

Focused  
to deliver.



**Vivimed**

Vivimed Labs Limited | Annual Report, 2011-12

**Cautionary statement**

In this annual report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report may contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion on future performance.

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

Glossary of Abbreviation is detailed in page number 112

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Notice

In the last five years, significant attainments of Vivimed Labs include:

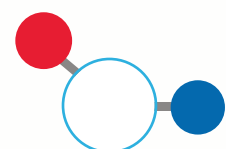
- Developing unique products.
- Enlisting marquee clients.
- Acquiring new businesses.
- Strengthening its domestic presence.
- Bringing a global balance to its business.

Going forward, the Company expects to leverage these initiatives to enhance organisational value.

## CORPORATE SNAPSHOT

**Vivimed Labs Limited**  
is a global enterprise  
headquartered in  
India.

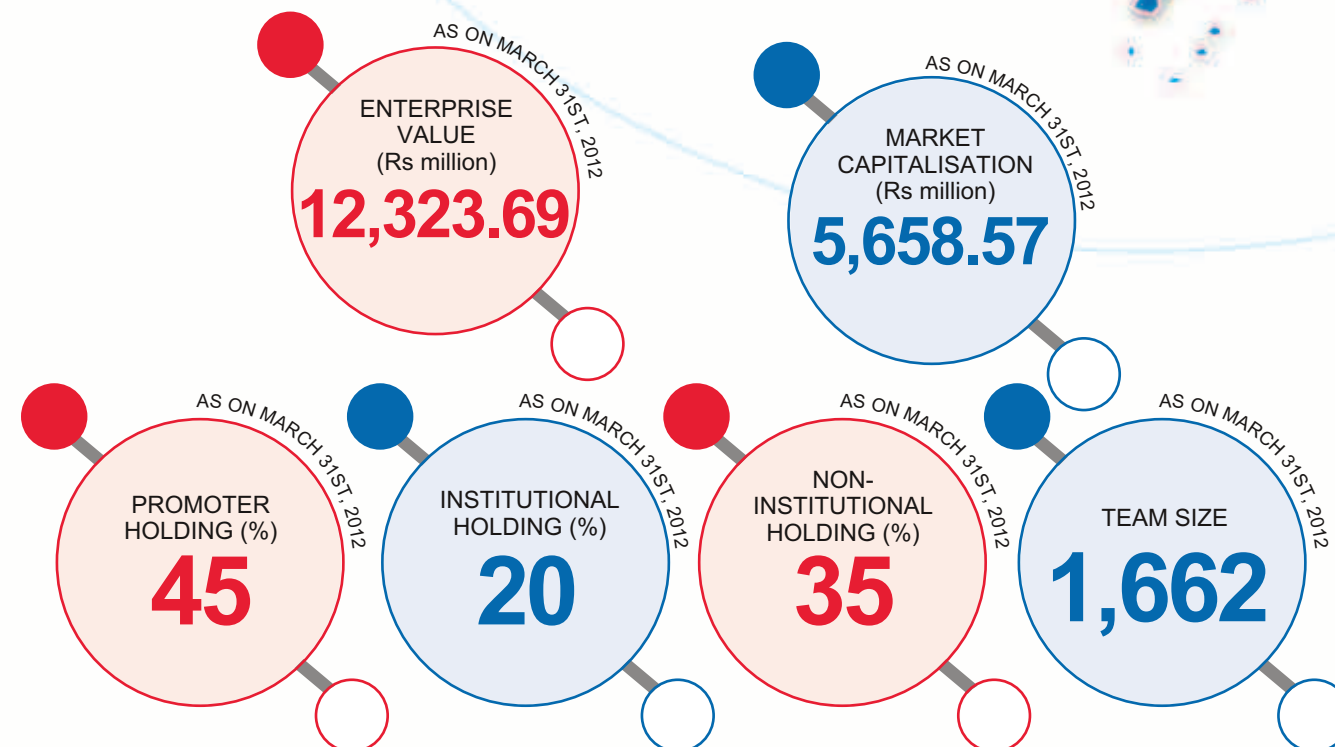
**Possessing a unique  
portfolio of Speciality  
Chemicals and  
pharmaceutical  
products.**



**V**ivimed Labs Limited is headquartered in Hyderabad (India) with ten manufacturing facilities (seven in India and three overseas), three R&D facilities (Hyderabad, Huddersfield and Barcelona) and a customer spread across 50 countries.

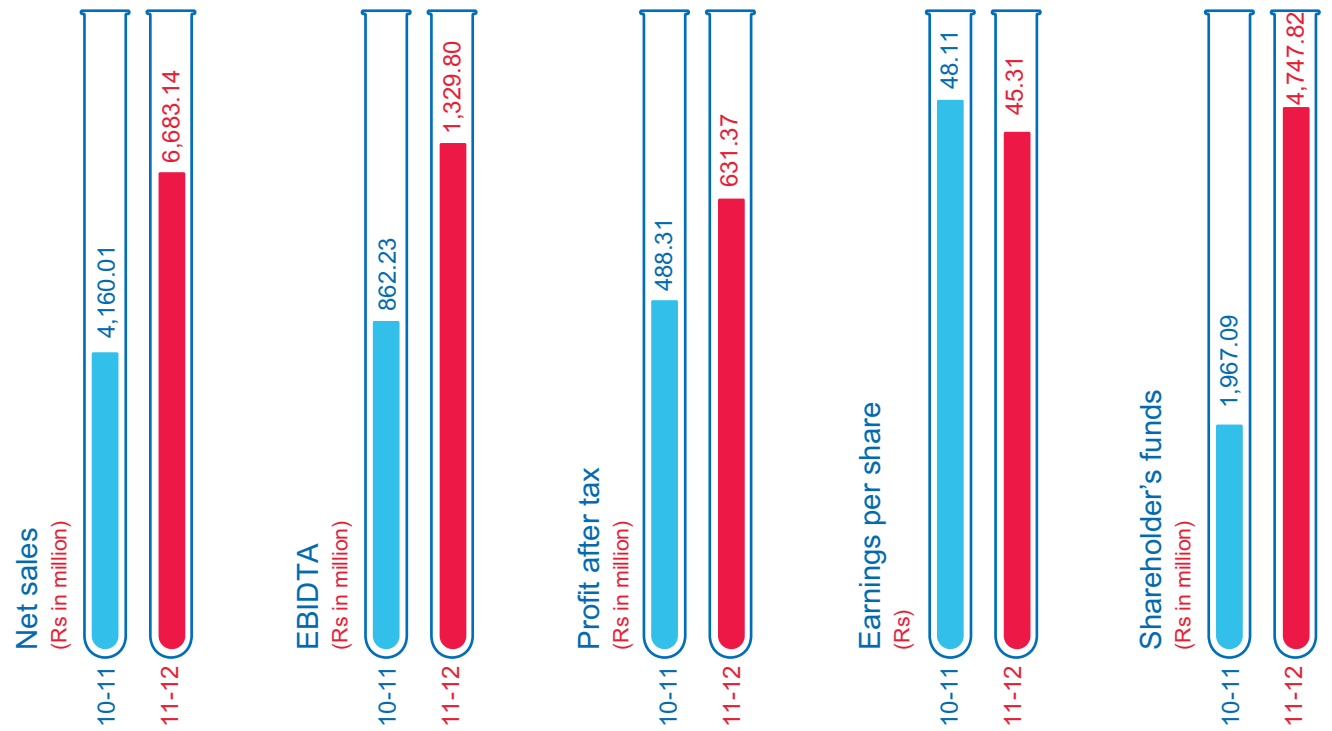
**Speciality Chemicals:** Vivimed is a global supplier of active ingredients for a diverse range of home and personal care and industrial products. The Company's products are marketed in key global markets to leading global customers.

**Pharmaceuticals:** Vivimed is the partner of choice for large global players in various therapeutic segments such as anti-ulcer, anti-depressants, oncology, anti-diabetics and others. The Company's clients include global majors and various large Indian companies.



# 2011-12 in retrospect

Consolidated financials	2010-11 Amount (Rs in million)	2011-12 Amount (Rs in million)	y-o-y (%)
Net sales	4,160.01	6,683.14	61
Revenue	4,215.25	6,893.49	64
EBIDTA	862.23	1,329.80	54
Profit before tax	552.62	778.15	41
Profit after tax	488.31	631.37	29
Ploughback into business	468.67	577.23	23
Dividend payout (equity and preference)	20.33	54.14	166
EBIDTA margin (%)	20%	19%	
Net margin (%)	12%	9%	
Return on equity (%)	26%	18%	
Return on capital employed (%)	9%	6%	
Return on networkth (%)	27%	21%	
Earnings per share (Rs)	48.11	45.31	
Interest cover (x)	4.15	4.69	
Book value per share (Rs)	184.81	245.06	



## Business thrust and initiatives in 2011-12

### Acquisition

- Acquired Uquifa, a leading global API manufacturer based in Spain and Mexico, in November 2011
- Acquired Klar Sehen Pvt. Ltd, a niche ophthalmic formulations company based in India, in October 2011
- Acquired Octtantis Nobel Labs Pvt. Ltd, a branded formulations marketing company, in September 2011

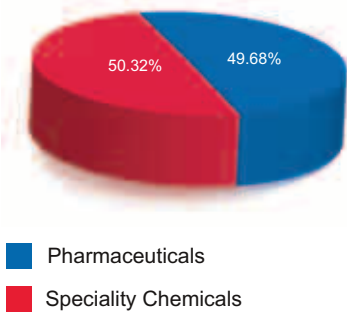
### Funding

- Vivimed attracted equity investments from the global financial institute - IFC, Washington D.C and from reputed global private equity players NYLIM Jacob Ballas, New York and Kitara Capital, Mauritius.

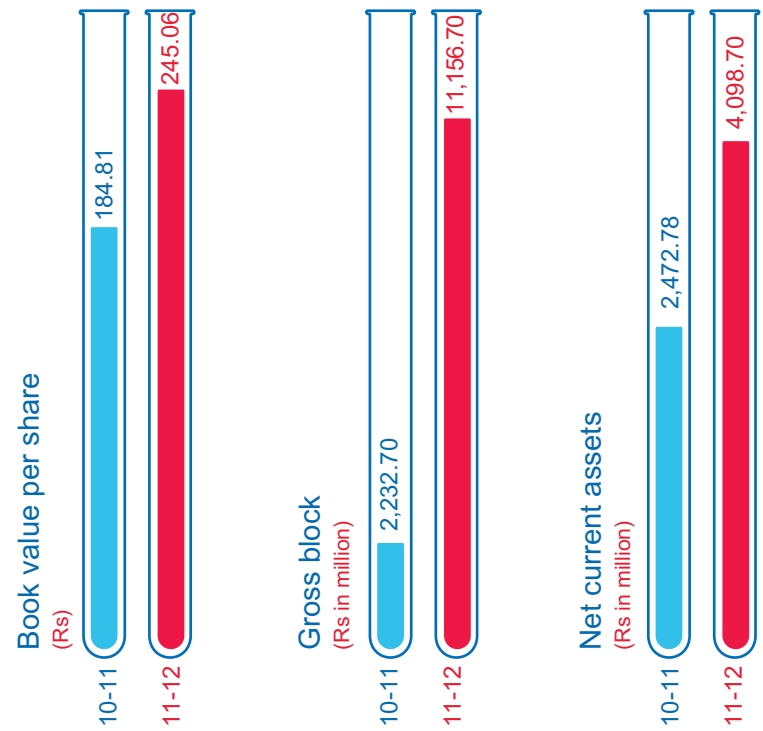
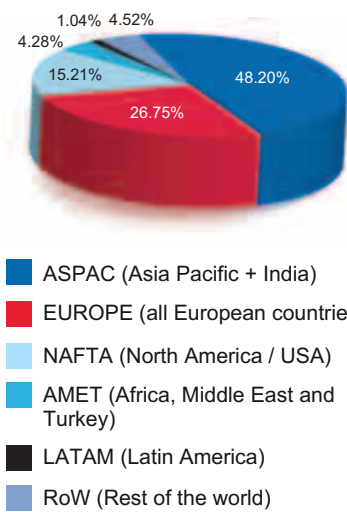
### Capital expenditure

- A proposed greenfield formulations facility at Chouttuppal, Andhra Pradesh, for an investment of Rs 400 million
- A proposed sector-specific special economic zone in Srikakulam (SEZ), Andhra Pradesh, for an investment of Rs 1,200 million spread over the next two years
- A proposed brownfield expansion at the Speciality Chemical facilities (Bonthapally and Bidar) for an investment of Rs 250 million
- Expansion of the Jeedimetla, Hyderabad facility at an investment of Rs. 50 million

### Revenue split by business segments (2011-12)



### Revenue split by geography (2011-12)





Vivimed is a preferred supplier of products to leading global companies. The Company enjoys strategic relationships that make it possible for the Company to accelerate the speed with which it can take new molecules to the market, catalysing its growth.

Vivimed expects to grow its business and deliver superior returns through the following initiatives:

- Enhance the share of wallet with existing clients by increasing the range of product offerings
- Grow on a 24-month foundation of customer accretion for its Speciality Chemicals business and generate growing business from each customer (a new customer takes between 24-36 months to provide sizeable volumes)

## Relationships

- Expand the opportunity canvas by entering emerging spaces such as automotive chemicals and biocides in the area of Speciality Chemicals
- Address attractive opportunities in the printable electronics segment
- Implement brownfield expansion, while optimising capital costs and strengthening its competitive advantage

Vivimed expects that these initiatives will sustain its speciality business momentum and enhance margins.

### The Vivimed customer value

- Vivimed provides globally benchmarked and quality watermarked solutions
- The Company optimised its processes to offer products around a price-value proposition comparable to the prevailing global benchmark
- It developed and patented processes for various Speciality Chemicals
- It customised products for clients by leveraging its rich intellectual capital



In 2011, Vivimed acquired Uquifa, a global API intermediate and API manufacturing company, enjoying strong customer relationships with large global brands.

This inorganic initiative will enable the Company to establish a strong foothold in the high-growth generic pharmaceutical space and accelerate its profit momentum.

The acquisition has enabled:

- Vivimed to leverage Uquifa's presence as a leading global API manufacturer.
- To gain access to a large product basket comprising of 60 APIs in different therapeutic segments and 150 DMFs

## East-West edge

- Uquifa to capitalise on opportunities emerging from the low-cost, high-quality Indian manufacturing base and its regulated-market presence.

As a result, Vivimed expects to carve out a strategic position in the global pharmaceuticals business.

### Integration to drive profitability

- Vivimed will reinforce Uquifa's operations by manufacturing key intermediates and certain APIs in India.
- The Company will complement Uquifa with captive formulation facilities.
- The Company's deep insight into synthetic chemistry and research strengths will catalyse Uquifa's regulatory filings
- The aggregation of Vivimed and Uquifa's customer base will catalyse growth and facilitate cross-sale.

In 2011, Vivimed acquired Klar Sehen and Octtantis Nobel, two Indian companies engaged in formulations manufacture and marketing.

These acquisitions are expected to enhance business and shareholder value through the following initiatives:

- The company created a new vertical in the niche ophthalmic segment leveraging 50 proprietary trademarks and renowned brands like Dexacort, Renicol, Care Tears, Lysicon and others
- The Company's marketing presence in East and North-east India is being expanded to the other parts of the country.

## Indian markets

- The Company is adding new value-added therapeutic segments through a prudent leverage of Vivimed's rich research capabilities.
- The Company is extending its marketing beyond India with a focus on MENA (Middle East, North Africa) and Eastern Europe.

### Build on the India positioning

Klar Sehen occupies the number one position in East India and number five pan-India in the high growth ophthalmic segment.





*Dear shareholders,*

The year 2011-12 was a satisfying one as Vivimed Labs implemented initiatives that will progressively graduate it into the next orbit. The initiatives were validated by global investors who made sizeable investments in the Company. As a result, the Company emerged stronger from an intellectual and financial perspective to drive sustainable growth.

On the financial front, the Company's growth was exciting inspite of global challenges: revenues grew a healthy 64% while EBIDTA and net profit increased 54% and 29% respectively in 2011-12.

**“Vivimed implemented strategic initiatives that will generate attractive returns and catapult the Company into the next growth orbit and enhance shareholders value.”**

Managing Director & CEO Santosh Varalwar presents the Company's growth blueprint

However, the exciting part of the Vivimed growth story is how it established a strong presence in the high-growth, high-value pharmaceutical space, evolving the Company's identity from a speciality chemicals-dominant player into an organisation whose growth will be prudently accelerated by two engines – Speciality Chemicals and pharmaceuticals – over the foreseeable future. The management believes that this transformation will catalyse revenue growth, strengthen margins and enhance shareholder value in an attractive way.

### Speciality Chemicals

During the year under review, the Company strengthened its Speciality Chemicals business through partnerships with a number of global giants, receiving product approvals and commercialising product supplies. The management felt that it could have done better but for certain product launches getting delayed at customer's end and from our R&D perspective. While the Company provided leading global brands a large product basket,

a large section of its customers continued to outsource only few products, a reality that the team could have improved upon.

**Accelerating demand:** The growth in this vertical will be primarily organic. The team will focus on enhancing opportunities with existing clients, attracting Tier-II customers and establishing a growing presence in emerging markets. In the last two years, the completion of a significant number of customer audits of its facilities and products will stimulate demand. Besides, the team is working on a robust pipeline of 20 molecules under various stages of development/customer approval, including the prospects of commercialising a few in the current year.

**Lateral shift:** The Company is also expanding its product basket to cater to other Speciality Chemicals such as automotive, biocides and plastic electronics. Its unstinted focus on research in these segments will eventually lead to value-added products in emerging business segments.

**Augmenting supply:** Vivimed continued its capacity expansions in various segments through brownfield and greenfield initiatives. A sizeable investment was made and will continue to be made to catalyse growth.

### Pharmaceuticals

The Company's strategic focus on the

pharmaceutical business over the last year led to the acquisition of an API business in Europe as well as acquisition of domestic branded formulation companies. These initiatives will strengthen the Company's holistic presence covering various pharmaceutical segments like APIs for regulated markets, CRAMS and branded formulations marketing.

### Business integration

The Company's challenge lies in the integration of its two business verticals under a common corporate structure, while leveraging synergies and competencies.

As a first step, Vivimed will strengthen Uquifa's operations by manufacturing a majority of its intermediates at two new intermediate blocks, which are expected to commence operations in the second quarter of 2012-13. In doing so, the Company will create additional capacities for API production and CRAMS opportunities at Uquifa. These initiatives will optimise manufacturing costs, strengthening the competitive edge.

The second phase will focus on commissioning API and formulation capacities in India, which will enable the team to market formulations to global marquee clients (Uquifa's customers) and widen the product basket of its domestic retail arms (Klar Sehen and Octantis Nobel).

The Company committed Rs 1,200 million for a sector-specific special economic zone in Srikakulam, Andhra Pradesh, which will house manufacturing facilities for Speciality Chemicals and APIs (commencing 2014-15).

### Capex funding

Vivimed invested Rs 1,495.63 million in business strengthening initiatives and committed Rs 1,900 million for capacity expansion (greenfield and brownfield) which will fructify in a phased manner over 36 months. The Company secured the funds for its proposed investment plans through a prudent mix of debt, equity and accruals.

### Conclusion

The Company has blended aggression with stability. It would like to assure shareholders that investments in projects, products and markets will reinforce its competitive position. The Company's strategic blueprint will unfold in a phased manner and as it does, it is confident of enhancing shareholder value on a sustained basis over the medium to long-term.

With warm regards,

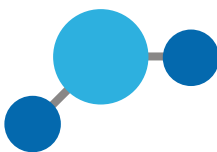


Santosh Varalwar

# Pride in ownership

Vivimed strengthened shareholder value through various strategic initiatives. Members can take pride from the fact that Vivimed touches the core of human life in multiple ways and adds value.

**Tangible value-addition**  
The Company grew revenues and profitability, it added to its assets and dividend payout and in doing so, increased shareholder value with the prospect of doing so over the future as well.



**Business growth:** The Company’s competitive advantages of cost efficiencies, consistent globally-benchmarked quality and efficient client servicing has cemented healthy and growing business relations with global marquee clients. Positioning it as a dominant player in key products and accelerating business growth.

	2010-11	2011-12
Revenue INR million	4,215.25	6,893.49
EBIDTA INR million	862.23	1,329.80
Profit after tax INR million	488.99	631.37

**Improving profitability:** The Company grew capacities by consolidating attractive opportunities globally. The Company’s competitive advantage lies in the application of the right technology for cost-effective manufacture, maintaining profitability despite competition.

	2010-11	2011-12
Return on network (%)	27%	21%
Return on capital employed (%)	9%	6%

**Enhancing shareholders value:** Over the years, the Company maintained a prudent ratio between the need to reward shareholders and its own need to capitalise on emerging business opportunities. On the one hand, the Company increased the ploughback of operational surplus to strengthen its ability to grow its business, while on the other, it sustained increasing dividend payout.

	March 31, 2011	March 31, 2012
Shareholder funds (Rs million)	1,967.09	4,747.82
Dividend per share (Rs)	2	3 (on Equity)   3.5 (on Preference)
Dividend payout (Rs million)	20.33	54.14

**Business stability:** A dynamic business model, business growth and attractive profitability reflected in a significant increase in market capitalisation and growth in enterprise value. This facilitated a seamless implementation of strategic initiatives to grow shareholders value.

	March 31, 2011	March 31, 2012
Market capitalisation (Rs million)	2,670.60	5,658.57
Enterprise value (Rs million)	5,629.40	12,323.69

## Growth drivers of 2012-13

Speciality Chemicals	Pharmaceuticals
Completed 11 customer audits in 2011-12, which will add to business volumes	Acquired Uquifa, Klar Sehen and Octantis Nobel which have added Rs 1,821 million to the topline
New products launched in 2011-12 will increase business volumes	Integrated global and Indian operations (intermediates shift to India and increased API production in global facilities) will add to revenues and profitability
Lateral growth in Speciality Chemicals for automotive, plastic and electronic application will drive growth.	Increased product basket for domestic retail will accelerate domestic retail branded formulations





# Pharmaceutical business – a presence across the value chain

**T**o accelerate growth and expand the Company's presence in the regulated markets of Europe and the US, Vivimed embarked on the strategic acquisition of Uquifa Spain and Uquifa Mexico.

## About Uquifa

Uquifa enjoys a pre-eminent position in the global API and intermediate space. The Company enjoys longstanding relationships with global customers with a deep knowledge in API regulatory frameworks.

Headquartered in Barcelona, Uquifa is a globally-reputed API manufacturer of generic and off-patent APIs. The

Company filed more than 47 Type-II DMFs with the USFDA, more than 150 active DMFs worldwide and over 20 Certificates of Suitability (COS).

Uquifa operates three US FDA-approved manufacturing facilities -- two in Spain and one in Mexico. The team possesses the capability to handle complex chemistry (lyophilisation, hydrogenation and chiral chemistry). It

has also invested in a state-of-the-art USFDA-approved pilot facility

Uquifa's products cover 15 therapeutic classes and are accepted by over 100 customers across 70 countries. The Company possesses a strong market presence in anti-ulcer products with 40% of its topline derived from the anti-ulcer segment. Its customers comprise the top 10 global generic

pharmaceutical and other major generic pharma players as well as leading innovators. It enjoys longstanding relationships with leading pharmaceutical global corporate majors.

Uquifa's DMF pipeline comprises of products with a significant market potential.

# 15

**Uquifa's products cover 15 therapeutic classes and are accepted by over 100 customers across 70 countries.**



Acquisition rationale

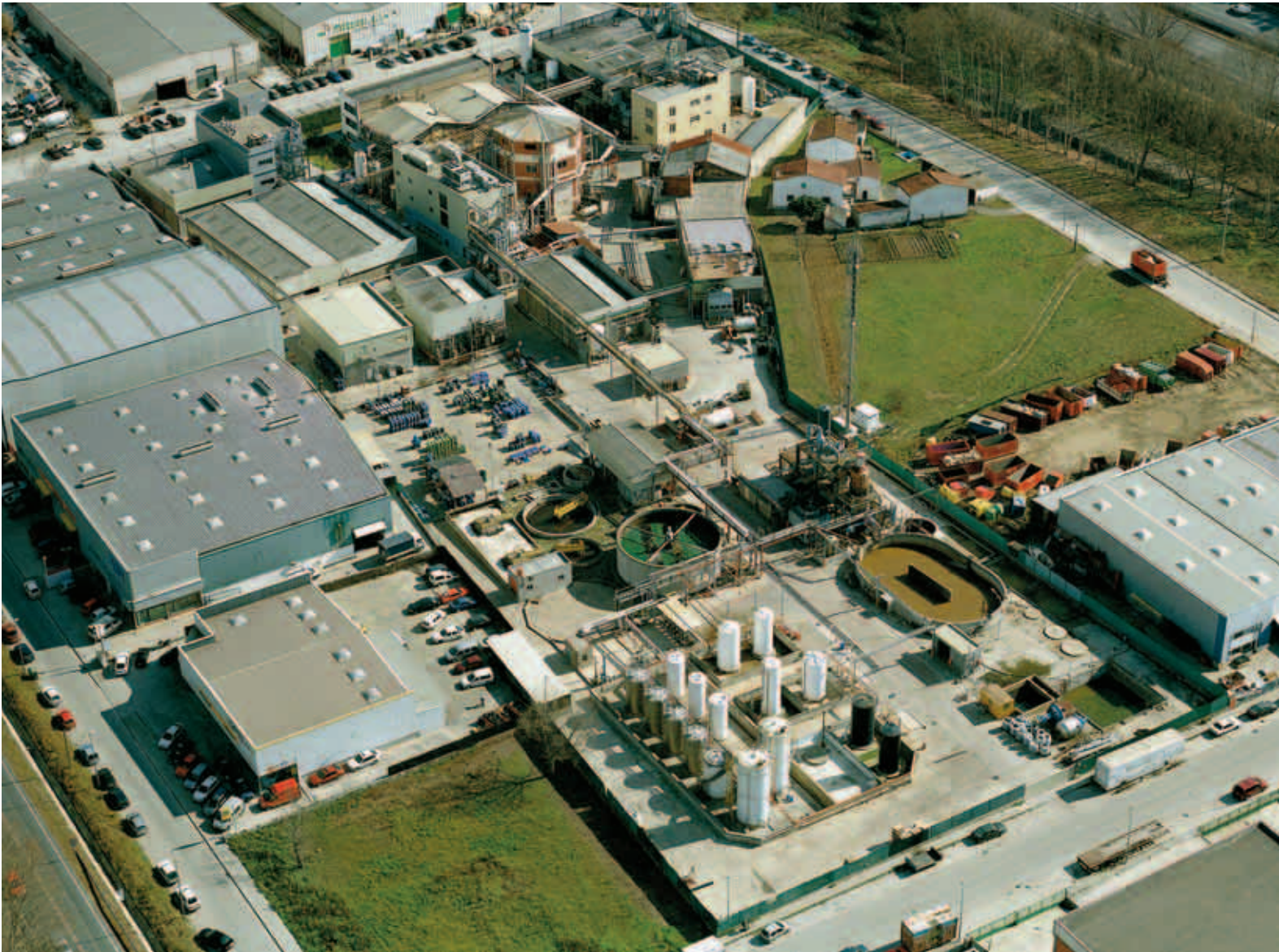
The Uquifa acquisition is considered a ‘two-way opportunity pipeline’ for Uquifa and Vivimed.

