

Committed to total health .....



## Cutting edge technologies



Genetic analyzer



LC MS-MS Q trap



Mass Array



Micro Array



Determining Quality

# The building blocks

FY 06-07 was an impact making year for VIMTA in terms of establishing a bench mark facility, advances in molecular research, peptides and a better recognition for brand.

The new facility at Genome Valley was commissioned during September 06, followed by extensive validation of all the support facilities including a secure network & data centre. A stable state with compliance to CGMP systems could be achieved by end June, 07. A number of customer audits were lined up to demonstrate compliance to GMP.

Reputation enhanced through: Receipt of first CRO Management Award from Indian Drugs Manufacturers' Association and the 10th Pharmaceutical Analysts' Convention 2006.

Had the honor to host a UNIDO-WAITRO LABNET meeting during October 30-31, 2006.

Presented VIMTA success story at UNIDO, Vienna during May 07, 2007.

Successful performance at more international regulatory and customer audits.

The training school established at the new facility has successfully trained over 100 Scientists to support the future requirements and Scientists for Asia & Africa.

The phase I B expansion activities comprising development of a large pre-clinical laboratory and a knowledge centre are in progress and expected to be complete by December, 2007.

Research programmes are launched to build intellectual property for VIMTA in the field of life sciences. In short the people - knowledge relationships, world class facilities and cutting edge technologies are tuned quite well to build a strong future.



# 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.





Annual Report

## Contents

Directors' Report	5
Report on Corporate Governance	10
Auditor's Report	16
Balance Sheet	18
Profit & loss Account	19
Schedules to Balance Sheet	20
Schedules to Profit & Loss Account	24
Schedules to Accounts	26
Cash Flow Statement	32

## BOARD OF DIRECTORS

DR S P VASIREDDI  
Chairman & Managing Director

V HARRIMAN  
Director Technical

V V PRASAD  
Executive Director

HARITA VASIREDDI  
Director Quality

S SUBRAHMANYAN  
Director

T S AJAI  
Director

DR SUBBA RAO PAVULURI  
Director

PROF. D BALASUBRAMANIAN  
Director

PROF. K RAMCHANDRAN  
Additional Director

## COMPANY SECRETARY & VP - CORP. 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 Hyderabad Stock Exchange Ltd.  
6-3-654, Adj. to Erramanjil Bus Stop  
Somajiguda, Hyderabad - 500 062.

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.

To  
The Members of  
VIMTA LABS LIMITED

Your Directors have pleasure in presenting the 17th Annual Report and audited accounts of your Company for the year ended March 31, 2007.

## FINANCIAL RESULTS

Financial Results for the year under review are as follows:

	(Rs. in lakhs)	
	For the Year 2006-2007	For the Year 2005-2006
1. Profit before interest, Depreciation & Taxes	2600.08	2577.79
Less : Finance Charges & Interest	274.78	42.50
Depreciation	<u>939.96</u>	<u>503.40</u>
	<u>1214.74</u>	<u>545.91</u>
2. Profit before Amortization, Prior year adjustments & Taxes	1385.34	2031.88
Less : Amortization of Preliminary Expenses	40.18	0
Less/(Add) : Prior year adjustments	<u>1.50</u>	<u>0</u>
	<u>41.68</u>	<u>0.00</u>
3. Profit before tax	1343.66	2031.88
4. Less : a) Provision for Tax (regular)	302.05	734.00
b) Fringe Benefit Tax	20.00	13.00
c) Deferred Tax Liability/(Asset)	<u>148.88</u>	<u>(65.02)</u>
	<u>470.93</u>	<u>681.98</u>
5. Profit after Tax	872.73	1349.90
6. Add : Surplus brought forward from previous years	<u>3207.38</u>	<u>2162.98</u>
Amount available for appropriations	<u>4080.11</u>	<u>3512.88</u>
<b>APPROPRIATIONS</b>		
Transfer to General Reserves	88.00	140.00
Proposed dividend	176.86	145.14
Provision for tax on proposed dividend	30.06	20.36
Surplus carried to Balance sheet	<u>3785.19</u>	<u>3207.38</u>
	<u>4080.11</u>	<u>3512.88</u>

## OPERATIONS

During the year under review, the Analytical and Clinical Reference Lab facilities have been shifted from the existing Cherlapally Facility to the newly established Life Sciences Facility in S.P.Biotech Park, Genome Valley, Hyderabad and started commercial operations from September, 2006. Facility at Cherlapally has been taken up for renovation to increase the Capacity for its Clinical Research activities. In addition, your company has focused on stabilization of its operations and achieving compliance with enhanced quality standards of GMP at its new facility. Despite the time loss in the above stated areas, your Company has posted gross revenue of Rs.6391.25 Lakhs as against Rs.5505.71 Lakhs in the previous year. Earnings before interest, taxes, depreciation and amortization (EBIDTA) for the year are Rs.2600.08 lakhs as compared to the previous year earnings of Rs. 2577.79 Lakhs. Profit after tax (including deferred tax) stood at Rs.872.73 Lakhs as against Rs. 1349.90 Lakhs of previous year. The fall in the net profits of the company is due to additional impact of interest cost and depreciation on the investments of the Life Sciences facility, on its commissioning during the year.

## DIVIDENDS

Your Directors are pleased to recommend a dividend of 40% i.e. 80 Paise per each equity share of Rs.2/- each for the financial year 2006-07.

## UTILISATION OF FUNDS RAISED THROUGH PREFERENTIAL ISSUE :

During the year, the company has utilized Rs.55.23 crores out of the total funds of Rs.77.23 crores raised through Preferential Issue during previous year for its organic growth plans as envisaged.

## ORGANIC GROWTH

- Life Sciences project at SP Biotech Park

Phase I A - Main laboratory building  
Utility services building

Occupation - September, 2006.

Validation of new test equipment, support facilities and data centre scheduled for completion by June, 2007.

Phase I B - Pre-clinical research laboratory building,  
Guest house- Cum-trainee hostel  
Knowledge centre

Revised schedule for completion December, 2007.

## 2. Northern regional laboratory

Property with a built up area of 8000 sq. ft acquired at NOIDA, national capital region, Delhi. Renovation in progress. Clinical laboratory operations expected to commence by September, 2007

### New Capabilities under development

- Advanced molecular research services to support Pharma, Biotech and Agri sectors.

### Research programmes under initiation

- Development of biomarkers for life style screening.
- Genotyping studies in support of plants/plant products to enable development of better seeds for pest resistance and yield.
- Peptide synthesis on laboratory bench scale

### Compliance to National & International regulations and Quality systems.

cGMP : Drugs & Pharmaceutical testing including stability Studies-implementation complete by June, 2007, at the Life Sciences facility.

ISO 17025-2005 : Implemented in Analytical laboratories.

ISO 15189-2003 : Implemented in Clinical Reference Laboratory.

## DIRECTORS

In accordance with the provisions of the Companies Act, 1956 read with the Articles of Association of the Company, S Subrahmanyam and Dr P Subba Rao Directors of the Company would retire by rotation at the ensuing Annual General Meeting, and are eligible for re-appointment. Dr P Subba Rao has opted himself for re-appointment. S Subrahmanyam has opted not to be re-appointed due to his personal reasons.

Your directors recommend the reappointment of Dr P Subba Rao as Director subject to retirement by rotation.

Your directors express their sincere gratitude to S Subrahmanyam for his contribution to the Company for a long period.

Your Board has appointed Prof. K Ramachandran as Additional Director on the Company's Board of Directors w.e.f. 28.06.2007. He holds office upto the date of the forthcoming Annual General Meeting and considering that the Company will benefit from his contributions as Director, his appointment is being recommended.

## 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 next 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:

- The applicable accounting standards have been followed in preparation of the annual accounts and there are no material departures from the same during the year under review.
- They had selected the accounting standards and applied them consistently and made judgments and estimates that 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.
- 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.
- 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:

1. Contract Research (clinical and pre-clinical)
2. Clinical reference laboratory services (Central Lab)
3. Analytical Testing of food & drugs.
4. Environmental Monitoring and Impact Assessment.

