



Committed to total health .....

**VIMTA LABS LIMITED**  
Annual Report 2007 - 08

# Accomplishments

Our journey through the last fiscal has been very successful in inviting the attention of several leading global pharma companies and begin a few partnerships.

Scientific collaborations with industry, academic and government institutions have been initiated for Research & Development projects.

The GMP implementation at VIMTA Life Sciences has led to certification by WHO.

Outsourcing activities are on a steep rise from Global Pharma companies and VIMTA is considered as one of their preferred destinations.

Our global customers appreciate dedicated customer specific contract labs in terms of quality, technology, knowledge, access, convenience and cost benefit.

The training school built at VIMTA Life Sciences has contributed significantly in capacity building and propelling the company to readiness to forge more long term partnerships with global companies.



The new pre-clinical facility at VIMTA Life Sciences campus

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# Vision

To be seen as an Indian organization with a global perspective that has created an integrated, quality driven, customer sensitive, Contract Research and Testing organization.

# Core Value

Integrity of service through honesty, responsibility and an uncompromising commitment to quality and customer requirements.

# Goal

To be a “Top Ten” Contract Research and Testing organization globally, by 2010.

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Annual Report

## Contents

Directors' Report	5
Report on Corporate Governance	10
Auditor's Report	16
Balance Sheet	18
Profit & loss Account	19
Schedules to Accounts	20
Cash Flow Statement	32

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## **BOARD OF DIRECTORS**

Dr S P VASIREDDI  
Chairman & Managing Director

V HARRIMAN  
Director Technical

V V PRASAD  
Executive Director

HARITA VASIREDDI  
Director Quality

T S AJAI  
Director

Dr SUBBA RAO PAVULURI  
Director

Prof. D BALASUBRAMANIAN  
Director

Prof. K RAMCHANDRAN  
Director

## **COMPANY SECRETARY & VP - CORPORATE AFFAIRS**

A VENKATA RAMANA

## **VP - FINANCE**

P SANKARAI AH

## **BANKERS**

State Bank of India  
Overseas Branch, 5-9-300, Abids  
Hyderabad - 500 001.

## **AUDITORS**

Sarathy & Balu  
Chartered Accountants  
12, Master Sai Apartments,  
Somajiguda, Hyderabad - 500 082.

## **LISTED WITH**

The Bombay Stock Exchange Ltd.,  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai - 400 001.

National Stock Exchange of India Ltd.  
"Exchange Plaza", Bandra, Kurla Complex,  
Bandra (E), Mumbai - 400 051.

## **SHARE TRANSFER AGENTS**

CIL Securities Ltd.  
214, Raghavaratna Towers,  
Chirag Ali Lane, Abids,  
Hyderabad - 500 001.

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To  
The Members of  
VIMTA LABS LIMITED

Your Directors have pleasure in presenting the 18th Annual Report and audited accounts of your Company for the year ended March 31, 2008.

## FINANCIAL RESULTS

Financial Results for the year under review are as follows:

	(Rs. in lakhs)	
	For the Year 2007-2008	For the Year 2006-2007
Profit before interest, Depreciation & Taxes	2771.80	2600.08
Less : Finance Charges & Interest	281.30	274.78
Depreciation	<u>1461.85</u>	<u>939.96</u>
	<u>1743.15</u>	<u>1214.74</u>
Profit before Amortization, Prior year adjustments & Taxes	1028.65	1385.34
Less : Amortization of Preliminary Expenses	40.18	40.18
Less/(Add) : Prior year adjustments	<u>(2.26)</u>	<u>1.50</u>
	<u>37.92</u>	<u>41.68</u>
Profit before tax	990.73	1343.66
Less : a) Provision for Tax (regular)	354.00	302.05
b) Fringe Benefit Tax	15.00	20.00
c) Deferred Tax Liability/(Asset)	<u>(2.84)</u>	<u>148.88</u>
	<u>366.16</u>	<u>470.93</u>
Profit after Tax	624.57	872.73
Add : Surplus brought forward from previous years	<u>3785.19</u>	<u>3207.38</u>
Amount available for appropriations	<u>4409.76</u>	<u>4080.11</u>
<b>APPROPRIATIONS</b>		
Transfer to General Reserve	65.00	88.00
Proposed dividend	176.86	176.86
Provision for tax on proposed dividend	30.06	30.06
Surplus carried to Balance sheet	<u>4137.84</u>	<u>3785.19</u>
	<u>4409.76</u>	<u>4080.11</u>

## OPERATIONS

During the year under review your Company has made the Life Sciences Facility as cGMP compliant. Operations at Northern regional laboratory located at NOIDA were started during end of third quarter. Your Company has posted Gross revenue of Rs.7889.50 lakhs for the year under review as against Rs.6152.69 lakhs in previous year. Despite strengthening of INR over US \$ during the year, your Company posted export earnings of Rs. 2899.82 lakhs as compared to the previous year of Rs.2340.17 lakhs. It has also showed significant increase in domestic sales by Rs.1384.35 lakhs.

Earnings before interest, depreciation, taxes and amortization (EBIDTA) for the year are Rs. 2771.80 lakhs as compared to the previous year earnings of Rs. 2600.08 lakhs. Profit after tax (including deferred tax) stood at Rs.624.57 lakhs as against Rs.872.73 lakhs of previous year. The decline in profits is mainly due to reduction in other income on account of interest on capital funds which were utilized mostly during the year for the organic and inorganic growth plans. Further, it is due to consideration of full year depreciation on the Life Sciences project.

## FUTURE OUTLOOK

Your Company with its continuous efforts in diversification and expanding its capabilities, it has become a strategic location in India for Contract based Research activities and accordingly several multi national companies are interested in sustainable long term partnership with Vimta. Consequently, it has received a few long term contracts and is expected to build more such partnerships in coming years.

The Research & Development activities at Vimta will certainly provide multiple opportunities to build IP portfolio and to introduce new technology/diagnostic assays to improve Vimta's capabilities such as introduction of novel point of care testing diagnostic kits by developing them with molecular diagnostic approaches.

## APPROPRIATIONS

### Dividends

Your Directors recommend a dividend of 40% i.e. 80 Paise per each equity share of Rs.2/- each for the financial year 2007-08.

## Transfer to Reserves

Your Directors propose to transfer Rs.65 lakhs to General Reserve. An amount of Rs.4137.84 lakhs is proposed to retain in Profit & Loss account.

## UTILISATION OF FUNDS RAISED THROUGH PREFERENTIAL ISSUE

During the year, the company has utilized Rs.20.50 crores out of the total funds of Rs.77.23 crores raised through Preferential Issue for its organic and inorganic growth plans. Your company has spent an amount of Rs.105 lakhs towards acquisition of clinical labs at Coimbatore and Madurai. Balance funds of the issue as of March 31, 2008 are Rs.150 lakhs which were kept in fixed deposits with Scheduled Banks.

## DIRECTORS

In accordance with the provisions of the Companies Act, 1956 read with the Articles of Association of the Company, Shri T S Ajai and Prof D Balasubramanian, Directors of the Company would retire by rotation at the ensuing Annual General Meeting, and are eligible for re-appointment. Shri T S Ajai and Prof D Balasubramanian have opted themselves for reappointment.

Your Directors recommend the reappointment of Shri T S Ajai and Prof D Balasubramanian as Directors subject to retirement by rotation.

## AUDITORS

M/s Sarathy & Balu, Chartered Accountants, Auditors of the Company would hold their office till the conclusion of the ensuing Annual general Meeting. They have given their consent for reappointment and further stated that they are eligible to take up the appointment within the provisions of Section 224 (1-B) of the Companies Act, 1956. It is proposed to reappoint the same auditors to hold the office from the conclusion of the ensuing Annual General Meeting till the conclusion of subsequent Annual General Meeting.

## PARTICULARS OF EMPLOYEES

List of employees of the Company who have received remuneration in excess of the limits specified in Section 217(2A) of the Companies Act, 1956 read with the rules made there under is enclosed hereto as Annexure-I and forms part of this report.

## INFORMATION ON ENERGY CONSERVATION & TECHNOLOGY ABSORPTION

Pursuant to the Provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988, the relevant information pertaining to Energy Conservation, Technology Absorption, Foreign Exchange earnings and outgo is enclosed hereto as Annexure-II and forms part of this report.

## DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors state that :

- i. The applicable accounting standards have been followed in preparation of the annual accounts and there were no material departures during the year under review.
- ii. They had selected the accounting standards and applied them consistently and made judgments and estimates that they are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the Company for the period.

- iii. They had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 to safeguard the assets of your company and for preventing and detecting fraud and other irregularities.
- iv. They had prepared the annual accounts on a going concern basis.

## MANAGEMENT DISCUSSION & ANALYSIS

The Management Discussion and Analysis given below discusses the key issues concerning the business carried on by the Company.

### Industry Overview

VIMTA LABS LIMITED is engaged in Contract Research and Testing activities in the following streams :

- i) Contract Research
- ii) Clinical Reference Laboratory Services
- iii) Analytical Testing of Food & Drugs
- iv) Environmental Monitoring and Impact Assessment.
- v) Advanced Molecular Biology and Peptide Synthesis

In addition to contract research and testing, Vimta has started its own Research and Development (R&D) activities.

### Scope and Potential

With the strong fundamentals and three drivers - Quality, Technology & Knowledge Vimta stood as a credible player in the global market. With its increased operations, it has the potential to take up any challenge and has wide scope to take over larger share in the global market.

Drug discovery and development is becoming increasingly expensive in recent years. Multi National Companies (MNCs) are either setting up their own branches or out sourcing bulk of their testing & research activities to companies such as Vimta. With its new facility at Life Sciences campus coupled with other branches of drug discovery such as Genomics, Proteomics, Metabolomics and Clinical research will make Vimta an "one stop shop" for multi national companies for their drug discovery needs.

Vimta has initiated scientific collaborations with Biotech/Pharma industry, academic and government institutions. Vimta is confident that such collaborations will certainly provide many opportunities such as unique intellectual property rights, new diagnostic tests in clinical reference armamentarium and new assays in analytical testing.

### Strengths

Vimta has the capabilities to take up any challenges in meeting the Company's goals. With its strong scientific team, multi disciplinary knowledge and experience at national and international level, it stands at par with international competitors in all aspects.

### Threats

Competition is inherent threat for any business. More and more players are likely to walk into the field of operations Vimta is engaged in. Multinational Contract Testing and Research organizations are anchoring in India to reduce their service costs. To mitigate the threats Vimta is always looking for continuous innovation of new portfolios thus giving itself a clear lead of 2-3 years.