- Uquifa leverages Vivimed’s supply-side pharmaceutical efficiencies and knowledge to enhance competitiveness and market penetration
- Vivimed will leverage Uquifa’s pre-eminent API position and robust pipeline of filings to accelerate growth across Europe and the US in five years

Vivimed’s acquisition agenda strengthened the Group’s business in the following ways:

- A natural backward integration to enhance pharma formulations with API deliverables
- Wider and deeper reach in the pharma business while leveraging customer relationships to expand FDF opportunities
- Leverage Uquifa’s dossiers by virtue of Vivimed’s experience in the FDF segment

The acquisition was financed by a balanced mix of debt and equity. The investment consideration of US\$ 55.60 million was paid through an equity infusion of US\$ 20.60 million into Vivimed Labs Spain S.L., an SPV formed to acquire Uquifa Spain and Uquifa Mexico, debt funding of US\$ 25 million and the balance US\$ 10 million by way of deferred payment.



Vivimed will transfer the manufacture of intermediates to India by setting up two dedicated blocks to be commissioned in the first half of 2012-13, releasing capacity for API manufacture

Smart integration

Following the Uquifa acquisition, Vivimed will explore synergies through seamless integration.

- Vivimed will transfer the manufacture of intermediates to India by setting up two dedicated blocks to be commissioned in the first half of 2012-13, releasing capacity for API manufacture
- The in-house API availability will help expand formulations capacity, strengthening the value chain and paving the way for the increased filings of dossiers.

The value-add proposition

Vivimed’s coordinated strategy comprised the acquisition of two pharmaceutical formulation marketing companies with their own brands. This will alter the formulations business significantly from a pure-play institutional business to one that is prudently balanced between institutional and retail – a **volume-value mix**.

The acquisition of Klar Sehen and Octantis Noble (domestic companies with a presence in South and East India) will enable the Company to address growth coming out of the retail formulations business with a robust foundation to market formulations.

Meaningful presence in branded formulations

	Klar Sehen Pvt. Ltd	Octantis Nobel Labs Pvt. Ltd
Background	30-year Kolkata-based pharmaceutical company. cGMP-compliant manufacturing facilities at Kolkata and Hyderabad	Hyderabad-based product marketing company promoting finished dosage forms. Diverse portfolio of branded products widely accepted by medical practitioners
Product presence	Operates in the niche ophthalmic segment; owns 50 trademarks and well known brands like Renicol, Lysicon-V, Diconal, ODAL, Care Tears and Dexacort. Product basket comprises 40 products approximately	Presence across pharmaceutical and nutraceuticals segments (especially for women and children, enzyme preparations, B-lactams, anti-oxidants and multi-vitamins). The well-known brands like Ironin, Xyrex, Xypod, Nutriva, Coltamycin. Product basket comprises 20 products
Market presence	Strong marketing presence in the North-east, Bihar and Andhra Pradesh. Has 150 medical sales professionals	Presence in Andhra Pradesh, Bihar, Jharkhand and the entire North-east. Has a strong field marketing force of over 125 representatives
Benefits	Leading position in East India and number five pan-India. Strong presence in the high growth ophthalmic segment	Strong marketing field force predominantly in North-east and South India



# Management discussion and analysis

## Economic overview

**Global economy:** The global economic environment, which was tenuous at best through the early part of 2011, turned adverse in September 2011. Global GDP grew 3.8% growth in 2011, significantly lower than the 5.2% growth in 2010. Capital flows to developing countries in 2011 declined by almost half compared with the previous year. As per World Economic Outlook, global economic growth is expected to slow to 3.3% in 2012. Economic growth in emerging and developing economies is expected to average 5.4% - a significant decline from 6.2% growth in 2011. Despite a substantial downward

revision, developing countries of Asia is still projected to grow at 7.5% in 2012. (Source: IMF)

**Indian economy:** India's GDP growth declined from 8.4% in 2010-11 to 6.5% in 2011-12. GDP growth in 2011-12 was the lowest in nine years. Despite low growth, India remained one of the fastest-growing global economies. Going ahead, the government estimates a GDP growth of about 6%-plus in 2012-13. While this appears a reasonable estimate, inflation will continue to be a significant challenge for the government especially due to the recent hikes in excise duty and service tax in the Union Budget 2012.

# 6%

Going ahead, the government estimates a GDP growth of about 6%-plus in 2012-13.

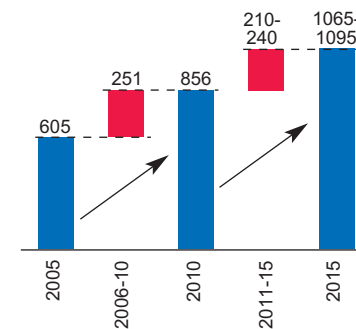


# Pharmaceutical sector

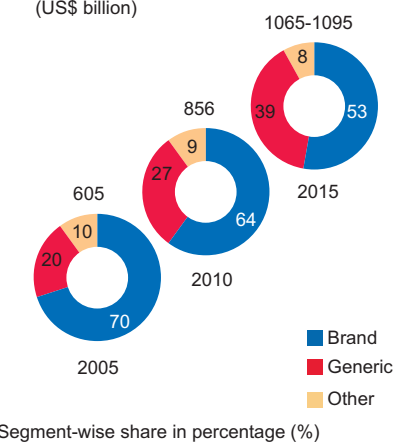
## Global



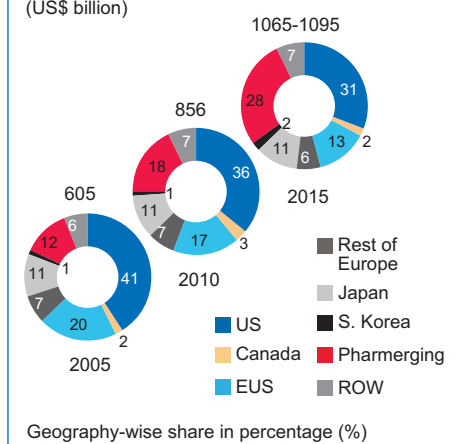
**Global spending on medicine**  
(US\$ billion)



**Spending by segment**  
(US\$ billion)



**Spending by geography**  
(US\$ billion)



Source: IMF

**Pharma emerging markets:** The largest growth in the five years from 2010 onwards will be in the pharmerging markets, driven by reforms and economic growth. Generic spending is expected to increase by US\$47 billion, approximately 60% from the increased utilisation of existing

generic products and 40% from newly available generics.

Pharmerging markets are expected to double pharmaceutical spending in five years, adding US\$150 billion by 2015. Patients pay out-of-pocket for the majority of medicines in these markets, which limits the use of expensive new

medicines. The growth of a number of pharmerging markets are marked by strong domestic companies which market low cost generics, branded generics and unauthorised variants of original brands. Of the total increase in spending, approximately 20% is expected to be derived from branded products. (Source: IMF)

# 39%

During the next five years, there will be accelerated spending in generics, rising from 20% of spending in 2005 to 39% of spending in 2015.

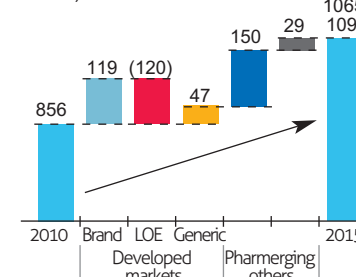
During the next five years, there will be accelerated spending in generics, rising from 20% of spending in 2005 to 39% of spending in 2015. Spending on generic drugs (including branded generics) is expected to grow at a CAGR of ~ 13% through 2015, compared to ~ 5% CAGR for the overall pharmaceuticals market.

The share of branded drugs is expected to decline from ~ 64% of global pharma spend in 2010 to an estimated 53% due to an increasing generic presence

arising out of accelerating patent expiries, higher incentives for generics use and faster generics growth in emerging pharma markets.

The U.S. share of global spending is expected to decline from 41% in 2005 to 31% in 2015, while the share of spending from the top five European countries is expected to decline from 20% to 13%. Meanwhile, 17 high growth emerging markets are likely to contribute 28% of the total spending by 2015 compared to 12% in 2005.

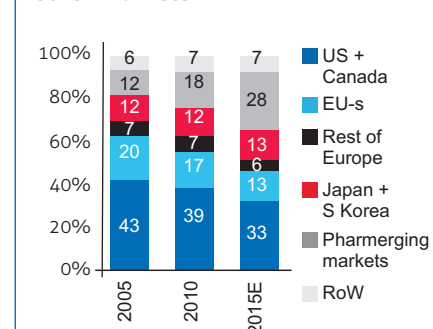
**Components of change total spending**  
(US\$ billion)



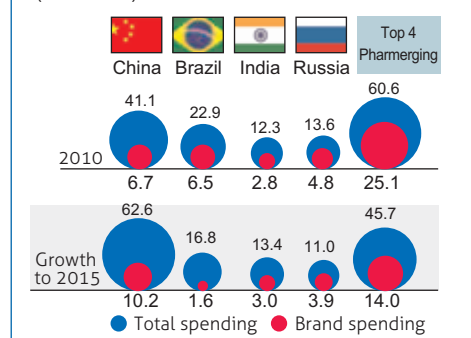
\*Others include Rest of the World +USD27bn, Other developed market growth+USD17 bn, Exchange rate change –USD15 bn

Source: IMF

**'Pharmerging markets' to outpace other markets**



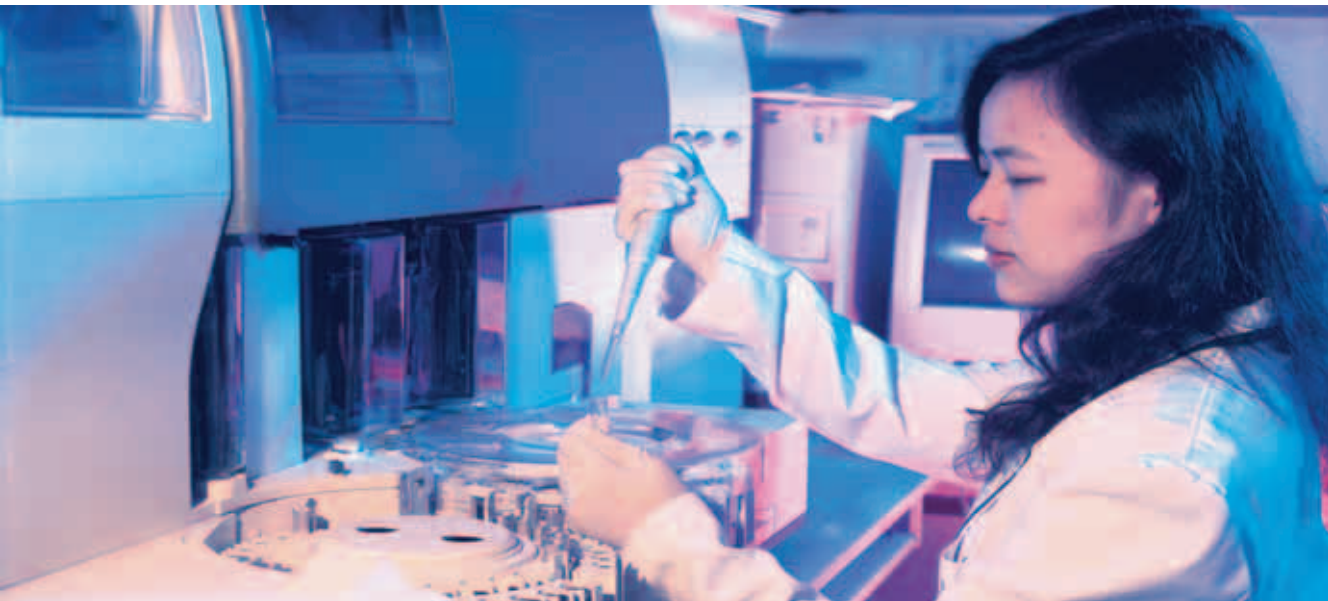
**Pharmerging spending and growth**  
(US\$ billion)





# Pharmaceutical sector

## India



Until not too long ago, India's pharmaceutical space was written off as a self-pay generics-based market adept at product duplication; today the sector has claimed a significant share of the global market by leveraging strengths and enhancing its regulatory and technical maturity. The result is that Indian formulations constitute 20% of the global generics market by value; the overall share of Indian manufactured formulations is a high 46% in the generics segment of emerging markets (Source Express Pharma).

**20%**  
Indian formulations constitute 20% of the global generics market by value; the overall share of Indian manufactured formulations is a high 46% in the generics segment of emerging markets.

**Snapshot**

- The Indian pharmaceutical industry's market size (including export) is estimated at US\$ 20 billion (Source: Pharmac India 2012)
- The Indian pharmaceutical industry ranks third in the world by drug volume (10% of global share) and fourteenth by value (about 3% of global sales)

(Source: ITP Division, Ministry of External Affairs, Government of India)

- The industry is growing at around 1.6x India's GDP growth.
- Indian firms produce about 60,000 generic brands across 60 therapeutic segments and manufacture about 500 different APIs
- The Indian formulations market (valued at ~ Rs. 583 billion) has grown at a CAGR of 14-15% over five years driven by a convergence of factors (rising household incomes, increasing incidence of lifestyle-related diseases, improving healthcare infrastructure/ delivery systems and deepening national penetration) (Source: IBEF).
- The Indian pharmaceutical market growth continues to be driven by formulations for chronic therapies; acute therapies are expected to be largely driven by Tier- III cities and rural penetration (Source: Edelweiss

research).

- The Indian pharmaceutical retail market grew 15% and recorded sales of Rs 600 billion (US\$ 12.20 billion) in 2011. (Source: Times of India)

Macro opportunities

- The Indian pharmaceutical market is expected to grow from US\$ 12 billion presently to US\$ 74 billion by 2020 (Source: PricewaterhouseCoopers).
- Population growth at about 1.3% annually on a global basis and a steady rise in disease prevalence will increase the patient pool by nearly 20% by 2020 (Source: McKinsey Report)

- Increasing penetration of health insurance from 26% in 2010 to about 45% in 2020 is expected to drive domestic demand (Source: McKinsey Report)
- Increase in the incidence of chronic diseases in three speciality areas (cardiovascular, anti-diabetic and neuro-psychiatry) that account for about 28% of the total market. This segment is growing at a faster clip of 19% (average industry growth of 16%).
- The super speciality segment (oncology, urology, vaccines, and nephrology) will be the next growth

driver within the chronic segment, already growing at double the industry average

- India's semi-urban markets (Tier II-IV cities) are growing at about 15-30%, higher than average industry growth on account of growing incomes (Source: Edelweiss research)
- While the retail segment is the mainstay of pharmaceutical offtake (80-85% of overall sales), the hospital segment is gaining importance and expects to grow at well above 20% and reach a size of US\$ 14 billion by 2020. (Source: McKinsey Report)

Dynamics of semi-urban and rural markets vary from metros and tier-I markets

	Semi-Urban & Rural Markets	Metros & Tier I towns	Comments
Therapeutic mix	Chronic (10-20%) 	Chronic (35-40%) 	Acute therapies account for 80-90% of total consumption in semi-urban areas. Anti-infectives, gastro-intestinal and respiratory are high growth therapies are catching up with higher growth in towns with more urbanization.
Doctor population	Specialist (5-10%) 	GPs and CPs (50%) 	Nature of doctor population is largely GPs and CPs (90-95% of total), while specialists presence is limited to fewer class-II/III towns which are seeing higher urbanization and expansion of therapies like respiratory, neuro-psychiatry and diabetics.
Local Competition	Very High	Not much impact	Proliferation of local players giving stiff competition to Top tier pharma companies. Local players have better relations with doctors, low pricing strategy and incentivise retailers with better schemes.
Distribution set up	Hub and spoke (Hub is a Tier-III/IV town which caters to nearby micro towns)	Multi-layered Wide spread and organized	Lack of distribution set up leading to higher cost of distribution
Field force	Lack of quality in field force	More skillful with better product knowledge and understanding of the market	Penetration and local presence in tier-III/IV cities

(Source: Edelweiss research)

## BUSINESS DIVISION-1

# Pharmaceuticals

Net sales, 2011-12: Rs 3,320.51 million

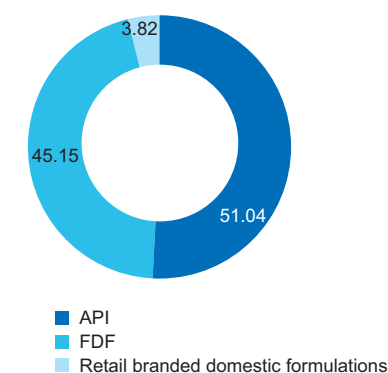
Proportion of the Company's revenues: 49.68% (2011-12)

Growth (five-year CAGR): 44%

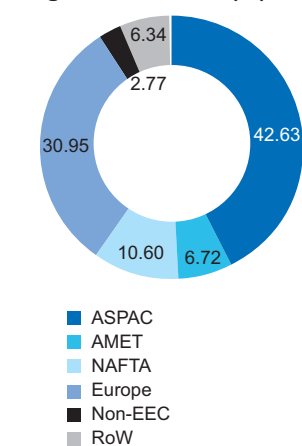


## Revenue split, 2011-12

### Segment-wise sale (%)



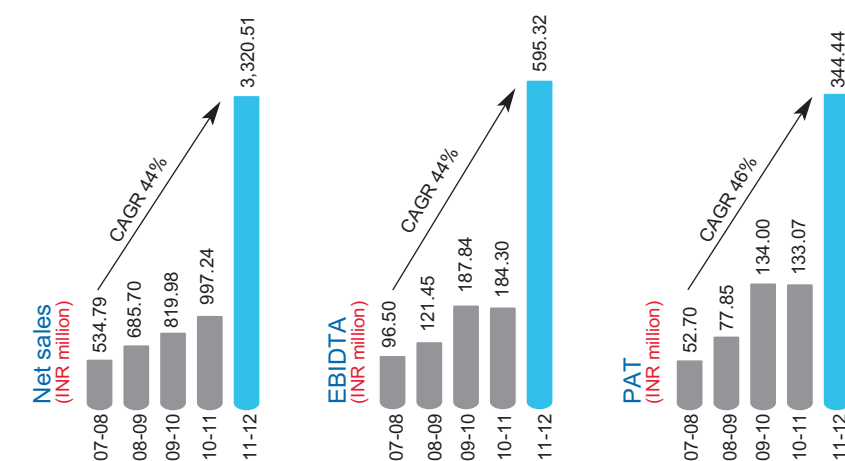
### Region-wise sales (%)



## Highlights 2011-12

- Entered the API space following the acquisition of Uquifa in November 2011
- Consolidated pharmaceutical revenues (including acquisitions) grew 233% over the previous year; existing business grew 50% over the previous year
- Upgraded and modified the Jeedimetla, Hyderabad facility to comply with EU-GMP guidelines
- Entered domestic retail branded formulations with the acquisition of Klar Sehen and Octtantis Nobel in the second quarter of 2011-12; achieved revenues of Rs 127 million from this segment

## Performance



Vivimed Labs Limited

## Overview

The pharmaceutical division's main activities comprise contract manufacturing services as well as the manufacture and marketing of branded formulations. The formulations business comprises key therapeutic areas of oncology, tuberculosis, anti-malarials and pain management.

Vivimed works with reputed clients for contracted long-term supplies. A majority of the Company's relationships extend beyond five years. The steady CRAMS segment contributed about 70.55% of FDF sales within the pharmaceutical segment to the Company's topline in 2011-12.

Branded formulations accounted for 14.04% of FDF sales within the pharmaceutical segment to the Company's topline in 2011-12. The Company exported to Russia/CIS and appointed marketing personnel to cover

African countries also. The Company registered more products in emerging markets for exports.

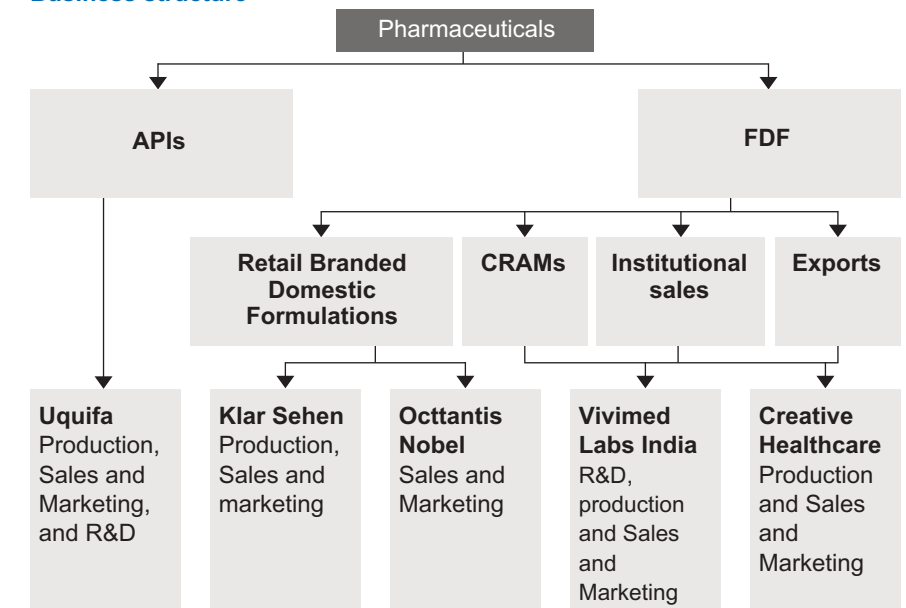
## Competitive advantages

**Wide presence:** Vivimed's value chain starts with a presence in speciality chemicals as well as pharmaceuticals. While in speciality chemicals, Vivimed mainly provides certain intermediates and active cosmetic ingredients, in the pharma segment Vivimed has extended its range starting with intermediates and APIs and extending to formulations and retail branded sales.

**Marquee clients:** Vivimed enjoys relationships with many of the leading global pharmaceutical players and marquee generics players built through global acquisitions and its own CRAMS business.

**Approved facilities:** Vivimed's global API facilities are USFDA, MHRA and

## Business structure



# 14%

Branded formulations accounted for 14.04% of FDF sales within the pharmaceutical segment in 2011-12.

Annual Report 2011-12



EMEA approved and have passed many customer audits by reputed global pharma players in the regulated markets. Its Indian facilities comply with stringent cGMP operating standards, widening its marketing footprint to regulated markets.

**Product basket:** Consequent to successful inorganic initiatives, Vivimed’s products now cover a majority of high-value, high-growth

lifestyle therapeutic segments. Following the integration of global and Indian operations as well as the commissioning of planned facilities, the product basket will widen.

Growth opportunities

Cost competitiveness in manufacturing API intermediates and APIs through cost efficient manufacturing processes, procurement efficiencies coupled with R&D support

Enhancing value to APIs leading to the manufacture of finished dosages for Uquifa’s customers

Focus on retail branded formulations with a deeper penetration in key markets and growing the product basket

Filing dossiers in the CIS to establish a meaningful presence across high growth markets

Capacity expansion

Vivimed is enhancing capacities across the pharmaceutical value chain to strengthen its global presence (especially regulated markets), leveraging India’s high quality and cost efficiencies.

Project	Cost	Details	Rationale	Estimated commissioning
Expansion of the Jeedimetla facility	Rs 50 mn	Liquid orals, tablets, capsules and ointments	<ul style="list-style-type: none"> <li>De-bottlenecking of existing facility.</li> <li>Upgrading facility to cGMP standards and EU norms.</li> <li>Upgrading analytical instrumentation</li> </ul>	2012-13
SEZ in Srikakulam, AP	Rs 1200 mn	Synthetic Organic Chemicals (Cosmetics, dye intermediates, bulk drugs and its intermediates) and commercial R&D (Pilot and lab)	<ul style="list-style-type: none"> <li>Vivimed is creating its own sector-specific SEZ to support growing global and domestic demand for manufacture of Speciality Chemicals and APIs</li> <li>Vivimed has acquired about 327 acres of land and received in-principle approval from the authorities</li> </ul>	2014-15 (Phase I)
Formulation dosage facility at Choutuppal	Rs 400 mn	Tablets and capsules	<ul style="list-style-type: none"> <li>Plant dedicated to manufacturing tablets and capsules in accordance with USFDA and cGMP standards</li> <li>Land acquisition for this facility is completed and initial activities such as obtaining approvals, fencing the land, etc, are in progress.</li> </ul>	2013-14



Speciality Chemicals sector



Overview

Speciality Chemicals are widely used in personal care products as active ingredients in the form of emollients, foaming agents and stabilisers. Their performance characteristics (thickening, foaming, imparting smoothness and conditioning) represent key functionalities sought in several personal care products.

The Indian personal care industry typically uses Speciality Chemicals such as surfactants, fragrance compounds, polymer compounds, and UV filters as active ingredients. Growing demand is leading to development of high-end speciality active ingredients with a stronger emphasis on organic (natural) ingredients.

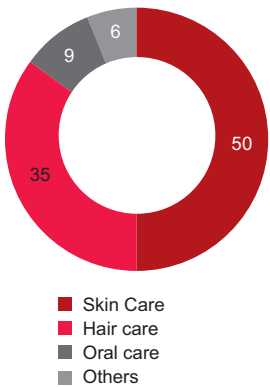
The Indian personal care ingredients market is currently estimated at ~ US\$

300-350 million, growing at 12% per annum during the period 2005-10. Rising income, increased availability and wider product portfolio of companies has led to an increase in growth in personal care products and thereby personal care ingredients.

This market is extremely competitive with more than 1,500 manufacturers of personal care ingredients in India. The market is dominated by small and medium-scale domestic companies which account for more than 50% of the market.

The relatively higher price sensitivity of the Indian personal care market has limited the demand of high value personal care ingredients, restricting expenditure in R&D and fewer innovations by domestic personal care product formulation manufacturers.