VITMA is also in the new areas of Advanced Molecular Research, Peptide Synthesis etc.,

### Scope and Potential

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

### Strengths

The processes at Vimta are institutionalized. Quality is the prime focus. Quality Systems as per International Standard ISO 17025, 15189, Good Manufacturing Practices, Good Laboratory Practice and Good Clinical Practices are in place. Laboratory has



been accredited by the National Accreditation Board for Testing and Calibration Laboratories (NABL).

The Life Sciences Facility commissioned during the year under review meets global requirements, in terms of technology and quality systems giving a clear lead of 2-3 years.

### Threats

More and more players are likely to walk into the field of operations Vimta is engaged in. Multinational Contract Testing and Research organizations are planning to anchor in India to reduce their service costs.

### Segment-wise or Product-wise performance

The Company is primarily engaged in the business of research and testing activities in various disciplines such as Contract Research, Clinical Speciality Diagnostics, 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 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 train them on the job against the increasing work loads.

### 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 2006-07 is Rs.6391.25 lakhs as compared to the previous year of Rs. 5505.71 lakhs. The Export income has increased by 2% in the year to reach 2340.17 lakhs as compared to the previous year of Rs.2288.70 lakhs. The Net Profit stood at Rs.872.73 lakhs as compared to the previous year's net profit of Rs.1349.90 lakhs

### Human Resources

The strong Human Resource is the back bone of Vimta. The personnel employed at Vimta are qualified and trained. As on date Vimta has 621 employees including 366 Scientists & Engineers, 15 PhDs and 18 Medical Doctors. Continuous learning is a key principle of the Company and it is in this way the Company offers comprehensive world class training and development to its associates.

### 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

#### 1. 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.

#### 2. STOCK EXCHANGES

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

i) The Hyderabad Stock Exchange Ltd 6-3-654, Adj.to Erramanjil Bus Stop Somajiguda, Hyderabad: 500082	ii) Bombay Stock Exchange Limited Phiroje Jeejeebhoy Towers, Dalal Street, Mumbai : 400001
iii) National Stock Exchange of India Limited "Exchange Plaza", Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.	

#### 3. 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 of 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.

### ACKNOWLEDGEMENTS

Your Directors wish to place on record their gratitude to shareholders and thank the customers, vendors, franchisees, bankers, Technology Development Board, merchant bankers 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 : 28.06.2007

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, 2007)

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. 35 years.	58 years	Managing Director	01.04.2005	5402400	i) Mineral Exploration Corp. Ltd., Nagpur ii) Vimta Labs
V Harriman	D. Tech in Elect., Toronto, Canada 30 years.	56 Years	Director - Technical	01.04.2005	4358400	i) GB Electronics, Bangalore ii) Vimta Labs
V V Prasad	B.Com 30 years.	56 Years	Executive Director	01.04.2005	4358400	Vimta Labs
Harita Vasireddi	B.Pharm MBA, USA 9 years.	32 Years	Director - Quality	01.04.2005	3636400	Vimta Rostest Pvt. Ltd.

### NOTES :

1. Nature of employment of all the above Executives is contractual.
2. 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 : 28.06.2007

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, 2007.)

### 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 and the quality standards such as IS, IP, USP, BP, ASTM, AOAC, etc. Testing is done using different testing equipments. 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 buildings were designed in such a way that during day time not much 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:
 

As a result of the measures at (a) above, 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 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.2340.17 lakhs (previous year Rs. 2288.70 lakhs). The Company's foreign exchange outgo was of Rs.4126.34 lakhs (previous year Rs. 1627.61 lakhs) on import of capital goods, software, chemicals, consumables & reference standards, travel expenditure, Professional charges, etc.,

For and on behalf of the Board

Place : Hyderabad  
Date : 28.06.2007

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 : 28.06.2007

DR S P VASIREDDI  
CHAIRMAN & MANAGING DIRECTOR

## 1. Introduction

### Company Philosophy on Corporate Governance

Vimta Labs Limited ("VIMTA" or "The Company") believes that the Corporate Governance goes beyond being 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, 2007 and as on the date of the Report along with their brief resume is given below:

Name of Directors	Brief Resume
Dr S P Vasireddi Promoter Executive Director	Ph.D. with over 35 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 30 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 30 years experience, He is one of the promoter Director of the company and has been its Executive Director since inception. Prior to starting this Company he was in service with AP State Government.
Harita Vasireddi Executive Director	A Pharmacist and an MBA (USA) in Service Operations Management with 9 years of experience. She worked with Vimta Rostest (P) Ltd. as Manager Operations for four years. Currently she is Director- Quality.
S Subrahmanyam Non-Executive & Independent Director	A Master of Technology in Chemical Engineering. He is a retired Addl. Director General of Bureau of Indian Standards. He has been on the Board since 1993.
T S Ajai Non-Executive & Independent Director	A Chartered Accountant. Specializing in direct tax laws and business and commercial laws. He has wide experience and expertise in the areas of Company Law, Income Tax, Investment Regulations, Other Corporate Laws, and foreign collaborations. Inducted to the Board in 2002.
Dr P Subba Rao Non-Executive & Independent Director	A technologist and an entrepreneur. He has more than 13 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 Colombia 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.
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 2001 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..

## 2.2 Meetings and attendance record of each Director

During the year ended March 31, 2007 the Board of Directors met four times. These were held on April 24, 2006; July 17, 2006; October 27, 2006 & January 25, 2007. Other than the Annual General Meeting held on June 9, 2006, no General Body Meetings of the shareholders of the Company held during the year ended March 31, 2007.

The attendance record of the Directors at the Board Meetings during the year 2006-2007 and the Annual General Meeting are as under :-

Name of the Directors	Attendance at	
	Board	A G M
Dr S P Vasireddi	4	Present
V Harriman	3	Present
V V Prasad	4	Present
Harita Vasireddi	4	Present
S Subrahmanyam	4	Present
T S Ajai	3	Present
Dr P Subba Rao	3	Absent
Prof D Balasubramanian	---	Present

## 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 P Subba Rao	2
Prof D Balasubramanian	-Nil-

## 2.4 Remuneration of Directors

The Managing Director and 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 P Subba Rao has decided not to take any sitting fee for the Board Meetings he attended.

The details of remuneration and sitting fee paid and provided to the Directors during the year 2006-07 are given below :

(In Rupees)

Name of the Directors	Salary	Sitting Fee	Service Contract upto
Dr S P Vasireddi	5402400	NA	31.03.2010
V Harriman	4358400	NA	31.03.2010
V V Prasad	4358400	NA	31.03.2010
Harita Vasireddi	3636400	NA	31.03.2010
S Subrahmanyam	-Nil-	20000	----
T S Ajai	-Nil-	15000	----
Dr P Subba Rao	-Nil-	-Nil-	----
Prof D Balasubramanian	-Nil-	-Nil-	----

### Note :

- Salary includes Basic Salary, Allowances, Perquisites like Contribution to Provident / Superannuation 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.

## 2.5 Re-appointment of Directors

The Directors S Subrahmanyam and Dr P Subba Rao shall retire by rotation at the ensuing Annual General Meeting, and are eligible for re-appointment. Dr P Subba Rao has opted himself for reappointment. S Subrahmanyam has opted not to be re-appointed due to his personal reasons.

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

## 3. AUDIT COMMITTEE

### a) Composition

T S Ajai	: Chairman
Dr P Subba Rao	: Member
S Subrahmanyam	: Member

All the members of the Audit Committee are non executive and independent directors. The Company Secretary & VP- Corp Affairs A Venkata Ramana acts as Secretary to the Committee.

### b) Scope

The terms of reference of the Audit Committee are 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.

## c) Attendance

During the year the Audit Committee has met 4 times on April 23, 2006; July 17, 2006; October 27, 2006 and January 25, 2007. While T S Ajai and S Subrahmanyam attended all the meetings, Dr P Subba Rao has attended three meetings.

## 4. REMUNERATION COMMITTEE

### a) Composition

S Subrahmanyam	: Chairman
T S Ajai	: Member
Dr P Subba Rao	: Member

All the members of the Remuneration Committee are non executive and independent directors. The Company Secretary & VP- Corp. Affairs, A Venkata Ramana acts as Secretary to the Committee.