**Segment-wise or Product-wise performance**

The Company is primarily engaged in the business of testing and research activities in various disciplines such as Contract Research, Clinical Reference & Advanced Molecular Biology, Analytical Testing, Environmental Monitoring and Impact Assessment studies. Since the inherent nature of all these activities are integrated and governed by the same set of risks and returns and operating in the same economic environment, these have been grouped as a single segment in the financial statements. The said treatment is in accordance with the Accounting Standard (AS) - 17 on "Segment Reporting".

**Outlook**

Considering the market potential and Vimta's capabilities the Company is confident of maintaining higher growth rates in the years to come.

**Risks and Concerns**

The increasing demand for Vimta's services during the last 5 years has been putting a lot of pressure on human resources. Availability of talented and trained manpower is scarce and the Company is doing its best to employ qualified people and impart on job training to cope-up with the increasing work loads. Further, steep increase in the input costs due to high inflation is a major concern. Vimta is making all its efforts to reduce the expenditure to off set the effect of inflation to maintain the profitability levels.

**Internal Control Systems**

The Company has a well-defined internal control system that is adequate and commensurate with the size and nature of its business. Adequate internal controls are established to ensure that all assets are safeguarded, and protected against loss from unauthorized use or disposition, and all the transactions are authorised, recorded and reported correctly.

The Company monitors and reviews the progress on the basis of internal audit reports and through Audit Committee Meetings regularly.

**Financial performance**

Gross revenue for the year 2007-08 is Rs.7889.50 lakhs as compared to the previous year of Rs.6391.25 lakhs. The Export income is increased by 24% in the year to reach Rs.2899.82 lakhs as compared to the previous year of Rs.2340.17 lakhs. Earnings before interest, depreciation, taxes and amortization (EBIDTA) for the year are Rs.2771.80 lakhs as compare to the previous year earnings of Rs.2600.08 lakhs. The Net Profit stood at Rs.624.57 lakhs as compared to the previous year net profit of Rs.872.73 lakhs.

**Human Resources**

The strong Human Resource are the back bone of Vimta. The personnel employed at Vimta are qualified and trained. As on date Vimta has 671 employees including 427 Scientists, Engineers and Technicians, 18 PhDs and 27 Medical Doctors. Continuous learning is key principle of the Company and it is in this way the Company offers comprehensive world class training and development resources to its associates.

Senior management has made the disclosure to the Board and confirmed that they had no material financial and commercial transactions that could have a potential conflict with the interest of the Company at large.

**CORPORATE GOVERNANCE**

The Company has complied with the Corporate Governance Code as stipulated under the listing agreement with the Stock Exchanges. A Separate section on Corporate Governance along with a Certificate from the auditors confirming the compliance is annexed to and forms part of this report.

**DISCLOSURES AS PER THE LISTING AGREEMENT & SEBI REGULATIONS****Cash flow statements**

In due compliance of the listing agreements and in accordance with the requirements prescribed by SEBI, the cash flow statement is prepared and is appended to this Annual Report.

**Stock Exchanges**

Equity Shares of your Company are listed with the following Stock Exchanges and the listing fee was paid in time and no amount was outstanding.

- i) Bombay Stock Exchange Limited  
Phiroje Jeejeebhoy Towers, Dalal Street  
Mumbai - 400001
- ii) National Stock Exchange of India Limited  
"Exchange Plaza", Bandra, Kurla Complex, Bandra (E)  
Mumbai - 400 051

The Ministry of Finance, Department of Economics Affairs, Capital Markets Division vide its Gazette Notification dated 19.09.2007 has withdrawn its recognition given to The Hyderabad Stock Exchange Limited(HSE). Therefore, the listing with HSE stands cancelled and accordingly the listing fee for the year 2008-09 has not been paid.

**Share transfer agency**

In terms of SEBI Circular No.D&CC/FITTC/Cir-15/2002 dated 27.12.2002, the Company has appointed M/s CIL Securities Ltd, 214, Raghavaratna Towers, Abids, Hyderabad - 500001 as its share transfer agency for handling both physical and electronic transfers.

**Code of conduct**

Your company has adopted Code of Conduct for the Board and the Senior Management of the Company and they are complying with the said code. A declaration by the CEO to this effect is furnished in Annexure to this report.

**FIXED DEPOSITS**

Your Company has not accepted any deposits in terms of Section 58A of the Companies Act, 1956 and the rules made thereunder and hence compliance with the same is not applicable.

**ACKNOWLEDGMENTS**

Your Directors wish to place on record their gratitude to shareholders and thank the customers, vendors, franchisees, patient service centres, bankers, Technology Development Board and legal advisors for their continued support to your Company's growth. Your Directors wish to place on record, their appreciation for the contribution made by the employees at all levels, who, through their competence, sincerity, hard work, solidarity and dedicated support, enabled your Company to make rapid strides.

For and on behalf of the Board

Place : Hyderabad  
Date : 30.07.2008

DR S P VASIREDDI  
CHAIRMAN & MANAGING DIRECTOR



## ANNEXURE - I

Statement pursuant to Section 217(2A) of the Companies Act, 1956 and Companies (Particulars of Employees) Rules, 1975.  
(Forming part of the Directors' Report for the year ended March 31, 2008)

Name	Qualification & Experience	Age in years	Designation/Nature of Duties	Date of Commencement of employment	Gross Remuneration (Rs.)	Last Employment
Dr S P Vasireddi	M. Sc., Ph. D. 36 years.	59 years	Managing Director	01.04.2005	5402400	i) Mineral Exploration Corp. Ltd., Nagpur ii) Vimta Labs
V V Prasad	B.Com 31 years.	57 Years	Executive Director	01.04.2005	4358400	Vimta Labs
V Harriman	D. Tech in Elect., Toronto, Canada 31 years.	57 Years	Director - Technical	01.04.2005	4358400	i) GB Electronics, Bangalore ii) Vimta Labs
Harita Vasireddi	B.Pharm MBA 10 years.	33 Years	Director - Quality	01.04.2005	3636400	Vimta Rostest Pvt. Ltd.
Dr N V Rama Rao	M.Sc. Ph.D 38 years.	61 Years	President-Life Sciences	11.10.2006	2393317	Indian Medicines Pharmaceuticals Corp. Ltd.

### NOTES :

- i) Nature of employment of the whole time Directors is contractual.
- ii) Remuneration includes salary, commission, reimbursement of medical expenses, leave travel facility as applicable and perquisites like Contribution to Provident/ Superannuation Fund, Leave Encashment.

For and on behalf of the Board

Place : Hyderabad  
Date : 30.07.2008

Dr S P VASIREDDI  
Chairman & Managing Director

**ANNEXURE - II**

Information on Energy Conservation, Technology Absorption, Foreign Exchange earnings and outgo

(Forming part of the Directors' Report for the year ended 31st March, 2008.)

**A. CONSERVATION OF ENERGY**

The Company is engaged in testing of various materials and different types of tests are carried out depending on the nature of material as per quality standards such as IS, IP, USP, BP, ASTM, AOAC, FDA, WHO, etc. Testing is performed using different instruments. It may be that a particular material needs to be tested on different instruments for various parameters simultaneously as required by the customer. Most of the test equipments are micro-processor based and draw only requisite power. Power is drawn by different equipments from a common source in the Lab. Besides this, generator and UPS are used as back-up sources.

**a) Energy Conservation Measures Taken :**

- i) Designed and installed the power distribution system perfectly well to utilize the power at optimum level of requirement.
- ii) The Laboratory building is designed in such a way that during day time no artificial lighting is necessary in the lab.
- iii) Occupancy sensors are installed at the Life Sciences Facility to control artificial lighting.

**b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy :**

An integrated building management system from SIEMENS is installed at the Life Sciences facility to help conservation of energy.

**c) Impact of the measures at (a) and (b) above for the reduction of energy consumption and consequent impact on the cost of production of goods :**

The energy consumption is reduced to the barest minimum requirement.

**d) Total energy consumption and energy consumption per unit of production as per Form A of the Annexure :**

Furnishing of these particulars is not applicable to this Company, as it is not carrying on any business which is listed in the Schedule to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

**B. TECHNOLOGY ABSORPTION**

The tests/studies are carried out as per the prescribed National/International Standards and regulations. The Company undertakes contract research projects for the sponsors as per national and international guidelines such as those of DCGI, USFDA and ICH etc.

Latest technologies absorbed include : Micro-Arrays, DNA Sequencers, Maldi TOF-TOF Proteomics analyzer, Dioxin Analyzer based on high resolution GCMS

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

During the financial year, the Company has earned foreign exchange of Rs.2899.83 lakhs (previous year Rs. 2340.17 lakhs). The Company's foreign exchange outgo was of Rs.879 lakhs (previous year Rs. 4126.34 lakhs) on import of capital goods, software, chemicals, consumables & reference standards and travel expenditure, professional charges etc.,

For and on behalf of the Board

Place : Hyderabad  
Date : 30.07.2008

DR S P VASIREDDI  
CHAIRMAN & MANAGING DIRECTOR

**Declaration by Managing Director**

I, Dr S P Vasireddi, Managing Director hereby declare that the members of the Board and the Senior Management personnel of the Company are adhering to the code of conduct adopted by the Board which is posted on the website of the Company.

Place : Hyderabad  
Date : 30.07.2008

DR S P VASIREDDI  
CHAIRMAN & MANAGING DIRECTOR

# Report on Corporate Governance

## 1. Introduction

Company Philosophy on Corporate Governance

Vimta Labs Limited ("VIMTA" or "The Company") believes that the Corporate Governance goes beyond a regulatory requirement and has hereby laid strong emphasis on the transparency of its operations. Vimta is confident that these practices will enable it to establish enduring relationships with all its stakeholders and optimize its sustained growth.

## 2. Board of Directors

### 2.1 Composition

The Board has a fair representation of the executive, non-executive and independent directors. The Independent Directors on the Board are senior, competent and from different fields. Active participation of the Independent Directors does add value in the decision making process of the Board of Directors.