Personal care ingredient market break-up (%)



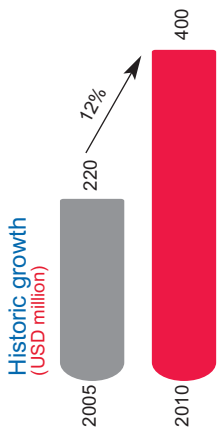
Source: Euro monitor

Vivimed’s product portfolio caters to more than 75% of the PCI market

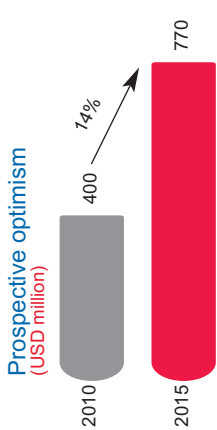
However, the emergence of large corporations willing to take investment decisions for a longer time horizon has contributed to an increase in the competitive landscape. Global trends like high demand for green products are already established in the domestic context due to a long-standing preference of the Indian consumer for

herbal products. Driven by increasing consumer preference for products with better functional benefits, the personal care ingredients market is expected to surpass the growth of the personal care products market. Personal care ingredients market in India is expected to grow at 14% to reach about US\$ 770

Personal care ingredient market



Source: Tata strategic analysis



Source: Industrial reports Tata strategic estimates

Key growth drivers

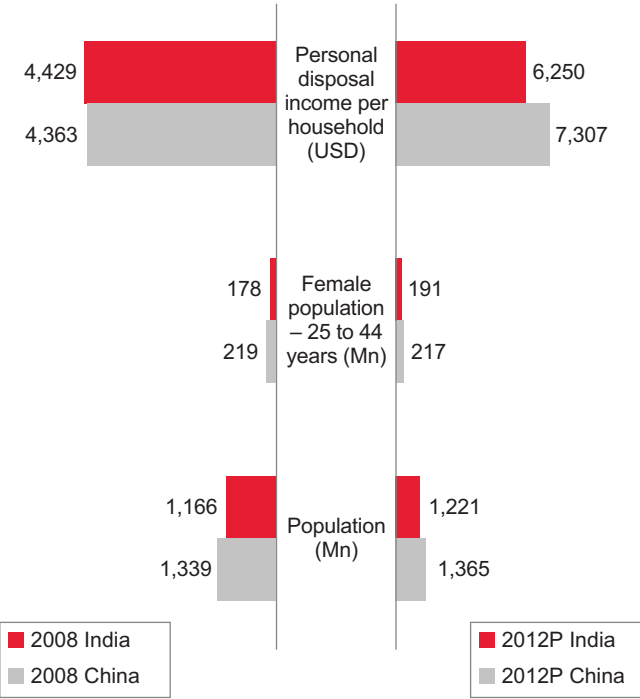
Personal care ingredients	Personal care products market
<ul style="list-style-type: none"> <li>Growth in personal care products market</li> <li>Increasing formulations usage in personal care products due to the growing demand for products with higher/better performance</li> <li>Increasing preference for green products globally, creating a huge export potential</li> <li>Development of multi-functional products</li> </ul>	<ul style="list-style-type: none"> <li>India is the fastest urbanising country; UN estimates that 40% of India's population will be living in urban areas by 2030 (Source: Forbes India)</li> <li>Per capita income has increased from Rs 40,605 in 2008-09 to Rs 60,972 in 2011-12 – increasing the disposable income in the hands of the average Indian (Source: Central Statistical Office)</li> <li>Rising participation of women in urban work force</li> <li>Growing importance of looks and personal grooming for personal as well as professional reasons is an important key social driver</li> <li>Development of non-traditional segments like men's cosmetics (with products like hair gels and fairness creams)</li> <li>Spreading of organised retail to Tier- II cities</li> <li>Development of a wide range of products at different price points are all factors leading to growth</li> </ul>



India and China – a comparison

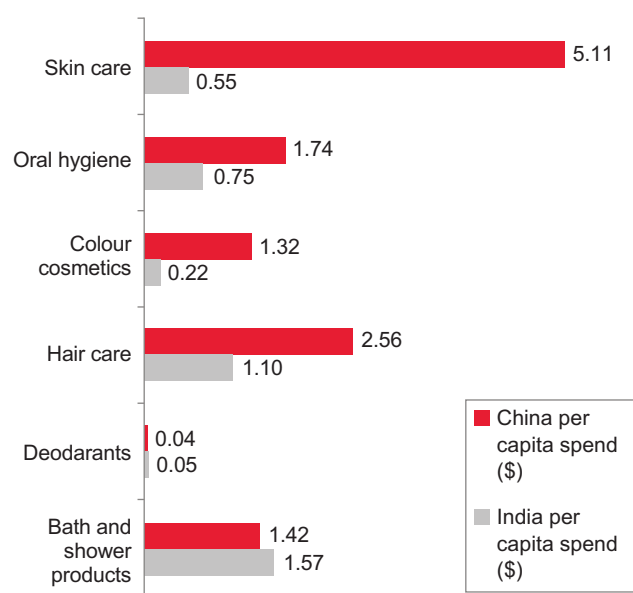
As compared to China, India has a fairly similar personal disposable income per household and a growing population of women in the 25-44 age group, the key consumer segment. However, China spends almost 10 times as much on skin care, six times as much on cosmetics and more than twice on hair care on a per capita basis. These figures indicate the huge unrealised potential of the Indian market especially for select personal care product segments.

Demographics and Economic drivers



Source: EIU, CIA world fact book

Per capita usage



Source: Morgan Stanley report, CIA world fact book  
 © Tata Strategic Management Group



## BUSINESS DIVISION-2

# Speciality Chemicals

Net sales, 2011-12: Rs 3362.63 million

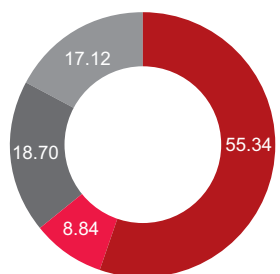
Proportion of the Company's revenues: 50.32%

Growth (five-year CAGR): 21%



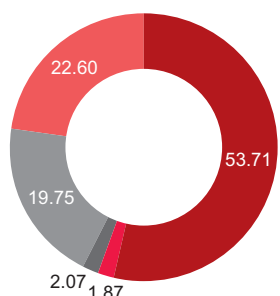
## Revenue split, 2011-12

### Segment-wise sale (%)



■ Personal care  
■ Photochromatic and imaging  
■ Antimicrobials and others  
■ Specialty intermediates

### Region-wise sales (%)

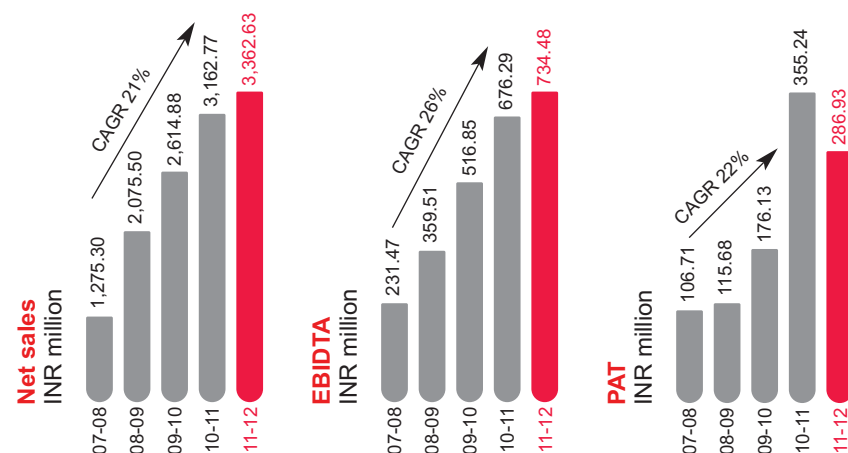


■ ASPAC, ■ AMET, ■ LATAM,  
■ NAFTA, ■ Europe

## Highlights 2011-12

- Increased Speciality Chemical sales by Rs 199.86 million, representing a 6% growth compared to FY 11
- Increased personal care and photo-chromatic and imaging sales by 10% and 18% respectively y-o-y
- Increased capex and manufacturing capacity at Bidar and Bonthapally units
- Established an office in Guangzhou, China

## Performance



Vivimed Labs Limited

# 55

Vivimed's product basket comprises more than 55 active ingredients which cater to a range of different applications.

Annual Report 2011-12

## Overview

Vivimed is engaged in manufacturing and marketing active ingredients used in home and personal care and industrial products. Following the successful launch of Viv-20 (Triclosan) in 1998, the Company developed and patented processes for various Speciality Chemicals.

Vivimed operates two Speciality Chemical manufacturing facilities at Bidar (Karnataka) and Bonthapally (Andhra Pradesh). The Company's operations were supported by focused R&D initiatives through teams in India and in the UK and (cumulative strength 109). The Company invested about 3% of its revenue in R&D initiatives in 2011-12.

Vivimed's product portfolio is broad-based across B2B and B2C engagements. In the B2B area, the Company benefited from supplying products in industrial segments; in the B2C area, it is geared to address a

range of broad-based demand drivers (rising beauty and healthcare awareness, low penetration and competitive pricing).

## Product portfolio

Vivimed offers a comprehensive and diversified product portfolio, which addresses diverse applications and caters to the needs of global giants.

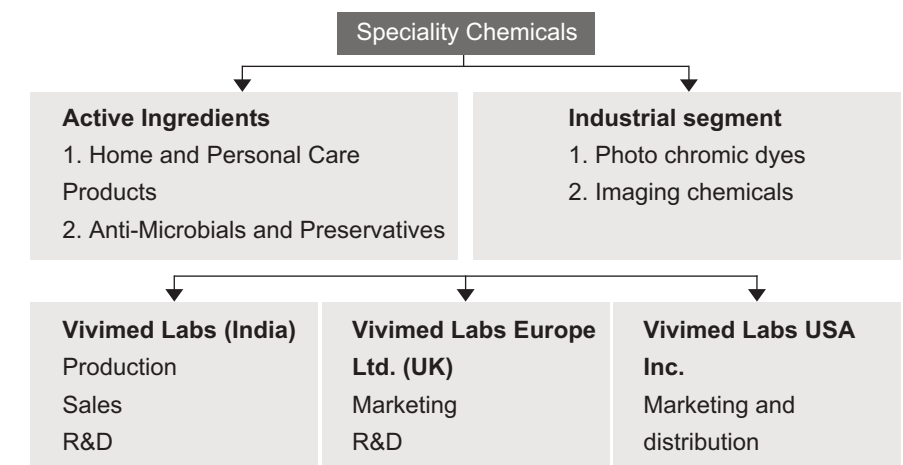
## Competitive advantages

**R&D focus:** Vivimed's R&D activity spans the creation of a molecule (molecular research) or a derivative and extends to engaging in partnership with a manufacturer (often translating to collaborative research and then manufacturing).

**Product range:** Vivimed's product basket comprises more than 55 active ingredients which cater to a range of different applications.

**Brand-enhancing quality:** Vivimed is an approved supplier of active ingredients to world-famous brands on

## Business structure





account of its impeccable and consistent product quality.

**Cost-effective molecules:** Vivimed has leveraged its skills to optimise manufacturing costs, making products available to its customers around a superior price-value proposition.

**Marquee customers:** Vivimed’s preferred supplier status with global giants and domestic companies for personal care products sustains its growth.

**High entry barriers:** Vivimed operates in a niche speciality space with a time-consuming process to attain the position of a preferred supplier. Factors

like brand sensitivity, technical qualification, pricing and timeliness represent entry barriers for new suppliers.

**Strengthening relationships:** Vivimed’s early-mover advantage as a preferred supplier with global giants translated into a strong brand and growing revenues.

**Growth opportunities**  
Vivimed expects to capitalise on the following opportunities:

**Wallet share:** The Company is working to increase the wallet share of large global players by increasing the number

of products supplied besides being part of their organic growth for existing products supplies.

**Tier-II customers:** It is working to increase regional brands in high growth markets.

**New molecules:** It possesses a robust pipeline of new molecules expected to be launched in the next three years. It will market these to existing and new customers.

**Lateral shifts:** It is leveraging chemistry skills to manufacture Speciality Chemicals used in automobile safety air bags, a lateral shift into a high growth area.

Capacity expansion

Vivimed is creating additional capacities to cater to demand from existing clients and for manufacturing new products which will be commercialised in the short-term.

Project	Cost	Product	Rationale	Estimated commissioning
SEZ in Srikakulam, AP	Rs 1200 million	<ul style="list-style-type: none"> <li>Synthetic organic chemicals (cosmetics, dye intermediates, bulk drugs and its intermediates) and commercial</li> <li>R&amp;D (pilot and lab)</li> </ul>	<ul style="list-style-type: none"> <li>Vivimed is creating its own sector-specific SEZ to support growing global and domestic demand for manufacture of Speciality Chemicals and APIs</li> <li>Vivimed has received in-principle approval from the authorities and has acquired 327 acres of land</li> </ul>	2014-15
Expansion of Bidar and Bonthapally facilities	Rs 250 million	Active ingredients for home and personal care, anti-microbials, preservatives	<ul style="list-style-type: none"> <li>To cater to the growing global demand for Speciality Chemicals, Vivimed acquired additional land adjacent to its Bidar and Bonthapally manufacturing facilities</li> </ul>	2012-13



Analysis of financial statements

Vivimed registered an improved performance driven by growth in existing businesses and the consolidation of its domestic and global acquisitions.

A. Statement of Profit and Loss

Highlights, 2011-12

- Net Sales grew 60.65% from Rs 4,160.01 million in 2010-11 to Rs 6,683.14 million in 2011-12
- EBIDTA grew 54.23% from Rs 862.23 million in 2010-11 to Rs 1,329.80 million in 2011-12
- Profit after tax increased 29.12% from Rs 488.31 million in 2010-11 to Rs 631.37 million in 2011-12
- Interest cover improved from 4.15x in 2010-11 to 4.69x in 2011-12

Revenue

Net sales increased significantly owing to growing revenues from existing and acquired businesses.

**Revenue by business segment:**  
Revenue from Speciality Chemical business increased 6% from Rs 3,162.77 million in 2010-11 to Rs 3,362.63 million in 2011-12, achieved

through leveraging existing relationships.

Revenue from the pharmaceutical business increased 233% from Rs 997.24 million in 2010-11 to Rs 3,320.51 million in 2011-12, achieved through organic and inorganic growth. Of this, Rs. 1820.92 million is from inorganic growth through acquisitions (182.60%) and Rs 502.35 million from organic growth (50.37%).

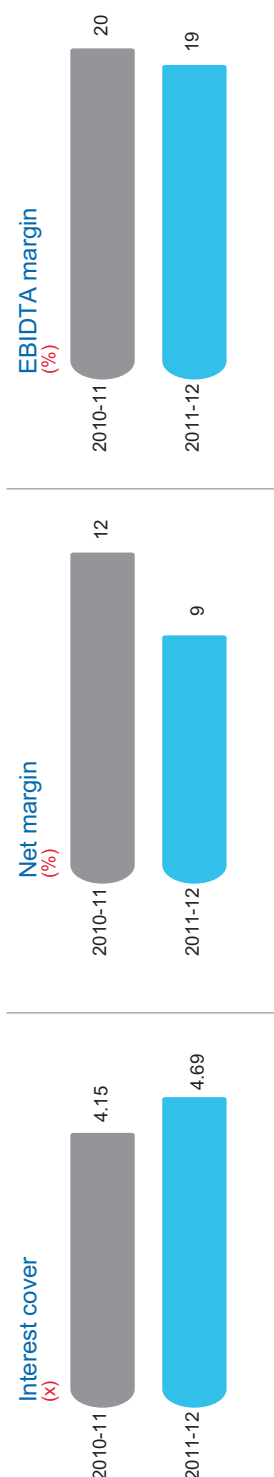
The contribution of this segment to the Company’s total revenue increased from 21% in 2010-11 to 61% in 2011-12.

Operating expenses

Total operating expenses increased 66.12% from Rs. 3,617.45 million in 2010-11 to Rs 5,931.81 million in 2011-12, primarily owing to an increase in raw material and operating costs. Of this increase, Rs 1846.87 million (51.05%) is from consolidation of expenses on acquisitions and the rest

Operating expenses snapshot

	2011-12		2010-11		y-o-y
	Amount (Rs in million)	Proportion of total operating cost (%)	Amount (Rs in million)	Proportion of total operating cost (%)	(%)
Cost of material consumed	3,557.37	59.20	2,415.58	66.78	47.27
Stock variation	(183.53)	(3.05)	(45.91)	(1.27)	299.76
Employee costs	342.25	5.70	218.42	6.04	56.69
Other operating expenses	1,173.64	19.53	449.27	12.42	161.23
Administration expenses	490.44	8.27	257.06	7.11	120.95
Financial cost	283.75	4.72	221.01	6.11	28.39
Depreciation expense	267.89	4.46	102.02	2.82	162.59
<b>TOTAL</b>	<b>5,931.81</b>		<b>3,617.45</b>		<b>66.12</b>



Rs 545.03 million (15.07%) owing to increase in raw material consumption and operating cost on account of organic growth.

**Employee emoluments:** Expenditure on personnel increased significantly in line with the expanded team size. The Company has added 129 employees to supplement its organic growth and about 414 employees on acquisition of Uquifa aggregating to 543 employees involved with its increased manufacturing activities.

The Company has also added 441 employees through its domestic acquisitions relating to formulations manufacturing and retail marketing. On a global level, the Company has an employee strength of 1662 as on March 31, 2012 as against 678 employees as on March 31, 2011.

### Financial Expenses

The increase in financial expenses has been a consequence of increase in long-term borrowings as well as short-term borrowings for working capital needs besides the congregation of the borrowings on consolidation. The increase in long-term secured and unsecured loans was Rs. 2,118.26 million of which Rs 1,278.91 million was utilized to finance acquisition of Uquifa and Rs 839.35 million was used for creation of further manufacturing capacities.

Interest on short-term borrowings shot up owing to enhanced manufacturing activities on a global basis and the consequent increase in the net working capital requirements.

The interest cover at 4.69 times (Interest to EBITDA) continues to be healthy and as a proportion of the total expenditure, it works out to be at 4.64%.

## B. Balance Sheet

### Highlights, 2011-12

- Attracted equity investments from the global financial institute - IFC, Washington D.C and from reputed global private equity players NYLIM Jacob Ballas, New York and Kitara Capital, Mauritius.
- Access to multiple manufacturing locations across the globe with FDA approved plants enabling balancing of operating and business risks and bringing in a certain stability to the operations worldwide.
- Long term funds brought in competitive rates enhancing the viability of investments into creation and acquisition of manufacturing facilities.

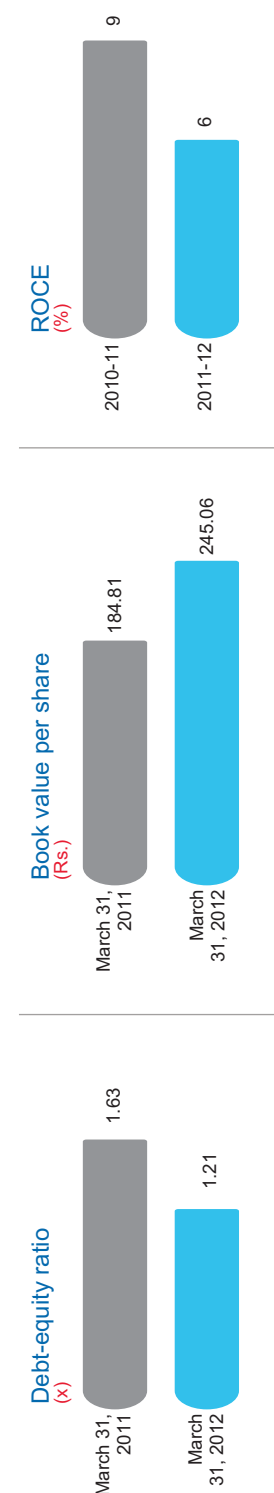
### Capital employed in business

The capital employed in the business increased as Vivimed expanded operations, invested in brownfield cum greenfield initiatives and capitalised on inorganic opportunities. The capital employed increased 102% from Rs 5,379.06 million as on March 31, 2011 to Rs 10,856.52 million as on March 31, 2012. of this, a sum of Rs 3,036.60 million is a consequence of acquisitions during the second half of the financial year.

### Shareholders' funds

Shareholders' funds (networth) increased from Rs 1,967.08 million as on March 31, 2011 to Rs 4,747.83 million as on March 31, 2012. This increase was due to allotment of equity and preference shares to prominent private equity investors like Kitara Capital and Jacob Ballas respectively.

Equity capital (face value of Rs 10 per share) increased from Rs 101.64 million as on March 31, 2011 to Rs 139.34 million as on March 31, 2012 owing to allotment of 1.83 million shares to Kitara capital and 1.49 million shares to the promoters and others on conversion of



warrants and 0.45 million shares issued for consideration other than cash.

Preference share capital subscribed to during the year was Rs 1309.45 million. Of this Rs 21.26 million would be converted into equity shares on conversion at any time before April 2013 at option of the investor which would further increase the equity capital to Rs 160.61 million.

The reserves and surplus balance increased 84.34% from Rs 1,776.81 million as on March 31, 2011 to Rs 3,275.31 million as on March 31, 2012 primarily due to an increase in share premium (due to allotment of shares) and ploughback of the operational surplus. As a result, book value per share stands at Rs 245.06 as on March 31, 2012.

### Long-term borrowings

The Company availed of long-term loans to fund business acquisitions and for expansion / creation of further manufacturing capacities. Long-term borrowings increased from Rs 1,318.98 million as on March 31, 2011 to Rs 3,373.25 million as on March 31, 2012. A majority of the long-term debt comprised secured loans from banks; the unsecured portion included loans from banks and FCCBs from International Finance Corporation.

### Short-term borrowings

Include secured credit lines (primarily packing and cash credit facilities) and from Indian and international banks (in rupee and foreign currency) to fund the working capital requirements. Significantly expanded operations following the domestic and international acquisitions increased these requirements. As a result, short-term borrowings increased from Rs 1,750.78 million as on March 31, 2011 to Rs 2,328.23 million as on March 31, 2012. Of these borrowings, Rs. 1006.83

million represent short-term borrowings in INR and the balance Rs 1321.40 in foreign currency.

### Net Current Assets

Net current assets increased from 2,473.24 million as on March 31, 2011 to 4,162.71 million ended March 31, 2012, an increase of 68.31%. The increase is primarily due to consolidation of current assets as a consequence of Acquisitions.

### Fixed assets

**Tangible assets:** This increased 202.86% from Rs 1,814.58 million as on March 31, 2011 to Rs 5,495.61 million as on March 31, 2012, primarily due to routine capex and consolidation of fixed assets of the global and Indian acquisitions. The increase in the asset base is comprised of Rs 2,185.40 million from global and Indian acquisitions and Rs 1,495.63 million from the capacity creation efforts at existing and new facilities.

The Company is also investing in multiple greenfield and brownfield projects to sustain growth in both business verticals:

- Commissioning the brownfield expansion at the speciality chemical manufacturing units at Bidar and Bonthapally
- Setting up a greenfield finished dosage facility at Choutuppal, Hyderabad
- Brownfield expansion at the pharmaceutical manufacturing facility at Jeedimetla
- Investment in sector-specific SEZ to support growing demand for Speciality Chemicals and APIs

As a result, addition to land, building, plant and machinery and computer hardware accounted for more than 95% of the addition to tangible assets. This is expected to be completed by the year



2014-15, following the commissioning of various projects.

Current assets

This comprised trade receivables, inventories, cash and bank balances as well as loans and advances (short-term). The current assets balance increased from Rs 3,146.83 million as on March 31, 2011 to Rs 6,471.37 million as on March 31, 2012, a result of

expanded operations. The key factors contributing to the rise comprised an increase in inventories, trade receivables as well as short-term loans and advances.

The increase in the number of days of Inventory holding and receivables is mainly owing to the fact that the Company has consolidated only four months of Operating revenues from its

main subsidiary UQUIFA and about six months turnover from Klarasehen India Pvt Ltd and Octanttis Nobel Pvt Ltd. On the other hand, Inventory holding and receivables are based on a full year’s operating cycle.

Current assets - snapshot

	Balance as on March 31, 2012 (Rs in million)	Proportion of current assets (%)	Cycle in days	Balance as on March 31, 2011 (Rs in million)	Proportion of current assets (%)	Cycle in days	Y-o-y increase (%)
Inventories	2,478.77	38.30%	131	844.75	26.84%	73	193%
Trade receivables	2,216.08	34.24%	117	1,275.55	40.53%	110	74%
Other current assets and Loans & Advances	1,413.15	21.84%	75	915.56	29.09%	79	54%
Cash & Bank Balances	363.37	5.62%	NA	110.96	3.53%	NA	227%

Internal control

The Company believes that business efficiency, management effectiveness and safe guarding of assets can be sustained through adequate internal control processes. Internal control enables objective functioning and hard focus on results by standardising processes and optimising efforts in implementing and monitoring them. Internal controls eliminate uncertainties and avoidable risks in achieving the goals. Internal controls in the Company are exercised through:

- Accurate recording of transactions with multi-layered checks for authentication and approval
- Consistent adoption of accounting policies and practices and compliance with prescribed Accounting Standards to the extent applicable
- Control reviews for long-term plans, annual budgets with mid-term course corrections
- Incorporating critical operational and security controls into the Enterprise Resource Planning platform to enforce effective implementation
- Well-documented policies/guidelines
- Continuing endeavour to meet various statutory requirements
- Monitoring by in-house internal control function
- Audits and reviews by independent professionals, as required by the law and otherwise, and
- Interactions between the independent auditors, management and audit committee on scope, observations and outcomes of the audits and reviews.

Human resource

“An organisation’s ability to learn, and translate that learning into action rapidly, is the ultimate competitive advantage.”
 – Jack Welch

Vivimed believes that its intellectual capital represents its most invaluable asset for the following reasons:

- Success of Board Room strategies lies in the hand of the team outside the boardroom, extending to the shopfloor
- Team members at Vivimed’s establishments is what drives the Company’s growth

Even as the Company increased its presence across various business segments and geographies, it formulated HR policies to achieve its goal of creating an organisation recognised as a ‘Center of Excellence’. The Company’s endeavour is not just to increase its work force but to ensure that teams collaborate with other functions to create the right working culture, inculcate the right practices and foster the right work ethics.

The challenge for the HR team lies in managing people expectations across

multi-cultural organizations post the acquisitions in the 2011-12. Team integration for seamless functioning towards a common goal is the key priority for the current year.

As a first step, the Company recruited senior executives to manage the business operations and facilitate the integration process.

Learning and development

To reorganise and strengthen its learning and development initiatives, the Company redefined the learning objectives for it’s workforce through key differentiators based on the nature of work, cadre of employment and to meet perceived skill shortfalls.

Earlier, learning and development helped improve technical skills and capabilities. In 2011-12, the Company intensified training classes and

workshops to improve SHE awareness across the Group. Going ahead, the Company plans to improve soft skill competencies and conduct personality development programmes for ground level team members with greater emphasis on the middle Management members.

Work culture improvement

The team initiated various work culture improvement initiatives to increase employee awareness on creating an ideal working environment. The initiatives focused on conserving resources (paper, water and power), imbibing workplace etiquettes and discipline (punctuality, planning and office communication, among others). The HR team invited suggestions from various locations, the best suggestions were implemented and the winners under each category were rewarded.



SA 8000 2008

SA 8000 is an International Standard for Social Accountability initiated by the CEPAA (Council on Economic Priority Accreditation Agency), with the primary objective of ensuring ethical sourcing of goods and services by setting out the voluntary requirements to be met by employers in the workplace, including workers rights, workplace conditions and management systems. Vivimed is one amongst approximately 400 companies in India to comply with this International Standard. A surveillance audit was successfully undertaken in November 2011, ensuring that the Company maintained its certification.





