2,003	10,490	26,895	27,410
5	Lab. Equipment	14,804	20,689	-	-	35,493	4.75%	2,597	12,134	14,732	20,761	12,206
6	Office Equipment	4,505	1,067	-	-	5,572	4.75%	1,003	306	1,309	4,263	3,502
7	Computers	6,096	75,211	-	40,026	41,281	16.21%	1,281	27,167	28,448	12,834	4,815
8	Furniture	12,974	982	-	-	13,955	6.33%	1,971	866	2,837	11,118	11,003
9	Vehicles	19,989	5,133	-	-	25,122	9.50%	5,996	5,158	11,154	13,968	13,993
10	Borewell	49	-	-	-	49,309	3.34%	27	2	28	21	23
11	Generator	114	1,037	-	-	1,151	4.75%	43	5	49	1,102	70
12	Intangible Fixed Assets	-	148,044	-	-	148,044	00%	-	24,698	24,698	123,345	-
	sub-total (a)	1,079,210	697,642	-	40,026	1,736,826		143,594	112,968	256,562	1,480,264	935,616
13	Capital Work in progress	109,789	61,009	62,094	-	108,704	0.00%	-	-	-	108,704	109,789
14	Exchange Fluctuations on FCCB Loan	-	160,053	-	-	160,053		-	-	-	160,053	
	Sub-total (b)	109,789	221,062	62,094	-	268,757		-	-	-	268,757	109,789
	TOTAL (a + b)	1,189,000	918,703	62,094	40,026	2,005,583		143,594	112,968	256,562	1,749,021	1,045,408
	Previous Year	410,302	109,899	9,227	-	510,974		62,501	19,758	82,258	428,716	347,802





(Rupees 000's)

SCHEDULE 9	SUNDRY DEBTORS	As at 31-03-2009	As at 31-03-2008
(Unsecured and considered good)			
Debts Outstanding beyond six months		58,167	27,077
Other Debts		649,316	537,109
		707,482	564,185
SCHEDULE 10	CASH & BANK BALANCES		
Cash on Hand		302	854
Bank Balances with Scheduled Banks			
Current A/c.		120,046	122,194
Deposit A/c.		49,404	32,359
		169,752	155,407
SCHEDULE 11	LOANS, ADVANCES & DEPOSITS		
Deposits			
Deposits with others		39,981	52,642
Inter Corporate Deposit		56,000	-
Advances recoverable in cash or kind or for value to be received			
Advances to Suppliers		148,202	91,030
Other Advances		6,306	21,491
Foreign Co. acquisition Exp.		2,455	26,543
Prepaid Expenses		131	233
Staff Advances		983	1,491
TDS Receivable		3,534	-
VAT Receivable		16	-
Advance Income Tax Paid		6,537	3,707
	264,145	197,137	
SCHEDULE 12 CURRENT LIABILITIES & PROVISIONS			
Creditors for Supplies		135,975	224,773
Creditors for Capital Goods		56,561	14,033
Creditors for Other Services		14,819	-
Provisions & Outstanding Expenses		89,571	100,594
Provision for Proposed Dividend		16,605	10,999
		313,531	350,399
SCHEDULE 13	MISCELLANEOUS EXPENDITURE		
Preliminary & Public Issue Expenses		12,736	9,164
F.C.C.B. Issue Exp.		47,271	53,180
Preliminary Expenses - Merger & Acquisition of JRL		27,543	-
		87,550	62,344



(Rupees 000's)