The Composition of the Board of Directors during the year ended March 31, 2008 and as on the date of this Report along with their brief resume is given below:

Name of Directors	Brief Resume
Dr S P Vasireddi Promoter Executive Director	Ph.D. in Chemistry with over 36 years of experience. He is one of the promoter Director of the Company and has been its Chairman & Managing Director since inception. He is a member on the Governing Boards of several scientific bodies.
V Harriman Promoter Executive Director	D.Tech. from Toronto, Canada with over 31 years of experience. He is one of the promoter Director of the Company and has been its Director-Technical since inception.
V V Prasad Promoter Executive Director	A Graduate in commerce with over 31 years of experience. He is one of the promoter Director of the Company and has been its Executive Director since inception. Prior to joining Vimta he was in services of AP State Government.
Harita Vasireddi Executive Director	A Pharmacist and an MBA in Service Operations Management from Boston University and has over 10 years of experience. She worked with Vimta Rostest (P) Ltd. as Manager Operations for four years. Currently she is Director- Quality at Vimta.
T S Ajai Non-Executive & Independent Director	A Chartered Accountant. He has wide experience and expertise in the areas of Tax Laws, Corporate Laws and foreign collaborations & takeovers. Inducted to the Board in 2002.
Dr Subba Rao Pavuluri Non-Executive & Independent Director	A technologist and an entrepreneur. He has more than 16 years of business experience. Inducted to the Board in 2003.
Prof D Balasubramanian Non-Executive & Independent Director	He is a Ph D in Chemistry from Columbia University, New York. He is an eminent Scientist and former Director of Center for Cellular & Molecular Biology (CCMB), Hyderabad and Prof. & Dean, University of Hyderabad. He was honoured "Padma Sri" in 2002 and Chevalierde l' Ordre National de Merite" by President of France in 2002 . Inducted to the Board in 2004. Presently he is heading the research division in L V Prasad Eye Institute, Hyderabad.
Prof K Ramachandran Non-Executive & Independent Director	He is a renowned professor of entrepreneurship, family business and strategy at the Indian School of Business, Hyderabad since its inception in 2004 in the capacity of Associate Dean (Academic Programmes) as well as the Thomas Schmidheiny Fellow of Family Business and Wealth Management at the ISB. Prior to this he served as a professor at the Indian Institute of Management Ahmedabad for fifteen Years. Inducted to the Board in 2007.

## 2.2 Meetings and attendance record of each Director

The attendance record of the Directors at the Board Meetings during the year 2007-2008 and the Annual General Meeting was held on August 09, 2007, is as under :-

Name of the Directors	Attendance at	
	Board Meeting	A G M
Dr S P Vasireddi	5	Present
V Harriman	4	Present
V V Prasad	5	Present
Harita Vasireddi	4	Absent
S Subrahmanyam	3*	Present
T S Ajai	5	Present
Dr Subba Rao Pavuluri	4	Absent
Prof D Balasubramanian	4	Present
Prof K Ramachandran	2**	Absent

\* Ceased w.e.f. 09.08.2007

\*\* Appointed w.e.f. 28.06.2007

## 2.3 Other Directorships etc.,

The details of Directorships in other Companies (excluding Private Limited Companies, Foreign Companies and Section 25 Companies) held by the Directors as on the date of the Report are given below :

Name of the Directors	No. of other Director-ships in other Public Limited Co.
Dr S P Vasireddi	1
V Harriman	1
V V Prasad	1
Harita Vasireddi	-Nil-
S Subrahmanyam *	-Nil-
T S Ajai	-Nil-
Dr Subba Rao Pavuluri	7
Prof D Balasubramanian	-Nil-
Prof K Ramachandran	1

\* Ceased w.e.f. 09.08.2007

## 2.4 Number of Board Meetings

During the year ended March 31, 2008 the Board of Directors met five times. These were held on April 24, 2007; June 28, 2007; July 28, 2007; October 26, 2007 & January 18, 2008.

## 2.5 Re-appointment of Directors

The Directors T S Ajai and Prof D Balasubramanian shall retire by rotation at the ensuing Annual General Meeting, and are eligible for re-appointment.

The brief particulars/resume of other directorships of the Directors retiring by rotation at the ensuing Annual General Meeting were given in paragraph 2.1 and 2.3 above.

## 3. AUDIT COMMITTEE

### 3.1 Terms of reference

The terms of reference of the Audit Committee is as per the guidelines set out in the listing agreement with the Stock Exchanges, read with Section 292A of the Companies Act, 1956. These broadly include approval of audit plan, review of financial reporting systems, internal control systems, ensuring compliance with regulatory guidelines, accounting policies and statutory provisions discussions on quarterly, half yearly and annual financial results, interaction with statutory, internal auditors and recommendation for appointment of statutory auditors and their remuneration. The Audit Committee reviews the quarterly report submitted by the Finance & Accounts department.

The Head of Finance & Accounts department attends all the Committee Meetings and briefs the Committee on all the points covered in the Report as well as the other issues which come up during discussion.

### 3.2 Composition

T S Ajai	: Chairman
Dr Subba Rao Pavuluri	: Member
S Subrahmanyam*	: Member
K Ramachandran**	: Member

\* Ceased w.e.f. 09.08.2007

\*\* Appointed w.e.f. 28.07.2007

The Company Secretary & VP- Corporate Affairs A Venkata Ramana acts as Secretary to the Committee.

### 3.3 Attendance

During the year the Audit Committee has met 4 times on April 26, 2007; July 28, 2007; October 26, 2007 and January 18, 2008.

Name of the Member	Attendance
T S Ajai	4
Dr Subba Rao Pavuluri	2
S Subrahmanyam	3
K Ramachandran	1

## 4. REMUNERATION COMMITTEE

### 4.1 Terms of reference

The remuneration committee of the Company recommends the compensation package and other terms and conditions of Executive Directors and other senior managers.

### 4.2 Composition

K Ramachandran*	: Chairman
T S Ajai	: Member
Dr Subba Rao Pavuluri	: Member

\*Appointed w.e.f. 28.07.2007

The Company Secretary & VP- Corporate Affairs, A Venkata Ramana acts as Secretary to the Committee.

# Report on Corporate Governance

## 4.3 Attendance

During the year, the Remuneration Committee has met one time on October 26, 2007. All the members have attended the meeting.

## 4.4 Remuneration Policy

The Managing Director and the other three whole time directors are paid remuneration as per the respective agreements entered into with the Company. The other non-Executive Directors are paid sitting fees for attending the Board Meetings. The members of the committees have decided not to take any sitting fee for the time being for committee meetings. In addition, Dr Subba Rao Pavuluri has decided not to take any sitting fee for the Board Meetings as well.

### 4.4.1 Remuneration paid to Directors

(In Rupees)

Name of the Directors	Salary	Perqui-sites	Commis-sion	Total
Dr S P Vasireddi	4800000	602400	Nil	5402400
V Harriman	3900000	458400	Nil	4358400
V V Prasad	3900000	458400	Nil	4358400
Harita Vasireddi	3250000	386400	Nil	3636400

#### Note :

- Salary includes Basic Salary, Allowances, Perquisites like Contribution to Provident Fund, Gratuity, Leave Encashment and other non-monetary benefits.
- Portion of the salaries paid to the Managing Director and other whole time directors have been capitalized for their time spent on the new project at Plot No.5, Genome Valley, Turkapally Village, Shameerpet Mandal.

### 4.4.2 Sitting fee paid to Non-Executive Directors

(In Rupees)

Name of the Directors	Sitting fee
S Subrahmanyam *	15000
T S Ajai	25000
Dr Subba Rao Pavuluri	-Nil-
Prof D Balasubramanian	20000
Prof K Ramachandran**	10000

\* Ceased w.e.f. 09.08.2007

\*\* Appointed w.e.f. 28.06.2007

## 5. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

### 5.1 Composition

V V Prasad	: Chairman - Executive Director
T S Ajai	: Member - Non-Executive Director
S Subrahmanyam*	: Member - Non-Executive Director
Dr Subba Rao Pavuluri**	: Member - Non-Executive Director

\*Ceased w.e.f. 09.08.2007

\*\* Appointed w.e.f. 28.07.2007

## 5.2 Scope

The Committee is formed to review and redress all the grievances of Shareholders/Investors of the Company.

The redressal of Shareholders/Investors complaints are attended to by the Compliance Officer, A Venkata Ramana, Company Secretary & VP-Corporate Affairs on day-to-day basis under the supervision of the Chairman of the Committee. The major grievances if any, are referred to the committee for redressal. The nature of the complaints / grievances and the action taken are as under :

Nature of Complaints / Queries	Received	Resolved
Transfer of Share Certificates	Nil	NA
Non-Receipt of balance sheet	Nil	NA
Non-Receipt of declared dividend	Nil	NA

## 5.3 Attendance

During the year, the Committee met four times on April 26, 2007; July 28, 2007; October 26, 2007 and January 18, 2008. While V V Prasad and T S Ajai attended all the meetings, S Subrahmanyam and Dr Subba Rao Pavuluri has attended two meetings each.

## 6. GENERAL BODY MEETINGS

6.1 Details of last 3 Annual General Meetings are :

S.No.	Year	Meeting	Venue	Date	Time
1.	2004-2005	AGM	Regd. Office	25.05.2005	10.00 a.m.
2.	2005-2006	AGM	Plot No. 5, Genome Valley, S P Bio-tech Park, Turkapally Village	09.06.2006	11.00 a.m.
3.	2006-2007	AGM	Regd. Office	09.08.2007	10.30 a.m.

There were no Extra Ordinary General Meetings (EGMs) during the Financial Year 2007-2008.

6.2. All the special resolutions placed before the shareholders at the above meetings were approved.

6.3 No resolutions were circulated by postal ballot in the above Annual General Meetings.

6.4 No resolutions were proposed which are to be conducted through Postal ballot.

## 7. DISCLOSURES

7.1 There were no materially significant transactions with the related parties viz., Promoters, Directors or the Management, their subsidiaries, or relatives, conflicting with Company's interest. Suitable disclosures as required by the Accounting Standard (AS18), Related party Transactions have been made in the Annual Report.

There is no pecuniary relationship or transactions of non executive Directors vis-à-vis the Company which has potential conflict with the interests of the Company at large.

7.2 During the last three years there have been no instances of Non-compliance by the Company, no penalties, no strictures

were imposed on the company by Stock Exchanges or SEBI or any other statutory authority on any matters related to Capital markets.

7.3 The Company has complied with all mandatory requirements of the Corporate Governance clause of the listing agreement. The Company has adopted Remuneration committee requirements out of the non mandatory requirements of corporate governance clause of listing agreement.

7.4 The Company has not adopted the whistle Blower Policy which is one of the non mandatory requirements of the corporate governance clause of the listing agreement. However, it is affirmed that no personnel has been denied access to the audit committee to report their concerns about unethical behavior, actual or suspected fraud or violation of Code of Conduct or ethics policy.

7.5 In the preparation of financial statements, the Company has followed the Accounting Standards as prescribed by the Central Government under the Companies (accounting Standards) Rules, 2006.

7.6 The Company has laid down procedures for the risk assessment and minimization procedures. These were reviewed by the Board to ensure that Executive Management controls risk through means of a properly defined framework.

## 8. MEANS OF COMMUNICATION

The quarterly, half-yearly financial results of the Company are sent to the Stock Exchanges immediately, after they are approved by the Board, by fax, e-mail and by courier. These are published in two newspapers within 48 hours of the conclusion of the meeting of the Board. Generally, the results are published in Eenadu, Business Standard & Financial Express. The results are also placed on the Company's website [www.vimta.com](http://www.vimta.com) & EDIFAR website maintained by National Information Centre (NIC), online, as specified by SEBI. Further, all the material information which has bearing on the operations of the Company is sent to all stock exchanges concerned.

The Company's website also displays official press/news releases, presentations if any made to institutional investors and analysts, and several other details / information of interest to various stakeholders.