# Minimising risks. Maximising returns.

At Vivimed, we understand the impact of industry uncertainty and possible outcomes. It is through this deep knowledge that we succeed.

The year 2011-12 vindicated the robustness of our business model and the effectiveness of our de-risking at a time of external volatility.

As a responsible corporate, the management invested in robust de-risking that was centrally initiated and progressively decentralised across hierarchies.

## 1 As a business grows, sustaining the growth momentum could be a challenge.

### Mitigation measure

Vivimed's growth is prudently balanced across two high-growth business segments. These segments have been adequately invested to accelerate growth over the coming years.

**Speciality Chemicals:** Organic growth through increased share of existing client's businesses, addition of new clients and new product launches are expected to catalyse volumes and will lead to capacity expansions.

**Pharmaceuticals:** Additions to the business through organic and inorganic initiatives and diversification into more value added product line will strengthen the top and bottom line. Optimisation through business integration globally will improve its profitability.

## 2 Competition could derail business estimates, impacting profitability.

### Mitigation measure

Vivimed climbed the value chain in both business verticals, minimising competition impact.

**Speciality Chemicals:** The basket comprises niche products customised

to the requirements of global personal and home care giants. The process involves stringent product approvals, quality checks and time frames. This represents a huge barrier for prospective competition.

**Pharmaceuticals:** Business additions and benefits strengthened the Company's competitiveness, presence and focus across the segment. A focus on developing niche products for marquee customers will protect profitability.

## 3 Inability to keep pace with the demand requirements of global majors could be a stumbling block for sustained relations.

### Mitigation measure

Vivimed is proactively investing in capacities through brownfield and greenfield initiatives.

**Speciality Chemicals:** The Company invested in land parcels adjacent to

existing facilities to increase its manufacturing capacities.

**Pharmaceuticals:** The Company is implementing a brownfield expansion at its existing Jeedimetla unit and is setting up a greenfield finished dosage facility.

**SEZ:** The Company is investing in a sector-specific SEZ to manufacture Speciality Chemicals and APIs.

These capacity expansions should go on stream by 2014-15, catering to the growing requirements of clients.

## 4 Loss of select clients could affect prospects.

### Mitigation measure

While vendor approval is time-consuming, vendor change is infrequent due to the time and cost involved in the lengthy approval and scaling process. Vivimed's business stability is reflected in its long business

relations with clients across both businesses.

**Speciality Chemicals:** Sustained product quality and superior service are Vivimed's hallmarks, reflected in a growing business from key clients.

**Pharmaceuticals:** Contractual

business relations extending more than five years with global and domestic pharma majors strengthened the team's client management. Besides, the addition of global clients through inorganic initiatives reduces any excessive risk of a dependence on any single client.

## 5 Inability to innovate products or processes could affect revenue growth.

### Mitigation measure

Vivimed's focus on creating new products is reflected in its annual investment of about 3% of annual topline on R&D spending.

**Speciality Chemicals:** In the three years leading to 2011-12, the team launched 3 products. The Company

created a development pipeline of 5 products to be launched in the short-term.

**Pharmaceuticals:** The Company's access to the range of intermediates and API's manufactured by Uquifa has substantially enhanced its ability to develop and launch new formulations notwithstanding the direct formulations

development, manufacture and distribution it has already been carrying on its own. This is now further substantiated by acquisitions of Klar-sehen Pvt Ltd and Octants Noble labs Pvt Ltd. R&D teams are focused on developing formulations for Uquifa's APIs – 5 of which are in the pipeline, of which 3 are to be launched in 2012-13.

## 6 Inability to garner adequate low-cost funds for capital projects and working capital could hamper progress.

### Mitigation measure

Vivimed used the PE financing route to fund expansion.

Jacob Ballas invested INR 670 million and were issued 670,000 CCP shares at a face value of Rs. 1000 each. Kitara Capital invested USD 13 mn into the Company and were allotted 18,30,137

shares of Rs. 10 each in September 2011. These investments were used to fund CAPEX requirements and acquisitions.

Vivimed also mobilised USD 7.5 mn through the FCCB route from IFC – a global Financial Institution.

These investments reflect the

company's ability to raise finances on competitive terms and retain a healthy balance of Equity and Debt funding.

The company has also raised USD 25 million from EXIM Bank of India to finance the acquisition and has in place the approvals for enhanced working capital requirements in line with the increased needs.

“Often the difference between a successful man and a failure is not one's better abilities or ideas, but the courage that one has to bet on his ideas, to take a calculated risk and to act.”

– Maxwell Maltz

# Corporate social responsibility

“Life is a gift and if we accept it we must contribute in return”

– Albert Einstein



Vivimed extended its working beyond corporate activities with a view to provide inclusive growth for communities around its plant sites.

## New Year Lunch at Devnar School for the Blind in Hyderabad

Vivimed employees from Unit 2, Bonthapally participated in a special New Year Lunch with the children as a continued support to the visually challenged students. The Company is committed to associating with them over the foreseeable future.

## Eye camp at Adilabad, Andhra Pradesh

Vivimed organised an eye camp at Adilabad, Andhra Pradesh in association with the renowned L. V. Prasad Eye Institute and the Indian Medical Association. About 105 patients visited the camp, of which 35 cataract patients were identified for surgical assistance. Additionally, 42 patients were identified with eye vision defects for which spectacles were provided.



## Improving public school infrastructure

In 2011, Vivimed partnered Project 511, an NGO focused on improving infrastructure in poorly funded government schools in Andhra Pradesh. The Company identified MPPS Habsiguda in the Uppal area in Hyderabad and revamped blackboards in the first phase. In the current year, the Company will provide desks to the schools. Overall, the project aims to benefit 30,000 children in government schools.

# Corporate information

## Board of Directors

Mr. Santosh Varalwar - *Managing Director & CEO*  
 Dr. V. Manohar Rao - *Whole Time Director*  
 Mr. Subhash Varalwar - *Whole Time Director*  
 Mr. Sandeep Varalwar - *Whole Time Director*  
 Mr. S. Raghunandan - *Whole Time Director*  
 Dr. R.K. Dhar - *Whole Time Director*  
 Mr. P.V. Rathnam - *Independent Director*  
 Dr. M. Bhagvanth Rao - *Independent Director*  
 Dr. Peesapati Venkateswarlu - *Independent Director*  
 Mr. Nixon Patel - *Independent Director*  
 Mr. Srinivas Chidambaram - *Nominee Director*  
 Mr. Chunduri Ramakrishna - *Independent Director*

## Audit Committee

Mr. P.V. Rathnam - *Chairman*  
 Dr. M. Bhagvanth Rao - *Member*  
 Mr. Srinivas Chidambaram - *Member*  
 Mr. S. Raghunandan - *Member*

## Investors Grievance Committee

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

## Remuneration Committee

Dr. M. Bhagvanth Rao - *Chairman*  
 Mr. Subhash Varalwar - *Member*  
 Mr. Sandeep Varalwa - *Member*  
 Dr. Peesapati Venkateswarlu - *Member*

## Compensation Committee

Mr. P.V. Rathnam - *Chairman*  
 Mr. Santosh Varalwar - *Member*  
 Dr. M. Bhagvanth Rao - *Member*  
 Mr. S. Raghunandan - *Member*

## Management Committee

Dr. V. Manohar Rao - *Chairman*  
 Mr. Santosh Varalwar - *Member*  
 Mr. Subhash Varalwar - *Member*

## Company Secretary & Compliance Officer

Mr. Fahim Aslam Khan

## Registered Office

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

## Corporate Office

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

## Auditors

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

## Internal Auditors

Price Waterhouse Coopers Pvt. Ltd.  
# 8-2-293/A/113/A  
Road No. 36  
Jubilee Hills  
Hyderabad – 500034

## Cost Auditors

M/s Bharthula & Associates, Cost Accountants  
G2, GSK Towers, Santhi Nagar,  
Baghameer, Kukatpally,  
Hyderabad – 500 072

## Registrar & Transfer Agents

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

## Listing

Bombay Stock Exchange Limited  
National Stock Exchange of India Limited

## Bankers

State Bank of Hyderabad  
Axis Bank  
Exim Bank  
Bank of Bahrain & Kuwait B.S.C.  
HDFC Bank  
SBI London



# Directors Report

To  
*The Members,*

Your Directors are pleased to present their Twenty Fourth Annual Report on business and operations of the Company and the audited accounts for the financial year ended March 31, 2012.

**The year in retrospect**

The consolidated net revenue of the Company during 2011-12 grew to 63.54% to Rs.6,893.49 million as compared to Rs.4,215.25 million last year. The Company has achieved a stand alone net revenue of Rs.3,829.01 million during the year under review, as compared with Rs.3,098.10 million during the previous year, a rise of 23.59% .

Consolidated profit before tax increased to Rs.778.15 million, as compared with Rs.552.62 million in the previous year, an increase of 40.64% over the last year. Stand alone profit

before tax increased from Rs.329.69 million to Rs.513.41 million an increase of 55.73% over last year.

Consolidated profit after tax increased to Rs.631.37 million as compared with Rs.488.31 million in the previous year, an increase of 29.30% over the last year. The Company recorded a Stand alone profit after tax of Rs.404.15 million, an increase of 45.57% as compared with last year's Rs.277.64 million.

A detailed review of operations and performance of the company is contained in the Management Discussion and Analysis Report, which is given as a separate chapter in the Annual Report.

Detailed summary of financial performance is given in table below:

(INR in million)

Particulars	Stand Alone			Consolidated		
	Year ended 31.03.2012	Year ended 31.03.2011	Change in %	Year ended 31.03.2012	Year ended 31.03.2011	Change in %
Revenue from Operations	3,829.00	3,098.10	23.59%	6,683.14	4,160.01	60.65%
Other Income	4.20	2.87	46.31%	26.82	10.05	166.86%
Change in Inventory	(15.68)	(44.50)	64.76%	183.53	45.91	299.72%
Total Income	3,817.52	3,056.47	24.90%	6,893.49	4,215.97	63.51%
Total operating expenditure	3,004.61	2,578.68	16.51%	5,,563.69	3,340.33	66.56%
Operating Profit (EBIDTA)	844.27	566.79	48.96%	1,329.80	875.65	51.86%
Finance Cost	225.35	176.31	27.81%	283.75	221.01	28.38%
Depreciation and Amortization	105.51	60.79	73.56%	267.89	102.01	162.61%
Profit Before Tax	513.40	329.69	55.72%	778.15	552.62	40.81%
Current Tax	102.72	66.56	54.32%	158.90	94.00	69.04%
Deferred Tax	6.54	(14.50)	145.10%	(12.11)	(29.69)	59.21%
Profit After Tax	404.15	277.63	45.57%	631.37	488.31	29.29%
Basic EPS	29.00	27.31	6.18%	45.31	48.04	(5.68%)
Diluted EPS	25.16	23.82	5.62%	39.31	41.09	(6.18%)

**Standalone financials**

The Ministry of Corporate Affairs (MCA) vide notification no. S.O. 447(E) dated February 28, 2011 amended the existing Schedule VI to the Companies Act, 1956. The Revised Schedule VI is applicable from financial year commencing from April 1, 2011. The financial statements of our Company for the year ended March 31, 2012 have been prepared in accordance with the Revised Schedule VI and accordingly, the previous year's figures have been reclassified/ regrouped to conform to this year's classification.

**Consolidated financials**

The Ministry of Corporate Affairs (MCA) by General Circular No. 2/2011 dated February 8, 2011, had granted an exemption to companies from complying with Section 212 of the Companies Act, 1956, provided such companies fulfill conditions mentioned in the said circular. Accordingly, the Board of Directors of our Company at its meeting held on May 30, 2012, approved the Audited Consolidated Financial Statements for the financial year 2011-12 in accordance with the Accounting Standard (AS–21) and other Accounting Standards issued by the Institute of Chartered Accountants of India as well as Clause 32 of the Listing Agreement, which include financial information of all its subsidiaries, and forms part of this report. The Consolidated Financial Statements of our Company for the financial year 2011-12, have been prepared in compliance with applicable Accounting Standards and where applicable Listing Agreement as prescribed by the Securities and Exchange Board of India.

**Acquisitions**

**Uquifa acquisition**

On November 30, 2011 'Vivimed Labs Limited' acquired Uquifa, a 75-year-old manufacturer of pharma APIs and intermediates with operations in Spain and Mexico. In a move to bring in strategic growth into pharma segment and expand

its footprints in Europe and the Americas, the Company has taken a measured stride with the acquisition of Uquifa.

This well considered move would strengthen the Company's current position in pharma APIs and intermediates while significantly improving the cost competitiveness of Uquifa. Complementing each other's needs and growth plans, the acquisition envisages being a healthy, 'two-way opportunity pipeline' for Vivimed. While Uquifa gets the supply side efficiencies and knowledge base of Vivimed in pharma, Vivimed would leverage the preeminent position of Uquifa in APIs and their robust pipeline of filings to accelerate growth across Europe and the Americas in the next five years.

The Company also believes that acquisition of Uquifa will add to its multi-geographical locations, stability in operations and knowledge base. This will fundamentally mean greater comfort levels for customers and channel partners in addressing their needs and logistics. Uquifa acquisition in Europe comes post a successful acquisition and integration of James Robinson, UK ( Now Vivimed Labs Europe Limited) in 2008.

With Uquifa, Vivimed will have a footprint into LATAM and deepen presence into Europe. Indian manufacturing efficiencies and Uquifa's strengths will be seamlessly aligned in the new dispensation. Uquifa's preeminent position in APIs, combined with Vivimed's supply chain efficiencies will enhance competitiveness for Uquifa and swifter broadening of customer base. Uquifa is now forming part of API division of Vivimed group.

**Klar Sehen acquisition**

On September 29, 2011 Vivimed Labs Limited acquired the entire equity stake in Klar Sehen Private Limited (KSL), a 30 year old Kolkata based Pharmaceutical Company with strong marketing presence in North East, Bihar and Andhra Pradesh. KSL Operates in niche ophthalmic segment leveraging 50 proprietary trademarks. It has well known brands such as

Renicol, Lysicon-V Care Tears, Dexacort etc., in eye care segment.

In a research conducted by C-Marc (India) Private Limited for the period Nov- Feb 2011, KSL for its wide range of Ophthalmic products has bagged rank of an All India corporate No. 1 in the East Zone and bagged a rank of No. 5 in Rest of India ( in Indian, Dist HQ & Extra- Urban and rural markets).

KSL has cGMP compliant manufacturing facilities at Kolkata and Hyderabad and also has arrangements to manufacture some of its products in Uttaranchal.

Vivimed's acquisition of KSL complements its strategy to increase its domestic presence in niche pharmaceutical areas, its extensive knowledge and experience in manufacturing and R&D will help grow this business to new levels.

### Dividend

Board of Directors of our Company has recommended a pro rata dividend @ 3.50% on fully paid Compulsorily Convertible and Cumulative Preference Shares (CCPS's) of Rs.1,000 each and a dividend of Rs.3/- on fully paid equity shares of Rs.10 each for the FY 2011-12 for your approval. There will be no tax deduction at source on Dividend Payments, but the Company will have to bear tax on dividend @ 16.97%, inclusive of surcharge.

The dividend if approved, shall be payable to the shareholders registered in the books of the Company as the beneficial owners as per details furnished by the depositories, determined with reference to the book closure from 25th September 2012 to 27th September 2012 (both days inclusive).

### Transfer to general reserves

The General Reserves, on a stand alone basis, at the beginning the year was Rs.40.30 million. General Reserves at the end of the year are Rs.80.71 million. Our Board has decided to transfer an amount of Rs.40.41 million to General Reserves.

### Board

Affairs of our Company are managed by a competent Board of Directors, which comprises of eminent personalities, who possess skills and expertise in various spheres.

The Details of the Directors being recommended for appointment and re-appointment are contained in the accompanying notice of the forthcoming Annual General Meeting.

### Subsidiary companies

The Company has three Indian Subsidiaries – Creative Healthcare Private Limited, Klar Sehen Private Limited and Octtantis Nobel Labs Private Limited.

Vivimed Holdings Limited, based in Hong Kong is a 100% subsidiary of the Company and holds 100% shareholding in Vivimed Labs Europe Limited, UK.

Vivimed Labs USA Inc. is a 100% subsidiary of Vivimed Labs Limited.

Mauritius based Vivimed Labs Mauritius Limited, a 100% subsidiary of Vivimed Labs Limited is the holding company of the:

- Vivimed Labs UK Limited, UK with its step-down subsidiaries:
- Vivimed Labs Spain S.L., Spain
  - Union Quimico Farmaceutica S.A.U, Spain
  - Holliday International Limited, UK
  - Uquifa Mexico S.A. de C.V., Mexico

In all, as on March 31, 2012, the Company has 3 Indian and 9 foreign subsidiaries.

Pursuant to a general exemption granted by the Ministry of Corporate Affairs under Section 212 of the Companies Act, 1956, vide its General Circular No. 2/2011 dated February 8, 2011, the Company is not required to annex to this Report, the Annual Reports of the above mentioned 3 Indian Subsidiaries and 9 foreign subsidiaries, for the year ended March 31, 2012. However if any member of the Company or its subsidiaries so desire, the Company will make available the Annual Accounts of subsidiaries to them on request.

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies for the financial year ended March 31, 2012 and details of each subsidiary with respect to capital, reserves, total liabilities, details of investment, turnover, profit before taxation, provision for taxation, profit after taxation and proposed dividend are given in Annexure - A of this Report.

### Branch office

Vivimed Labs Europe Limited, subsidiary of Vivimed Labs Limited, has set up a representative office in China. The Standalone financial statements of Vivimed Labs Europe Limited include the financial statements of its China representative office.

### Conservation of energy, technology absorption and foreign exchange earnings and outgo

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the relevant data pertaining to conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the prescribed format as Annexure - B to this Report.

### Particulars of employees

Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) (Amendment) Rules, 2011, is not applicable to the Company. Hence it is not being furnished with the directors report.

### Human resource

Our Company believes that competent human resources are the driving force for any organization that enables a Company to grow in leaps and bounds. The Company has always nurtured a favourable work environment that encourages continuous learning and innovation. Our Company has put in place a scalable recruitment and human resources plan, devised to attract and retain high calibre personnel.

Vivimed Labs Limited has been fortunate in having a set of committed employees at all levels and looks forward to nurture them and retain their loyalty. Our Company recognizes the value of the committed workers and the need for bonding between the Company and committed employees.

### Risk management

Our Company views risk management as a value creating function, responsible for bringing about a proactive approach to changes in Buiness Environment, a culture change and preparing the organization to face uncertain events. With this perspective, FY2011 saw a more comprehensive risk management policy being re-launched in Vivimed which is being implemented across all divisions and branches, both in India and abroad. This policy strengthens ability to better visualize enterprise, process and compliance risks, and to proactively undertake mitigation actions to minimize such risks — and thus sustain Business profits. The policy recognizes that risk is not just about downsides or things going wrong and that it should be equally focused on missing out the upside or added value that opportunities present.

Audit Committee of the Board of Directors conducts quarterly reviews regarding adequacy of risk management.

### Internal controls and their adequacy

Our Company believes that a strong internal controls framework is an essential pre-requisite of growing businesses.

It has well documented policies, procedures and authorization guidelines commensurate with the size of the organization, as well as an independent internal audit system to conduct audits of various divisions, corporate headquarters and overseas operations.

Audit Committee of the Board is updated on significant internal audit observations, compliance with statutes, progress of risk management and effectiveness of working of the control systems every quarter.

### AUDITORS

The Company's Statutory Auditors M/s P. Murali & Co., Chartered Accountants, hold office up to the conclusion of the forthcoming Annual General Meeting.

It is proposed to appoint M/s Grant Thornton, Chartered Accountants, Hyderabad, as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company. The necessary resolution seeking approval of Statutory Auditors has been incorporated in the notice convening the Annual General Meeting.

### Cost Auditors

In accordance with Ministry of Corporate Affairs General Circular No. 15/2011[52/5/CAB-2011] dated April 11, 2011 the Company has appointed M/s Bharthula & Associates, Cost Accountants as Cost Auditors for the financial year 2011-12. The due date for filing of Cost Audit Report is September 27, 2012.

### Fixed deposits

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

### Corporate governance report and general shareholders information

As required by clause 49(vi) of the listing agreement entered into by the Company with the Stock Exchanges a detailed report on Corporate Governance is provided in Annexure –C of the Directors Report. The General Shareholders Information has been provided as Annexure –D which forms part of the Directors Report. The Company is in Compliance with the requirements and disclosures that have to be made in this regard. The Auditors Certificate on Compliance with Corporate Governance requirements by the Company is attached to Corporate Governance Report and forms part of the Directors Report.



Directors responsibility statement

The Directors would like to assure the members that the financial statements for the year under review conform in their entirety to the requirement of the Companies Act, 1956.

The Directors Confirm that :

- The Annual Accounts have been prepared in conformity with the applicable Accounting Standards;
- The Accounting policies selected and applied on a consistent basis, give a true and fair view of the affairs of the Company and of the profit for the financial year;
- Significant care has been taken that adequate accounting records have been maintained for safeguarding the assets of the Company, and for prevention and detection of fraud and other irregularities;
- The Annual Accounts have been prepared on a going concern basis.

Outlook

The outlook for FY 2012-13 is more positive than before. Vivimed sees significant growth in its API business in Europe, as well as in India and the Americas with integration of UQUIFA.

Cautionary statement

The management of Vivimed Labs has prepared and is

responsible for the financial statements that appear in this report. These are in conformity with accounting principles generally accepted in India and, therefore, may include amounts based on informed judgment’s and estimates. The management also accepts responsibility for the preparation of other financial information that is included in this report. Statements in this Management Discussion and Analysis describing the Company’s objectives, projections, estimates and expectations may be ‘forward looking statements’ within the meaning of applicable laws and regulations. Management has based these forward looking statements on its current expectations and projections about future events. Such statements involve known and unknown risks, significant changes in political and economic environment in India or key markets abroad, tax laws, litigation, labour relations, exchange rate fluctuations, interest and other costs and may cause actual results to differ materially.

Acknowledgement

Our Directors place on record their sincere appreciation for significant contribution made by the employees through their dedication, hard work and commitment and of the customers for the trust reposed on the Company. We also acknowledge the support and wise counsel extended to us by bankers, government agencies, shareholders and investors at large. We look forward to have the same support in our endeavour to attain our vision.

For and on Behalf of Board of Directors  
Sd/-

Date : 30.05.2012  
Place : Hyderabad

Dr. V. Manohar Rao  
Whole Time Director

Santosh Varalwar  
CEO & Managing Director

Annexure ‘A’ to  
Directors Report

Statement pursuant to Section 212 of the Companies Act, 1956, related to Subsidiary Companies for the financial year ended March 31, 2012

Name of the Subsidiary Company	Financial Year Ended	Shares of the Subsidiary Company held by the Company a)Number b) Face Value c) Extent of Holding	The net aggregate of profit /loss of the subsidiaries for the above financial year so far as they concern the members of the Company and is not dealt with in the accounts of the Company : (a) For the Financial Year ended March 31, 2012. (b) For the previous financial year of the Company since it became a subsidiary.	The net aggregate amount of profits of the subsidiary after deducting its losses or vice versa – (i)for the financial year or years of the subsidiary aforesaid (ii)for the previous financial years of the subsidiary since it became the holding company's subsidiary	Change in holding company's interest in the subsidiaries between the end of the financial year of the subsidiary and the end of the holding Company's financial year	Material Changes which have occurred between the end of the aforesaid financial year of the subsidiaries and the end of the holding company's financial year in respect of : a) the subsidiaries fixed assets b) its investment c) money lent by the subsidiary company d) money borrowed by it for any purpose other than for meeting current liabilities
Creative Healthcare Private Limited	31.03.2012	a) 25,00,000 equity shares b) Rs.10 each c) 100% held by Vivimed Labs Limited	Not Applicable	(i) Rs.39.02 million (ii) Rs.32.80 million	As the financial year of the holding and subsidiary company coincide, there are no particulars to furnish	None
Klar Sehen Private Limited	31.03.2012	a) 699,800 equity shares held by Vivimed Labs Limited b) Rs.10 each c) 100%	Not Applicable	(i) Rs.3.23 million (ii) Nil	As the financial year of the holding and subsidiary company coincide, there are no particulars to furnish	None
Octtantis Nobel Labs Private Limited	31.03.2012	a) 25,000 equity shares held by Vivimed Labs Limited b) Rs.10 each c) 100%	Not Applicable	(i) Rs.(15.88) million (ii) Nil	As the financial year of the holding and subsidiary company coincide, there are no particulars to furnish	None

Vivimed Holdings Limited	30.06.2012	a) 10,000 equity shares held by Vivimed Labs Limited b) HK \$1 each c) 100%	Not Applicable	(i) Rs.18.41 million (ii) Rs.77.30 million	None	None
Vivimed Labs Europe Limited	31.03.2012	a) 100,000 b) GB £ 1 each c) 100% held through Vivimed Holdings Limited)	Not Applicable	(i) Rs.53.30 million (ii) Nil	As the financial year of the holding and subsidiary company coincide, there are no particulars to furnish	None
Vivimed Labs USA INC.	31.03.2012	a) 1,000 equity shares b) US \$0.01 each c) 100% held by Vivimed Labs Limited	Not Applicable	(i) Rs.(3.07) million (ii) Rs.1.30 million	As the financial year of the holding and subsidiary company coincide, there are no particulars to furnish	None
Vivimed Labs Mauritius Limited	31.03.2012	a) 9,000,000 equity shares b) US \$1 each c) 100% held by Vivimed Labs Limited	Not Applicable	(i) Nil (ii) Nil	As the financial year of the holding and subsidiary company coincide, there are no particulars to furnish	None
Vivimed Labs UK Limited	31.03.2012	a) 7,832,821 b) £ 1 each c) 100% held through Vivimed Labs Mauritius Limited	Not Applicable	(i) Nil (ii) Nil	As the financial year of the holding and subsidiary company coincide, there are no particulars to furnish	None
Vivimed Labs Spain S.L.	31.03.2012	a) 9,192,738 b) €1 each c) 100% held through Vivimed Labs UK Limited	Not Applicable	(i) Rs.32.66 million (ii) Nil	None	None
Union Quimico Farmaceutica S.A.U	31.03.2012	a) 823,529 nominative shares b) €3.726275 each c) 100% held through Vivimed Labs Spain S.L.	Not Applicable	(i) Rs.36.89 million (ii) Nil	None	None

Holliday International Limited	31.03.2012	a) 101 ordinary shares b) £ 1 each c) 100% held through Vivimed Labs Spain, S.L.	Not Applicable	(i) Nil (ii) Nil	None	None
Uquifa Mexico S.A. de C.V.	31.03.2012	a) 3,65,49,600 b) No nominal value c) 100% 3,654,95,999 fully paid shares held by Holliday International Limited & 1 fully paid share held by Vivimed Labs UK Limited	Not Applicable	(i) Rs.62.65 million (ii) Nil	None	None

#### Subsidiary Companies Particulars

Particulars	Capital	Reserves	Total Assets	Total Liabilities	Invest-ments	Turnover	Profit Before Tax	Provision for Taxation	Profit After Tax	Proposed Dividend
Creative Healthcare Private Limited	25.00	172.11	343.81	156.46	Nil	459.07	50.13	11.11	39.02	Nil
Klar Sehen Private Limited	7.00	127.54	173.78	38.38	Nil	98.69	5.22	1.98	3.24	Nil
Octantis Nobel Labs Private Limited	0.25	(15.88)	114.18	107.28	Nil	43.00	(15.88)	Nil	(15.88)	Nil
Vivimed Holdings Limited	0.07	21.26	1109.30	1088.00	895.43	44.48	18.41	Nil	18.41	Nil
Vivimed Labs Europe Limited	8.18	406.22	769.88	375.60	Nil	943.91	67.90	14.60	53.30	Nil
Vivimed Labs USA INC.	0.0005	162.28	656.78	494.50	Nil	473.91	(4.56)	(1.50)	(3.07)	Nil
Vivimed Labs Mauritius Limited	1099.87	Nil	1254.06	154.19	639.46	Nil	Nil	Nil	Nil	Nil
Vivimed Labs UK Limited	639.46	Nil	1088.79	877.25	642.78	Nil	Nil	Nil	Nil	Nil
Vivimed Labs Spain S.L.	642.78	709.23	4909.37	3557.35	343.66	1805.39	143.53	11.33	132.20	Nil
Union Quimico Farmaceutica S.A.U	209.87	2142.25	3589.30	965.29	Nil	1271.47	43.40	6.51	36.89	Nil
Holliday International Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Uquifa Mexico S.A. de C.V.	133.79	1407.10	1300.21	387.93	Nil	533.92	67.47	4.82	62.65	Nil



# Annexure ‘B’ to Directors Report

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

Conservation of Energy

Energy Conservation measures taken and their impact

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

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

At Bonthapally Plant

- Replacement of 2 No’s 40 HP Motors by 60 HP Pump near MB-IV Cooling Towers

- Impact of above measures: Resulting in Power saving of 0.135336 million Units Per annum resulting in Reduction in power bill by Rs.0.50 million.