SCHEDULE 14	INCOME FROM SALES	Year Ended 31-03-2009	Year Ended 31-03-2008
Sales - Domestic		1,441,631	1,303,391
Sales - Export		1,288,183	480,775
Income from Jobworks		31,418	25,929
		2,761,232	1,810,095
SCHEDULE 15	OTHER INCOME		
Interest earned on Foreign Currency Convertible Bond Deposit		-	4,642
Interest earned on Bank Fixed Deposits		6,121	2,419
Interest received - Others		16,610	-
Other Miscellaneous Income		2,566	850
		25,298	7,912
SCHEDULE 16	INCREASE / (DECREASE) IN STOCKS		
Opening Stock of Work in Process		104,947	74,693
Opening Stock of Finished Goods		169,237	118,706
		274,185	193,400
Closing Stock of Work in Process		116,826	101,759
Closing Stock of Finished Goods		275,123	118,308
		391,949	220,067
Increase / Decrease in Stocks		117,764	26,667
SCHEDULE 17	CONSUMPTION OF MATERIALS		
Opening stock of Raw materials & Consumables		226,063	194,876
Opening stocks of packing materials		24,378	22,821
Add : Purchases during the year		1,769,624	1,151,481
Less : Closing stock of Raw materials & consumables		267,034	217,564
Less : Closing stock of packing materials		28,610	24,378
		1,724,420	1,127,237
SCHEDULE 18	MANUFACTURING EXPENSES		
Consumables, Stores & Spares		23,494	47,847
Job Work Charges		7,214	15,326
Power & Fuel		66,159	50,107
Factory Maintenance - Repairs to Factory Building		6,043	8,324
Factory Maintenance - Repairs to Machinery		13,997	7,514
Other Manufacturing Expenses		149,072	33,014
		265,979	162,132
SCHEDULE 19	R & D EXPENSES		
R & D Expenses		28,758	9,247
Lab Maintenance		-	2,446
		28,758	11,693



(Rupees 000's)

SCHEDULE 20 SALARIES, WAGES & ALLOWANCES	Year Ended 31-03-2009	Year Ended 31-03-2008
Salaries & Wages	156,556	64,527
Employer Contribution to Provident Fund & E.S.I.	4,096	3,243
Bonus	3,324	2,501
Medical Expenses	365	865
Staff Welfare	1,985	2,723
Gratuity	894	747
Leave Encashment	509	915
	167,730	75,521
SCHEDULE 21 SELLING & ADMINISTRATIVE EXPENSES		
Selling Expenses		
Sales Tax	-	8,887
Business & Marketing Expenses	10,518	11,111
Advertisement & Sales Promotion	379	302
Travelling Expenses - Foreign	11,117	-
Commission	18,331	6,137
Rebates & Discounts	387	1,396
Freight Outward	48,590	18,365
Fluctuations in Foreign Exchange	18,749	2,148
Administrative Expenses		
Printing & Stationery	3,326	3,356
Telephone & Postage Expenses	7,277	5,404
Travelling Expenses	3,168	9,019
Rates & Taxes	1,734	4,536
Conveyance Expenses	1,569	3,239
Consultancy Charges	442	244
Auditors Remuneration	393	182
Insurance	10,646	4,561
Rent	2,475	642
Income Tax Paid	-	-
Directors Remuneration	14,444	6,225
Directors' Sitting Fee	155	85
Bank charges	8,477	-
Processing Fee on Term Loans	3,067	-
Other Administrative Expenses	71,202	50,102
	236,444	135,940
SCHEDULE 22		
Interest on Term Loan	74,216	10,370
Interest on Working Capital (Bank)	78,425	22,074
Interest on Working Capital (Others)	11,052	24,150
Interest on Vehicle Loans	354	84
Bank Charges	-	4,176
Interest on Foreign Currency Convertible Bonds	8,688	5,798
	172,733	66,652



NOTES FORMING PART OF ACCOUNTS

A: Significant Accounting Policies.

1. Basis of preparation of Consolidated Financial Statement s

Consolidated Financial Statements are prepared on a going concern basis under historical cost convention on an accrual basis and comply with the Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI), referred to in Section 211 (3C) of the Companies Act, 1956 as adopted consistently by the Company except for those specifically disclosed in the Notes to Accounts. Significant Accounting Policies adopted in presentation of Accounts are as under:

(a) Accounting Convention and Revenue Recognitions:

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

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

(b) Retirements Benefits:

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

(c) Fixed Assets:

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

(d) Depreciation:

Depreciation on Fixed Assets is provided on straight-line method as per rates specified in Schedule XIV of the Companies Act, 1956.

(e) Accounting for Government Grants:

Government Grants / Subsidies have been accounted for in accordance with provisions of AS-12 issued by ICAI.

(f) Intangible Assets :

Intangible assets are capitalized at cost if:

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



(g) 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.

(h) 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 rate based on the rate on date of realization is accounted for in the Profit and Loss Account.

Foreign Currency Monetary assets and liabilities are translated at year end exchange rates. Non-monetary assets and Liabilities are translated at exchange rates that existed on date of transaction.

Foreign currency loans covered by forward contracts are realigned at forward contract rates while those not covered by forward contracts are realigned at rate prevailing at the year end. Differences in realignment are accounted for in Profit and Loss Account as Exchange Rate Fluctuation Profit/Loss.