## 9. COMPLIANCE OF INSIDER TRADING NORMS

The Company has adopted the code of internal procedures and conduct for Listed Companies notified by Securities Exchange Board of India prohibiting insider trading. A policy document on internal code of conduct on insider trading is available with the registered office of the Company. All insiders shall comply with the model code of conduct adopted by the Company.

## 10. GENERAL SHAREHOLDER INFORMATION

### 10.1 Annual General Meeting

Date : 04.09.2008  
Time : 10.00 AM  
Venue : Plot No. 141/2 & 142, IDA Phase-II, Charlapally, Hyderabad - 500 051

### 10.2 Financial Calendar

Financial year : 01.04.2008 to 31.03.2009  
First quarter results : July,2008  
Half yearly results : October,2008  
Third quarter results : January,2009  
Annual Results : April,2009

10.3 Date of Book Closures : 01.09.2008 to 04.09.2008 (both days inclusive)

10.4 Date of dividend payment : Within 30 days from declaration by the members in their meeting to be held on 04.09.2008

### 10.5 Listing with Stock Exchanges

#### Name of the Stock Exchanges & Address

- i) Bombay Stock Exchange Limited  
Phiroje Jeejeebhoy Towers  
Dalal Street, Mumbai -400 001  
Stock Code : 524394
- ii) National Stock Exchange of India Limited  
"Exchange Plaza", Bandra  
Kurla Complex, Bandra (E)  
Mumbai -400 051  
Stock Code : VIMTALABS

The Ministry of Finance, Department of Economics Affairs, Capital Markets Division vide its Gazette Notification dated 19.09.2007 has withdrawn its recognition given to The Hyderabad Stock Exchange Limited(HSE). Therefore, the listing with HSE stands cancelled.

The ISIN of dematerialized shares of the Company is

**"INE579C01029"**

#### Electronic Connectivity

- i) National Securities Depository Ltd  
Trade World, 4th Floor, Kamala Mills Compound  
Senapati Bapat Marg, Lower Parel, Mumbai -400 013
- ii) Central Depository Services (India) Limited  
26/28th Floor, BSE Buildings, Dalal Street  
Mumbai -400 023

### 10.6 Stock Price Data

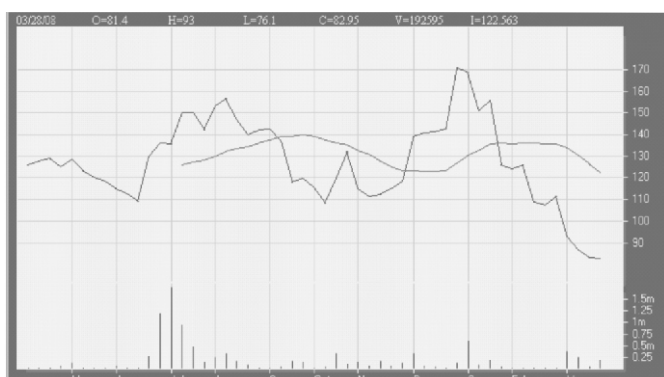
Monthly high and low share quotations on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited, Mumbai for the financial year 2007-2008 are given below :

(In Rupees)

Year 2007-08	Bombay Stock Exchange Ltd.		National Stock Exchange of India Ltd.	
	High	Low	High	Low
April, 2007	141.95	114.50	142.00	115.00
May, 2007	132.00	112.60	132.00	114.00
June, 2007	147.70	94.55	145.95	95.45
July, 2007	175.00	129.00	173.05	132.65
August, 2007	174.90	132.30	174.45	134.00
September, 2007	148.05	111.95	148.50	112.15
October, 2007	146.00	102.00	145.90	100.00
November, 2007	125.40	108.25	125.50	105.50
December, 2007	171.05	120.00	170.30	115.15
January, 2008	185.00	106.95	183.00	107.80
February, 2008	138.00	98.20	135.00	98.15
March, 2008	118.90	75.10	109.95	75.10

### 10.7 Share price performance in comparison to broad based indices - BSE Sensex and NSE

#### Share price movement (BSE)



#### Share price Movement (NSE)



### 10.8 Address for Communication regarding Share Transfers in Physical/ Electronic form and other related correspondence:

M/s CIL Securities Ltd.  
214, Raghava Ratna Towers  
Abids, Hyderabad - 500001  
Phone: 040-23203155 Fax : 040-66661267  
E-mail: cilsec@rediffmail.com

### 10.9 Share Transfer System

Presently, the share transfers which are received in physical form are processed and the share certificates are returned within a period of 15 to 20 days from the date of receipt, subject to the documents being valid and complete in all respects.

### 10.10 Distribution of shareholding as on 31.03.2008

Shares held	Shareholders		No. of Shares		
	From - To	No.	%	No.	%
Upto 5000		5992	97.72	2507795	11.34
5001-10000		59	0.96	456289	2.06
10001-20000		34	0.55	491719	2.22
20001-30000		6	0.10	167551	0.76
30001-40000		3	0.05	94072	0.43
40001-50000		2	0.04	83718	0.38
50001-100000		10	0.16	762463	3.45
100001 and above		26	0.42	17544203	79.36
Total		6132	100	22107810	100

### 10.11 Categories of shareholders as on 31.03.2008

Category	No. of Shares	%
<b>Shareholding of Promoter &amp; Promoter Group</b>		
Indian	8039862	36.37
Foreign	Nil	Nil
<b>Public Shareholding</b>		
Institutional Investors	8922274	40.36
Non - Institutional Investors	5145674	23.27
<b>TOTAL</b>	<b>22107810</b>	<b>100.00</b>

### 10.12 Dematerialization of shares and liquidity

Over 96.22% of the company's equity shares have been dematerialised upto 31.03.2008. Trading in Equity shares of the company is permitted only in dematerialised form as per notification issued by SEBI.

Vimta Shares are actively traded at Bombay Stock Exchange Limited and National Stock Exchange Limited. Relevant turnover data for the financial year 2007-08

(Rs. in lakhs)\*

	Bombay Stock Exchange Ltd.	National Stock Exchange of India Ltd
Total shares traded	10221005	8459112
Turnover value*	14175.79	11679.82

10.13 As on date, the company has not issued any GDRs/ ADRs/ Warrants or any convertible instruments.

10.14 Company locations :

<b>Regd. Office &amp; Laboratory</b>	Plot No.141/2 & 142, IDA, Phase-II, Cherlapally, Hyderabad-500051 Phone : 040-27264141 Fax : 040-27263657
<b>Life Sciences Facility</b>	Plot No.5 S P Bio-Tech Park Genome Valley Turkapally-500078 Shameerpet Mandal Phone : 040-39848484
<b>Regional Laboratories</b>	
Chennai	VIMTA-VHS Research Centre The Voluntary Health Care Old Mahabalipuram Road TTTI Post, Adayar Chennai-600113 Phone : 044-22542079
Noida	Plot No.58, Block C Sector VIII NOIDA-201301
<b>Satellite Laboratories</b>	
Vijayawada	29-5-1, Shyam Enclave Opp. Glaxo, Cherukupalli Vari St. Prakasam Road, Governerpet Vijayawada-520002 Phone : 0866-2438122
Visakhapatnam	14-37-41/2 Krishna Nagar Maharaniipet Visakhapatnam-530002 Phone : 0891-5560271
Madurai	24-A, Kakkam Street Shenoy Nagar Madurai-625020
Coimbatore	1) 47 & 48, Cowley Brown Road R S Puram Coimbatore-641002 2) 107-A-1, NSR Road Saibaba Colony Coimbatore-641002 3) Abinath Hospital Sundarapuram Coimbatore-641024
10.15 Address for correspondence	Vimta Labs Ltd Plot No.141/2 & 142 IDA, Phase-II, Cherlapally Hyderabad-500051 Phone : 040-27264141 Fax : 040-27263657 Web : www.vimta.com E-mail : shares@vimta.com

## Auditor's Certificate

To  
The Members of Vimta Labs Limited

We have examined the compliance of conditions of Corporate Governance by VIMTA LABS LIMITED ("the Company") for the year ended on 31st March 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to review of the procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion, and to the best of our information and according to the explanations given to us, and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

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

for SARATHY & BALU,  
CHARTERED ACCOUNTANTS

J. VENKATESWARLU  
PARTNER  
ICAI Ms. No.022481

Place : Hyderabad  
Date : 30.07.2008



# Auditor's Report

To  
The Members of VIMTA LABS LIMITED

1. We have audited the attached Balance Sheet of VIMTA LABS LIMITED as at 31st March 2008, and also the Profit and Loss account and the Cash Flow Statement for the year ended on that date both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the 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.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, as amended from time to time, we enclose in the annexure a Statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books and proper returns adequate

for the purposes of our audit have been received from the branches not visited by us;

- (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement together with the Notes thereon, dealt with by this report, are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement together with the Significant Accounting Policies and Notes on Accounts 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 2008, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; and
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements 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, in the case of:
  - (a) the Balance Sheet, of the State of Affairs of the company as at 31st March 2008;
  - (b) the Profit and Loss Account, of the profit for the year ended on that date; and
  - (c) the Cash Flow Statement, of the cash flows for the year ended on that date

for SARATHY & BALU,  
Chartered Accountants

J. VENKATESWARLU  
PARTNER  
ICAI Ms. No.022481

Place: Hyderabad  
Date: 21.04.2008

## Annexure to Audit Report dated 21.04.2008

(Referred to in paragraph 3 of our report of even date)

1.
  - (i) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (ii) As explained to us, all the fixed assets have been physically verified by the management at reasonable intervals as per a regular programme of verification which, in our opinion, is reasonable, having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such physical verification.
  - (iii) In our opinion, the company has not disposed off a substantial part of its fixed assets during the year and the going concern status of the company is not affected.
2.
  - (i) According to the information and explanations given to us, the inventory has been physically verified during the year by the management at reasonable intervals. In our opinion, the frequency of verification is reasonable.
  - (ii) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
3.
  - (i) 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. As such, Clauses (iii)(b), (iii)(c) and (iii)(d) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
  - (ii) 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. As such, Clauses (iii)(f) and (iii)(g) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and