At Bidar plant we have 4 Nos of Thermic fluid Boiler catering to

TCS and OMC Plants. The configuration of those are as below.

2 Nos of 4lac kcal capacity run on diesel.

1 No of 5 lac kcal capacity run on coal.

1 No of 6 lack kcal capacity run on diesel.

As a part of the Energy Saving and Natural Resource conservations we have stopped 2 nos of 4 lac Kcal boilers which were running on diesel. This load was diverted to the coal boiler of 5 lac kcal. This has given positive results and has resulted in the below tangible benefits

Energy savings : 75,168 units per day.

At Haridwar Plant

Installed 350KVA acoustic Cummins DG which has resulted in reduced unit cost of power generated by DG.

-Periodical energy audit is conducted in all the manufacturing plants

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
1. Electricity		
(a) Purchased		
Units (million Kwh)	12.18	10.03
Total amount (Rs. million )	61.74	49.89
Rate/unit (Rs.)	5.04	4.97
(b) Own generation		
(i) Through diesel		
Units (million Kwh)	1.89	1.41
Units (million Litres)	0.53	0.35
Cost per Unit (Rs.)	11.90	10.14
Cost per Unit of diesel (Rs.)	42.16	40.41
2. Coal (specify quality and where used) C/D grade coal used as fuel for 3THP, 1THP & 5THP coal fired boilers		
Quantity (MT)	5401.90	7459.21
Total cost (Rs. Million)	43.38	33.75
Average rate Per tonne (Rs.)	4796.20	4524.24

Disclosure on technology absorption

Specific areas in which R&D is carried out by the company:

R&D is a multifaceted, versatile activity dedicated to the art of organic synthesis and complex analytical techniques, which include a wide range of tools for simulation, structural elucidation, impurity profiling and instrumentation required to dovetail complex synthetic methodologies into simpler & more rational fragments.

An inclusive R&D strategy has been framed at Vivimed for benchmarking technology and future worldwide demand.

Some of the areas encompassed are:

1. Active Pharmaceutical Ingredients: R&D is focused on the development of generics for regulated markets. Major thrust is on the therapeutic areas of viral infections, anti-depression, gout and psychosomatic disorders.

A long range active pharmaceutical ingredient development program has been initiated at our R&D facilities in the back drop of the acquisition of Uquifa. API research works on the process development, process improvement and analytical development aspects. The R&D has been instrumental in developing key intermediates in a cost effective manner for the production facilities at Spain and Mexico. On a strategic note, scope of Vivimed-API R&D covers the development of processes for new generics on a FTF (First-to-file) basis, internal IP development and DMF filing activity.

This R&D facility bridges the gap between the two major business divisions of the company, namely formulations (development and manufacture) and the API manufacturing. Thus, it is a strategic fit into the existing business models of Vivimed.

2. Photochromics and Plastic electronics: A large number of photo-transition organics have been synthesized, of which about 33 have been commercialised.

Work is in progress to develop proprietary IP on key intermediates to synthesize different pentacene derivates which find favourable usage as organic semi conductors.

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

4. Hair dyes: A plan has been put into action to align numerous products with P&G and L' Oreal.

5. Skin whiteners and antityrosinase active entities: A large cell line proliferation and invitro toxicology was conducted for Ç-Vite.

6. Sunscreens: Novel range of sun screens is presently under advanced testing for enhancement of SPF values.

7. Antifungal and antidandruff actives: Work is directed towards stabilized nano particle technology.

8. Oral care: Next generation oral care antibacterials are presently being tested for their activity spectrum.

9. Patents filed on 5 products (received application numbers).

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

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

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

Future actions with responsible timelines:

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

- 1. API's (Active Pharmaceutical Ingredients).
- 2. Biological activity and screening.
- 3. In addition advanced techniques like XRD, LC-MS, GC-MS, 31P nuclear magnetic resonance studies are employed to generate more additional analytical data to understand the structural as well as Optical isomeric properties of the synthesized compounds.

4. Invirto enzyme profiling and bio-tech laboratory.

5. Planning fermentation laboratory.

#### Expenditure on R&D

(a) Capital - Rs.57.63 million

(b) Recurring - Rs.213.67 million

(c) Total - Rs.271.30 million

Total R&D Expenditure as a percentage of turnover in 4.06%.

#### Technology absorption, adaptation and innovation

Efforts made towards technology absorption, adaptation, and innovation:

The following five extremely critical areas of technology have

been absorbed with complete success and adapted to the Indian scene & the European point of view regarding product acceptability and process robustness.

(i) Complex hair colorants.

(ii) Black & White photographs.

(iii) Photochromics.

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

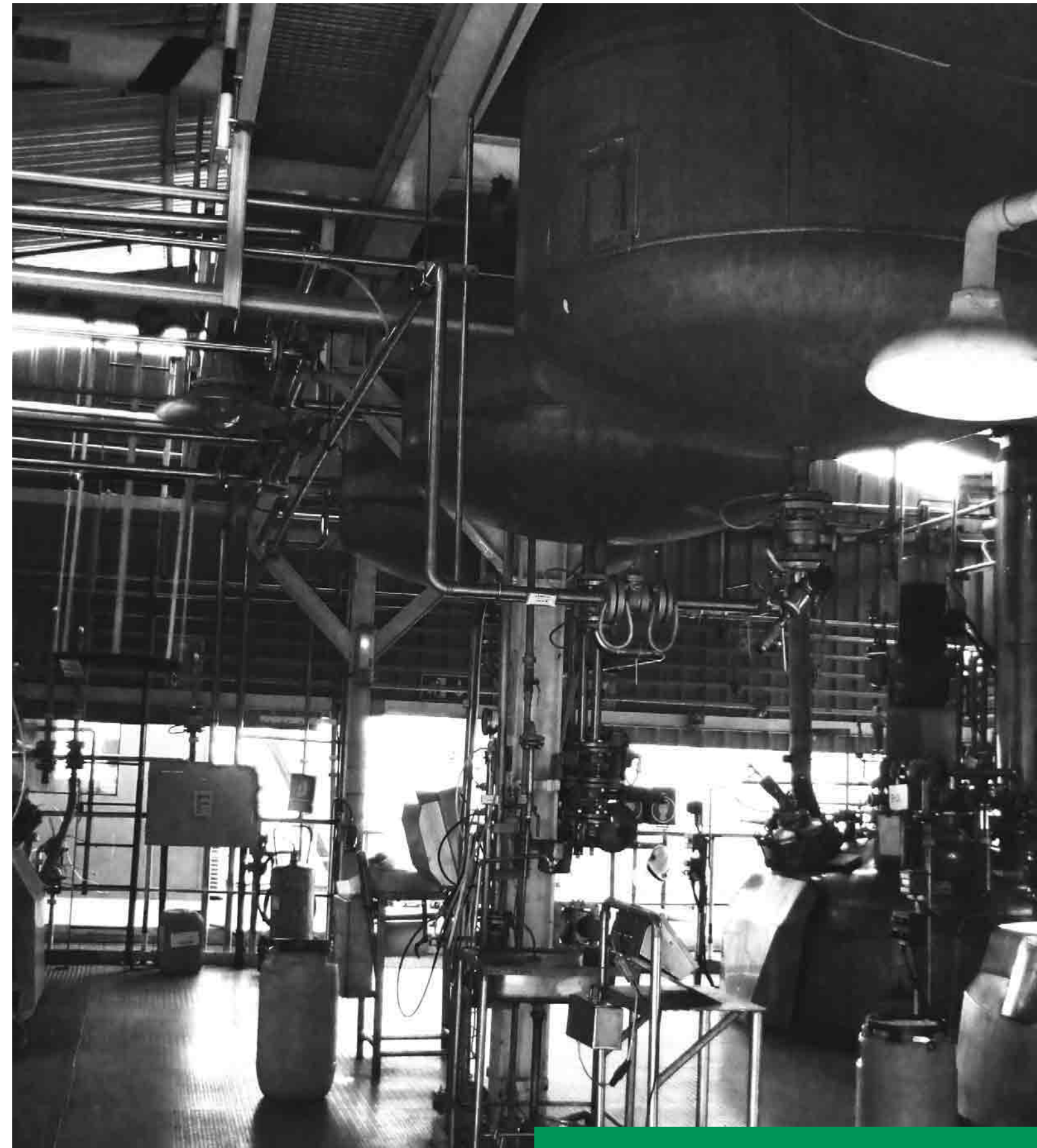
(v) US and REACH documentation.

Benefits derived as a result of above efforts:

Apart from entering into a complex chemical technology area which has resulted in a large basket of products, that can be offered to the customers, the technology is the benefit derived as a result of the above efforts

#### C. Foreign Exchange Earnings / Inflow and Outflow Earnings/ Inflow

Particulars	Nature of Currency	Year 2011 – 12		Year 2010 – 11	
		Amount in Foreign Currency (mm)	INR mn	Amount in Foreign Currency (mm)	INR mn
INFLOW					
On Export of Goods	USD	20.89	431.04	14.71	649.21
	EUR	7.92	538.63	5.78	361.87
FCTL - EXIM	USD	7.50	383.67	NIL	NIL
FCCB - IFC	USD	7.50	333.50	NIL	NIL
Equity - KITARA PIIN 1102	USD	13.00	598.45	NIL	NIL
OUTFLOW					
Raw Materials	USD	7.57	378.40	5.91	263.68
	EUR	0.68	46.29	0.59	36.85
Capital Goods	USD	0.02	0.76	0.01	0.53
Travelling	GBP	0.03	2.61	0.03	2.42
	USD	0.07	3.59	0.06	2.56
	EUR	0.02	1.29	NIL	NIL
Foreign Company Renewal Fee	HKD	0.01	0.08	0.01	0.02
Foreign Currency Term Loan	USD	5.13	256.43	4.38	195.94
Investment in Vivimed Labs Mauritius Ltd	USD	9.00	460.41	NIL	NIL
Others (Analytical Charges, Subscriptions for Journals, Legal Opinion charges, etc.)	GBP	0.01	0.54	NIL	NIL
Expenses in relation to overseas Acquisition	USD	1.99	101.88	NIL	NIL





## Annexure 'C' to Directors Report

# Corporate Governance Report for the year 2011-2012

(As required under Clause 49 of the Listing Agreements entered into with the Stock Exchanges)

## 1. THE COMPANY'S CORPORATE GOVERNANCE PHILOSOPHY

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

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

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

- Timely and accurate disclosure of all material information and financial information to the stakeholders.

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

## 2. BOARD OF DIRECTORS

### Profile

#### Dr. V. Manohar Rao

Dr. V. Manohar Rao aged 75 years, Retired as Joint Director of "The Veterinary Biological and Research Institute" (VBRI) has done his post-graduation in Veterinary Sciences from Edinburgh University, U.K. He has more than 30 years experience in The Municipal Corporation of Hyderabad and Department of Animal Husbandry, Government of Andhra Pradesh. During his tenure with Department of Animal Husbandry, he was involved in administration and production of various vaccines for livestock and poultry. He worked as a special officer for Meat and Poultry Department Corporation an Andhra Pradesh Government Enterprise.

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

Manufacturing Unit for manufacture of Liquid Orals, Tablets, Capsules and Ointments.

#### Mr. Santosh Varalwar

Mr. Santosh Varalwar aged 50 years is a Management Graduate. He is the driving force behind the phenomenal growth of Vivimed Labs Limited. He worked in Shipping Corporation of India (SCI) and had an opportunity to understand in depth mercantile trade and had immense global exposure, which helped him subsequently to focus on international marketing.

He served Mercantile Marine for about seven years before embarking on a highly successful entrepreneurial journey. He has played an active role in VVS Pharmaceuticals from the year 1985 and later on expanded the business to manufacture of API's by acquiring EMGI Pharmaceuticals and Chemicals Private Limited, Bidar, which was later converted into a public limited company and named as Vivimed Labs Limited. The Company has since grown at a CAGR of 30% plus with a blend of organic and inorganic growth. In the year 2009 under his leadership the Company acquired two overseas companies namely James Robinson Limited (now Vivimed Labs Europe Limited) in UK and Har- Met International Limited. In the year 2011 under his able leadership Vivimed acquired UQUIFA, a prominent player in API in Europe and Americas. The company under his stewardship is now poised for a growth at a frenetic pace with the synergies arising out of these acquisitions and the organic growth of its erstwhile businesses.

#### Mr. Subhash Varalwar

Mr. Subhash Varalwar, aged 64 years is a Post Graduate in Chemical Engineering and a Management Graduate from Leeds University, U.K. After his post graduation he joined The Fertilizer Corporation of India (FCI) in 1974 as Asst. Project Engineer (Chemical). He held various positions in FCI and worked on various areas like designing & commissioning of fertilizer plant, production etc. He resigned from FCI in 1989 to join Vivimed. Mr. Subhash brings along with him an exposure to various aspects of Industrial Management, including production, planning & commissioning, gained from 15 years of his career span with FCI.

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

successfully implemented the stringent regulatory compliances across all its manufacturing operations globally.

#### Mr. Sandeep Varalwar

Mr. Sandeep Varalwar, aged 43 years has completed his Graduation in B.Pharmacy. After completion of graduation, he gained more than two decades of rich experience in manufacturing and marketing divisions of Pharma industry.

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

#### Mr. S. Raghunandan

Mr. S. Raghunandan aged 52 years is a Science Post Graduate; he began his career with Chandra Pharmaceuticals, at that time the largest producer of Ibuprofen in India and worked there handling various aspects of production. He joined Vivimed as Head of production at Bidar Plant and subsequently rose to the position of Director. His association with the Company is now of more than 20 years.

#### Dr. Raj Kumar Dhar

Dr. R.K.Dhar aged 57 years has done his Post Doctoral Studies at Marburg, Germany, he started his career with Hoechst R&D Germany and ever since has been involved in Organic Synthetic Chemistry for more than three decades. He has several novel product developments to his credit and is the chief architect of Vivimed's VINTOX- NDGA. He has been associated with Vivimed in various capacities since inception and became a Director in the year 2008.

#### Mr. P.V. Rathnam

Mr. P.V. Rathnam aged 69 is a Fellow Member of the Institute of Chartered Accountants of India and also a Management Graduate, with post professional qualification experience, in various levels of Management in private and public sector undertakings in Chemicals., fertilizers, pharmaceuticals, automobile and electrical engineering industries, spanning over 45 years, ending with Chairman and Managing Director from 1990 to 2005 of a medium scale unit engaged in concept to commissioning of custom built electrical machines for on board installation in Indian Warships, Submarines and Combat Aircraft.

Dr. M. Bhagvanth Rao

Dr. M. Bhagvanth Rao aged 68 is a PhD in chemical engineering from Indian Institute of Sciences, Bangalore and has done his post doctoral studies at Tokyo Institute of Technology, Japan. He has memberships to various professional associations including Fellowships in the Indian Institute of Chemical Engineers and A.P. Academy of Sciences, Life Membership in the Indian Society for Technical Education.

He has over 30 years experience in research and teaching in the fields of chemical reaction engineering, catalysis, thermodynamics and biochemical engineering. He has been involved with Osmania University, Hyderabad in various positions including the Dean of Development and UGC Affairs, Director of Regional Center for Urban and Environmental Studies and Director of Physical Education. He has various research publications to his credit some of which include articles in the Canadian Journal of Chemical Engineering, Industrial Engineering and Chemistry Fundamentals (USA), Journal of Polymer Sciences (USA) etc. He also acts as a research consultant to various laboratories like IICT, BHEL R&D NFC.

Dr. Peesapati Venkateswarlu

Dr. P. Venkateswarlu aged 69 has done B.Sc (Spl), M. Sc (Andhra University), PhD ( Delhi University) C.Chem. FRCS (London). He has 35 years of experience in Research / teaching in various universities in USA, UK and India. Associated with leading International Experts in the field of Organic, Bio- organic, Medicinal and Polymer Chemistry.

Mr. Nixon Patel – Director

Mr. Nixon Patel Aged 51 is B.Tech (Hons.) from Indian Institute of Technology, Kharagpur and has done his MS in Computer Science from New Jersey Institute of Technology. Mr. Nixon Patel, is a successful entrepreneur with a proven track record for growing start up businesses to millions of US\$ in annual sales, over a timespan of 20 years. His businesses are spread across the globe in the fields of Information Technology, Telecom, Pharmaceutical and Renewable energy industries. He is a consummate professional with a high degree of personal integrity.

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

- Advisory Committee Member at World Wide Web Consortium (W3C)

- Advisory Committee Member at Voice Browser Working Group ( VBWG)

Mr. Srinivas Chidambaram

Mr. Srinivas Chidambaram aged 46 is a qualified Chartered Accountant, he is the Managing Director and CEO of Jacob Ballas Capital India Pvt Ltd (JBC), a leading India focused private equity firm based in New Delhi. JBC advises three India focused private funds with above \$600 million under management. Mr. Chidambaram joined JBC in 2005. He has 22 years of financial services and industry experience, including 14 years in private equity. He previously served with HSBC Private Equity (Asia) and its affiliates in Hong Kong and India, responsible for private equity investments in India and South East Asia. Mr. Chidambaram has also served in the IT industry with HCL Technologies, a leading Indian IT services company, responsible for financial institution relationships and strategic alliances in the USA. He commenced his career with SRF Finance Ltd. (since acquired by GE Capital) where he was responsible for Corporate Finance and Investment Banking, based in Bombay.

Mr. Chunduri Ramakrishna

Mr. Chunduri Ramakrishna aged 56 is a qualified Chartered Accountant and a Cost Accountant. Mr. Ramakrishna has more than thirty years of experience in Project and Corporate Finance, Strategic Planning and Corporate Affairs. He worked for fifteen years with the Nagarjuna and DCL Groups and Matrix Labs, all of which are based in Hyderabad, before establishing his own financial services Company, Creative Finvest Private Limited.

He has advised and successfully got implemented several projects. He has to his credit, several corporate restructures, mergers and demergers. He was a Key Financial Advisor to Hyderabad based Matrix Laboratories Limited, which has created records by scaling new peaks in a short span of time.

He served as Director on the Boards of several companies. Presently he is a Director on the Boards of Maa Television Network Ltd and Vivimed Labs Ltd.

Corporate Governance

An Independent Director is elected as Chairman at every meeting of Board to preside over that Meeting. Total number of Independent Directors is more than one third of the Board. The Board comprises of 12 (Twelve) members of which 6 (Six) are Executive Directors, 1 (one) is nominee and Non-

Independent Director and 5 (Five) are Non- Executive and Independent Directors. Company is in compliance with requirements of Clause 49 of listing agreements with regard to composition of Board of Directors.

None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49), across all the companies in which he

is a Director. The necessary disclosures regarding Committee positions have been made by the Directors.

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

Name	Category	No. of Board meetings attended during 2011-2012	Whether attended AGM held on September 30, 2011	*Directorships in other companies	** Committee Memberships in other Companies	** Committee Chairmanships in other Companies
Dr. V. Manohar Rao	Executive and Not Independent	5	Yes	6	Nil	Nil
Mr. Santosh Varalwar	Executive and Not Independent	4	No	9	Nil	Nil
Mr. Subhash Varalwar	Executive and Not Independent	5	Yes	Nil	Nil	Nil
Mr. Sandeep Varalwar	Executive and Not Independent	5	No	5	Nil	Nil
Dr. M. Bhagvanth Rao	Independent	5	No	Nil	Nil	Nil
Mr. P.V. Rathnam	Independent	5	Yes		Nil	Nil
Mr. R. K. Dhar	Executive and Not Independent	5	No	Nil	Nil	Nil
Mr. S. Raghunandan	Executive and Not Independent	5	No	Nil	Nil	Nil
@ Mr. D. Hanumantha Rao	Independent	2	No	Nil	Nil	Nil
Dr. Peesapati Venkateswarlu	Independent	4	No	Nil	Nil	Nil
@ Mr. Krishna Yeachuri	Independent	3	No	Nil	Nil	Nil
Mr. Nixon Patel	Independent	3	No	4	Nil	Nil
# Mr. Srinivas Chidambaram	Nominee & Non Independent	1	No	7	Nil	Nil
# Mr. Chunduri Ramakrishna	Independent	NIL	No	3	Nil	Nil

\* includes private limited companies, but excludes alternate directorships and foreign bodies corporate.

\*\* of only Public Limited Companies.

@ Resigned as Director of the Company with effect from November 14, 2011

# Appointed as Additional Director of the Company with effect from November 14, 2011.



**Five Board Meetings** were held during the year 2011-2012 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held were as follows:

May 27, 2011, July 29, 2011, August 13, 2011, November 14, 2012 and February 13, 2012.

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

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

**Information Placed before the Board Meeting Includes:**

The information as required under Annexure IA of Clause 49 of the Listing Agreement is being made available to the Board, which include the following:

- Annual operating plans and budgets and any updates.
- Capital budgets and any updates.
- Quarterly results for the company and its operating divisions or business segments.
- Minutes of meetings of audit committee and other committees of the board.
- The information on recruitment and remuneration of senior officers just below the board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
- Show cause, demand, prosecution notices and penalty notices, which are materially important
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the company, or substantial nonpayment for goods sold by the company.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the company.
- Details of any joint venture or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- Significant labour problems and their proposed solutions.

Any significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme.

13. Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business.

14. Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.

15. Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer.

- Following further information is placed before the Board
  - Terms of reference of Board Committees.
  - Dividend recommendation
  - Quarterly summary of all long term borrowings made, bank guarantees issued, loans and investments made.
  - Statement of significant transactions and arrangements entered by the unlisted subsidiary companies.

The Board periodically reviews compliance report of all applicable laws to the Company. Steps are taken by the Company to rectify instances of non- compliance, if any.

During the year 2011-2012, the Company did not have any material pecuniary relationship transaction with Non- Executive Directors and Independent Directors.

The Company has constituted an Audit Committee. The Scope of the activities of the Audit Committee is as set out in Clause 49 of the listing agreement with the Stock Exchanges read with Section 292A of the Companies Act, 1956. The terms of reference of the Audit Committee are broadly as follows:

- Recommendation to Board on appointment/ reappointment and replacement or removal of the Statutory Auditors and fixation of their remuneration.
- Approval of payment to Statutory Auditors for any other services rendered by Statutory Auditors.
- Reviewing with management, Audited Financial Statements before submission to Board for approval with particular reference to :
  - Matters required to be included in Director’s Responsibility Statement in Director’s Report in terms of sub-section (2AA) of Section 217 of the Companies Act, 1956.
  - Changes, if any, in accounting policies and practices and reasons for the same.
  - Major accounting entries involving estimates based on

exercise of judgment by management.

Significant adjustments made in financial statements arising out of audit findings.

Compliance with listing and other legal requirements relating to financial statements.

Disclosure of related party transactions

4. Reviewing with management, quarterly financial statements before submission to the Board for approval.

5. Reviewing with management, performance of Statutory and Internal Auditors, adequacy of Internal Control System.

6. Reviewing adequacy of internal audit function, coverage and frequency of internal audit.

7. Discussion with Internal Auditors any significant findings and follow up thereon.

8. Reviewing the findings of any internal investigations by Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to Board.

9. To look into reasons for defaults, if any, in payment to depositories, shareholders (in case of non-payment of declared dividend) and creditors.

10. Carrying out such other functions as may be specifically

referred by the Board of Directors and/or other committees of Directors of the Company.

11. To review the following :

Management Discussion and Analysis of financial and operational results;

Statement of significant related party transactions (as defined by Audit Committee);

Management letters/ letters of internal control weaknesses issued by Statutory Auditors;

Internal Audit Reports relating to internal control weaknesses; and

Appointment, removal and terms of remuneration of Internal Auditors.

12. Reviewing financial statements and in particular investments made in unlisted subsidiaries of the Company.

13. Review of uses/application of funds raised through an issue (public issue, right issue, preferential issue, etc.)

Mr. P.V. Rathnam Chairman of the Audit Committee was present at the Annual General Meeting held on September 30, 2011.

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

Name of the Member	Category	No. of Meetings attended during the year 2011-2012
Mr. P.V. Rathnam	Independent Non Executive	4
* Mr. S. Raghunandan	Executive	4
Dr. M. Bhagvanth Rao	Independent Non Executive	4
@ Mr. Krishna Yechuri	Independent Non Executive	3
# Mr. Srinivas Chidambaram	Nominee Non Independent	Not Applicable

@ Resigned as Director of the Company with effect from November 14, 2011 hence ceased to be a member of the audit committee.

# Inducted as a member of the Audit Committee with effect from February 13, 2012.

\* Ceased to be a member of the Audit Committee with effect from February 13, 2012.

**Four Audit** Committee Meetings were held during 2011-2012. The dates on which the said meetings were held were as follows:

27 May 2011, August 13, 2011, November 14, 2011 and February 13, 2012.

The necessary quorum was present at the meetings.

#### 4. REMUNERATION COMMITTEE

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

a) Review the performance of the Managing Director and

Whole Time Directors, after considering the Company's performance.

b) Recommend to the Board remuneration including salary, perquisites and commission to be paid to the Company's Managing Director and Whole Time Directors.