(i) Borrowing Cost

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

(j) Inventories:

Inventories of Raw Materials, Packing Materials, Consumables and Work in Progress is valued at Cost on Weighted Average basis. Finished Goods are valued at lower of Cost or Net Realizable Value.

(k) Taxes on Income:

- (i) Income tax is computed in accordance with Accounting Standard 22-Accounting for Taxes on Income, issued by the ICAI. Tax expenses are accounted in same period to which revenue and expenses relate.
- (ii) Income Tax : Provision for current income tax is made on the tax liability calculated on taxable income after considering tax allowances, deductions and exemptions determined in accordance with prevailing Tax Laws.
- (iii) Deferred Tax Liability: Provision for Deferred Income Tax Liability is made on accumulated timing differences at the end of accounting year in accordance with prevailing Tax Laws. Timing differences are those differences between taxable income and accounting income for a period that originate in one period and are capable of reversal in one or more subsequent periods.
- (iv) Deferred Tax Assets: Deferred Tax Assets are recognized only if there is reasonable certainty that they will be realized and are reviewed for appropriateness of their respective carrying values at each Balance Sheet date. There are no Deferred Tax Assets recognized by the Company during year.



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

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

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

Contingent Assets have not been recognized in the financial statements.

(m) Earnings per Share:

Earnings considered in ascertaining Earning Per Share comprise of Net Profit after Tax. Number of shares used in computing Basic Earnings Per Share is Weighted Average number of shares outstanding during the year.

(n) Impairment of Assets:

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

Notes on Accounts annexed to and forming part of Balance Sheet as at 31st March 2009

1. Consolidated Financial Statements are prepared taking into accounts following subsidiary Companies:

Particulars	Status of the Subsidiary	Proportion of Interest
M/s Creative Health Care Private Limited, India	Indian Subsidiary	100%
M/s Vivimed Holdings Limited, HongKong	Foreign Subsidiary	100%

Further, Accounts of M/s Vivimed Holdings Limited have been prepared after inclusion of accounts of its 100% Subsidiary, M/s James Robinson Limited, UK.

Detail of Investments in Subsidiaries is as follows:

- (i) Investment of 2,500,000 Equity Shares of Rs.10/- each in M/s. Creative Health Care Private Limited, a 100% Indian Subsidiary of the Company. The shares are unquoted and hence are valued at cost, and
- (ii) Investment of Rs. 51,427.00 (HKD 10,000) in 10,000 Equity Shares of HKD 1/- each in M/s. Vivimed Holdings Limited, a 100% Foreign Subsidiary of the company.

2. Details of Directors and Auditors' Remunerations



(In Rs 000's)

Particulars	Current Year	Previous Year
Directors Remuneration	14,444	6225
Auditors' Remuneration		
Audit Fee	1,312	100
Tax Matters	25	25

2	Accounting for Employee Benefits	(In Rs 000's)
	Company has made a provision for Gratuity, Leave Encashment, Bonus for its employees during the year as required under Accounting Standard – 15 (as revised in 2005) issued by the Institute of Chartered Accountants of India, on the basis of Actuarial Valuation. Provision made for financial year 2008-09 is as detailed below:	
	Gratuity	894
	Leave Encashment	589
	Bonus	3324

3	Treatment of Capital Work in Progress:
	Capital Work in Progress includes cost of Fixed Assets under installation, interest on borrowing costs attributable to the assets for the Assets taken on Finance and any unallocated expenditure pertaining thereto.

4. Basic Earnings per share (Basic EPS)

Particulars	Current Year	Previous Year
Net Profit after Tax (In Rs.000's)	193,522	159,516
Weighted Average Number of shares Considered	9,400,986	9,400,986
EPS (In Rs.)	20.59	16.97

5. In Relation to provision for Current Tax, Deferred Tax & Fringe Benefit Tax : (In Rs 000's)

Particulars	Current Year	Previous Year
Income Tax	26,499	24,328
Fringe Benefit Tax	1,234	959
Deferred Tax Liability	130,330	29,544

9. In relation to Secured Loans :

- Term loans from State Bank of Hyderabad are secured by First charge on the Fixed Assets of the Company (Present and Future) including Equitable Mortgage of Factory Land and Buildings. Loan is further secured by Equitable Mortgage on properties of directors and personal guarantee of directors. Term loans are Collaterally Secured by Second Charge on Current Assets of the Company.
- Term Loan from Axis Bank is secured by First Pari-passu charge on entire fixed assets of the company both present and future except assets exclusively charged. Term Loan is collaterally secured by Second Pari-passu charge on entire current assets both present and future and Personal Guarantees of Directors of the Company.
- Vehicle loans from HDFC Bank, Tata Capital Limited and ICICI Bank are secured by hypothecation of vehicles of the Company.