- services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control systems.
5. (i) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the transactions made in pursuance of contracts or arrangements that needed to be entered in the Register maintained U/s.301 of the Companies Act, 1956 have been so entered.
  - (ii) In our opinion and according to the information and explanations given to us, the transactions made during the year in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Act, aggregating to Rs.5,00,000/- or more in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
  6. According to the information and explanations given to us, the company has not accepted any deposits from public. Therefore, the provisions of Clause (vi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
  7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
  8. According to the information and explanations furnished to us, the Central Government has not prescribed maintenance of cost records U/s.209(1)(d) of the Companies Act, 1956 to this company.
  9. (i) According to the information and explanations furnished to us and as per the records of the company, the company is regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise-duty, cess and other statutory dues as applicable to it with the appropriate authorities and as per the information and explanations given to us, the company is not required to transfer any amount to the investor education and protection fund during the year covered under audit.
  - (ii) According to the information and explanations given to us, there are no undisputed arrears of statutory dues as at 31-3-2008 which are outstanding for a period of more than six months from the date they became payable.
  - (iii) (a) According to the information and explanations given to us, as at 31-03-2008, there are no dues of sales tax, wealth-tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
  - (b) According to the information and explanations furnished to us, the Company's disputed income tax dues relating to assessment years 2002-03 – Rs.14.97 lakhs; 2003-04 – Rs.18.65 lakhs and 2004-05 – Rs.56.28 lakhs, in all aggregating to Rs.89.90 lakhs, pending before ITAT, Hyderabad have been deposited in full under protest. However, as per the legal advise, these disputed amounts have not been provided for in the books of account.
  10. The company does not have accumulated losses as at the end of the financial year under audit and has not incurred any cash losses during the financial year covered by the audit and in the immediately preceding financial year.
  11. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions or banks. The company has not issued any debentures.
  12. Based on our examination of documents and records and as per the information and explanations given to us, we are of the opinion that the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
  13. Based on our audit procedures and as per the information and explanations given to us, we are of the opinion that the company is not a Chit Fund, Nidhi / Mutual Benefit Fund / Society. Therefore, the provisions of clause (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to this company.
  14. Based on our examination of the records and evaluation of the related internal controls, we are of the opinion that the company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to this company.
  15. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
  16. According to the information and explanations given to us, the Company has not raised any term loans during the year.
  17. According to the information and explanations given to us and on an over all examination of the balance sheet of the company, we are of the opinion that there are no funds raised on short term basis that have been used for long term investment.
  18. According to the information and explanations furnished to us and based on the examination of the records, the company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
  19. According to the information and explanations furnished to us and based on the records verified by us, during the period covered by our audit report, the company has not issued any debentures and hence creation of securities for the same is not applicable.
  20. According to the information and explanations furnished to us and based on the records verified by us, the company has not raised any money through public issues during the period covered under audit and hence disclosure by the management on the end usage of money raised by public issues and our comments on the verification of the same is not applicable.
  21. Based upon the audit procedures performed and according to the information and explanations given to us, no material fraud on or by the company has been noticed or reported during the course of our audit.

for SARATHY & BALU,  
Chartered Accountants

J. VENKATESWARLU  
PARTNER  
ICAI Ms. No.022481

Place: Hyderabad  
Date: 21.04.2008

# Balance Sheet as at March 31, 2008

	Schedule No	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
<b>SOURCES OF FUNDS</b>			
1) Shareholder's Funds			
a) Capital	1	44,215,620	44,215,620
b) Reserves & surplus	2	1,237,362,167	1,195,597,414
2) Loan funds			
- Secured loans	3	277,967,139	351,094,627
3) Deferred Tax	4	24,921,527	25,206,304
<b>TOTAL</b>		<b><u>1,584,466,453</u></b>	<b><u>1,616,113,965</u></b>
<b>APPLICATION OF FUNDS</b>			
1) Fixed Assets	5		
a) Gross Block		1,488,691,805	1,347,442,630
b) Less: Depreciation		405,975,417	259,790,271
c) Net Block		1,082,716,388	1,087,652,359
d) Capital Work-in-progress	5A	125,899,902	61,565,963
		<b><u>1,208,616,290</u></b>	<b><u>1,149,218,322</u></b>
2) Current Assets Loans & Advances	6		
a) Inventories		96,549,071	66,891,957
b) Sundry debtors		310,593,812	206,488,931
c) Cash & bank balances		26,289,682	225,182,000
d) Other current assets		41,147,499	41,807,527
e) Loans & advances		30,152,845	33,316,900
		504,732,909	573,687,315
Less : Current liabilities & Provisions	7	140,938,911	122,866,559
Net Current assets		<b><u>363,793,998</u></b>	<b><u>450,820,756</u></b>
3) Miscellaneous Expenditure (to the extent not written off or adjusted)	8	12,056,165	16,074,887
<b>TOTAL</b>		<b><u>1,584,466,453</u></b>	<b><u>1,616,113,965</u></b>
Significant Accounting Policies	15		
Notes on Accounts	16		

Schedules mentioned above form an integral part of the Balance Sheet  
This is the balance sheet referred to in our report of even date

for SARATHY & BALU,  
Chartered Accountants

J. VENKATESWARLU  
PARTNER  
ICAI Ms. No.022481

Place: Hyderabad  
Date: 21.04.2008

For and on behalf of the Board

Dr S P Vasireddi  
V Harriman  
V V Prasad  
T S Ajai

A Venkata Ramana

Place: Hyderabad  
Date: 21.04.2008

Managing Director  
Director Technical  
Executive Director  
Director

Company Secretary &  
VP - Corporate Affairs

## Profit & Loss Account for the year ended March 31, 2008

	Schedule No	Year Ended 31.03.2008 Rs.	Year Ended 31.03.2007 Rs.
<b>INCOME</b>			
Income from operations		817,551,005	602,492,570
Less : Service Tax		<u>50,611,822</u>	<u>29,953,607</u>
Net Income	9	766,939,183	572,538,963
Other Income	10	<u>22,011,372</u>	<u>42,730,337</u>
<b>TOTAL</b>		<b><u>788,950,555</u></b>	<b><u>615,269,300</u></b>
<b>EXPENDITURE</b>			
Testing, Administration, Selling & other expenses	11	511,770,352	355,260,696
<b>TOTAL</b>		<b><u>511,770,352</u></b>	<b><u>355,260,696</u></b>
Earnings before Interest, Depn, Amortisation and Tax		277,180,203	260,008,604
Finance charges and Interest	12	28,130,397	27,478,197
Depreciation	5	146,185,146	93,995,814
<b>TOTAL</b>		<b><u>174,315,543</u></b>	<b><u>121,474,011</u></b>
Profit before amortisation, Prior year adjustments & Tax		102,864,660	138,534,593
Less : a) Amortisation of preliminary expenses	13	4,018,722	4,018,722
b) Prior year adjustments	14	<u>(226,066)</u>	<u>149,576</u>
Profit before tax		99,072,004	134,366,295
Less : a) Provision for regular Income-tax		35,400,000	30,205,000
b) Fringe benefit tax		1,500,000	2,000,000
c) Deferred tax Liability/ (Asset)		<u>(284,777)</u>	<u>14,888,297</u>
Profit After Tax		62,456,781	87,272,998
Add : Surplus brought forward from prev. year		378,519,024	320,738,054
Amount available for appropriations		<b><u>440,975,805</u></b>	<b><u>408,011,052</u></b>
<b>APPROPRIATIONS :</b>			
Transfer to General Reserve		6,500,000	8,800,000
Proposed dividend		17,686,248	17,686,248
Provision for tax on dividend		3,005,780	3,005,780
Surplus carried to Balance Sheet		<u>413,783,777</u>	<u>378,519,024</u>
		<b><u>440,975,805</u></b>	<b><u>408,011,052</u></b>
Significant Accounting Policies	15		
Notes on Accounts	16		
<b>COMPUTATION OF EARNINGS PER SHARE</b>			
a) Net Profit for the year		<b>Rs.62456781</b>	<b>Rs.87272998</b>
b) Weighted average no.of shares outstanding during the year		22,107,810	22,107,810
c) Basic and diluted earnings pershare (a / b)		Rs.3/-	Rs.4/-
d) Nominal value of shares (fully paid up)		Rs.2/- each	Rs.2/- each

Schedules mentioned above form an integral part of the Profit & Loss Account  
This is the Profit & Loss Account referred to in our report of even date

for SARATHY & BALU,  
Chartered Accountants

J. VENKATESWARLU  
PARTNER  
ICAI Ms. No.022481

Place: Hyderabad  
Date: 21.04.2008

For and on behalf of the Board

Dr S P Vasireddi  
V Harriman  
V V Prasad  
T S Ajai

A Venkata Ramana

Place: Hyderabad  
Date: 21.04.2008

Managing Director  
Director Technical  
Executive Director  
Director

Company Secretary &  
VP - Corporate Affairs

## Schedules to Accounts

	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
<b>1. SHARE CAPITAL</b>		
Authorised:35000000 Equity Shares of Rs.2/- each (Previous year 35000000 equity shares of Rs.2/- each)	<u>70,000,000</u>	<u>70,000,000</u>
Issued, Subscribed and Paid up 22107810 equity shares of Rs.2/- each fully paid up (Previous year 22107810 shares of Rs.2/- each fully paid up)	44,215,620	44,215,620
<b>TOTAL</b>	<u><b>44,215,620</b></u>	<u><b>44,215,620</b></u>
<b>2. RESERVES AND SURPLUS</b>		
i) Share Premium Account	<u>773,728,390</u>	<u>773,728,390</u>
ii) General Reserve		
Opening Balance	43,350,000	34,550,000
Add : Transferred from Profit & Loss Account during the year	<u>6,500,000</u>	<u>8,800,000</u>
	49,850,000	43,350,000
iii) Surplus in Profit & Loss Account	<u>413,783,777</u>	<u>378,519,024</u>
<b>TOTAL</b>	<u><b>1,237,362,167</b></u>	<u><b>1,195,597,414</b></u>
<b>3. SECURED LOANS</b>		
a) Loans & Advances from Banks		
i) Cash Credit		
- Repayable in Indian Rupees	88,101,504	62,370,389
ii) Term loans		
- Repayable in Foreign currency (USD 3740540.01)	143,606,614	238,955,745
<b>SUB TOTAL</b>	<u><b>231,708,118</b></u>	<u><b>301,326,134</b></u>
b) Other Loans & Advances		
- Soft Loan from Technology Development Board	46,259,021	49,768,493
<b>SUB TOTAL</b>	<u><b>46,259,021</b></u>	<u><b>49,768,493</b></u>
<b>TOTAL</b>	<u><b>277,967,139</b></u>	<u><b>351,094,627</b></u>
<b>4 DEFERRED TAX</b>		
Opening Balance	25,206,304	10,318,007
Add / (Less) : Liability/(Asset) for the year	<u>(284,777)</u>	<u>14,888,297</u>
<b>TOTAL</b>	<u><b>24,921,527</b></u>	<u><b>25,206,304</b></u>