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

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

The Composition of Remuneration Committee is given as below:

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

# Mr. D. Hanumantha Rao resigned from directorship of the Company with effect from November 14, 2011 hence consequently ceased to be a member of the Remuneration Committee.

#### Remuneration Policy

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

- (a) Employment scenario
- (b) Remuneration package in the industry and
- (c ) Remuneration package of the managerial talent of other industries.

Details of Remuneration for the Financial Year 2011-2012

#### Managing and Whole-time Directors

Name	Salary (Rs.)
Mr. Santosh Varalwar	4,500,000
Dr. V. Manohar Rao	3,600,000
Mr. Subhash Varalwar	3,600,000
Mr. Sandeep Varalwar	3,600,000
Mr. R.K. Dhar	2,520,000
Mr. S. Raghunandan	2,520,000

#### Non Executive Directors:

Name of Director	Sitting Fees (In Rs.)
Dr. M. Bhagvanth Rao	45,000
Mr. P.V. Rathnam	45,000
Mr. D. Hanumantha Rao	10,000
Dr. Peesapati Venkateswarlu	20,000
Mr. Krishna Yeachuri	30,000
Nixon Patel	10,000

# Mr. D. Hanumantha Rao resigned from directorship of the company with effect from November 14, 2011 hence consequently ceased to be a member of the Remuneration Committee.

#### 5. SHAREHOLDERS/ INVESTORS GRIEVANCE COMMITTEE

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

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

The Composition of Investors Redressal Committee is given as below:

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

#### Details of Shareholder's Complaints received and resolved during the year 2011-2012

The total number of complaints/correspondence received and replied to the satisfaction of the shareholders during the 12 months period ended on March 31, 2012 were 4. There were no outstanding complaints as on March 31, 2012. No Shares were pending transfer as on March 31, 2012.

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

#### 6. COMPENSATION COMMITTEE

Board has reconstituted a compensation committee on November 14, 2011. The committee has been constituted for the purpose of administration and superintendence of ESOS and ESPS as per the requirements of SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

Mr. P.V. Rathnam is the Chairman of the Compensation Committee

The Composition of Compensation Committee is as below:

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

# Mr. Krishna Yeachuri ceased to be a member of the Compensation Committee with effect from November 14, 2011 consequent to resignation from Directorship of the Company.



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

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

## 7. MANAGEMENT COMMITTEE

The Board has reconstituted management committee with effect from November 14, 2011. Management committee has been entrusted with certain routine matters such as opening and closing of Bank Accounts of the Company, making application with various authorities etc.

Dr. V. Manohar Rao is the Chairman of the Management Committee.

**The Composition of Management Committee is as below:**

Name	Category
Dr. V. Manohar Rao	Executive Non Independent
Mr. Santosh Varalwar	Executive Not Independent
Mr. Subhash Varalwar	Executive Not Independent

# Mr. Krishna Yeachuri ceased to be a member of the Management Committee with effect from November 14, 2011 consequent to resignation from Directorship of the Company.

## 8. GENERAL BODY MEETINGS AND POSTAL BALLOTS

- i) Location, date and time of Annual General Meeting held during preceding 3 years are as follows Dr. V. Manohar Rao is the Chairman of the Management Committee.

Year	Location	Date	Time
2010-11	Plot No. 78/A, Kolhar Industrial Area, Bidar, Karnataka	30.09.2011	11.30 A.M
2009-10	Plot No. 78/A, Kolhar Industrial Area, Bidar, Karnataka	18.09.2010	11.30 A.M.
2008-09	Plot No. 78/A, Kolhar Industrial Area, Bidar, Karnataka	30.09.2009	11.30 A.M.

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

Date of Annual General Meeting	No. of Special Resolution Passed	Details of Special Resolution
30.09.2011	One	Payment of remuneration to Non Executive Directors of the Company by way of Commission.
18.09.2010	Ten	<ol style="list-style-type: none"> <li>Appointment of Mr. Nixon Patel as director of the company.</li> <li>Appointment of Mr. Santosh varalwar as Managing Director and CEO of the company.</li> <li>Appointment of Dr. V Manohar Rao as chairman and whole time director of the company.</li> <li>Appointment of Subhash Varalwar as Wise chairmen and Whole time Director.</li> <li>Appointment of Mr. Sandeep Varalwar as Whole Time director.</li> <li>Appointment of Dr. R.K. Dhar as Whole Time Director.</li> <li>Appointment of Mr. S. Raghunandan as Whole Time Director of the company.</li> <li>To issue equity shares to the employees of the company under the Employees Stock Option Scheme of the Company.</li> <li>To issue equity shares to the employees of the subsidiaries of the company under the Employees Stock Option Scheme of the Company.</li> <li>To amend article 101 of the Articles of Association so as to increase the maximum number of Directors to 18.</li> </ol>
30.09.2009	Nil	N.A.

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

Date of Extra Ordinary General Meeting	No. of Special Resolution Passed	Details of Special Resolution
31.05.2011	One	To give corporate guarantee under Section 372A of the Companies Act, 1956.
20.06.2011	Two	<ol style="list-style-type: none"> <li>Further issue of Equity Shares</li> <li>Further issue of Equity Shares through QIP/GDR's/ADR's/ FCCB's</li> </ol>
07.09.2011	Three	<ol style="list-style-type: none"> <li>Increase the authorized share capital from Rs.300 million to Rs.1110 million.</li> <li>Issue of CCPS's</li> <li>Further Issue of Equity Shares</li> </ol>

iv) Special Resolution passed through Postal Ballot Under Section 192A of the Companies Act, 1956

Date of Declaration of Results of Postal Ballot	No. of Special Resolution Passed	Details of Special Resolution
16.08.2011	Two	<ol style="list-style-type: none"> <li>To give Corporate Guarantee under Section 372A of the Companies Act.</li> <li>Increase in Authorized Share Capital form Rs.200 million to Rs.300 million and consequential amendments to the Memorandum and Articles of Association of the Company.</li> </ol>

## 9. DISCLOSURES

i) The Board has received disclosures from key managerial personnel relating to material, financial and commercial transactions where they and/or their relatives have personal interest. There are no materially significant related party transactions which have potential conflict with the interest of the Company at large.

Disclosure on transactions with related party as required under Accounting Standard 18 has been made in Notes on Accounts forming part of Statement of Accounts.

ii) Company circulated code of conduct amongst Board members and senior management personnel and affirms that they are complying with the code. Text of the Code of Conduct is posted on Company's website viz. [www.vivimedlabs.com](http://www.vivimedlabs.com).

ii) The Company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters relating to capital markets during the last three years. No penalties or strictures have been imposed on the Company by the Stock Exchanges, SEBI or other statutory authorities relating to the above.

## 10. RECONCILIATION OF SHARE CAPITAL AUDIT

A Qualified Practicing Company Secretary carried out reconciliation of share capital audit to reconcile the total admitted capital with National Securities Depository Limited

(NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/ paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

## 11. MEANS OF COMMUNICATION

### Results

i) Quarterly, half yearly and yearly results were published in newspapers.

ii) Results of the Company are generally published in Economic Times, Financial Express, Samyukta Karnataka and Andhra Prabha.

### News Releases, Presentations etc.

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

### Website

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

# CERTIFICATE FROM THE AUDITORS ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

## To the Members of

## Vivimed Labs Limited

We have examined compliance of conditions of Corporate Governance by VIVIMED LABS LIMITED for the year ended March 31, 2012 as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges in India.

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

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

We state that in respect of investor grievances received during the year ended March 31, 2012, no investor grievances are pending.

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

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

Sd/-  
**P Murali Mohana Rao**  
Partner

Place: Hyderabad

Date: 30.05.2012

# DECLARATION FROM THE MANAGING DIRECTOR IN TERMS OF CLAUSE 49(1)(D)(II) OF LISTING AGREEMENT

I, Santosh Varalwar, Managing Director of Vivimed Labs Limited hereby declare that all Board Members and Senior Managerial Personnel have affirmed for the year ended March 31, 2012 Compliance with Code of Conduct of the Company laid down for them.

Sd/-  
**Santosh Varalwar**  
Managing Director and CEO

Place: Hyderabad

Date: 30.05.2012



Annexure ‘D’ to the Directors Report

GENERAL SHAREHOLDER INFORMATION

(As required by Clause 49 of the Listing agreement entered into with the Stock Exchanges)

**AGM : Date, time & venue –**
27th September, 2012 at 11.00 A..M. AT  
78/A, Kolhar Industrial Area, Bidar

As required under Clause 49 IV(G)(i), particulars of Directors seeking appointment/reappointment are given in the Explanatory Statement to the Notice of the Annual General Meeting to be held on 18th September, 2011.

**Financial Year**  
The financial year of the Company is of 12 Months beginning from 1st April and ending on 31st March.

Financial Year Calendar for 2012-2013 (Tentative)

Results for the quarter ending on June 30, 2012
- Second Week of August, 2012

Results for the quarter ending on September 30, 2012
- Second Week of November, 2012

Results for the quarter ending on December 31, 2012
- Second Week of February, 2012

Results for the quarter ending on March 31, 2013
- last Week of May, 2013

Annual General Meeting for the year ended on March 31, 2013
- Before end of September, 2013

Date of Book Closure
- 25th September, 2012 till 27th September, 2012  
(Both Days Inclusive)

Dividend Payment Date
- 3rd October 2012

Listing on Stock Exchanges
BSE & NSE

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

Bombay Stock Exchange Limited
National Stock Exchange of India Limited

Phiroze Jeejeebhoy Towers
Exchange Plaza, Bandra Kurla Complex

Dalal Street – Mumbai – 400001
Bandra East, Mumbai – 400051

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

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

Stock Exchange	Stock Code/ Symbol	ISIN
Bombay Stock Exchange Limited	532660	INE526G01113
National Stock Exchange of India Ltd.	VIVIMEDLAB	INE526G01113

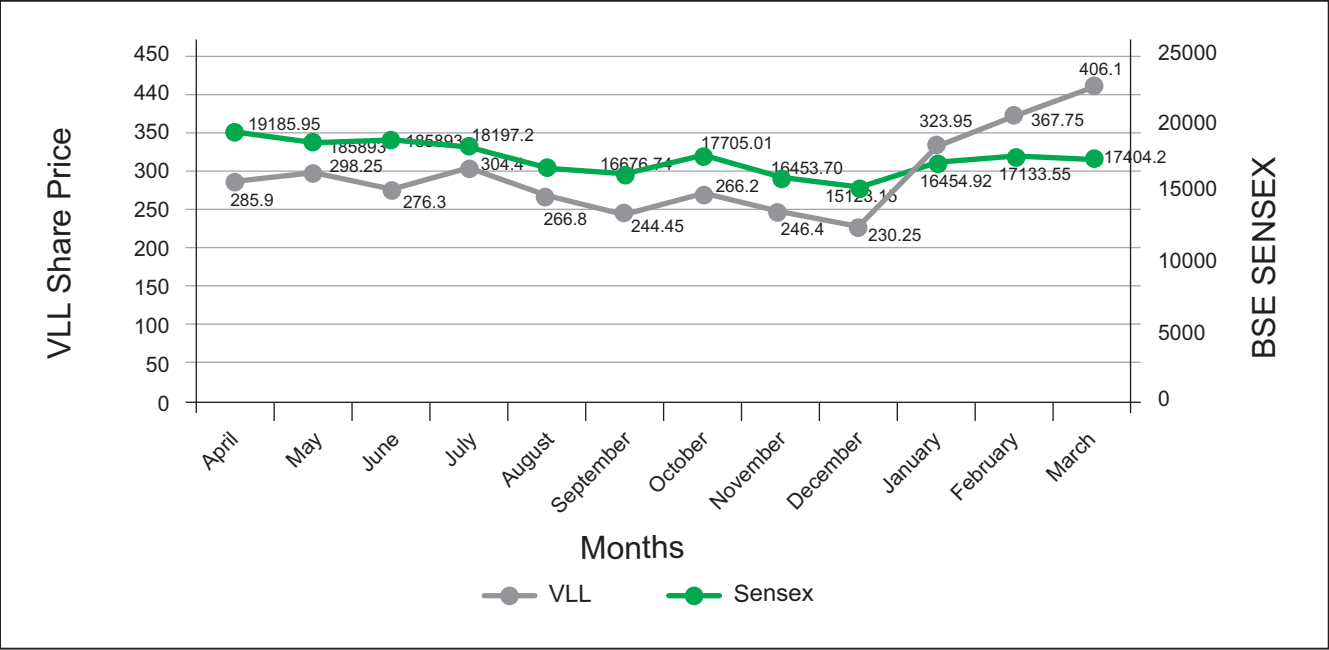
Market Information

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

Bombay Stock Exchange Limited

Month	Months High Price	Months Low Price	Spread (High – Low)	Closing Price	Volume	BSE SENSEX (Closing)
Apr-11	301.50	262.00	39.50	285.90	455132	19135.96
May -11	314.75	277.90	36.85	298.25	597488	18503.28
June -11	314.75	265.70	49.05	276.30	510074	18845.87
Jul-11	320.95	275.50	45.45	304.40	778119	18197.20
Aug -11	309.00	237.30	71.70	266.80	535896	16676.75
Sep-11	275.80	230.00	45.80	244.45	439933	16453.76
Oct- 11	275.00	242.10	32.90	266.20	225321	17705.01
Nov-11	292.00	212.50	79.50	246.40	516390	16123.46
Dec-11	257.00	213.00	44.00	230.25	467749	15454.92
Jan-12	331.00	229.00	102.00	323.95	868651	17193.55
Feb-12	371.00	319.50	51.50	367.75	1144667	17752.68
Mar-12	417.30	364.90	52.40	406.01	756565	17404.20

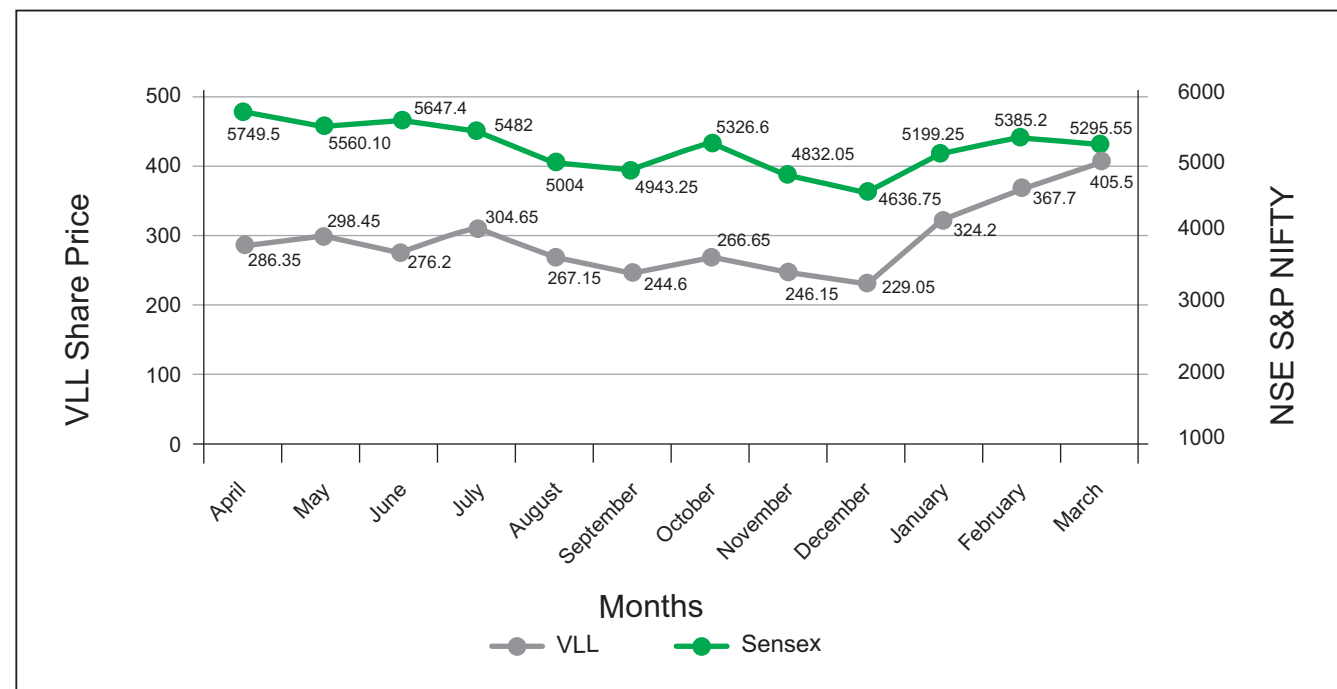
Comparison with BSE SENSEX



#### National Stock Exchange of India Limited

Month	Months High Price	Months Low Price	Spread (High – Low)	Closing Price	Volume	BSE SENSEX (Closing)
Apr- 11	301.30	261.00	40.30	286.35	525975	5749.50
May-11	315.00	277.00	38.00	298.45	679316	5560.15
Jun-11	314.70	250.25	64.45	276.20	594132	5647.40
Jul-11	321.00	275.00	46.00	304.65	1169830	5482.00
Aug-11	309.75	236.50	73.50	267.15	586818	5001.00
Sep-11	276.40	231.20	45.20	244.60	489580	4943.25
Oct -11	279.00	241.40	37.60	266.65	263819	5326.60
Nov-11	295.00	213.00	82.00	246.15	634218	4832.05
Dec-11	258.70	212.00	46.00	232.00	378080	4636.75
Jan-12	330.30	229.95	100.35	324.20	864514	5199.25
Feb-12	373.20	318.00	55.20	367.70	1322932	5385.20
Mar-12	435.00	365.00	70.00	405.50	1075330	5295.55

#### Comparison with S&P Nifty



#### Registrar and Transfer Agents

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

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

#### Share Transfer System

Share transfer and transmission work is being looked after by

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

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

#### Distribution of Shareholding as on 31.03.2012

Number of Shares	Number of Shareholders	Percentage	Number of Shares held	Percentage
1 - 5000	7219	90.36	693814	4.98
5001 - 11000	317	3.98	258473	1.85
11001 - 20000	145	1.82	222737	1.60
20001 - 30000	81	1.02	204960	1.47
30001 - 40000	43	0.54	155123	1.11
40001 - 50000	33	0.41	155060	1.11
50001 - 110000	55	0.69	410028	2.94
110001 & Above	94	1.18	11833747	84.93
TOTAL :	7987	100	13933942	100

#### Categories of Shareholders as on 31.03.2012

Stock Exchange	Stock Code/ Symbol	ISIN
Promoter & Promoter Group	6291466	45.15
Mutual funds	203087	1.46
Financial Institutions/Banks	20320	0.15
Foreign Institutional Investors	449033	3.22
Bodies Corporate	644282	4.62
Indian Public	3155968	22.65
Clearing Members	20911	0.15
NRI and OCB	794670	5.70
Trusts	100	0.00
Others	2354105	16.90
Total	13933942	100.00

#### Dematerialization of shares

The Company has provided an option to the Shareholders to hold the Shares of the Company either in physical form or in the dematerialized form. For the purpose of holding equity shares of the Company in dematerialized form, the Company has entered into a Tripartite Agreement with both National Security Depository Limited (NSDL) and Central Depository

Services (India) Limited (CDSL). The International Securities Identification Number (ISIN) allotted to the Company's Shares is INE526G01113.

The annual Custodial charges to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited for the financial year 2011 - 2012 has been paid.





### Dividend Payment

The Company has provided an option to the Shareholders to hold the Shares of the Company either in physical form or in the dematerialized form. For the purpose of holding equity shares of the Company in dematerialized form, the Company has entered into a Tripartite Agreement with both National Security Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSIL). The International Securities Identification Number (ISIN) allotted to the Company's Shares is INE526G01113.

The annual Custodial charges to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited for the financial year 2011 - 2012 has been paid.

### Dividend Payment History of the Company

Financial Year	Rate of Dividend
2010-11	20%
2009-10	15%
2008-09	15%

### Address for Correspondence

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

### Plant Location

#### Speciality Chemicals Division

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

#### Pharma Division

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

## AUDITORS' REPORT ON STANDALONE FINANCIALS

To  
The Members of  
**Vivimed Labs Limited**

- We have audited the attached Balance Sheet of Vivimed Labs Limited (the 'Company') as at 31st March, 2012 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on the said date annexed thereto (collectively referred as the 'financial statements'). These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
- We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- As required by the Companies (Auditor's Report) order 2003 and as amended by the Companies (Auditor's Report)(Amendment) order 2004, issued by the Central Government of India in terms of the sub-section(4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
- Further to our comments in the Annexure referred to above, we report that:
  - 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.
  - 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.

- The financial statements dealt with by this report are in agreement with the books of account.
- In our opinion, the financial statements dealt with by this report comply with the Accounting standards referred to in sub-section (3C) of Section 211 of Companies Act, 1956.
- On the basis of written representations received from the Directors, as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2012 from being appointed Director in terms of clause(g) of sub-section(1) of section 274 of the Companies Act, 1956.
- 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.
  - In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012.
  - In the case of the Profit & Loss Account, of the Profit for the period ended on that date.

And

- The Cash Flow Statement, of the cash flows for the year ended on that date.

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

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

Place : Hyderabad  
Date : 30-05-2012



## ANNEXURE TO THE AUDITORS' REPORT

**Annexure to the Auditors' Report of even date to the members of Vivimed Labs Limited, on the financial statements for the year ended March 31, 2012**

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

- I. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- (b) As explained to us, the fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies between the book records and the physical inventory have been noticed on such verification.
- (c) The Company has not disposed off substantial part of the Fixed Assets.
- II. (a) The Inventory has been physically verified during the year and in our opinion, the frequency of verifications is reasonable.
- (b) In our opinion, the procedures of the physical verification of inventory followed by the Management are reasonable and adequate in relation of the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and as explained to us, there were no material discrepancies noticed on such verification of stocks as compared to book records.
- III. (a) The Company has not granted any loans, secured or unsecured to Companies, Firms or other Parties covered in the register maintained U/s.301 of the Companies Act, 1956.
- (b) As the Company has not granted any loans ,the clause of whether the rate of interest & other terms and conditions on which loans have been granted to parties listed in the register maintained under section 301 is prejudicial to the interest of company, is not applicable.
- (c) As no loans are granted by company, the clause of receipt of interest & principal amount from parties is not applicable to the company.
- (d) No loans have been granted to Companies, Firms & other parties listed in the register U/s.301 of the Companies Act, 1956, hence overdue amount of

more than rupees one lakh does not arise and the clause is not applicable.

- (e) The Company has not taken any loans, secured or unsecured from Companies, Firms or other Parties covered in the register maintained U/s. 301 of the Companies Act, 1956.
- (f) As the Company has not taken any loans, the clause of whether the rate of interest & other terms and conditions on which loans have been taken from parties listed in the register maintained under section 301 is prejudicial to the interest of company, is not applicable.
- (g) As no loans are taken by the company, the clause of repayment of interest & principal amount to parties is not applicable to the company.

IV. In our opinion and according to the information and explanations given to us, there are generally adequate internal control systems commensurate with the size of the company and the nature of its business with regard to purchase of inventory and fixed assets and for sale of goods and services. There is no continuing failure by the company to correct any major weaknesses in internal control.

- V. (a) In our opinion and according to the information and explanations given to us, no contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered into by the company in respect of the Financial year.
- (b) According to the information and explanations given to us, as no such contracts or arrangements have been made by the company, the applicability of the clause of charging the reasonable price having regards to the prevailing market prices at the relevant time does not arise.

VI. The Company has not accepted any deposits from the public and hence the applicability of the clause of directives issued by the Reserve Bank of India and provisions of section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under does not arise. As per information and explanations given to us the order from the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal has not been received by the Company.

VII. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.

VIII. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. However, our opinion is confined only with the maintenance of cost records and not on the completeness or accuracy of the same.

IX. a) The Company is regular in depositing undisputed statutory dues including PF, ESI, Income Tax, Sales tax, Custom Duty Excise Duty, Cess and any other statutory dues with the appropriate authorities and at the last of the financial year there were no amounts outstanding which were due for more than 6 months from the date they became payable.

b) According to the information and explanations given to us, no undisputed amounts are payable in respect of PF, ESI, Income Tax, Sales tax, Custom Duty Excise Duty, Cess and any other statutory dues as at the end of the period, for a period more than six months from the date they became payable.

X. The Company has been registered for a period of not less than 5 years, and the Company has no accumulated losses at the end of the financial year and the company has not incurred cash losses in this financial year and the immediately preceding financial year.

XI. In our opinion, the Company has not defaulted in repayment of dues to any financial institutions or banks.

XII. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities and hence the applicability of the clause regarding maintenance of adequate documents in respect of loans does not arise.

XIII. This clause is not applicable to this Company as the Company is not covered by the provisions of special statute applicable to Chit Fund in respect of Nidhi/Mutual Benefit Fund/Societies.

XIV. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, Debentures and other investments and hence the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order 2003, are not applicable to the Company.

XV. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Banks or Financial Institutions, and hence the applicability of this clause regarding terms and conditions which are prejudicial to the interest of the company does not arise.

XVI. According to the information and explanations given to us, the term loans obtained by the Company were applied for purpose for which such loans were obtained by the Company.

XVII. According to the information and explanations given to us, no funds are raised by the Company on short-term basis. Hence the clause of short term funds being used for long-term investment does not arise.

XVIII. According to the information and explanations given to us, the Company has not made any preferential allotment of Shares to parties and Companies covered in the Register maintained under section 301 of the Companies Act, 1956 and hence the applicability of the clause regarding the price at which shares have been issued and whether the same is prejudicial to the interest of the Company does not arise.

XIX. According to the information and explanations given to us, the company does not have any debentures and hence the applicability of the clause regarding the creation of security or charge in respect of debentures issued does not arise.

XX. According to information and explanations given to us, the company has not raised money by way of public issues during the year, hence the clause regarding the disclosure by the management on the end use of money raised by Public Issue is not applicable.

XXI. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year under audit.