### b) Scope

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

## c) Attendance

During the year, the Remuneration Committee has met one time i.e on April 23, 2006. All the members have attended the meeting.

## 5. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

### a) Composition

V V Prasad	: Chairman - Executive Director
T S Ajai	: Member - Non-Executive Director
S Subrahmanyam	: Member - Non-Executive Director

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

### b) 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-Corp. 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	10	10
Loss of Share Certificates	21	21
Letters from S E B I	---	---
Letters from Stock Exchange	---	---

## c) Attendance

During the year, the Committee has met on April 24, 2006; July 17, 2006; October 27, 2006 and January 25, 2007. While V V Prasad and S Subrahmanyam attended all the meetings, T S Ajai has attended three meetings.

## 6. GENERAL BODY MEETINGS

Details of last 3 Annual General Meetings are :

S.No.	Year	Meeting	Venue	Date	Time
1.	2003-2004	AGM	Regd. Office	25.08.2004	10.00 a.m.
2.	2004-2005	AGM	Regd. Office	25.05.2005	10.00 a.m.
3.	2005-2006	AGM	Plot No. 5, Genome Valley, S P Bio-tech Park, Turkapally Village	09.06.2006	11.00 a.m.

Details of last 3 Extra-Ordinary General Meetings are :

S.No.	Year	Meeting	Venue	Date	Time
1.	2003-2004	EGM	-Nil-		
2.	2004-2005	EGM	-Nil-		
3.	2005-2006	EGM	Regd. Office	04.02.2006	10.30 a.m.
	2005-2006	EGM	Regd. Office	18.03.2006	9.00 a.m.

All the Special resolutions placed before the shareholders at the above meetings were approved. No resolutions were circulated by postal ballot in the above Annual General Meetings. No resolutions were proposed to be conducted through Postal ballot.

## 7. DISCLOSURES

- There are 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.
- During the last three years, there have been no instances by the Company, no penalties, no strictures imposed on the company by Stock Exchanges or SEBI or any other statutory authority on any matters related to Capital markets.
- The Company has adopted Remuneration committee requirements out of the non mandatory requirements of the corporate governance clause of the listing agreement. It is affirmed that no personnel has been denied access to the audit committee.
- The Company has complied with all mandatory requirements of the Corporate Governance clause of the listing agreement.

## 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 national daily news papers of English and regional language (Telugu). The results are also placed on the Company's website www.vimta.com & EDIFAR website maintained by National Information Centre (NIC), online, as may be 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 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 : August 9, 2007  
Time : 10.30 AM  
Venue : Plot No. 141/2 & 142, IDA Phase-II, Charlapally, Hyderabad - 500 051

#### 10.2 Financial Calendar

Financial year : 01.04.2007 to 31.03.2008  
First quarter results : July,2007  
Half yearly results : October,2007  
Third quarter results : January,2008  
Annual Results : April,2008

10.3 Date of Book Closures : 06.08.2007 to 09.08.2007 (both days inclusive)

10.4 Date of dividend payment : Within 30 days from declaration (if approved)

#### 10.5 Listing with Stock Exchanges

Name of the Stock Exchanges & Address

1. The Hyderabad Stock Exchange Ltd  
6-3-654, Adj. to Erramanjil Bus Stop  
Somajiguda Hyderabad - 500 082

Stock Code : VML

2. Bombay Stock Exchange Limited  
Phiroje Jeejeebhoy Towers  
Dalal Street, Mumbai - 400 001

Stock Code : 524394

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

Stock Code : VMTALABS

The ISIN of dematerialized shares of the Company is

INE579C01029

#### Electronic Connectivity

1. M/s National Securities Depository Ltd  
Trade World, 4th Floor, Kamala Mills Compound  
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

2. M/s 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 during each month for the financial year 2006- 2007 are given below:

(In Rupees)

Year 2006-07	Bombay Stock Exchange Ltd.		National Stock Exchange of India Ltd.	
	High	Low	High	Low
April,2006	222.90	190.00	224.90	190.00
May'2006	269.40	189.00	269.90	192.00
June'2006	234.65	125.00	217.00	131.00
July'2006	179.00	128.95	180.00	130.10
August'2006	175.00	143.05	173.00	141.05
September'2006	208.85	155.00	207.95	153.60
October'2006	200.00	175.00	200.00	177.05
November'2006	197.00	168.15	200.00	169.00
December'2006	202.00	151.00	203.00	172.20
January'2007	184.90	142.00	183.00	130.25
February'2007	161.85	123.15	160.00	121.85
March'2007	145.00	115.00	149.00	111.50

### 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 31.03.2007

Shares held From - To	Shareholders		No. of Shares	
	No.	%	No.	%
Upto 5000	5264	97.55	2428546	10.99
5001 - 10000	44	0.82	336691	1.52
10001 - 20000	29	0.54	414118	1.87
20001 - 30000	7	0.13	178771	0.81
30001 - 40000	5	0.09	176959	0.80
40001 - 50000	7	0.13	318380	1.44
50001 - 100000	13	0.24	1003561	4.54
100001 and above	27	0.50	17250784	78.03
<b>Total</b>	<b>5396</b>	<b>100.00</b>	<b>22107810</b>	<b>100.00</b>

## 10.11 Categories of shareholders as on 31.03.2007

Category	No. of Shares	%
<b>Shareholding of Promoter &amp; Promoter Group</b>		
Indian	8050970	36.42
Foreign	0	0
<b>Public Shareholding</b>		
Institutional Investors	9002085	40.72
Non - Institutional Investors	5054755	22.86
<b>TOTAL</b>	<b>22107810</b>	<b>100.00</b>

## 10.12 Dematerialization of shares and Liquidity

Over 95.86% of the company's equity shares have been dematerialised upto 31.03.2007. Trading in Equity shares of the company is permitted only in dematerialised form as per notification issued by SEBI.

Vimta Shares are actively traded shares on Bombay Stock Exchange Limited and National Stock Exchange Limited. Relevant turnover data for the financial year 2006-07

(Rs. in lakhs)\*

	Bombay Stock Exchange Ltd.	National Stock Exchange of India Ltd
Total shares traded	2618706	2913328
Turnover value*	4732.44	5193.74

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

## 10.14 Plant locations :

Regd. Office & Laboratory Plot No.141/2 & 142,  
IDA, Phase-II, Cherlapally,  
Hyderabad : 500051  
Phone : 040-27264141  
Fax : 040-27263657

Life Sciences Facility Plot No.5  
S P Bio-Tech Park  
Genome Valley  
Turkapally : 500078  
Shameerpet Mandal  
Phone : 040-39848484

## Regional Laboratory

Chennai VIMTA-VHS Research Centre  
The Voluntary Health Care  
Old Mahabalipuram Road  
TTTI Post, Adayar  
Chennai : 600113  
Phone : 044-22542079

## Satellite Laboratories

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  
Maharanipet  
Visakhapatnam : 530002  
Phone : 0891-5560271

## 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

1. We have examined the compliance of conditions of Corporate Governance by Vimta Labs Limited, for the year ended March 31, 2007, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.
2. The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the 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.
3. In our opinion, and to the best of our information and according to explanations given to us, we certify that the Company has complied with the conditions of the Corporate Governance as stipulated in the above mentioned Listing Agreement.
4. We state that no investor grievances are pending for a period exceeding one month against the Company as on March 31, 2007 as per the records maintained by the shareholders/investors Grievances Committee.
5. 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.