**5. FIXED ASSETS**

S No.	Description	As at 01.04.2007		Gross Block Additions		Total As at 31.03.2008		Upto 31.03.2007		Depreciation For the year		Total upto 31.03.2008		Net Block	
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	Goodwill	0	0	3,550,000	3,550,000	0	0	254,792	254,792	0	254,792	3,295,208	3,295,208	0	3,295,208
2	Freehold Land & Site Development	21,877,668	21,877,668	-	21,877,668	-	21,877,668	-	-	-	-	21,877,668	21,877,668	21,877,668	21,877,668
3	Buildings	394,412,460	394,412,460	41,275,032	435,687,492	7,992,836	402,680,328	6,731,603	14,724,439	386,419,624	14,724,439	420,963,053	420,963,053	386,419,624	420,963,053
	Lab Buildings	944,264	944,264	-	944,264	216,760	1,161,024	15,392	232,152	727,504	232,152	712,112	712,112	727,504	712,112
	Staff Quarters	804,802,748	804,802,748	77,962,772	882,765,520	227,634,315	1,010,399,835	128,160,970	355,795,285	577,168,433	355,795,285	526,970,235	526,970,235	577,168,433	526,970,235
4	Plant & Machinery	45,531,460	45,531,460	1,213,626	46,745,086	3,632,441	50,377,527	2,162,744	5,795,185	41,899,019	5,795,185	40,949,901	40,949,901	41,899,019	40,949,901
5	Electrical Installation	3,454,781	3,454,781	1,795,199	5,249,980	1,259,912	6,504,892	194,412	1,454,324	2,194,869	1,454,324	3,795,656	3,795,656	2,194,869	3,795,656
6	Office Equipment	22,296,582	22,296,582	5,920,655	28,217,237	10,182,311	38,400,143	4,198,789	14,381,100	12,114,271	14,381,100	13,836,137	13,836,137	12,114,271	13,836,137
7	Computers	35,855,895	35,855,895	4,309,935	40,165,830	3,705,549	43,871,374	2,385,872	6,091,421	32,150,346	6,091,421	34,074,409	34,074,409	32,150,346	34,074,409
8	Furnitures & Fixtures	18,266,772	18,266,772	5,221,956	23,488,728	5,166,147	28,654,871	2,080,572	7,246,719	13,100,625	7,246,719	16,242,009	16,242,009	13,100,625	16,242,009
9	Vehicles	1,347,442,630	1,347,442,630	141,249,175	1,488,691,805	259,790,271	1,648,482,076	146,185,146	405,975,417	1,087,652,359	405,975,417	1,082,716,388	1,082,716,388	1,087,652,359	1,082,716,388
	<b>Total :</b>	<b>1,347,442,630</b>	<b>1,347,442,630</b>	<b>907,771,295</b>	<b>1,347,442,630</b>	<b>165,794,457</b>	<b>1,513,237,087</b>	<b>93,995,814</b>	<b>259,790,271</b>	<b>1,087,652,359</b>	<b>259,790,271</b>	<b>1,082,716,388</b>	<b>1,082,716,388</b>	<b>1,087,652,359</b>	<b>1,082,716,388</b>
	Previous year	439,671,335	439,671,335												273,876,876

**5A. CAPITAL WORKS-IN-PROGRESS**

S.No.	Description of the Asset	As at 01.04.2007		Gross Block		Balance as at 31.03.2008	
		Rs.	Rs.	Additions	Adjusts / Transfer	Rs.	Rs.
1	Expansion Project at S.P.Biotech Park, Genome valley, Hyderabad	26,660,470	26,660,470	76,446,816	65,143,369	37,963,917	37,963,917
	i) Advance for Capital Items	34,905,493	34,905,493	111,220,612	63,890,454	82,235,651	82,235,651
	ii) Building under construction	-	-	5,700,334	-	5,700,334	5,700,334
	iii) Unallocated project expenditure	-	-	-	-	-	-
	<b>Total :</b>	<b>61,565,963</b>	<b>61,565,963</b>	<b>193,367,762</b>	<b>129,033,823</b>	<b>125,899,902</b>	<b>125,899,902</b>
	Previous year	448,403,980	448,403,980	778,614,278	1,165,452,295	61,565,963	61,565,963

## Schedules to Accounts

	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
<b>6 CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
a) Inventorie		
i) Chemicals & Consumables	59,675,035	32,652,672
ii) Components, Stores & Spares	1,131,386	1,842,338
iii) Works-in-progress	35,742,650	32,396,947
<b>TOTAL</b>	<b><u>96,549,071</u></b>	<b><u>66,891,957</u></b>
b) Sundry Debtors (Debts considered good for which the Company holds no security other than the debtors' personal security)		
i) Debts outstanding for a Period exceeding six months	35,560,444	21,167,918
ii) Other debts	275,033,368	185,321,013
<b>TOTAL</b>	<b><u>310,593,812</u></b>	<b><u>206,488,931</u></b>
c) Cash & Bank Balances		
i) Cash Balance on hand	844,459	730,708
ii) Bank Balances with Scheduled Banks in India		
a) on current Accounts	5,153,442	3,054,207
b) on Deposit Accounts		
- unutilised funds raised in public issue in earlier years	15,000,000	220,000,000
- others	3,894,191	219,251
c) in unclaimed dividend account	1,397,590	1,177,834
<b>TOTAL</b>	<b><u>26,289,682</u></b>	<b><u>225,182,000</u></b>
d) Other Current Assets		
i) Income-tax paid under protest (relating to earlier years)	8,989,830	8,089,830
ii) Prepaid Income-tax (Net of tax payable)	21,409,213	14,953,308
iii) Accrued Interest on deposits with banks	384,669	4,347,281
iv) Retention Money with customers	458,818	548,718
v) CENVAT Credit	9,904,969	13,868,390
<b>TOTAL</b>	<b><u>41,147,499</u></b>	<b><u>41,807,527</u></b>
e) Loans and Advances (Advances considered good for which the Company holds no security other than the personal security of parties)		
i) Advances recoverable in cash or in kind or for value to be received	11,788,824	7,690,062
ii) Deposits and balances with Public Sector Bodies & Others	7,856,139	6,711,494
iii) Advances for services & supplies	10,507,882	18,915,344
<b>TOTAL</b>	<b><u>30,152,845</u></b>	<b><u>33,316,900</u></b>

	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
<b>7 CURRENT LIABILITES &amp; PROVISIONS</b>		
a) Current Liabilities		
i) Sundry Creditors for services & supplies		
- dues to SSI undertakings	—	—
- dues to otherthan SSI undertakings	53,129,317	28,205,937
- creditors for capital expenditure (Expansion project)		
a) to SSI undertakings	-	-
b) to others	20,313,184	34,597,481
ii) Advances from customers against services	3,674,368	3,648,555
iii) Other Liabilities	39,212,294	32,478,761
iv) Unclaimed dividend	1,392,670	1,172,834
<b>SUB TOTAL</b>	<b>117,721,833</b>	<b>100,103,568</b>
b) Provisions		
i) Proposed dividend	17,686,248	17,686,248
ii) Tax on proposed dividend	3,005,780	3,005,780
iii) Leave encashment	2,525,050	2,070,963
<b>SUB TOTAL</b>	<b>23,217,078</b>	<b>22,762,991</b>
<b>TOTAL</b>	<b>140,938,911</b>	<b>122,866,559</b>
<b>8 MISCELLANEOUS EXPENDITURE</b> (To the extent not written off or adjusted)		
i) Preliminary expenses (in connection with further issue of capital)		
Opening balance	16,074,887	19,746,109
Add : Additions during the year	-	347,500
Less : Written off during the year to Profit & Loss Account	4,018,722	4,018,722
<b>TOTAL</b>	<b>12,056,165</b>	<b>16,074,887</b>
<b>9 INCOME FROM OPERATIONS</b>		
i) Income from Testing & Analysis Services		
- Domestic	527,568,105	368,475,169
Less : Service Tax	50,611,822	29,953,607
	476,956,283	338,521,562
- Exports	289,982,900	234,017,401
<b>TOTAL</b>	<b>766,939,183</b>	<b>572,538,963</b>
<b>10 OTHER INCOME</b>		
i) Interest on Deposits with Banks (including TDS of Rs.5,09,795/- thereon) (Prev. year Rs.34,42,179/-)	5,655,758	28,150,737
ii) Gain on exchange fluctuations	15,601,866	13,804,742
iii) Interest received on electricity consumption deposit	293,772	315,113
iv) Miscellaneous Receipts	459,976	459,745
<b>TOTAL</b>	<b>22,011,372</b>	<b>42,730,337</b>





## 15. SIGNIFICANT ACCOUNTING POLICIES

- A) **Basis of preparation of Financial Statements :**  
Financial statements are prepared under historical cost convention in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956, having due regard to fundamental accounting assumptions of going concern, consistency and accrual.
- B) **Method of Accounting :** The Company follows accrual method of accounting.
- C) **Use of Estimates :** The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known / materialized.
- D) **Accounting Standards :** Recommendations made in the Accounting Standards referred to in Sec.211 (3C) of the Companies Act, 1956, as applicable to the company are followed.
- E) **Own Fixed Assets :** Fixed Assets other than Goodwill are stated at historical cost of acquisition / construction, net of modvat / cenvat, less accumulated depreciation and impairment loss, if any. All costs, including financing costs and revenue expenditure till commencement of commercial production / services, net charges on foreign exchange contracts and adjustments arising from exchange rate variations attributable to the fixed assets are capitalized.
- Grants/subsidies received, if any, from Government and others towards cost / part of the cost fixed asset(s) are reduced from the cost of the respective asset(s) and the net cost incurred by the Company only is carried to the fixed assets block.
- Goodwill is recorded in the books only when some consideration in money or money's worth has been paid for it. Whenever a business is acquired for a price (payable in cash or in shares or otherwise) which is in excess of the value of the net assets of the business taken over, the excess is termed as 'goodwill'.
- F) **Leased Assets:** Lease payments made for assets taken on operating lease are recognized as an expense in the Statement of Profit & Loss.
- G) **Capital Works in Progress:** Amounts spent on expansion project are carried at cost under the head "Capital Works in Progress". As and when the assets are put to commercial use, cost of the respective asset is capitalized. Besides the direct cost, indirect costs relating to the acquisition and installation of assets incurred till the assets are put to use are capitalized in the proportionate value of the assets.
- H) **Depreciation :**
- i) Depreciation on fixed assets, other than Plant & Machinery and Goodwill, is provided under Straight Line Method (SLM) at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.
  - ii) As followed consistently, considering the fast changes taking place in the technology and obsolescence of Plant & Machinery, depreciation on Plant & Machinery is provided under Straight Line Method (SLM) at a higher rate of 15% p.a. as against the specified rates in Schedule XIV to the Companies Act, 1956.
- iii) Good will is written off over a period of ten years in equal instalments.
- iv) Depreciation on additions/deletions during the year is calculated pro rata from/to the month of addition/deletion.
- I) **Impairment of Assets :** An asset is treated as impaired when the carrying cost exceeds its recoverable value. An impairment loss is charged to the Profit and Loss A/c in the year in which an asset is identified as impaired. The impairment loss recognized in a prior accounting period is reversed if there has been a change in the estimate of recoverable amount.
- J) **Inventories :** Inventories are valued at the lower of cost and net realizable value. Cost is arrived by using first-in-first-out (FIFO) formula and includes all cost of purchase, cost of conversion and other costs incurred in bringing them to their respective present location and condition.
- K) **Prior period expense/income :** The company follows the practice of making adjustments through "expenses/income under/over provided" in previous years in respect of material transactions pertaining to that period prior to the current accounting year.
- L) **Employee Benefits :** Provision for Gratuity for all eligible employees is made under Defined Contribution Plan by taking a Policy from LIC of India and short term Employee Benefits viz., Salaries, Wages, Incentives, Bonus, Provident Fund and ESI Contributions and other Short term Compensated Absences like paid annual leave are provided for as per Company's Rules and charged to Profit & Loss Account.
- M) **Foreign Currency Transactions :** Transactions in Foreign Currencies are recorded at the exchange rates prevailing on the date of the transaction. Foreign Currency monetary Assets and Liabilities are translated at year end exchange rates. Exchange difference arising on settlement or translation of monetary items are recognized as income or expense in the year in which they arise, except in respect of liabilities for the acquisition of fixed assets from a country outside India and liabilities incurred prior to April 1, 2004, in which case they are adjusted in the carrying cost of such assets.
- N) **Miscellaneous expenditure (to the extent not written of or adjusted):**
- i) Expenditure incurred in relation to issue of capital is written off over a period of 5 years in equal installments commencing from the year in which the funds raised are utilised.
  - ii) Gross interest payable on Hire Purchase loans borrowed is accounted for in the year of recording the Hire purchase transaction and the undue portion of interest (relating to future period) is carried under the head "Miscellaneous Expenditure" and written off to P & L a/c proportionately over the remaining loan period.
- O) **Tax Expense:** Deferred tax resulting from "Timing Difference" between book and taxable profit is accounted for using the tax rates and laws that are enacted or substantively enacted as on the Balance Sheet date. Deferred tax asset is recognized and carried forward only to the extent that there is a reasonable certainty that the asset will be realized in future.
- Provision is made for regular tax on income, tax on distributed dividend and fringe benefit tax as per the provisions of Income Tax Act, 1961 and the rules made thereunder.