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

**P. Murali Mohana Rao**  
Partner

Place : Hyderabad  
Date : 30-05-2012

Membership No. 23412





## STANDALONE BALANCE SHEET

(INR in mn)

Particulars	Note No.	As on 31.03.2012	As on 31.03.2011
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' funds</b>			
(a) Share capital			
(i) Equity Share Capital		139.34	101.64
(ii) Preference Share Capital		670.00	-
(b) Reserves and Surplus	2	2,620.15	1,348.86
(c) Money Received against Share Warrants		23.72	88.64
<b>(2) Non-Current Liabilities</b>			
(a) Long-Term Borrowings	3	1,399.98	747.38
(b) Deferred Tax Liabilities (Net)	4	163.43	156.89
(c) Other Long Term Liabilities	5	47.36	99.14
(d) Long Term Provisions	6	18.09	16.49
<b>(3) Current Liabilities</b>			
(a) Short-Term Borrowings	7	2,025.54	1,525.23
(b) Trade Payables	8	277.24	69.30
(c) Other Current Liabilities	9	271.56	29.30
(d) Short-Term Provisions	10	118.44	102.19
<b>Total</b>		<b>7,774.84</b>	<b>4,285.06</b>
<b>II ASSETS</b>			
<b>(1) Non-current assets</b>			
(a) Fixed assets			
(i) Tangible Assets	11	2,944.95	1,600.24
(ii) Capital Work-In-Progress	11	77.08	11.38
(b) Non-Current Investments	12	871.69	33.99
(c) Other Non-Current Assets	13	300.61	66.86
<b>(2) Current Assets</b>			
(a) Inventories	14	738.82	667.05
(b) Trade Receivables	15	987.18	959.61
(c) Cash and Bank Balances	16	194.06	86.32
(d) Short-Term Loans and Advances	17	1,658.16	859.53
(e) Other Current Assets	18	2.29	0.08
<b>Total</b>		<b>7,774.84</b>	<b>4,285.06</b>
a) Significant Accounting Policies			
b) Notes to Accounts forming integral part of Financial Statements			

As per our report of even date

**For P.Murali & Co.,**  
Firm Regn. No: 007257S  
Chartered Accountants

**For VIVIMED LABS LIMITED**

**P.Murali Mohana Rao**  
Partner  
M.No. 023412

**Dr. V. Manohar Rao**  
Whole Time Director

**Santosh Varalwar**  
Managing Director & CEO

Place : Hyderabad  
Date : 30-05-2012

**Fahim Aslam Khan**  
Company Secretary

## PROFIT AND LOSS STATEMENT

(INR in mn)

Particulars	Note No.	Year ended 31.03.2012	Year ended 31.03.2011
<b>REVENUE:</b>			
Revenue from Operations	19	3,829.00	3,098.10
Other Income	20	4.20	2.87
<b>Total</b>		<b>3,833.20</b>	<b>3,100.97</b>
<b>EXPENSES:</b>			
Cost of Materials Consumed	21	2,293.00	1,988.45
Changes in Inventories (Finished goods and WIP)	22	(15.68)	(44.50)
Employee Benefit Expenses	23	105.79	105.39
Other Operating Expenses	24	480.47	342.00
Administrative Expenses	25	125.35	142.84
Financial Costs	26	225.35	176.31
Depreciation and Amortization Expenses	11	105.51	60.79
<b>Total</b>		<b>3,319.79</b>	<b>2,771.28</b>
<b>Profit Before Tax</b>		<b>513.40</b>	<b>329.69</b>
<b>Tax Expense:</b>			
(a) Current tax		102.72	66.56
(b) Deferred tax		6.54	(14.50)
<b>Profit After Tax</b>		<b>404.15</b>	<b>277.63</b>
Earning Per Equity Share:			
(1) Basic		29.00	27.31
(2) Diluted		25.16	23.82
a) Significant Accounting Policies			
b) Notes to Accounts forming integral part of Financial Statements			

As per our report of even date

**For P.Murali & Co.,**  
Firm Regn. No: 007257S  
Chartered Accountants

**For VIVIMED LABS LIMITED**

**P.Murali Mohana Rao**  
Partner  
M.No. 023412

**Dr. V. Manohar Rao**  
Whole Time Director

**Santosh Varalwar**  
Managing Director & CEO

Place : Hyderabad  
Date : 30-05-2012

**Fahim Aslam Khan**  
Company Secretary



## SIGNIFICANT ACCOUNTING POLICIES

### BASIS OF PREPARATION :

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

### USE OF ESTIMATES :

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

#### (a) Accounting Convention and Revenue Recognition:

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

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

#### (b) Cash Flow Statement : AS-3

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

#### (c) Retirements Benefits:

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

#### (d) Fixed Assets:

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

#### (e) Depreciation:

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

#### (f) Accounting for Government Grants:

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

#### (g) Investments :

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

#### (h) (a) Intangible Assets :

Intangible assets are capitalized at cost if :

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

#### (b) Expenditure on Research and Development:

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

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

The above accounting is in compliance with AS-8.

## SIGNIFICANT ACCOUNTING POLICIES

#### (i) Transactions in Foreign Exchange:

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

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

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

#### (j) Borrowing Cost :

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

#### (k) Inventories :

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

#### (l) Taxes on Income :

a) Provision for tax for the year comprises current Income Tax and Deferred Tax and is provided as per the Income Tax Act, 1961.

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

#### (m) Provisions, Contingent Liabilities and Contingent Assets :

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

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

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

Contingent Liability is disclosed in the case of:

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

#### (n) Earnings per Share:

The earnings considered in ascertaining the Earning Per Share comprise of Net Profit after Tax. The number of shares used in computing Basic Earnings Per Share is the number of shares outstanding at the end of the year.

#### (o) Impairment of Assets :

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

#### (p) Related Party Disclosures :

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





## NOTES TO STANDALONE FINANCIAL STATEMENT for the year ended March 31, 2012

### Note: 1. SHARE CAPITAL

(INR in mn)

Sl. No.	Particulars	As on 31.03.2012	As on 31.03.2011
<b>a</b>	<b>Equity Share Capital</b>		
	<b>(a) Authorised</b>		
	(No. of Shares 2,00,00,000 - Current Year)	200.00	
	(No. of Shares 2,00,00,000 - Previous Year)		200.00
	<b>(b) Issued</b>		
	(No. of Shares 1,39,33,942 Current Year)	139.34	
	(No. of Shares 1,01,64,016 Previous Year)		101.64
	<b>(c) Subscribed &amp; Fully Paid Up</b>		
	(No. of Shares 1,39,33,942 Current Year)	139.34	
	(No. of Shares 1,01,64,016 Previous Year)		101.64
	<b>(d) Subscribed &amp; not fully paid up</b>		
	(e) Par Value per share Rs. 10/-	-	-
	<b>Total Equity Share capital</b>	<b>139.34</b>	<b>101.64</b>
<b>b</b>	<b>Preference Share Capital</b>		
	<b>(a) Authorised</b>		
	(No. of Shares 9,10,000 - Current Year)	910.00	
	(No. of Shares -Nil - Previous Year)		
	<b>(b) Issued</b>		
	(No. of Shares 6,70,000 - Current Year)	670.00	
	(No. of Shares Nil - Previous Year)		
	<b>(c) Subscribed &amp; Fully Paid Up</b>		
	(No. of Shares 6,70,000 - Current Year - Refer Note No 27)	670.00	
	(No. of Shares Nil - Previous Year)		
	<b>(d) Subscribed &amp; not fully paid up</b>		
	(e) Par Value per share Rs. 1000/-	-	-
	<b>Total Preference Share capital</b>	<b>670.00</b>	<b>-</b>
	<b>Total Share Capital ( Equity &amp; Preference )</b>	<b>809.34</b>	<b>101.64</b>
<b>c</b>	<b>Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period:</b>	<b>No. of Shares</b>	
	<b>Equity Shares of Rs.10 Each, Fully paid up</b>		
	At the Beginning	10,164,016	9,964,904
	Issued during the year - Bonus Issue	-	-
	Issued during the year - Cash Issue		
	Equity Shares	1,830,137	-
	Warrants converted into shares	1,490,000	-
	Issued during the year - Other than cash	449,789	199,112
	Forfeited / Bought Back during the year	-	-
	<b>At the end</b>	<b>13,933,942</b>	<b>10,164,016</b>
<b>d</b>	<b>Preference Shares of Rs.1000/- Each, Fully paid up</b>	<b>No. of Shares</b>	
	At the Beginning	-	-
	Issued during the year - Cash Issue	670,000	-
	Forfeited / Bought Back during the year	-	-
	<b>At the end</b>	<b>670,000</b>	<b>-</b>
<b>e</b>	<b>Details of Shareholder holding more than 5% shares of the company:</b>	<b>% of Share Holding</b>	
	<b>Equity Shares of Rs. 10 each Held By</b>		
	BBR Projects Pvt Ltd - No. Of Shares (C.Y) 18,45,178, (Previous Year 10,95,343)	13.24	10.78
	KITARA PIIN 1102 - No. Of Shares (C.Y) 18,30,137, (Previous Year Nil)	13.13	0
	Santosh Varalwar - No. Of Shares (C.Y) 12,69,810, (Previous Year 11,99,810)	9.11	11.8
	Dr.Manohar Rao - No Of Shares (C.Y) 6,89,071, (Previous Year 589071)	4.94	5.8
	Vithabai Varalwar - No Of Shares (C.Y) 5,44,669, (Previous Year 544669)	3.91	5.36
	Sandeep Varalwar - No of Shares (C.Y) 6,12,193, (Previous Year 512193)	4.39	5.04
<b>f</b>	<b>Preference Shares of Rs. 1000/- each held by</b>		
	Nylim Jacob Ballas Indis Fund III, LLC - No. of Shares (C.Y) 6,70,000, (Previous Year Nil)	100	Nil
<b>g</b>	<b>Money received against share warrants</b>		
	Opening balance:	88.64	49.56
	Received during the year:	158.58	39.08
		<b>247.22</b>	<b>88.64</b>
	Less: Transferred to Equity Capital:	14.90	-
	Transferred to Share Premium:	208.60	-
		<b>23.72</b>	<b>88.64</b>

## NOTES TO STANDALONE FINANCIAL STATEMENT for the year ended March 31, 2012

### Note: 2. RESERVES AND SURPLUS

(INR in mn)

Sl. No.	Particulars	As on 31.03.2012	As on 31.03.2011
<b>a)</b>	<b>Capital Reserve</b>	8.57	8.57
<b>b)</b>	<b>Securities Premium Reserve</b>		
	As at the commencement of the year	270.77	254.24
	Additions during the year	930.48	16.53
	Security Premium Reserve at the end of the year	1,201.25	270.77
<b>c)</b>	<b>Revaluation Reserve</b>	10.00	10.00
<b>d)</b>	<b>General Reserve</b>		
	As at the commencement of the year	40.30	19.47
	Additions during the year	40.41	20.82
	General Reserve at the end of the year	80.71	40.30
<b>e)</b>	<b>Surplus :</b>		
	i) Opening Balance - Profit and Loss Account	1,019.22	809.96
	Add: Transfer from Profit & Loss Account	404.15	253.86
	Less: Transfer To General Reserve	40.41	20.82
	Closing Balance - Profit & Loss Account	1,382.95	1,043.00
	ii) Proposed Dividend		
	Equity Shares Capital	41.80	20.33
	Preference Share Capital	12.34	-
	iii) Corporate Dividend Tax (Both on Equity & Preference)	9.20	3.45
	Closing Balance - Surplus	1,319.61	1,019.22
	<b>Total</b>	<b>2,620.15</b>	<b>1,348.86</b>

### Note: 3. LONG TERM BORROWINGS

(INR in mn)

Sl. No.	Particulars	As on 31.03.2012	As on 31.03.2011
<b>I</b>	<b>Long Term Borrowings</b>		
	<b>a) Secured &amp; Considered Good</b>		
	Term Loans From Banks - (Refer Note No. 29(a))	757.07	747.38
	<b>b) Unsecured &amp; Considered Good</b>		
	From Banks		
	Kotak Mahindra Bank - (Refer Note No. 29(b))	200.00	-
	From Financial Institutions		
	Foreign Currency Convertible Bonds (F C C B) From International Finance Corporation - (Refer Note No.28(c))	333.50	-
	<b>c) Advances from Related Parties</b>		
	<b>Un Secured &amp; Considered Good</b>		
	- Klarsehen Private Limited	60.00	-
	- Vivimed Labs Europe	49.41	-
	<b>Total</b>	<b>1,399.98</b>	<b>747.38</b>

### Note: 4. DEFERRED TAX LIABILITY (NET)

(INR in mn)

Sl. No.	Particulars	As on 31.03.2012	As on 31.03.2011
<b>I</b>	<b>Opening Deferred tax Liability</b>	156.89	171.39
	Deferred Tax Liability for the year (Due to Depreciation)	7.31	(14.50)
	Gross Deferred tax Liability	164.20	156.89
	Deferred Tax Asset:		
	Provision for Gratuity and Leave Encashment	(0.77)	-
	<b>Total</b>	<b>163.43</b>	<b>156.89</b>



## NOTES TO STANDALONE FINANCIAL STATEMENT for the year ended March 31, 2012

### Note: 5. OTHER LONG TERM LIABILITIES

(INR in mn)

Sl. No.	Particulars	As on 31.03.2012	As on 31.03.2011
I	a) Advances From Subsidiaries		
	- Creative Health Care Pvt. Ltd. (Wholly owned Indian Subsidiary)	1.17	1.17
	- Vivimed Holdings Limited, Hong Kong(Wholly owned Foreign Subsidiary)	-	15.88
	- Vivimed Labs Europe Limited(Wholly owned Foreign Subsidiary)	29.35	36.61
	- Vivimed Labs USA Inc(Wholly owned Foreign Subsidiary)	-	45.48
	b) Advances from Others	16.84	-
	<b>Total</b>	<b>47.36</b>	<b>99.14</b>

### Note: 6. LONG TERM PROVISIONS

(INR in mn)

Sl. No.	Particulars	As on 31.03.2012	As on 31.03.2011
	<b>Provision for Employee Benefits</b>		
	- Provision for Gratuity (Refer Note No. 30)	7.57	6.36
	- Provision for Leave Encashment (Refer Note No. 30)	3.10	2.72
	Other Provisions		
	<b>Deferred Payment Liabilities</b>		
	- Sales Tax Deferement	7.41	7.41
	<b>Total</b>	<b>18.09</b>	<b>16.49</b>

### Note: 7. SHORT TERM BORROWINGS

(INR in mn)

Sl. No.	Particulars	As on 31.03.2012	As on 31.03.2011
	<b>Short Term Borrowings</b>		
	a) <b>Cash Credits and Working Capital Loan from Banks</b>		
	- Secured & Considered Good		
	<b>STATE BANK OF HYDERABAD</b>		
	-- Cash Credit	921.64	926.06
	-- Packing Credit	201.90	102.76
	-- FUBD (INR)	-	195.00
	-- FUBD (USD)	215.35	73.59
	(Secured by Pari passu first charge on all the Current Assets and second charge on all Fixed Assets of the Company)		
	<b>Bank of Bahrain &amp; Kuwait</b>		
	-- Cash Credit	1.42	-
	(Secured by Pari passu first charge on all the Current Assets and second charge on all Fixed Assets of the Company)		
	b) <b>Other Loans repayable on demand</b>		
	- Secured & Considered Good		
	From Banks		
	Bank of Bahrain & Kuwait	98.35	-
	- Packing Credit in Foreign Currency		
	(Secured by Pari passu first charge on all the Current Assets and second charge on all Fixed Assets of the Company)		
	<b>Bank of Bahrain &amp; Kuwait</b>		
	-- Foreign Usance Bill Discounting	101.36	-
	(Secured by Pari passu first charge on all the Current Assets and second charge on all Fixed Assets of the Company)		
	<b>EXIM BANK</b>	485.52	227.82
	-- Packing Credit		
	(Secured by Pari passu first charge on all the Current Assets and second charge on all Fixed Assets of the Company)		
	<b>Total</b>	<b>2,025.54</b>	<b>1,525.23</b>

## NOTES TO STANDALONE FINANCIAL STATEMENT for the year ended March 31, 2012

### Note: 8. TRADE PAYABLES

(INR in mn)

Sl. No.	Particulars	As on 31.03.2012	As on 31.03.2011
	<b>Trade Payables</b>		
	Creditors for Supplies	171.33	68.11
	Creditors for Services	105.92	1.19
	<b>Total</b>	<b>277.24</b>	<b>69.30</b>

### Note: 9. OTHER CURRENT LIABILITIES

(INR in mn)

Sl. No.	Particulars	As on 31.03.2012	As on 31.03.2011
	Current Maturities of Long Term Debt	200.70	-
	Unpaid Dividend & Dividend Payable	63.82	23.37
	Creditors for Capital Goods	7.03	5.93
	<b>Total</b>	<b>271.56</b>	<b>29.30</b>

### Note: 10. SHORT TERM PROVISIONS

(INR in mn)

Sl. No.	Particulars	As on 31.03.2012	As on 31.03.2011
I	a) Provision for employee benefits		
	Provision for Gratuity (Refer Note No. 30)	1.13	0.45
	b) Statutory Liabilities		
	Provision for Income Tax	71.87	70.00
	Dividend Tax Payable	-	-
	c) Provision for Expenses	45.44	31.74
	<b>Total</b>	<b>118.44</b>	<b>102.19</b>

### Note: 11. FIXED ASSET

(INR in mn)

Particulars	GROSS BLOCK					Rate of Depreciation	DEPRECIATION BLOCK			NET BLOCK	
	As at 01.4.2011	Additions during the year	Capitalised during the year	Sale/ Deletions during the year	As at 31.3.2012		As at 01.04.2011	For the year 2011-12	Total Depreciation	As at 31.3.2012	As at 31.3.2011
Land	177.92	511.54	-	-	689.46		-	-	-	689.46	177.92
Building	322.95	264.11	-	-	587.06	3.34%	41.34	12.42	53.76	533.30	281.61
Plant & Machinery	1,210.39	595.91	-	-	1,806.30	4.75%	168.57	51.25	219.82	1,586.48	1,041.82
Electrical Equipment	35.42	16.78	-	-	52.20	4.75%	12.14	1.88	14.02	38.18	23.28
Laboratory Equipment	38.85	9.09	-	-	47.94	4.75%	6.22	2.02	8.24	39.70	32.63
Office Equipment	6.63	0.87	-	-	7.50	4.75%	1.69	0.33	2.02	5.48	4.94
Computers	18.11	10.51	-	-	28.62	16.21%	7.85	2.96	10.81	17.81	10.26
Furniture	16.57	1.38	-	-	17.95	6.33%	4.65	1.04	5.69	12.26	11.92
Vehicle	27.21	9.05	-	-	36.26	9.50%	12.36	2.87	15.23	21.03	14.85
Borewell	0.05	-	-	-	0.05	3.34%	0.03	-	0.03	0.02	0.02
Generator	1.15	0.30	-	-	1.45	4.75%	0.16	0.06	0.22	1.23	0.99
<b>Sub-Total (A) :</b>	<b>1,855.25</b>	<b>1,419.54</b>	<b>-</b>	<b>-</b>	<b>3,274.79</b>		<b>255.01</b>	<b>74.83</b>	<b>329.84</b>	<b>2,944.95</b>	<b>1,600.24</b>
Capital Work In Progress	11.38	65.70	-	-	77.08		-	-	-	77.08	11.38
<b>Sub-Total (B) :</b>	<b>11.38</b>	<b>65.70</b>	<b>-</b>	<b>-</b>	<b>77.08</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>77.08</b>	<b>11.38</b>
<b>Total (A + B)</b>	<b>1,866.63</b>	<b>1,485.24</b>	<b>-</b>	<b>-</b>	<b>3,351.87</b>		<b>255.01</b>	<b>74.83</b>	<b>329.84</b>	<b>3,022.03</b>	<b>1,611.62</b>
Previous Year	(1,598.91)	(287.89)	(13.53)	(6.64)	(1,866.63)		(204.70)	(50.31)	(255.01)	(1,611.62)	(1,394.21)
Amortization Expenses (Refer to Note no 13)								30.68			
(Previous Year)								(10.48)			
Depreciation and Amortization (Current Year)								105.51			
Depreciation and Amortization (Previous Year)								(60.79)			





## NOTES TO STANDALONE FINANCIAL STATEMENT for the year ended March 31, 2012

**Note: 12. NON- CURRENT INVESTMENTS** (INR in mn)

SI.	As on	As on
No. Particulars	31.03.2012	31.03.2011
<b>I Non- Current Investments</b>		
<b>Investment in Subsidiaries</b>		
<b>Unquoted Shares at Cost - Other than Trade</b>		
a) 25,00,000 Equity Shares of Creative Health Care Private Ltd. (Wholly owned Indian subsidiary @ Rs. 10 each, fully paid.)	25.00	25.00
b) 10,000 Equity Shares of Vivimed Holdings Ltd., HongKong ( Wholly owned Foreign Subsidiary @ 1 HKD per share fully paid.)	0.07	0.06
c) 1,000 Equity Shares of Vivimed Labs USA Inc., (Wholly owned Foreign subsidiary @ 1 cent per share fully paid.)	163.21	8.93
d) Investment into the Equity Share Capital of Vivimed Labs Mauritius (Wholly Owned Foreign Subsidiary 90,00,000 Shares @ USD 1 Each)	460.41	-
e) 6,99,800 Equity Shares of Rs. 10/- each in Klar Sehen Private Limited, Kolkata (Wholly owned Indian subsidiary @ Rs. 10 each, fully paid.)	200.00	-
f) Investment in Octtantis Nobel Labs Private Limited, Hyderabad (Wholly owned Indian subsidiary @ Rs. 10 each, fully paid.)	23.00	-
<b>Total</b>	<b>871.69</b>	<b>33.99</b>

**Note: 13. OTHER NON CURRENT ASSETS** (INR in mn)

SI.	Non Current As on	
No. Particulars	31.03.2012	31.03.2011
<b>Unamortized Expenditure</b>		
I Balance at the beginning of the year	66.86	57.91
Additions during the year	264.43	19.43
Charge(writtenoff) during the year	30.68	10.48
<b>Balance at the end of the Year</b>	<b>300.61</b>	<b>66.86</b>
<b>Total</b>	<b>300.61</b>	<b>66.86</b>

**Note: 14. INVENTORIES** (INR in mn)

SI.	As on	As on
No. Particulars	31.03.2012	31.03.2011
<b>I Inventories :</b>		
a) Raw materials	373.54	327.98
b) Work - in - Progress	96.94	134.09
c) Finished Goods	232.82	179.99
d) Loose Tools & Spares	35.52	24.99
<b>Total</b>	<b>738.82</b>	<b>667.05</b>

**Note: 15. TRADE RECEIVABLES** (INR in mn)

SI.	As on	As on
No. Particulars	31.03.2012	31.03.2011
<b>I Outstanding for a period exceeding six months from the date they are due for payment</b>		
Unsecured, Considered Good	10.91	15.65
<b>Other Receivables:</b>		
Unsecured, Considered Good	976.27	943.96
<b>Total</b>	<b>987.18</b>	<b>959.61</b>

## NOTES TO STANDALONE FINANCIAL STATEMENT for the year ended March 31, 2012

**Note: 16. CASH AND BANK BALANCES** (INR in mn)

SI.	As on	As on
No. Particulars	31.03.2012	31.03.2011
<b>I Cash and cash equivalents :</b>		
a) Balances with banks:		
In Current Accounts	59.06	42.63
b) Cash on hand	0.33	0.14
<b>Sub-total</b>	<b>59.38</b>	<b>42.77</b>
<b>Other Bank Balances</b>		
<b>On Deposit Accounts</b>		
Having Maturity more than 3 Months but less than or equal to 12 months from date of deposit	134.67	43.55
<b>Sub-total</b>	<b>134.67</b>	<b>43.55</b>
<b>Total</b>	<b>194.06</b>	<b>86.32</b>

**Note: 17. SHORT TERM LOANS AND ADVANCES** (INR in mn)

SI.	As on	As on
No. Particulars	31.03.2012	31.03.2011
<b>I Advances to Suppliers</b>	571.85	302.72
<b>II Loans &amp; Advances to Related Party</b>		
UnSecured & Considered Good		
Vivimed Holdings Limited (Wholly Owned Foreign Subsidiary)	522.82	258.01
Vivimed Labs USA Inc. (Wholly Owned Foreign Subsidiary)	74.69	8.14
Vivimed Labs Mauritius (Wholly Owned Foreign Subsidiary)	101.93	-
Vivimed Labs Spain (Wholly Owned Foreign Step Down Subsidiary)	12.73	-
Advance to Octtantis Nobel Labs Private Limited (Wholly Owned Indian Subsidiary)	63.09	-
<b>III Deposits (Sales Tax Deposit, Excise Deposit)</b>	138.84	43.80
<b>IV Loans and Advances to Employees</b>	3.37	5.85
<b>V Prepaid Expenses</b>	-	0.09
<b>VI Advance tax paid</b>	-	6.50
<b>VII TDS Receivable</b>	-	5.59
<b>VIII Other Advances</b>	168.84	228.84
<b>Total</b>	<b>1,658.16</b>	<b>859.53</b>

**Note: 18. OTHER CURRENT ASSETS** (INR in mn)

SI.	As on	As on
No. Particulars	31.03.2012	31.03.2011
VAT Receivable	2.29	0.08
<b>Total</b>	<b>2.29</b>	<b>0.08</b>

**Note: 19. REVENUE FROM OPERATIONS** (INR in mn)

SI.	Year ended	Year ended
No. Particulars	31.03.2012	31.03.2011
<b>(i) Revenue from Operations</b>		
(a) Sale of Products		
Domestic	2,210.52	1,733.77
Export	1,602.28	1,364.33
(b) Other Operating Revenues	16.19	-
<b>Total</b>	<b>3,829.00</b>	<b>3,098.10</b>



## NOTES TO STANDALONE FINANCIAL STATEMENT for the year ended March 31, 2012

### Note: 20. OTHER INCOME

(INR in mn)

Sl. No. Particulars	Year ended 31.03.2012	Year ended 31.03.2011
I (a) Interest Income		
Interest on Bank Fixed Deposits	2.56	1.85
Interest received on Electricity Deposits	0.37	0.13
(b) Other Non-Operating Income - Sale of Scrap	1.26	0.89
<b>Total</b>	<b>4.20</b>	<b>2.87</b>

### Note: 21. COST OF MATERIALS CONSUMED

(INR in mn)

Sl. No. Particulars	Year ended 31.03.2012	Year ended 31.03.2011
I Opening Stock of Raw Materials and Consumables	327.98	321.37
Opening Stock of Packing Materials	24.99	15.11
Add : Purchases during the year	2,349.09	2,004.94
	2,702.07	2,341.42
Less : Closing Stock of Raw Materials and Consumables	373.54	327.98
Less : Closing Stock of Packing Materials	35.52	24.99
<b>Total</b>	<b>2,293.00</b>	<b>1,988.45</b>

### Note: 22. CHANGES IN INVENTORIES & WIP.

(INR in mn)

Sl. No. Particulars	Year ended 31.03.2012	Year ended 31.03.2011
I <b>Finished Goods</b>		
Inventories at the beginning of the year	179.99	148.99
Less : Inventories at the end of the year	232.82	179.99
<b>Sub-total</b>	<b>(52.83)</b>	<b>(31.00)</b>
II <b>Work in Progress</b>		
Inventories at the beginning of the year	134.09	120.59
Less : Inventories at the end of the year	96.94	134.09
<b>Sub-total</b>	<b>37.15</b>	<b>(13.50)</b>
<b>(Increase) / Decrease in Inventories (I+II)</b>	<b>(15.68)</b>	<b>(44.50)</b>

### Note: 23. EMPLOYEE BENEFIT EXPENSES

(INR in mn)

Sl. No. Particulars	Year ended 31.03.2012	Year ended 31.03.2011
1 Salaries & Wages	79.12	77.31
2 Contribution to Provident Fund & ESI	5.40	4.90
3 Bonus	17.88	8.13
4 Staff Welfare Expenses		
- Conveyance	0.11	0.53
- Medical Expenses	0.33	4.98
- Gratuity (Refer Note No. 30)	1.99	6.81
- Leave Encashment (Refer Note No. 30)	0.38	2.72
- Staff Training Expenses	0.28	-
- Staff Recruitment Expenses	0.30	-
<b>Total</b>	<b>105.79</b>	<b>105.39</b>

## NOTES TO STANDALONE FINANCIAL STATEMENT for the year ended March 31, 2012

### Note: 24. OTHER OPERATING EXPENSES

(INR in mn)

Sl. No. Particulars	Year ended 31.03.2012	Year ended 31.03.2011
1 Consumption of Stores & Spares	16.98	13.10
2 Power & Fuel	147.83	104.97
3 Wages Allowances	25.16	-
4 Labour Charges	56.98	-
5 Repairs to Building	19.19	15.62
6 Repairs to Machinery	23.34	15.79
7 Other Manufacturing Expenses	59.63	106.35
8 Job Work Charges	19.06	24.77
9 R & D Expenses	112.30	61.40
<b>Total</b>	<b>480.47</b>	<b>342.00</b>

### Note: 25. ADMINISTRATIVE EXPENSES

(INR in mn)

Sl. No. Particulars	Year ended 31.03.2012	Year ended 31.03.2011
1 Business & Marketing Expenses	12.85	10.66
2 Commission & Discounts	4.50	2.28
3 Travelling Expenses - Foreign	6.65	4.29
4 Rebates & Discounts	-	0.01
5 Freight Outward	28.69	29.05
6 Other Selling Expenses	8.19	1.73
7 Printing & Stationery	2.86	2.35
8 Telephone & Postage Expenses	3.85	4.66
9 Insurance	4.76	3.30
10 Rent	4.82	3.70
11 Audit Fees	0.72	0.35
12 Taxation matters	0.45	0.30
13 Travelling Expenses	6.00	3.58
14 Rates & Taxes	2.53	1.48
15 Directors Remuneration	20.34	16.35
16 Conveyance	0.69	-
17 Consultancy Charges	0.64	-
18 Directors' Sitting Fee	0.18	0.18
19 Other Borrowing Costs & Bank Charges	10.22	3.53
20 Loan Processing Charges - Term Loan	5.19	4.23
21 Loss on Buy Back of FCCB	-	14.24
22 Fluctuations in Foreign Exchange	(43.00)	(3.91)
23 Other Administrative Expenses	44.22	40.47
<b>Total</b>	<b>125.35</b>	<b>142.84</b>

### Note: 26. FINANCE COST

(INR in mn)

Sl. No. Particulars	Year ended 31.03.2012	Year ended 31.03.2011
(a) Interest Expenses		
- Interest on Cash Credit	167.26	117.91
- Interest on Term Loans	56.82	58.01
- Interest on Vehicle Loan	0.18	0.39
- Interest on ECB Loan	1.09	-
<b>Total</b>	<b>225.35</b>	<b>176.31</b>





## NOTES TO STANDALONE FINANCIAL STATEMENT for the year ended March 31, 2012

### 27. Preference Share Capital:

During the Financial Year 2011-12, the company allotted 6,70,000 Compulsory Convertible Cumulative Preference shares of Rs. 1,000/- each to M/s. Nylim Jacob Ballas India Fund III, LLC at par.