Place : Hyderabad  
Date : 28.06.2007

for SARATHY & BALU,  
CHARTERED ACCOUNTANTS

J. VENKATESWARLU  
PARTNER  
ICAI Ms. No.022481

To,  
The Members of Vimta Labs Limited

1. We have audited the attached balance sheet of VIMTA LABS LIMITED, as at 31st March 2007, and also the profit and loss account and the cash flow statement for the year ended on that date 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, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
- (iii) The balance sheet, profit and loss account and cash flow statement 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 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 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the balance sheet, of the state of affairs of the company as at 31st March 2007;
  - (b) in the case of the profit and loss account, of the profit for the year ended on that date; and
  - (c) in the case of 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: 26.04.2007

## Annexure to Audit Report dated 26.04.2007

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

1. (i) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (ii) 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 verification.
  - (iii) During the year, the company has not disposed off any substantial part of its fixed assets, affecting the going concern status of the company.
2. (i) The inventory has been physically verified during the year by the management at reasonable intervals.
  - (ii) 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.
  - (iii) On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
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.
  - (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.
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 purchases 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 system of the company.
5. (I) According to the information and explanations given to us, we are of the opinion that the particulars of all contracts or arrangements referred to in Sec.301 of the Act have been so entered in the register required to be maintained under that section.

- (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 into the register maintained under Section 301 of the Act have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from public in terms of the provisions of Sec.58A of the Act and hence complying with the provisions of Sec.58A and Sec.58AA or any other relevant provisions of the Act, is not applicable.
7. In our opinion, the company has an internal audit system commensurate with its 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 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. According to the information and explanations give to us the company is not required to transfer any amount to the investor education and protection fund at present.
- (ii) According to the information and explanations given to us, there are no undisputed arrears of statutory dues as at 31/3/2007 which are outstanding for a period of more than six months from the date they became payable.
- (iii) (a) According to the information and explanation given to us, 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) Details of Income tax dues which are in dispute are as under:

Statute under which dues arose	Nature of Dues	Period to which the dues relate	Amount of dues disputed Rs.	Forum where dispute is pending	Amount deposited Rs.	Balance not deposited Rs.
Income Tax Act, 1961	Income Tax demand on completion of assessment	Assessment Year 2002-2003	14,96,499	ITAT Hyderabad	14,96,499	- Nil -
Income Tax Act, 1961	Income Tax demand on completion of assessment	Assessment Year 2003-2004	18,65,377	ITAT Hyderabad	18,65,377	- Nil -
Income Tax Act, 1961	Income Tax demand on completion of assessment	Assessment Year 2004-2005	56,27,954	ITAT Hyderabad	47,27,954	9,00,000

10. The company has no accumulated losses and has not incurred any cash losses during the financial year covered by immediately preceding financial year.

11. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to any financial institution or bank. The company has not issued any debentures.
12. Based on our examination of documents and records, 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 on the information and explanations given by the management, we are of the opinion that the provisions of any special statute applicable to chit fund are not applicable to this company as the company is not a nidhi/mutual benefit fund/society and hence compliance with the requirements of the order in this regard 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 bank or financial institutions.
16. In our opinion, the term loans have been applied for the purpose for which they were obtained.
17. According to the information and explanations given to us and on an over all examination of the balance sheet of the company, we report that no funds raised on short term basis have been used for long term investment.
18. According to the information and explanations furnished to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the 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 verification of the same is not applicable.
21. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

for SARATHY & BALU,  
Chartered Accountants

Place: Hyderabad  
Date: 26.04.2007

J. VENKATESWARLU  
PARTNER  
ICAI Ms. No.022481

# BALANCE SHEET AS AT MARCH 31, 2007

	Schedule No	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
<b>SOURCES OF FUNDS</b>			
1) Shareholder's Funds			
a) Capital	1	44,215,620	44,215,620
b) Reserves & surplus	2	1,195,597,414	1,129,016,444
2) Loan funds			
- Secured loans	3	351,094,627	385,429,947
3) Deferred Tax	4	25,206,304	10,318,007
<b>TOTAL</b>		<b><u>1,616,113,965</u></b>	<b><u>1,568,980,018</u></b>
<b>APPLICATION OF FUNDS</b>			
1) <b>Fixed Assets</b>	5		
a) Gross Block		1,347,442,630	439,671,335
b) Less: Depreciation		259,790,271	165,794,459
c) Net Block		1,087,652,359	273,876,876
d) Capital Work-in-progress	5A	61,565,963	448,403,980
		<b><u>1,149,218,322</u></b>	<b><u>722,280,856</u></b>
2) <b>Current Assets Loans &amp; Advances</b>	6		
a) Inventories		66,891,957	20,724,525
b) Sundry debtors		206,488,931	154,751,891
c) Cash & bank balances		225,182,000	773,334,346
d) Other current assets		41,807,527	3,678,539
e) Loans & advances		33,316,900	13,484,250
		573,687,315	965,973,551
Less : Current liabilities & Provisions	7	122,866,559	139,028,312
Net Current assets		<b><u>450,820,756</u></b>	<b><u>826,945,239</u></b>
3) <b>Miscellaneous Expenditure</b> (to the extent not written off or adjusted)	8	16,074,887	19,753,923
<b>TOTAL</b>		<b><u>1,616,113,965</u></b>	<b><u>1,568,980,018</u></b>
Significant Accounting Policies and Notes Forming part of the Accounts	18		

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: 26.04.2007

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: 26.04.2007

Managing Director  
Director Technical  
Executive Director  
Director

Company Secretary &  
VP - Corporate Affairs

# PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007

	Schedule No	Year Ended 31.03.2007 Rs.	Year Ended 31.03.2006 Rs.
<b>INCOME</b>			
Income from operations		602,492,570	567,127,581
Less : Service Tax		29,953,607	25,112,035
Net Income	9	572,538,963	542,015,546
Increase/(Decrease) in Inventories	10	23,855,597	4,923,987
Other Income	11	42,730,337	3,631,564
<b>TOTAL</b>		<b>639,124,897</b>	<b>550,571,097</b>
<b>EXPENDITURE</b>			
Testing and analysis expenditure	12	158,737,597	130,239,895
Payments and benefits to employees	13	118,053,994	86,534,820
Administration, selling & General expenses	14	102,324,702	76,017,450
<b>TOTAL</b>		<b>379,116,293</b>	<b>292,792,165</b>
<b>EBIDTA</b>		<b>260,008,604</b>	<b>257,778,932</b>
Finance charges and Interest	15	27,478,197	4,250,473
Depreciation	5	93,995,814	50,340,330
<b>TOTAL</b>		<b>121,474,011</b>	<b>54,590,803</b>
Profit before amortisation, Prior year adjustments & Tax		138,534,593	203,188,129
Less : a) Amortisation of preliminary expenses	16	4,018,722	-
b) Prior year adjustments	17	149,576	-
Profit before tax		134,366,295	203,188,129
Less : a) Provision for regular Income-tax		30,205,000	73,400,000
b) Fringe benefit tax		2,000,000	1,300,000
c) Deferred tax Liability/(Asset)		14,888,297	( 6,502,000)
Profit After Tax		87,272,998	134,990,129
Add : Surplus brought forward from previous year		320,738,054	216,298,284
Amount available for appropriations		<b>408,011,052</b>	<b>351,288,413</b>
<b>APPROPRIATIONS :</b>			
Transfer to General Reserve		8,800,000	14,000,000
Proposed dividend		17,686,248	14,514,676
Provision for tax on dividend		3,005,780	2,035,683
Surplus carried to Balance Sheet		378,519,024	320,738,054
		<b>408,011,052</b>	<b>351,288,413</b>
Significant accounting policies and notes forming part of the accounts	18		
<b>COMPUTATION OF EARNINGS PER SHARE</b>			
a) Net Profit for the year		Rs.87272998	Rs.134990129
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.4/-	Rs.7/-
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: 26.04.2007