## Schedules to Accounts

- P) Software: Expenditure incurred on purchase /acquisition / development of Software is treated as a revenue expenditure and charged to P & L Account consistently.
- Q) Borrowing Costs : Borrowing costs attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.
- R) Income from Operations : Income from Operations includes income from services rendered, adjusted for discounts and includes Service Tax and other applicable taxes collected.
- S) Business Segments : The company is engaged in the business of Testing and Contract Research in the fields of Clinical and Pre Clinical Studies, Clinical Reference, Analytical Testing, Advanced Molecular Biology and Environment studies. Since the inherent nature of all these activities are integrated and govern by the same set of risks and returns and operating in the same economic environment, these are treated as a single Business and Geographical Segment. The said treatment is in accordance with the Accounting Standard "Segment Reporting", referred to in Sec.211(3C) of the Companies Act, 1956.
- T) Provision, Contingent Liabilities and Contingent Assets : Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes on accounts. Contingent Assets are neither recognized nor disclosed in the financial statements.
- U) General : Accounting policies not specifically referred to above are in consistent with the generally accepted accounting principles followed in India.

During this year, wordings of some of the accounting policies have been modified / revised to reflect correct meaning in line with the applicable Accounting Standards. However, there has been no change in the accounting policies, which are consistently followed by the company.

### 16. NOTES ON ACCOUNTS

#### A. CONTINGENT LIABILITIES :

- i) Guarantees issued by Bankers on behalf of the Company not provided for is Rs.76.65 lakhs (Previous year Rs.78.66 lakhs). These guarantees are secured by lien on the Company's deposits of Rs.40.51 lakhs with the bank (previous year Rs.9.06 lakhs).
- ii) In order to obtain Import Licences under the Export Promotion Capital Goods Scheme of Government of India, the Company has given an undertaking to fulfill certain quantified export obligations. In case of non-fulfillment of such obligations, the Company shall be liable to pay the concessions in duty availed and interest on unfulfilled export obligations under the said scheme. Till 31.03.2008, the Company has fulfilled the required export obligations under the scheme and hence no liability is foreseen on account of this. Accordingly no liability is provided for on account of this.

- iii) As the Central Government has not yet notified the date for levy of Cess u/s 441A of the Companies Act, 1956, no provision is made for the same.
- iv) Estimated amount of contracts remaining to be executed on capital account and not provided for is : Rs.707.62 lakhs (previous year Rs.425.00 lakhs).
- v) A total Income Tax demand of Rs.89.90 lakhs has been raised on the Company in the assessments completed for assessment years 2002-03 to 2004-05, rejecting the claim of the Company for deduction of income from exports from its total income. The Company's legal counsel has confirmed the validity of the deductions claimed by the Company. The Company has deposited the demands in full under protest and disputed before the Appellate Authorities and the same are pending before ITAT, Hyderabad as on date. In view of the above, no provision is made for the said demand of Rs.89.90 lakhs in the books of account.
- vi) Total of future minimum lease payments in respect of assets taken under non cancelable operating leases not provided for is : Rs.64.60 lakhs (Previous year Rs.242.77 Lakhs)

#### B. SECURED LOANS

- i) Working capital borrowings (limit Rs.700 lakhs/ Outstanding - Rs.881.01 lakhs) (previous year Rs.700 lakhs and Rs.627.70 lakhs respectively) from State Bank of India are secured by hypothecation of all the current assets of the Company as primary security and extension of charge on land, buildings and fixed assets of the company, other than the assets which are acquired with Hire Purchase loans, Soft loan from Technology Development Board and grants from Government and other Institutions.
- ii) Term Loans from State Bank of India (limit Rs.3300 lakhs; outstanding Rs.1436.07 lakhs) (previous year Rs.3675 lakhs and Rs.2389.56 lakhs respectively) are secured by equitable mortgage of land and hypothecation of buildings situated at Plot Nos 141/2 & 142, IDA Phase II, Cherlapally, Hyderabad and Plot No: 5, S.P. Biotech Park, Genome Valley, Hyderabad and hypothecation of equipment procured with the term loans as primary security and extension of charge on other fixed assets of the Company other than the assets which are acquired with HP loans, grants and soft loans from Government and other institutions.
- iii) Soft loan from Technology Development Board (Limit Rs.485 lakhs; Outstanding Rs.462.59 lakhs, (previous year Rs.485 lakhs and Rs.497.68 lakhs respectively) including accrued interest payable after monitory period, is secured by hypothecation of equipment procured with the said soft loan.

#### C. SUNDRY CREDITORS

- i) The Small Scale Industrial undertakings to whom the Company owe any sum together with interest outstanding for more than 30 days are Nil (Previous year Nil).
- ii) There are no parties who are covered under Micro, Small and Medium Enterprises Development Act, 2006, (MSMEDA) to whom the Company owes dues, which are outstanding as at the Balance Sheet date. Interest paid to any party covered under MSMED Act, 2006 Rs. Nil (Previous year Nil).

**D. FIXED ASSETS**

- i) Capital Works-in-progress : Assets which are under construction / erection / commissioning as at the Balance Sheet date are shown as Capital works in progress. Besides the direct cost on capital items, revenue expenditure incurred in relation to the project implementation is also capitalized.
- ii) Goodwill : During the year, the company has acquired two running business establishments for a price in excess of the value of net assets of the said businesses by Rs.35.50 lakhs and the same has been recognized as Goodwill in terms of Accounting Standard (AS) 10 "Accounting for Fixed Assets"

**E. CURRENT ASSETS, LOANS & ADVANCES :**

- i) In the opinion of Management, Current Assets, Loans & Advances have a value and realisation will be equal to the amount at which they are stated in the Balance Sheet and provision for all known unrecoverable items has been made.
- ii) Details of unutilized monies out of the capital raised through preferential allotment in the previous years are as under :

(Rs. in lakhs)		
Form in which the unutilized funds are invested	As at 31.03.2008	As at 31.03.2007
Term deposits with State Bank of India and other Nationalized Banks	150	2200

- iii) Advances recoverable in cash or in kind or for value to be received of Rs.117.89 lakhs [Ref. Sec.6 (e)(i)] include Rs.11.00 lakhs (previous year Rs. Nil) due from Officers of the company, given in the normal course of business. Maximum amount outstanding at any time during the year is Rs.11.33 lakhs (Previous year Rs. Nil).
- iv) Advances for services and supplies of Rs.105.08 lakhs [Ref Sec. 6(e)(iii)] include amounts due from Vimta Specialities Ltd., a Company under the same management within the meaning of sub Section (1B) of Section 370 of the Companies Act 1956, which is not in the nature of loan, but given in the normal course of business is Rs.37.00 Lakhs (previous year Rs.0.05 lakhs). Maximum amount outstanding at any time during the year is Rs.65.64 lakhs. (previous year Rs.0.05 lakhs).

**F. INCOME TAX**

Provision for regular tax on Income, Tax on Distributed Dividend and Fringe Benefit Tax are made as per the applicable provisions of Income Tax Act, 1961 and the rules made there under.

**G. DEFERRED TAX**

- i) Computation of Deferred Tax as per Accounting Standard – “Accounting for taxes on Income”, is as under :-

(Rs. in lakhs)		
	As on 31.03.2008	As on 31.03.2007
<b>A) Timing Differences</b>		
a) Timing differences of depreciation	758.45	769.57
b) Timing difference of Leave encashment	(25.25)	(20.70)
<b>Net timing differences</b>	<u>733.20</u>	<u>748.87</u>
<b>B) Deferred tax on the above</b>	249.21	252.07
Less : Opening balance of deferred tax b/f	252.07	103.18
<b>Deferred tax liability/(Asset) recognized for the year</b>	<u>(2.86)</u>	<u>148.89</u>

- ii) Component wise break up of deferred tax liability/ (asset) :

(Rs. in lakhs)		
	As on 31.03.2008	As on 31.03.2007
A) Deferred tax liability on timing differences of depreciation	257.80	259.04
B) Deferred tax asset on Leave encashment	(8.59)	(6.97)
C) Net liability as at the year end	249.21	252.07

**H. RELATED PARTY DISCLOSURES**

Pursuant to Accounting Standard-18 (AS-18) issued by the ICAI, the names of the related parties and nature of relationships and particulars of transactions with the said related parties during the year are as under :

- 1) Names of the related parties and description of relationship.