- d. Working Capital Limits including Cash Credit Limit, Packing Credit Limit, FUBD/FDBP Limit from State Bank of Hyderabad, are secured by First Pari Passu charge along with other Working Capital Lenders over Stocks of Raw Materials, Stock in Progress, Finished Goods, Consumables, Spares, Packing Material, Book Debts and Receivables etc. present and future. WC Limits are further secured by Equitable Mortgage on the properties of directors and personal guarantee of directors.

In case of Subsidiary Companies:

- a. Foreign Currency Term Loan from State Bank of India availed by M/s Vivimed Holdings Limited is secured by Pledge of Shares of the Company along with Corporate Guarantee of Parent Company i.e. M/s Vivimed Labs Limited.
- b. Working Capital Facilities taken from State Bank of India and availed by M.s James Robinson Limited, a 100% Subsidiary of our Subsidiary M/s Vivimed Holdings Limited is secured by First/Exclusive Debenture Charge over Fixed and Floating Assets of M/s James Robinson Limited and Corporate Guarantee of M/s Vivimed Labs Limited.

10. RELATED PARTY DISCLOSURE:

Particulars of related parties

Sl.No.	Name of the Related Party
1.	Dr. V. Manohar Rao, Chairman
2.	Subash Varalwar , Vice Chairman
3.	Santosh Varalwar, Managing Director
4.	Sandeep Varalwar, Executive Director
5.	Creative Health Care (Pvt.) Limited, Kashipur, Uttarkhand. 100% Indian Subsidiary
6.	Vivimed Holdings Limited, HongKong. 100% Foreign Subsidiary
7.	James Robinson Limited, U.K 100% Subsidiary of our 100% Subsidiary M/s Vivimed Holdings Ltd.

List of Transactions with Related Parties during the year :

(In Rs 000's)

Sl.No.	Name of the party & Relation	Nature of Transaction	2008-09	2007-08
1.	Dr. V. Manohar Rao, Chairman	Remuneration	2,400	1,050
2.	Subhash Varalwar , Vice Chairman	-do-	2,400	1,500
3.	Santosh Varalwar, Managing Director	-do-	3,000	1,875
4.	Sandeep Varalwar , Director	-do-	2,400	600
5.	Creative Health Care (p) Limited 100% Indian Subsidiary	Purchase / Sales	6,329	2,642
6.	Vivimed Holdings Limited, 100% Foreign Subsidiary	Advance	115,618	18
7.	James Robinson Limited, U.K, 100% Subsidiary of Vivimed Holdings Limited	Sales	51,971	Nil



11. Contingent Liabilities

Corporate Guarantees: Following Corporate Guarantees are outstanding as on 31-03-09

Details of the Lender	Amount of Guarantee given	Liability as on 31-03-2009 (in Rs.000's)
State Bank of India, London Branch	USD 22.5 Million	1139,405
State Bank of India, London Branch	GBP 3.42 Million	248,434
Axis Bank, Hyderabad, India	INR 6.5 Crores	65,000

12. Acquisition of M/s James Robinson Limited, U.K by our 100% Foreign Subsidiary viz. M/s Vivimed holdings ltd., Hongkong.

During the year under consideration, our 100% Foreign Subsidiary M/s Vivimed Holdings Limited, Hongkong has undertaken acquisition of a Bulk Drug Manufacturing entity under the name and style of M/s James Robinson Limited, United Kingdom on the consideration as valued by independent valuers engaged by the Company for the purpose. The Merger took place in May 2008 wherein part of the Assets and Liabilities of M/s James Robinson Limited along with 100% of the Shareholding was taken over by M/s Vivimed Holdings Limited.