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: 26.04.2007

Managing Director  
Director Technical  
Executive Director  
Director

Company Secretary &  
VP - Corporate Affairs

	As at 31.03.2007 Rs.	As at 31.03.2006 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	34,550,000	20,550,000
Add : Transferred during the year	<u>8,800,000</u>	<u>14,000,000</u>
	43,350,000	34,550,000
iii) Surplus in Profit & Loss Account	<u>378,519,024</u>	<u>320,738,054</u>
<b>TOTAL</b>	<u><b>1,195,597,414</b></u>	<u><b>1,129,016,444</b></u>
<b>3. SECURED LOANS</b>		
A) Loans & Advances from Banks		
a) Cash Credit		
- Repayable in Indian Rupees	62,370,389	59,943,588
b) Term loans		
- Repayable in Indian Rupees	—	5,403,515
- Repayable in Foreign currency	<u>238,955,745</u>	<u>319,543,204</u>
<b>SUB TOTAL</b>	<u><b>301,326,134</b></u>	<u><b>384,890,307</b></u>
B) Other Loans & Advances		
- Hire Purchase Loans from other than Banks	—	539,640
- Soft Loan from Technology Development Board	<u>49,768,493</u>	<u>—</u>
<b>SUB TOTAL</b>	<u><b>49,768,493</b></u>	<u><b>539,640</b></u>
<b>TOTAL</b>	<u><b>351,094,627</b></u>	<u><b>385,429,947</b></u>
<b>4 DEFERRED TAX</b>		
Opening Balance	10,318,007	16,820,007
Add / (Less) : Liability/(Asset) for the year	<u>14,888,297</u>	<u>(6,502,000)</u>
<b>TOTAL</b>	<u><b>25,206,304</b></u>	<u><b>10,318,007</b></u>

5. FIXED ASSETS

S No.	Description of the Asset	As at 01.04.06		Gross Block		Upto 31.03.06		Depreciation		Total		Net Block	
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	Freehold Land & Site Development	21,877,668	0	0	0	21,877,668	0	0	0	0	21,877,668	21,877,668	21,877,668
2	Buildings	29,466,035	364,946,425	0	394,412,460	4,383,500	3,609,336	0	7,992,836	386,419,624	25,082,535	727,504	742,896
	Lab Buildings	944,264	0	0	944,264	201,368	15,392	0	216,760	727,504	742,896	727,504	742,896
	Staff Quarters	342,010,522	462,792,226	0	804,802,748	144,447,966	83,186,349	0	227,634,315	577,168,433	197,562,554	577,168,433	197,562,554
3	Plant & Machinery	3,997,340	41,534,120	0	45,531,460	2,527,290	1,105,151	0	3,632,441	41,899,019	1,470,050	41,899,019	1,470,050
4	Electrical Installation	2,927,533	527,248	0	3,454,781	1,109,475	150,437	0	1,259,912	2,194,869	1,818,058	2,194,869	1,818,058
5	Office Equipment	16,438,233	5,858,349	0	22,296,582	7,019,750	3,162,561	0	10,182,311	12,114,271	9,418,483	12,114,271	9,418,483
6	Computers	6,564,623	29,291,272	0	35,855,895	2,556,275	1,149,274	0	3,705,549	32,150,346	4,008,348	32,150,346	4,008,348
7	Furnitures & Fixtures	15,445,117	2,821,655	0	18,266,772	3,548,833	1,617,314	0	5,166,147	13,100,625	11,896,284	13,100,625	11,896,284
8	Vehicles												
	<b>Total :</b>	<b>439,671,335</b>	<b>907,771,295</b>	<b>0</b>	<b>1,347,442,630</b>	<b>165,794,457</b>	<b>93,995,814</b>	<b>0</b>	<b>259,790,271</b>	<b>1,087,652,359</b>	<b>273,876,876</b>	<b>273,876,876</b>	<b>273,876,876</b>
	Previous year	355,694,664	84,889,572	912,901	439,671,335	115,779,349	50,340,330	325,222	165,794,457	273,876,876	239,915,313	273,876,876	239,915,313

5A. CAPITAL WORK-IN-PROGRESS

S No.	Description	As at 01.04.06		Gross Block		Upto 31.03.06		Depreciation		Total		Net Block	
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1.	Expansion Project												
	i) Advance for Capital Items	61,646,943	234,649,690	269,636,163	26,660,470	0	0	0	0	26,660,470	61,646,943	26,660,470	61,646,943
	ii) Building under construction	265,667,611	134,184,307	364,946,425	34,905,493	0	0	0	0	34,905,493	265,667,611	34,905,493	265,667,611
	iii) Plant & Machinery	53,011,945	409,780,281	462,792,226	0	0	0	0	0	0	53,011,945	0	53,011,945
	iv) Unallocated project expenditure	68,077,481	0	68,077,481	0	0	0	0	0	0	68,077,481	0	68,077,481
	<b>Total :</b>	<b>448,403,980</b>	<b>778,614,278</b>	<b>1,165,452,295</b>	<b>61,565,963</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>61,565,963</b>	<b>448,403,980</b>	<b>448,403,980</b>	<b>448,403,980</b>
	Previous year	71,216,289	377,187,691	0	448,403,980	0	0	0	0	448,403,980	71,216,289	448,403,980	71,216,289

	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
<b>6 CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
a) Inventories (At cost)		
i) Chemicals & Consumables	32,652,672	9,594,703
ii) Components, Stores & Spares	1,842,338	2,588,472
iii) Works-in-progress	32,396,947	8,541,350
<b>TOTAL</b>	<b><u>66,891,957</u></b>	<b><u>20,724,525</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	21,167,918	17,901,916
ii) Other debts	185,321,013	136,849,975
<b>TOTAL</b>	<b><u>206,488,931</u></b>	<b><u>154,751,891</u></b>
c) Cash & Bank Balances		
i) Cash Balance on hand	730,708	293,610
ii) Balances with Scheduled Banks		
a) on current Accounts	3,054,207	69,543,355
b) on Deposit Accounts	220,219,251	702,526,956
c) in unclaimed dividend account	1,177,834	970,425
<b>TOTAL</b>	<b><u>225,182,000</u></b>	<b><u>773,334,346</u></b>
d) Other Current Assets		
i) Income-tax paid under protest (relating to earlier years)	8,089,830	-
ii) Prepaid Income-tax (refund due)	14,953,308	2,302,312
iii) Accrued Interest on deposits with banks	4,131,419	1,048,852
iv) Retention Money with customers	548,718	327,375
v) Accrued interest on Margin Money with Banks	215,862	-
vi) CENVAT Credit	13,868,390	-
<b>TOTAL</b>	<b><u>41,807,527</u></b>	<b><u>3,678,539</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	7,690,062	3,198,456
ii) Deposits and balances with Public Sector Bodies & Others	6,711,494	7,005,962
iii) Advances for services & supplies	18,915,344	3,279,832
<b>TOTAL</b>	<b><u>33,316,900</u></b>	<b><u>13,484,250</u></b>



	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
<b>7 CURRENT LIABILITES &amp; PROVISIONS</b>		
A) Current Liabilities		
i) Sundry Creditors for services & supplies		
- Dues to SSI undertakings	--	--
- Dues to other than SSI undertakings	28,205,937	21,957,707
- creditors for capital expenditure (Expansion project)		
a) to SSI undertakings	-	8,490
b) to others	34,597,481	63,655,688
ii) Advances from customers against services (to be rendered)	3,648,555	4,959,533
iii) Other Liabilities	32,478,761	23,908,690
iv) Unclaimed dividend	1,172,834	965,505
<b>SUB TOTAL</b>	<b><u>100,103,568</u></b>	<b><u>115,455,613</u></b>
B) Provisions		
i) Provision for Taxation (Net of advance tax paid)	-	5,649,362
ii) Proposed dividend	17,686,248	14,514,676
iii) Provision for tax on proposed dividend	3,005,780	2,035,683
iv) Provision for Leave encashment	2,070,963	1,372,978
<b>SUB TOTAL</b>	<b><u>22,762,991</u></b>	<b><u>23,572,699</u></b>
<b>TOTAL</b>	<b><u>122,866,559</u></b>	<b><u>139,028,312</u></b>
<b>8 MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written off or adjusted)		
(i) Undue portion of interest on Hire Purchase Loans		
Opening balance	7,814	57,669
Less: Written off during the year to Profit & Loss account	7,814	49,855
<b>SUB TOTAL</b>	<b><u>-</u></b>	<b><u>7,814</u></b>
(ii) Preliminary exp. incurred in connection with further issue of capital		
Opening balance	19,746,109	-
Add : Additions during the year	347,500	19,746,109
Less: Written off during the year to Profit & Loss Account	4,018,722	-
<b>SUB TOTAL</b>	<b><u>16,074,887</u></b>	<b><u>19,746,109</u></b>
<b>TOTAL (i) + (ii)</b>	<b><u>16,074,887</u></b>	<b><u>19,753,923</u></b>