A) Key Management Personnel	Dr S P Vasireddi	Chairman & Managing Director
	V Harriman	Director - Technical
	V V Prasad	Executive Director
	Harita Vasireddi	Director - Quality
B) Relatives of Key Management Personnel	V Swarnalatha	General Manager
	V Sireesh Chandra	Dy. Manager - IT
	V Sujani	Asst. Manager- Fin. & Admn.
C) Associates	Vimta Specialities Limited	

## Schedules to Accounts

ii) Aggregate Related Party transactions for the year 2007 - 2008

(In Rupees)

	Key Management Personnel	Relatives of Key Management Personnel	Associates	Total
Remuneration Paid (Previous Year)	17,755,600 (17,755,600)	1,663,706 (1,220,360)	—	19,419,306 (18,975,960)
Services rendered (Previous Year)	—	—	2,042,955 (432,667)	2,042,955 (432,667)
Services availed (Previous Year)	—	—	5,177,615 (5,584,290)	5,177,615 (5,584,290)

### I. OPERATING LEASING DISCLOSURES IN TERMS OF ACCOUNTING STANDARD "LEASES"

(Rs. in lakhs)

	As on 31.03.2008	As on 31.03.2007
i) Total of future minimum lease payments under non-cancelable operating leases for the periods :		
a) not later than one year	64.58	188.06
b) later than one year and not later than five years	Nil	54.71
c) later than five years	Nil	Nil
ii) Total of minimum sub-lease payments expected	Nil	Nil
iii) Lease payments recognized in the statement of Profit & Loss for the Period	Nil	Nil
iv) Sub lease payments received or receivable recognized in P&L A/c during the period	Nil	Nil
v) General description of significant leasing arrangements		
a) Description of the assets taken on operating lease	IBM Servers, Laptops, Software etc.	
b) Basis on which contingent rent payments are determined	As per the terms of the lease agreement	
c) Terms of renewal or purchase options and escalation clauses of lease arrangements	As per the terms of the lease agreement	
d) Restrictions imposed by lease agreements, if any	Nil	Nil

### J. Disclosures in terms of Accounting Standard "Employee Benefits"

(Rs. in lakhs)

	As on 31.03.2008	As on 31.03.2007
i) Short term Employee Benefits:		
a) Salaries & Wages	1136.88	966.86
b) Performance incentives	70.54	38.58
c) Contributions to PF	61.16	52.46
d) Contribution to ESI	11.35	8.73
e) Annual Leave Encashment	10.61	13.33
f) Bonus	44.01	12.70
g) Ex gratia	40.83	32.14
h) Other welfare expenses	56.41	42.75
ii) Post Employment Benefits under Defined Contribution Plans:		
a) Gratuity	17.23	12.98
<b>Total</b>	<b>1449.02</b>	<b>1180.55</b>

### K. Disclosures in terms of Accounting Standard "Impairment Losses"

(Rs. in lakhs)

	As on 31.03.2008	As on 31.03.2007
i) Amount of impairment losses recognized in the Profit & Loss A/c.	Nil	Nil
ii) Amount of reversal of impairment losses recognized in the Profit & Loss A/c.	Nil	Nil
iii) Amount of impairment losses recognized directly against revaluation surplus	Nil	Nil
iv) Amount of reversals of impairment losses recognized directly in revaluation surplus	Nil	Nil

**L. Information pursuant to the provisions of Part II of Schedule VI to the Companies Act, 1956 to the extent applicable to the Company:**

(Rs. in lakhs)

	Current year	Previous year
i) Value of Imports calculated on CIF Basis in respect of :		
a) Capital Goods (including Capital Works in progress)	595.76	3947.63
b) Chemicals & Consumables	87.59	64.24
c) Spares & stores	34.97	11.04
d) Reference Standards / Proficiency testing	115.95	15.73
e) Software	0.74	14.05
ii) Expenditure in Foreign Currency on account of :		
a) Travelling expenses	40.26	2.82
b) Business Promotion	-	3.12
c) Membership & Subscriptions	3.56	4.21
d) Printing & Stationery	-	0.02
e) Repairs & Maintenance	-	0.30
f) Professional Charges	-	63.18
g) Books & Periodicals	0.17	-
iii) a) Amount remitted in foreign currency on account of dividends	Nil	Nil
b) Number of NRI Shareholders	63	86
c) Number of shares held by them	113316	264737
iv) Earnings in Foreign Exchange :		
Export Income from testing services	2899.83	2340.17

- v) Value of imported and indigenous raw material, spare parts & components consumed during the year and the percentage of each to the total consumption

The company is not carrying on any manufacturing activities but engaged in the business of testing activities in various disciplines such as contract research, clinical speciality diagnostics, analytical testing and environmental monitoring and impact assessment studies. The company's business requires variety of chemicals and consumables and not any raw material as such. It is not practicable to furnish the quantitative details of these chemicals & consumables as number of chemicals in small quantities are used. Hence, the aggregate value of all imported and indigenous chemicals & consumables and the spares & components consumed and the percentage of each to the total consumption are furnished below:.

(Rs. in lakhs)

	Current year		Previous year	
	Consumption	% to total	Consumption	% to total
a) Chemicals & Consumables				
- Indigenous	1050.19	93	700.00	92
- Imported	84.26	7	60.18	8
<b>Total</b>	<b>1134.45</b>	<b>100</b>	<b>760.18</b>	<b>100</b>
b) Spares & Components				
- Indigenous	35.23	82	160.12	95
- Imported	7.77	18	8.01	5
<b>Total</b>	<b>43.00</b>	<b>100</b>	<b>168.13</b>	<b>100</b>

## Schedules to Accounts

### vi) Managerial Remuneration

a) Particulars of remuneration paid / payable to the Managing Director and other whole-time Directors is as follows :

(In Rupees)

	Dr S P Vasireddi Managing Director	V Harriman Director-Technical	V V Prasad Executive Director	Harita Vasireddi Director Quality	Total
Salary	4800000	3900000	3900000	3250000	15850000
Perquisites	602400	458400	458400	386400	1905600
Commission	Nil	Nil	Nil	Nil	Nil
<b>Total</b>	<b>5402400</b> (5402400)	<b>4358400</b> (4358400)	<b>4358400</b> (4358400)	<b>3636400</b> (3636400)	<b>17755600</b> (17755600)

#### Notes:

- i) Figures in brackets relate to the previous year
- ii) The above remuneration falls under clause B of Section II of Part II of Schedule XIII of the Companies Act, 1956 and the approval of shareholders by special resolutions was obtained for the same.
- iii) Perquisites include Company's contribution towards PF, Leave encashment and other non-monetary benefits valued as per Income Tax Rules.
- iv) Based on the time spent by the directors on the project, out of above remuneration, an amount of Rs.3146804/- (previous year 50,51,730/-) has been capitalized to the assets situated at SP Biotech Park, Genome Valley, Turkapally Village, Hyderabad.

b) Computation of net profit U/s 349 of Companies Act 1956 for arriving at over all remuneration and commission payable to Managing Director and Whole-time Directors:

Particulars	Current Year	Previous Year
Profit before tax as per Profit & Loss Account	99072004	134366295
Add: a) Directors Remuneration debited to P & L A/c	14608796	12703870
b) Depreciation debited to P&L A/c	146185146	93995814
c) Sitting fee to Directors	70000	35000
d) Prior year tax adjustments	(226066)	149576
<b>Total</b>	<b>259709880</b>	<b>241250555</b>
Less: Depreciation	146185146	93995814
Net profit computed u/s 349	113524734	147254741
Over all limit available for distribution to Whole-time Directors @ 10% of the above	11352473	14725474
Remuneration paid (including value of perks) in the form of salary and perks as permitted under Schedule XIII of the Act.	17755600	17755600
Balance available for payment of Commission as per the terms of appointment	Nil	Nil

vii) Details of expenditure on "Repairs & Maintenance" charged to P & L A/c are as under :

(In Rupees)

Particulars	Current Year	Previous Year
a) On Buildings	5208772	2607647
b) On Plant & Machinery	2354288	1526131
c) On other Assets	2747763	3024738
<b>Total</b>	<b>10310823</b>	<b>7158516</b>





# Cash Flow Statement

(Rs. In lakhs)

Particulars	31.03.2008	31.03.2007
<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before tax and Extraordinary items	990.72	1343.66
Adjustment for :		
Depreciation	1461.85	939.96
Interest debited to P & L Account	281.30	274.78
Amortisation of preliminary expenses	40.18	41.69
Prior year adjustments	-2.26	0
	<u>1781.07</u>	<u>1256.43</u>
Operating profit before working capital changes	2771.79	2600.09
Adjustments for :		
Trade and other receivables	1002.79	1097.00
Inventories	296.57	461.67
Trade payables	-180.72	202.95
	<u>1118.64</u>	<u>1761.62</u>
Cash generated from operations	1653.15	838.47
Taxes paid (including FBT)	369.00	323.55
Prior year adjustments	-2.26	0.00
Cash flow before extra-ordinary items	1286.41	514.92
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	1286.41	514.92
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets (after adjustments)	-2055.84	-5209.33
Sale of fixed assets	0.00	0.00
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	-2055.84	-5209.33
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest paid on term loans	-281.30	-274.78
Proceeds from Share capital	0.00	0.00
Proceeds from long term borrowings	0.00	582.11
Preliminary expenditure	0.00	-3.47
Repayment of finance lease liabilities	0.00	-5.40
Repayment of long term borrowings	-988.59	-944.34
Dividends paid	-206.92	-165.50
Change in cash credit	257.32	24.26
<b>NET CASH FLOW USED IN FROM FINANCEING ACTIVITIES</b>	-1219.49	-787.12
Net increase / (decrease) in cash and cash equivalents	-1988.92	-5481.53
Cash and Cash equivalents Opening Balance :		
Cash and bank balances	2251.82	7733.35
Cash and Cash equivalents Closing Balance :		
Cash and bank balances	262.90	2251.82

Note: i. Cash Flow statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3; Cash Flow statements referred to section 211(3C) of the Companies Act, 1956.  
ii. Previous year's figures have been regrouped/reclassified wherever necessary

This is the Cash Flow statement referred to in our report of even date.

For and on behalf of the Board

Dr S P Vasireddi  
Managing Director

V Harriman  
Director Technical

V V Prasad  
Executive Director

T S Ajai  
Director

A Venkata Ramana

Company Secretary & VP - Corporate Affairs

Place: Hyderabad  
Date: 21.04.2008

## AUDITOR'S CERTIFICATE

We have examined the above Cash Flow statement of VIMTA LABS LIMITED, for the year ended 31st March, 2008. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of the listing agreement entered into with the Stock Exchanges and is based on and in agreement with the corresponding Profit & Loss account and the Balance sheet of the Company covered by our Report to the members of the Company.

for SARATHY & BALU,  
CHARTERED ACCOUNTANTS

Place: Hyderabad  
Date: 21.04.2008

J. VENKATESWARLU  
PARTNER  
ICAI Ms. No.022481

[www.vimta.com](http://www.vimta.com)

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**Life Sciences Facility :**

**Vimta Labs Limited**

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