13. The Segment Information for Pharmaceuticals and Speciality Segments is as under:

- (i) Primary Segment Information - See next page
- (ii) As per Accounting Standard on Segment Reporting(AS-17), issued by the Institute of Chartered Accountants of India, Company has reported above on consolidated basis including business conducted through subsidiaries.
- iii For Management purposes, business of the company is organised worldwide into two major segments - Speciality Chemicals and Pharmaceuticals each segment is headed by different directors. These divisions are basis on which company reports its primary segment information. Speciality Chemicals segment manufactures a broad range of products in Home and Personal Care sectors catering to hair, skin and personal hygiene divisions. Pharmaceutical Segment is engaged in contract manufacturing and Job Works in addition to own patented products. Financial information about business segments is presented in the next page

14. Company has not received confirmations from all Debtors / Creditors from whom amounts are receivable/ payable during the year.
15. Numbers of the previous year have been regrouped, rearranged, recasted, wherever necessary to conform to those of Current Year.
16. Numbers are rounded off to nearest thousand rupees.

As per our report of even date

For VIVIMED LABS LIMITED

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

Sd/-
P. Murali Mohana Rao
Partner

Place : Hyderabad
Date : 31-08-2009

Sd/-
Dr. V. Manohar Rao
Chairman

Sd/-
Santosh Varalwar
Managing Director

Sd/-
Chanakya Chandra Reddy
Company Secretary

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 AS17 issued by The Institute of Chartered Accountants of India.

(i) Primary Segment Information:

Sl. No.	Particulars	Speciality Chemicals		Pharmaceuticals		Total	
		2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
1.	REVENUE						E
	External Turnover	2075513	1275309	685720	534786	2761233	1810095
	Inter Segment Turnover	Nil	Nil	Nil	Nil	Nil	Nil
	Total Revenue	2075513	1275309	685720	534786	2761233	1810095
2.	RESULTS			as			
	Segment Results	483715	300014	131311	115143	615026	415157
	Unallocated corporate expenses	210455	107741	25989	28188	236444	135929
	Operating Profit	273260	1992273	105322	86955	378582	279228
	Interest Expense	161424	53644	20028	19148	181452	72792
	Interest Income	33407	7494	609	418	34016	7912
	Profit before Tax	145244	146123	85903	68225	231146	214348
	Current Tax	17689	17258	8810	7070	26499	24328
	Fringe Benefit Tax	983	734	251	226	1234	959
	Deferred Tax	10895	27468	(1004)	2076	9891	29544
	Net Profit after Tax	115676	100664	77846	58853	193522	159516
3.	OTHER INFORMATION						
	Segment Assets	3757562	1781436	539999	356940	4297562	2137575
	Unallocated corporate assets	Nil	Nil	Nil	Nil	Nil	Nil
	Total Assets	3757562	1781436	539999	356940	4297562	2137575
	Segment Liabilities	367649	1101351	104055	187705	471704	1289055
	Unallocated corporate Liabilities	Nil	Nil	Nil	Nil	Nil	Nil
	Total Liabilities	367649	1101351	104055	187705	471704	1289055
	Capital Expenditure - Net	1505678	824411	243343	220995	1749021	1045406
	Depreciation	56258	25072	15232	15029	71490	40101
	Non Cash Expenses other than Depreciation	5304	10825	290	250	5594	11075





Vivimed Labs Limited

Registered office: 78/A Kolhar Industrial Area, Bidar - 585403, Karnataka

PROXY FORM

I/We of
.....being member(s) of M/S. Vivimed Labs Limited hereby appoint
.....
..... of

on my / our behalf of as indicated below at Twenty First Annual General Meeting (adjourned) of the company to be held at 11-30 a.m. on Wednesday, September 30th 2009 and at any adjournment thereof.

Agenda Item	Vote*	Agenda Item	Vote*
No. 1		No. 2	
No. 3		No. 4	
No. 5		No. 6	
No. 7			

Signed this Day of 2009

Affix Re.1/- Revenue Stamp

* Please State In This Column Whether 'In Favour Of Or 'Against'

Note: Proxy form duly completed must reach the company's registered office at least 48 hours before the commencement of the meeting.



Vivimed Labs Limited

Registered office: 78/A Kolhar Industrial Area, Bidar - 585403, Karnataka

Twenty First Annual General Meeting

Attendance Slip

DP Id. No.		Master Folio No:	
Client ID:		No. of Shares	

Name and Address of the Shareholder

I hereby record my presence at Twenty First Annual General Meeting of the Company, being held on Wednesday, September 30th 2009 at 11-30 a.m. at registered office of the company.



www.vivimedlabs.com