# SCHEDULES TO PROFIT & LOSS ACCOUNT

	Year Ended 31.03.2007 Rs.	Year Ended 31.03.2006 Rs.
<b>9 INCOME FROM OPERATIONS</b>		
i) Income from Testing & Analysis Services		
- Domestic	368,475,169	338,257,693
Less : Service Tax	29,953,607	25,112,035
- Exports	234,017,401	228,869,888
<b>TOTAL</b>	<b><u>572,538,963</u></b>	<b><u>542,015,546</u></b>
<b>10 INCREASE/(DECREASE) IN INVENTORIES</b>		
Closing Work-in-progress	32,396,947	8,541,350
Less : Opening Work-in-progress	8,541,350	3,617,363
Increase/(Decrease)	<b><u>23,855,597</u></b>	<b><u>4,923,987</u></b>
<b>11 OTHER INCOME</b>		
i) Interest on Deposits with Banks (including TDS of Rs. 34,42,179/- thereon) (Prev. year TDS Rs.2,10,528)	28,150,737	1,017,981
ii) Gain on exchange fluctuations	13,804,742	2,543,623
iii) Interest received on electricity consumption deposit	315,113	69,631
iv) Miscellaneous Receipts	459,745	329
<b>TOTAL</b>	<b><u>42,730,337</u></b>	<b><u>3,631,564</u></b>
<b>12 TESTING &amp; ANALYSIS EXPENDITURE</b>		
Chemicals, Consumables, Stores, Spares & Components Consumed	94,605,501	82,843,278
Sample preparation, Data Generation, Inspection and Testing Exps.	41,253,214	36,976,106
Water, Power & Fuel Charges	22,878,882	10,420,511
<b>TOTAL</b>	<b><u>158,737,597</u></b>	<b><u>130,239,895</u></b>
<b>13 PAYMENTS &amp; BENEFITS TO EMPLOYEES</b>		
Salaries & wages	96,685,652	71,182,501
Bonus	1,269,670	1,162,519
Contribution to Provident Fund	5,245,520	3,956,133
ESI Contribution	873,174	506,071
Staff Welfare Expenses	4,277,007	2,255,536
Gratuity	1,297,943	1,297,782
Leave encashment	1,333,302	648,182
Other Benefits	7,071,726	5,526,096
<b>TOTAL</b>	<b><u>118,053,994</u></b>	<b><u>86,534,820</u></b>

# SCHEDULES TO PROFIT & LOSS ACCOUNT

	Year Ended 31.03.2007 Rs.	Year Ended 31.03.2006 Rs.
<b>14 ADMINISTRATION, SELLING &amp; GENERAL EXPENSES</b>		
Managerial Remuneration	12,703,870	13,911,855
Sitting fees to Directors	35,000	60,000
Rent	1,137,280	1,898,170
Rates, Taxes, Licences & Renewals	810,337	467,125
Insurance	5,444,819	2,732,729
Travelling & Conveyance	21,709,632	12,634,620
Advertisement & Business Promotion expenses	8,035,899	10,299,079
Communication Expenses	7,985,518	6,281,735
Printing & Stationary	8,309,514	6,139,182
Repairs & Maintenance	9,958,336	6,688,374
Payment to Auditors	302,380	263,180
Books & Periodicals	218,047	237,610
Vehicle Maintenance	2,366,473	1,481,325
Professional Consultancy Charges	9,580,468	5,578,534
Membership & Subscriptions	907,197	145,851
Security Charges	2,036,582	896,907
Recruitment & training expenses of personnel	1,320,335	1,853,904
Commission to franchisee agents	1,640,679	2,196,501
Software charges	3,458,597	1,272,813
Bad debts written off	3,969,505	248,584
Loss on sale of assets	-	447,679
Miscellaneous Expenses	394,234	281,693
<b>TOTAL</b>	<b><u>102,324,702</u></b>	<b><u>76,017,450</u></b>
<b>15 FINANCE CHARGES AND INTEREST</b>		
i) Interest		
a) To Banks		
- On term Loans	13,054,845	1,359,018
- On Working Capital facilities	10,949,075	1,787,594
b) To others		
- other than Directors	1,611,183	49,855
ii) Bank Charges	1,863,094	1,054,006
<b>TOTAL</b>	<b><u>27,478,197</u></b>	<b><u>4,250,473</u></b>
<b>16 AMORTISATION OF PRELIMINARY EXPENSES</b>		
Expenditure on further issue of capital charged to Profit & Loss Account (1/5th)	4,018,722	---
<b>TOTAL</b>	<b><u>4,018,722</u></b>	<b><u>---</u></b>
<b>17 PRIOR YEAR ADJUSTMENTS</b>		
Short provision of Income-tax relating to earlier years	149,576	---
<b>TOTAL</b>	<b><u>149,576</u></b>	<b><u>---</u></b>

## 18. SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS

### A. Significant Accounting Policies

Following are the significant accounting policies adopted and consistently followed in preparation and presentation of financial statements of the company.

- i) **Method of Accounting :** The Company follows accrual method of accounting. Financial statements are prepared under historical cost convention, in accordance with the accounting principles generally accepted in India having due regard to fundamental accounting assumptions of going concern, consistency and accrual.
- ii) **Accounting Standards :** Recommendations made in the Accounting Standards issued by ICAI as applicable to the company are followed.
- iii) **Fixed Assets:** Fixed Assets are stated at historical cost of acquisition/ construction less accumulated depreciation. Interest on borrowings for acquiring fixed assets and revenue expenses incurred in connection with acquisition, installation and commissioning of the assets prior to putting the same for commercial use are capitalized as part of the asset cost.  
  
Grants/subsidies received, if any, from Government and others, towards cost of the fixed asset(s) are reduced from the cost of the respective asset(s) and the net cost incurred by the Company is only carried to the fixed assets block.
- iv) **Depreciation :**
  - a) Depreciation on fixed assets, other than Plant & Machinery, is charged under straight line method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.
  - b) As followed consistently, considering the fast changes taking place in the technology and obsolescence of Plant & Machinery, depreciation on Plant & Machinery is charged under straight line method at a higher rate of 15% p.a. as against the specified rate of 10.34% p.a. in Schedule XIV to the Companies Act, 1956.
  - c) Depreciation on additions/deductions made during the year is calculated pro rata from/to the month of addition/deduction.
- v) **Inventories :** Chemicals, consumables, stores, spares & components are valued at cost after providing for obsolescence and job works in progress are valued at cost. The cost is arrived by using first-in-first-out (FIFO) formula.
- vi) **Prior period expenses/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.
- vii) **Retirement benefits:** Provision for gratuity is made on actuarial method and charged to the revenue account. The company has taken a Gratuity Policy from LIC of India for all its eligible employees. Provident Fund and Employees State Insurance contributions are administered through the respective authorities.
- viii) **Leave Encashment :** Provision for value equivalent to unutilized leave encashment is made on accrual basis and charged to revenue account in accordance with the leave rules of the Company.
- ix) **Foreign exchange transactions:** Transactions denominated in foreign currency are accounted for initially at the exchange rate prevailing on the date of transaction. Fluctuations, if any, due to change in exchange rates between the dates of transactions and the dates of crystallisation are debited/credited to "Exchange fluctuation Charges A/c" and taken to Profit & Loss Account.
- x) **Miscellaneous expenditure:**
  - a) Expenditure incurred in relation to preferential 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.
  - b) Gross interest payable on Hire Purchase loans is accounted for in the year of entering the Hire purchase transaction and the undue portion of interest (relating to future period) is carried under the head "Miscellaneous Expenditure". The same is written off to P & L a/c proportionately over the remaining loan period.
- xi) **Tax expense :** Provision for Deferred tax on Timing Differences is made as per Accounting Standard 22 (AS-22) issued by ICAI. Provision is made for regular tax on income, tax on dividend and fringe benefit tax as per the provisions of Income Tax Act, 1961 and the rules made thereunder.
- xii) **Segment reporting :** The company is engaged in the business of testing activities in various disciplines such as contract research, Clinical Speciality Diagnostics, Analytical Testing, Environmental monitoring and impact assessment 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 form part of a single Business and Geographical Segment. The said treatment is in accordance with accounting standard-17(AS-17) on "Segment Reporting" issued by ICAI.
- xiii) **Assets taken on Operating Lease:** Lease payments made for assets taken on operating lease are recognized as an expense in the statement of Profit & Loss A/c as per the terms of lease agreements.
- xiv) **Software :** Expenditure incurred on purchase/ acquisition / development of Software is treated as a revenue expenditure and charged to P & L Account consistently. However, for computation of taxable income under the Income Tax Act, 1961, the same is treated as fixed asset and depreciated at the prescribed rate of depreciation.
- xv) **Capital Work in Progress:** Amounts spent on expansion project is 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 treated as project expenditure and capitalized to the assets in proportionate manner.
- xvi) **General :** Accounting policies not specifically referred to above are in consistent with the generally accepted accounting principles followed in India.

## B. Notes on Accounts

### 1. Contingent liabilities

- i) Guarantees issued by Bankers on behalf of the Company and not provided for is Rs.78.66 lakhs (Previous year Rs. 82.28 lakhs). These guarantees are secured by lien on the Company's deposits of Rs.9.06 lakhs with the bank (previous year Rs.17.66 lakhs).
- ii) Letters of Credit (LCs) opened by Bankers on behalf of the Company and not provided for in the books (as the same are not yet crystallized) is Rs.Nil (previous year 240.97 lakhs).
- iii) 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 duty and interest on unfulfilled export obligations under the said scheme. Till 31.03.2007, the Company has fulfilled the required export obligations under the scheme and hence no liability is foreseen on account of this.
- iv) 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 required to be made for the same in the Books.
- v) Estimated amount of contracts remaining to be executed on capital account and not provided for is : Rs.425 lakhs (previous year Rs.1350.50 lakhs).
- vi) An 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. The Company's legal counsel has confirmed the validity of the deductions claimed by the Company. The Company has disputed the tax demands before the Appellate authorities. In view of the above, no provision has been made in the books of account for the above disputed tax demand. However, an amount of Rs.80.90 lakhs was paid to the department pending disposal of appeals.
- vii) Total of future minimum lease payments in respect of assets taken under non cancelable operating leases not provided for is : Rs. 242.77 lakhs (Previous year Rs.447.25 Lakhs)

### 2. Secured Loans

- i) Working capital borrowing (limit Rs.700 lakhs/ Outstanding - Rs.623.70 lakhs) from State Bank of India is 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 through grants from Government and other Institutions.
- ii) Term Loan from State Bank of India (limit Rs.3675 lakhs; outstanding Rs.2389.56 lakhs) is secured by equitable mortgage of land and 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 loan as primary security and extension of charge on other fixed assets of the Company situated at other places, other than the assets which are acquired with HP loans, grants and soft loans from Government and other institutions.

- iii) Term loan from Technology Development Board (Limit Rs.485 lakhs; Outstanding Rs.497.68 lakhs, including accrued interest payable after moratorium period) is secured by hypothecation of equipment procured with the said soft loan.

### 3. Sundry Creditors

There are no small scale industrial undertakings to whom the Company owe any sum together with interest outstanding for more than 30 days (previous year Nil).

### 4. Fixed Assets

- i) Capital Work-in progress : Major part of the company's expansion project at S P Bio-Tech park, Genome Valley, Hyderabad is completed. The assets which are still under erection and installation are shown as capital work in progress. Besides the direct cost on capital items, revenue expenditure incurred in relation to the project implementation is also capitalized.
- ii) As some of the fixed assets which were taken on "operating lease" are not put to use during the year, due to delay in completion of required infrastructure facilities, the lease charges paid are capitalized as related pre operative expenditure to the project cost.

### 5. 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 liabilities has been made.
- ii) Details of unutilized monies out of the capital raised through preferential allotment and the forms in which such unutilized funds have been invested.

(Rs. in lakhs)

Form in which the unutilized funds are invested	As at 31.03.2007	As at 31.03.2006
Term deposits with State Bank of India and other Nationalized Banks	2200	7000

### 6. INCOME TAX

Provision for tax on income, tax on dividend and fringe benefit tax is made as per the applicable provisions of Income Tax Act, 1961 and the rules made thereunder.

## 7. DEFERRED TAX

i) Computation of Deferred Tax as per AS-22 issued by ICAI is as under :-

	(Rs. in lakhs)	
	As on 31.03.2007	As on 31.03.2006
<b>A) Timing Differences</b>		
a) Timing differences of depreciation	769.57	320.28
b) Timing difference of Leave encashment	(20.70)	(13.72)
<b>Net timing differences</b>	<u>748.87</u>	<u>306.56</u>
<b>B) Deferred tax on the above</b>	252.07	103.18
Less : Opening balance of deferred tax b/f	103.18	168.20
<b>Deferred tax liability/(Asset) recognized for the year</b>	<u>148.89</u>	<u>(65.02)</u>

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

	(Rs. in lakhs)	
	As on 31.03.2007	As on 31.03.2006
A) Deferred tax liability on timing differences of depreciation	259.04	107.80
B) Deferred tax asset on Leave encashment	(6.97)	4.62
C) Net liability as at the year end	252.07	103.18

## 8. 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 :

a) Names of the related parties and description of relationship.

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

b) Aggregate Related Party transactions for the year 2006 - 2007

	(In Rupees)			
	Key Management Personnel	Relatives of Key Management Personnel	Associates	Total
Purchases of goods	---	---	---	---
Sale of goods	---	---	---	---
Receiving of Services	17,755,600	1,220,360	5,584,290	24,560,250
(Previous Year)	(21,760,766)	(1,075,640)	(Nil)	(22,836,406)
Rendering Services	---	---	432,667	432,667
(Previous Year)	---	---	(Nil)	(Nil)
Agency Agreement	---	---	---	---
Loans and Advances	---	---	---	---
Rent Deposits	---	---	---	---

## 9. Operating Lease Disclosures:

In respect of the assets taken on operating lease, the following disclosures are made in terms of AS-19, Leases, issued by the ICAI.

i) Total of future minimum lease payments under non cancelable operating leases for the periods :

- a) not later than one year 188.06 Lakhs
- b) later than one year and not later than five years 54.71 Lakhs
- c) later than five years Nil

ii) Total of minimum sub-lease payments expected

Nil

iii) Lease payments recognized in the statement of Profit & Loss a/c for the Period

- As the assets taken on operating lease were not put to use during the period, the lease payments made during the year aggregating to Rs.213.37 lakhs was capitalized to the expansion project. Hence, lease payment recognized in the P&L A/c for the year is Nil

iv) Sub lease payments received or receivable recognized in P&L A/c during the period

- 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 -

## 10. 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)	3947.63	1484.80
b) Chemicals & Consumables	64.24	21.53
c) Spares & stores	11.04	34.74
d) Reference Standards / Proficiency testing	15.73	12.57
e) Software	14.05	6.93
ii) Expenditure in Foreign Currency on account of :		
a) Travelling expenses	2.82	4.52
b) Business Promotion	3.12	20.42
c) Membership & Subscriptions	4.21	0.07
d) Seminars, Conferences, Training & Devp.	0	6.45
e) Preliminary expenses in connection with further issue of capital	0	1.25
f) Printing & Stationery	0.02	0
g) Repairs & Maintenance	0.30	9.33
h) Professional Charges	63.18	25.00
iii) Amount remitted in foreign currency on account of dividends	Nil	Nil
iv) Earnings in Foreign Exchange : Export Income from testing services	2340.17	2288.70

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	700.00	92	638.22	97
- Imported	60.18	8	21.53	3
<b>Total</b>	<b>760.18</b>	<b>100</b>	<b>659.75</b>	<b>100</b>
b) Spares & Components				
- Indigenous	160.12	95	125.17	78
- Imported	8.01	5	34.74	22
<b>Total</b>	<b>168.13</b>	<b>100</b>	<b>159.91</b>	<b>100</b>

## vi) Managerial Remuneration

A) Particulars of remuneration paid / payable to the 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 (5200000)	3900000 (3900000)	3900000 (3900000)	3250000 (3250000)	15850000 (16250000)
Perquisites	602400 (602400)	458400 (458400)	458400 (458400)	386400 (386400)	1905600 (1905600)
Commission	Nil (901292)	Nil (901291)	Nil (901292)	Nil (901291)	Nil (3605166)
<b>Total</b>	<b>5402400</b> (6703692)	<b>4358400</b> (5259691)	<b>4358400</b> (5259692)	<b>3636400</b> (4537691)	<b>17755600</b> (21760766)

### Notes:

- Figures in brackets relate to the previous year
- The above remuneration falls under clause B of Section II of Part II of Sch. XIII of the Companies Act, 1956 requiring the approval of shareholders by special resolutions.
- Perquisites include Company's contribution towards PF, Leave encashment and other non-monetary benefits valued as per Income Tax Rules.
- Out of the above remuneration, an amount of Rs.5051730/- has been capitalized to the expansion project coming at SP Biotech Park, Genome Valley, Turkapally Village, Hyderabad, based on the time spent by the directors on the project.

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:

(In Rupees)

Particulars	Current Year	Previous Year
Profit before tax as per Profit & Loss Account	134366295	203188129
Add:		
a) Loss on sale of assets	—	447679
b) Directors Remuneration debited to P & L A/c	12703870	13911855
c) Depreciation debited to P&L A/c	93995814	50340330
d) Sitting fee to Directors	35000	60000
e) Prior year tax adjustments	149576	—
<b>Total</b>	<b>241250555</b>	<b>267947993</b>
Less:		
Depreciation	93995814	50340330
Net profit computed u/s 349	147254741	217607663
Over all limit available for distribution to Whole-time Directors @ 10% of the above	14725474	21760766
Remuneration paid (including value of perks) in the form of salary and perks as permitted under Schedule XIII of the Act.	17755600	18155600
Balance available for payment of Commission as per the terms of appointment	Nil	3605166
<b>Total Remuneration</b>	<b>17755600</b>	<b>21760766</b>

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	5407467	4075506
b) On Plant & Machinery	1526131	1252201
c) On other Assets	3024738	1360667
<b>Total</b>	<b>9958336</b>	<b>6688374</b>



viii) Details of payments to Auditors are as under

(In Rupees)

Particulars	Current Year	Previous Year
a) As auditors	168360	165300
b) As advisors or in any other capacity, in respect of :		
i) Taxation matters	33224	11020
ii) Company law matters	22448	22040
iii) Management Consultancy Services	22448	22040
iv) Certification Services	55000	55100
c) Out of pocket expenses	6000	8080
<b>Total</b>	<b>312580</b>	<b>283580</b>

11. Information to be furnished under Sec. 22 of Micro, Small and Medium Enterprises Development Act, 2006 in relation to dues and interest payable on the dues to micro, small and medium enterprises is— Nil
12. Previous year's figures have been regrouped wherever necessary to conform to the layout of the accounts adopted in the current year.
13. Paise is rounded off to the nearest rupee.
14. Information pursuant to the provisions of part IV of schedule VI of the Companies Act, 1956.

(Amount in Rs. thousands)

<p>I. Registration details</p> <p>Registration No. : 11977</p> <p>State Code : 01</p> <p>Balance Sheet Date : 31.03.2007</p>	<p>II. Capital raised during the year</p> <p>Public Issue : Nil</p> <p>Bonus Issue : Nil</p> <p>Right Issue : Nil</p> <p>Private placement : Nil</p>
<p>III. Position of mobilization and deployment of funds</p> <p>Total Liabilities : 1616114</p> <p>Total Assets : 1616114</p> <p><b>Sources of funds</b></p> <p>Paid-up Capital : 44216</p> <p>Reserves &amp; Surplus : 1195597</p> <p>Secured Loans : 351095</p> <p>Deferred Tax : 25206</p> <p><b>Application of funds</b></p> <p>Net fixed assets : 1149218</p> <p>Investments : Nil</p> <p>Net Current Assets : 450821</p> <p>Misc. Expenditure : 16075</p>	<p>IV. Performance of company</p> <p>Turnover (includes other Income) : 639125</p> <p>Total Expenditure : 504758</p> <p>Profit before tax : 134367</p> <p>Profit after tax : 87273</p> <p>Earning per share : 4</p> <p>Dividend Rate : 40%</p> <p>V. Item code No. : —</p> <p>Product description : Contract research &amp; testing services</p>

Schedules 1 to 18 referred to above form an integral part of the Balance sheet and Profit & Loss Account.

for SARATHY & BALU,  
Chartered Accountants

J. VENKATESWARLU  
PARTNER  
ICAI Ms. No.022481

Place: Hyderabad  
Date: 26.04.2007

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: 26.04.2007

# CASH FLOW STATEMENT

(Rs. In lakhs)

Particulars	31.03.2007	31.03.2006
<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before tax and Extraordinary items	1343.66	2031.90
Adjustment for :		
Depreciation	939.96	503.40
Interest debited to P & L Account	274.78	42.50
Amortisation of preiminary expenses	41.69	
Loss on sale of assets	0.00	4.48
	<u>1256.43</u>	<u>550.38</u>
Operating profit before working capital changes	2600.09	2582.28
Adjustments for :		
Trade and other receivables	1097.00	390.50
Inventories	461.67	72.45
Trade payables	<u>202.95</u>	<u>-552.17</u>
	<u>1761.62</u>	<u>-89.22</u>
Cash generted from operations	838.47	2671.50
Taxes paid (including FBT)	323.55	729.71
	<u>514.92</u>	<u>1941.79</u>
Cash flow before extra-ordinary items	514.92	1941.79
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	514.92	1941.79
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets (after adjustments)	-5209.33	-4614.61
Sale of fixed assets	0.00	1.40
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	-5209.33	-4613.21
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest paid on term loans	-274.78	-42.50
Proceeds from Share capital	0.00	7722.91
Proceeds from long term borrowings	582.11	2282.93
Preliminary expenditure	-3.47	-197.43
Repayment of finance lease liabilities	-5.40	-13.18
Repayment of long term borrowings	-944.34	0.00
Dividends paid	-165.50	-82.29
Change in cash credit	24.26	556.18
<b>NET CASH FLOW USED IN FROM FINANCEING ACTIVITIES</b>	-787.12	10226.62
Net increase / (decrease) in cash and cash equivalents	-5481.53	7555.20
Cash and Cash equivalents Opening Balance :		
Cash and bank balances	7733.35	178.15
Cash and Cash equivalents Closing Balance :		
Cash and bank balances	2251.82	7733.35

- Note: 1. Cash Flow statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3 ; Cash Flow statements issued by the Institute of Chartered Accountants of India.  
2. Previous year's figures have been regrouped/reclassified wherever applicable.

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

Place: Hyderabad  
Date: 26.04.2007

A Venkata Ramana  
Company Secretary &  
VP - Corporate Affairs

## AUDITOR'S CERTIFICATE

We have examined the above Cash Flow statement of VIMTA LABS LIMITED for the year ended 31st March, 2007. 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 of 26th April, 2007.

Place: Hyderabad  
Date: 26.04.2007

for SARATHY & BALU,  
CHARTERED ACCOUNTANTS

J. VENKATESWARLU  
PARTNER  
ICAI Ms. No.022481



Dioxin analyzer



Triple Quad GC MS-MS

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

**Registered Office :**

**Vimta Labs Limited**

Plot Nos.: 141/2 & 142  
IDA Phase II, Cherlapally  
R. R. District  
Hyderabad - 500 051, India  
Phone : +91 40 27264141  
Fax : +91 40 27263657

**Life Sciences Facility :**

**Vimta Labs Limited**

Plot No. 5, S P Biotech Park  
Genome Valley, Turkapalli Village  
Shameerpet Mandal  
R.R. District  
Hyderabad - 500 078, India  
Phone : +91 40 39848484