28. Warrant Application Money of Rs. 23.72 mn received during the earlier years represents monies received for which Warrants were not issued by the company for want of approval from Stock Exchanges.

### 29. Long Term Borrowings:

#### (a) Term Loans From Banks:

- 1) EXIM Bank: Closing Balance as on 31-03-2012 - Rs. 345.07 mn.  
Secured by Pari passu First charge on the Immovable and Movable Assets of the Company present and future including Equitable Mortgage of Factory Lands and Buildings and Second pari passu charge on the Current Assets.
- 2) State Bank of Hyderabad: Closing Balance as on 31-03-2012 - Rs. 100.24 mn.  
Short Term Corporate Loan - Secured by Pari Passu First Charge on the Immovable and Movable Assets of the Company present and future including equitable mortgage of Factory Lands and Buildings and Second Pari Passu charge on Current Assets.
- 3) Axis Bank: Closing Balance as on 31-03-2012 - Rs. 308.66 mn.  
Secured by Pari Passu First Charge on the Immovable and Movable Assets of the Company present and future including equitable mortgage of Factory Lands and Buildings and Second Pari Passu charge on Current Assets.
- 4) Term Loans against Hypothecation of Vehicles:  
Closing Balance as on 31-03-2012 - Rs. 2.01 mn. Secured by Hypothecation of specific Vehicles of the Company.
- 5) Mortgage Loan from HDFC Bank :  
Closing Balance as on 31-03-2012 - Rs. 1.09 mn. Secured by Mortgage of specific Immovable Property.

#### (b) Unsecured Loans from Banks:

Kotak Mahindra Bank : Closing Balance as on 31-03-2012 - Rs.200.00 mn.

#### (c) Unsecured Loan from Financial Institution:

International Finance Corporation Closing Balance as on 31-03-2012 - Rs.333.50 mn.  
75 Nos. Optionally Convertible / Redeemable Foreign Currency Bonds (F.C.C.B.) at the face value of USD 100,000 each.

### 30. Employee Benefits (Gratuity & Earned Leave Encashment)

The details of the Company's post – retirement benefit plans for its employees including whole-time directors are given below which are certified by an Independent Actuary.

#### a) Amounts recognized in the Balance Sheet as at 31-03-2012 (Rs. in mn.)

Sl. No. Particulars	Gratuity	Leave Encashment
1 Present Value of Obligation as at the end of the year	8.80	3.10
2 Value of Fund as at the end of the year	-	-
3 Funded Status	(8.80)	(3.10)
4 Unrecognized Actuarial (gains) / losses	-	-
5 <b>Net Asset / (Liability) Recognized in Balance Sheet</b>	<b>(8.80)</b>	<b>(3.10)</b>

#### b) Expenses recognized in Profit & Loss Account for the year ended 31-03-2012 : (Rs. in mn.)

Sl. No. Particulars	Gratuity	Leave Encashment
1 Current Service Cost	1.24	0.38
2 Interest Cost	0.54	-
3 Net actuarial (gain)/ loss recognized in the year	0.21	3.10
4 Expenses recognized in Profit & Loss Account	1.99	3.10

## NOTES TO STANDALONE FINANCIAL STATEMENT for the year ended March 31, 2012

### c) Present value of Obligation for the year ended 31-03-2012 (Rs. in mn.)

Sl. No. Particulars	Gratuity	Leave Encashment
1 Present Value of Obligation as at beginning of the year	6.81	2.72
2 Interest Cost	0.54	-
3 Current Service Cost	1.24	0.38
4 Benefits paid	(0.09)	-
5 Actuarial (gain)/ loss on obligations	0.21	-
16 Present Value of Obligation as at the end of the year	8.71	3.10
a. Current Liability	1.03	-
b. Non-current Liability	7.57	3.10

### d) Actuarial (Gain) / Loss recognised during the year : (Rs. in mn.)

Sl. No. Particulars	Gratuity	Leave Encashment
1 Actuarial (Gain)/Loss for the year – Obligation	(0.21)	-
2 Total (Gain) / Loss for the year	0.21	-
3 Actuarial (Gain) / Loss recognized in the year	0.21	-

### e) Assumptions:

Assumptions made for the purpose of Gratuity & Leave Encashment valuation for the year ended 31-03-2012

Sl. No. Particulars	Gratuity	Leave Encashment
Discount Rate	8.60%	8.60%
Rate of increase in Compensation levels	2% p.a.	2% p.a.
Rate of Return on Plan Assets	0%	0%
Expected Average remaining working lives of employees (years)	24 yrs	24 yrs

### 31. Treatment of Capital Work in Progress :

Capital Work in Progress includes Cost of Land under acquisition and Plant, Machinery & Equipments under installation.

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

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

Sl. No. Items	UOM	Quantity
1 Speciality Chemicals	MT	3000
2 Capsules	Million	300
3 Tablets	Million	30
4 Lotions	KL	20
5 Ointments	MT	30
6 Small Volume Parenterals	KL	300

### 33. Production Data :

Sl. No. Items	UOM	Quantity	
		2011-12	2010-11
1 Specialty Chemicals	MT	2037.87	2414.16
2 Capsules	Million	790.01	482.11
3 Tablets	Million	35.32	20.33
4 Lotions	KL	46.05	24.01
5 Ointments	MT	12.41	8.81
6 Small Volume Parenterals	KL	400.40	311.96



## NOTES TO STANDALONE FINANCIAL STATEMENT for the year ended March 31, 2012

### 34. Sales Data :

Product	UOM	Quantity		Value (Rs. in mn)	
		2011-12	2010-11	2011-12	2010-11
Specialty Chemicals	MT	2441.65	2415.65	2787.33	2,421.30
Capsules	Million	790.02	482.96	305.48	109.48
Tablets	Million	32.12	20.17	114.56	146.98
Lotions	KL	40.16	24.01	244.39	163.41
Ointments	MT	15.64	5.12	99.26	38.77
Small Volume Parenterals	KL	399.61	311.95	277.98	218.16
<b>Total</b>				<b>3,829.00</b>	<b>3,098.10</b>

### 35. Opening & Closing Stock of Finished Goods :

Product	UOM	Opening Stock		Closing Stock	
		Quantity	Value	Quantity	Value
Specialty Chemicals	MT	536.70	170.72	132.92	222.92
Capsules	Million	0.02	0.18	0.01	0.05
Tablets	Million	0.25	2.87	3.45	4.50
Lotions	KL	0.08	0.78	5.97	0.35
Ointments	MT	3.72	1.02	0.49	0.14
Small Volume Parenterals	KL	0.15	4.42	0.94	4.86
<b>Total</b>			<b>179.99</b>		<b>232.82</b>

### 36. Consumption of Materials :

Sl. No. Particulars	2011-12		2010-11	
	Rs. Millions	% of Consumption	Rs. Millions	% of Consumption
1 Indigenous	1,509.05	65.81	1,292.20	64.98
2 Imported	783.95	34.19	696.25	35.02

### 37. Related Party Disclosures:

Particulars of related parties:

Sl. No.	Name of the Related Party	Nature of Relationship
1	Dr. V. Manohar Rao	Whole Time Director
2	Subhash Varalwar	Whole Time Director
3	Santosh Varalwar	CEO & Managing Director
4	Sandeep Varalwar	Whole Time Director
5	Mr. S. Raghunandan	Whole Time Director
6	Dr. R.K. Dhar	Whole Time Director
7	Octantis Nobel Labs Pvt Ltd	Indian Subsidiary
8	Creative Health Care Private Limited, Mumbai.	Wholly Owned Indian Subsidiary
9	Klar Sehen Private Limited	Wholly Owned Indian Subsidiary
10	Vivimed Holdings Limited, HongKong	Wholly Owned Foreign Subsidiary
11	Vivimed Labs USA Inc.	Wholly Owned Foreign Subsidiary
12	Vivimed Labs Europe Limited, U.K.	Wholly Owned Foreign Step Down Subsidiary
13	Vivimed Labs Mauritius Ltd.	Wholly Owned Foreign Subsidiary
14	Vivimed Labs UK Ltd.	Wholly Owned Foreign Step Down Subsidiary
15	Vivimed Labs Spain S L	Wholly Owned Foreign Step Down Subsidiary
16	Union Quimico Farmaceutica S.A.U., Spain	Wholly Owned Foreign Step Down Subsidiary
17	Uquifa Mexico S.A. de C.V.	Wholly Owned Foreign Step Down Subsidiary
18	Holiday International Limited, UK	Wholly Owned Foreign Step Down Subsidiary

## NOTES TO STANDALONE FINANCIAL STATEMENT for the year ended March 31, 2012

### 38. Transactions during the year with related Parties :

Name of the Party	Nature of Relationship	Nature of Transaction	2011-12 (Rs. in mn)	2010-11 (Rs. in mn)
Dr. V. Manohar Rao	Whole Time Director	Remuneration	3.60	3.00
Subhash Varalwar	Whole Time Director	Remuneration	3.60	3.00
Santosh Varalwar	Managing Director & CEO	Remuneration	4.50	3.75
Sandeep Varalwar	Whole Time Director	Remuneration	3.60	3.00
S. Raghunandan	Whole Time Director	Remuneration	2.52	1.80
Dr. R.K. Dhar	Whole Time Director	Remuneration	2.52	1.80
Octantis Nobel Labs Pvt Ltd	Indian Subsidiary	Purchase / Sale	NIL	NIL
		Investment in shares	23.00	NIL
		Other Advances	63.09	NIL
Creative Health Care Private Limited	Wholly Owned Indian Subsidiary	Purchase / Sale	NIL	NIL
		Investment in shares	25.00	25.00
		Other Advances	1.17	1.17
Klar Sehen Private Limited	Wholly Owned Indian Subsidiary	Purchase / Sale	NIL	NIL
		Investment in shares	200.00	NIL
		Other Advances	NIL	NIL
Vivimed Holdings Limited, HongKong	Wholly Owned Foreign Subsidiary	Investment in Shares	0.07	0.06
		Advances	522.82	252.05
Vivimed Labs Europe Limited, U.K	Wholly Owned Foreign Step Down Subsidiary	Sales	483.16	309.40
		Advances	NIL	NIL
Vivimed Labs USA Inc.	Wholly Owned Foreign Subsidiary	Sales	340.69	256.83
		Investment in Shares	163.21	8.93
		Advances	74.69	88.95
Vivimed Labs Mauritius Ltd.	Wholly Owned Foreign Subsidiary	Sales	NIL	NIL
		Investment in Shares	460.41	NIL
		Advances	101.92	NIL
Vivimed Labs Spain S L	Wholly Owned Foreign Step Down Subsidiary	Sales	NIL	NIL
		Advances	12.73	NIL

### 39. Details of Directors Remuneration :

Sl. No.	Name of the Directors	Nature of Relationship	Amount of Remuneration 2011-12 (Rs. in mn)	Amount of Remuneration 2010-11 (Rs. in mn)
1	Dr. V. Manohar Rao	Whole Time Director	3.60	3.00
2	Subhash Varalwar	Whole Time Director	3.60	3.00
3	Santosh Varalwar	Managing Director & C.E.O.	4.50	3.75
4	Sandeep Varalwar	Executive Director	3.60	3.00
5	S. Raghunandan	Director (Operations)	2.52	1.80
6	Dr. R. K. Dhar	Director (Technical)	2.52	1.80
<b>Total</b>			<b>20.34</b>	<b>16.35</b>

### 40. Contingent Liabilities : (Rs. in mn)

Particulars	As at 31.03.2012	As at 31.03.2011
Letter of Credit Foreign LC's	94.69	151.93
Inland LC's	55.89	32.48
SBLC – Axis Bank	51.15	-
Bank Guarantee State Bank of Hyderabad, Balanagar Branch, Hyderabad.	4.87	4.87

### 41. Contingent Liability on account of Corporate Guarantees: (Rs. in mn)

Name of the Subsidiary	Details of the Lender	As at 31.03.2012	As at 31.03.2011
Vivimed Holdings Private Limited, HongKong.	State Bank of India, London Branch	366.47	571.61
Vivimed Labs Europe Limited, UK.	State Bank of India, London Branch	142.19	124.51
Vivimed Labs Spain S.L.	EXIM Bank	1,243.57	NIL
Octantis Nobel Pvt Ltd	Yes Bank	30.00	NIL
Vivimed Labs USA Inc	Merchants & Traders Trust Company	179.05	-





## NOTES TO STANDALONE FINANCIAL STATEMENT for the year ended March 31, 2012

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

### 43. Foreign Exchange Inflow and Outflow :

Particulars	Nature of Currency	Year 2011-2		Year 2010-11	
		Amount in Foreign Currency (mn)	Rs. in Millions	Amount in Foreign Currency (mn)	Rs. in Millions
<b>INFLOW</b>					
On Export of Goods	USD	20.89	431.04	14.71	649.21
	EUR	7.92	538.63	5.78	361.87
FCTL - EXIM	USD	7.50	383.67	NIL	NIL
FCCB - IFC	USD	7.50	333.50	NIL	NIL
Equity - KITARA PIIN 1102	USD	13.00	598.45	NIL	NIL
<b>OUTFLOW</b>					
Raw Materials	USD	7.57	378.40	5.91	263.68
	EUR	0.68	46.29	0.59	36.85
Capital Goods	USD	0.02	0.76	0.01	0.53
Travelling	GBP	0.03	2.61	0.03	2.42
	USD	0.07	3.59	0.06	2.56
	EUR	0.02	1.29	NIL	NIL
Foreign Company Renewal Fee	HKD	0.01	0.08	0.01	0.02
Foreign Currency Term Loan	USD	5.13	256.43	4.38	195.94
Investment in Vivimed Labs Mauritius Ltd	USD	9.00	460.41	NIL	NIL
Others (Analytical Charges, Subscriptions for Journals, Legal Opinion charges, etc.)	GBP	0.01	0.54	NIL	NIL
Expenses in relation to overseas Acquisition	USD	1.99	101.88	NIL	NIL

### 44. Earnings Per Share :

Particulars		2011-12	2010-11
Net profit after tax	(Rs. mn)	404.15	277.62
Number of shares	Nos.	13,933,942	10,164,016
Basic EPS	(Rs.)	29.00	27.31
Diluted EPS	(Rs.)	25.16	23.82

45. Segment wise Information is furnished in Annexure -A.

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

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

48. The numbers have been rounded off to the nearest millions of rupees.

As per our report of even date

**For P.Murali & Co.,**  
Firm Regn. No: 007257S  
Chartered Accountants

**P.Murali Mohana Rao**  
Partner  
M.No. 023412

Place : Hyderabad  
Date : 30-05-2012

**For VIVIMED LABS LIMITED**

**Dr. V. Manohar Rao**  
Whole Time Director

**Santosh Varalwar**  
Managing Director & CEO

**Fahim Aslam Khan**  
Company Secretary

## ANNEXURE -A

### Segment Information:

Company has identified two reporting segments viz., Speciality Chemicals and Pharmaceuticals. Segments have been identified and reported taking into account nature of products and services the differing risks, returns and the internal business reporting systems. Accounting policies adopted for segment reporting are in line with Accounting Policy of the company and are in accordance with the AS-17.

### (i) Primary Segment Information :

(Rs. mn)

Sl. No.	Particulars	Speciality Chemicals		Pharmaceuticals		Total	
		2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
<b>01 REVENUE</b>							
	External Turnover	2,787.34	2,421.30	1,041.67	676.80	3,829.01	3,098.10
	Inter Segment Turnover	NIL	NIL	NIL	NIL	NIL	NIL
	<b>TOTAL REVENUE</b>	<b>2,787.34</b>	<b>2,421.30</b>	<b>1,041.67</b>	<b>676.80</b>	<b>3,829.01</b>	<b>3,098.10</b>
<b>02 RESULTS</b>							
	<b>Operating Profit</b>	<b>493.77</b>	<b>385.12</b>	<b>240.79</b>	<b>118.01</b>	<b>734.56</b>	<b>503.13</b>
	Interest Expenses	217.35	169.13	8.00	7.17	225.35	176.31
	Interest Income	3.25	2.87	0.95	—	4.20	2.87
	<b>Profit Before Tax</b>	<b>279.67</b>	<b>218.86</b>	<b>233.74</b>	<b>110.84</b>	<b>513.41</b>	<b>329.69</b>
	Current Tax	55.96	43.62	46.77	22.93	102.72	66.55
	Fringe Benefit Tax	—	—	—	—	—	—
	Deferred Tax	5.43	(2.15)	1.11	(12.35)	6.54	(14.50)
	<b>Profit After Tax</b>	<b>218.28</b>	<b>177.39</b>	<b>185.86</b>	<b>100.26</b>	<b>404.15</b>	<b>277.64</b>
<b>03 OTHER INFO</b>							
	Segment Assets	6,822.68	3,699.27	952.16	655.50	7,774.84	4354.77
	Unallocated Corporate Assets	NIL	NIL	NIL	NIL	NIL	NIL
	<b>Total Assets</b>	<b>6,822.68</b>	<b>3,699.27</b>	<b>952.16</b>	<b>655.50</b>	<b>7,774.84</b>	<b>4354.77</b>
	Segment Liabilities	3,876.82	2,577.61	444.82	131.78	4,321.64	2,709.40
	Unallocated Corporate Liabilities	NIL	NIL	NIL	NIL	NIL	NIL
	<b>Total Liabilities</b>	<b>3,876.82</b>	<b>2,577.61</b>	<b>444.82</b>	<b>131.78</b>	<b>4,321.64</b>	<b>2,709.40</b>
	<b>Capital Employed</b>	<b>6,443.60</b>	<b>3,495.71</b>	<b>600.32</b>	<b>413.47</b>	<b>7,043.92</b>	<b>3,909.18</b>
	Capital Expenditure – Net	1,259.81	242.42	225.43	75.31	1,485.24	267.73
	Depreciation	64.11	41.61	10.72	8.70	74.83	50.31
	Non Cash Exp. Other than Depreciation	30.47	10.27	0.22	0.22	30.69	10.48



## CASH FLOW STATEMENT for the year ended March 31, 2012

(INR in mn)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit Before Tax and Extraordinary items	513.40	329.68
Add : Adjustment for		
-- Depreciation	74.83	50.31
-- Miscellaneous Expenses	30.68	10.48
-- Financing Charges	225.35	176.31
<b>Operating Profit before Working Capital Changes</b>	<b>844.26</b>	<b>566.78</b>
Working Capital changes		
Add / (Less) : (Increase) / Decrease in		
-- Trade Receivables	(27.57)	(206.38)
-- Inventories	(71.77)	(61.00)
-- Loans, Advances & Deposits	(620.85)	(20.17)
-- Trade Payables	466.44	2.88
Cash Generated from Operations	(253.73)	(284.67)
Financing Charges	(225.35)	(176.31)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>365.18</b>	<b>105.80</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(1,419.54)	(259.73)
(Increase) / Decrease in Capital Work in Progress	(65.70)	(7.99)
(Increase) / Decrease in Miscellaneous Expenditure	(264.43)	(19.42)
(Increase) / Decrease in Investments	(837.71)	0.89
(Increase / Decrease) in Loans, Advances	(180.00)	(528.75)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(2,767.38)</b>	<b>(815.00)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
-- Short Term Borrowings	460.75	571.75
-- Proceeds from Warrant Money	(64.91)	39.08
-- Increase in Share Capital	707.70	1.99
-- Increase in Share Premium	930.48	16.55
-- Increase in Deferred Taxes	6.54	(14.50)
-- Decrease in Govt. Subsidies	-	(6.55)
-- Payment of Equity Dividend	(20.33)	(14.95)
-- Payment of Dividend Tax	(3.45)	(2.54)
-- Payment of Direct Taxes	(109.26)	(52.06)
-- Long Term Borrowings	602.43	222.69
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>2,509.95</b>	<b>761.46</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>107.74</b>	<b>52.26</b>
Opening Cash and Equivalents	86.32	34.06
Closing Cash and Equivalents	194.06	86.32

As per our report of even date

**For P.Murali & Co.,**  
Firm Regn. No: 007257S  
Chartered Accountants

**P.Murali Mohana Rao**  
Partner  
M.No. 023412

Place : Hyderabad  
Date : 30-05-2012

**For VIVIMED LABS LIMITED**

**Dr. V. Manohar Rao**  
Whole Time Director

**Fahim Aslam Khan**  
Company Secretary

**Santosh Varalwar**  
Managing Director & CEO

## AUDITORS REPORT ON CONSOLIDATED FINANCIALS

To  
The Members of  
**Vivimed Labs Limited**

- We have audited the attached Consolidated Balance Sheet of VIVIMED LABS LIMITED ('the Company') and its wholly owned subsidiaries collectively referred as the "Vivimed Group" as at 31st March, 2012 and the Consolidated Profit & Loss Statement for the year ended on the date referred thereto and Consolidated Cash flow Statement for the period ended on that date. These Consolidated financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
- We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement. We believe that our audit provides a reasonable basis for our opinion.
- We did not audit the financial statements of its subsidiaries as at 31st Mar, 2012. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries is based solely on the report of the other auditors.
  - Creative Healthcare Private Limited
  - Vivimed Labs USA, Inc.,
  - Klar Sehen Private Limited
  - Octantis Nobel Labs Private Limited
  - Vivimed Holdings Limited and its step down subsidiaries namely Vivimed Labs Europe Limited
  - Vivimed Labs Mauritius Limited and its step down subsidiaries namely
    - Vivimed Labs UK Limited with its further subsidiary Vivimed Labs Spain, S.L

- Vivimed Labs Spain, S.L has two subsidiaries namely
  - Union Quimico Farmaceutica S.A.U., Spain
  - Holiday International Limited, UK
- Holiday International Limited, UK has a subsidiary by name Uquifa Mexico S.A. de C.V
- We report that the consolidated financial statements have been prepared by the Vivimed Group in accordance with the requirements of Accounting Standard (AS) 21 for Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiaries included in the consolidated financial statements.
- On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company and its subsidiaries, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.
  - In the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Vivimed Group as at 31st March, 2012,
  - In the case of the Consolidated Profit & Loss Statement of the consolidated results of operations Vivimed Group for the year ended 31st March, 2012,
  - In the case of the consolidated cash flows Statements, of the Consolidated Cash flows Vivimed Group for the year ended 31st March, 2012.

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

**P. Murali Mohana Rao**  
Partner

Place : Hyderabad  
Date : 30-05-2012

Membership No. 23412





## CONSOLIDATED BALANCE SHEET

(INR in mn)

Particulars	Note No.	As on 31.03.2012	As on 31.03.2011
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' funds</b>			
(a) Share capital			
(i) Equity Share Capital		139.34	101.64
(ii) Preference Share Capital		1,309.46	-
(b) Reserves and Surplus	2	3,275.32	1,776.81
(c) Money Received against Share Warrants		23.72	88.64
<b>(2) Non-Current Liabilities</b>			
(a) Long-Term Borrowings	3	3,437.25	1,318.99
(b) Deferred Tax Liabilities (Net)	4	134.41	146.52
(c) Other Long Term Liabilities	5	17.55	-
(d) Long Term Provisions	6	18.09	16.94
<b>(3) Current Liabilities</b>			
(a) Short-Term Borrowings	7	2,328.23	1,750.78
(b) Trade Payables	8	1,568.63	440.62
(c) Other Current Liabilities	9	407.92	46.81
(d) Short-Term Provisions	10	332.11	186.16
<b>Total</b>		<b>12,992.03</b>	<b>5,873.91</b>
<b>II. Assets</b>			
<b>(1) Non-current assets</b>			
(a) Fixed assets			
(i) Tangible Assets	11	5,411.93	1,797.33
(ii) Intangible Assets	11	541.52	845.55
(iii) Capital Work-In-Progress	11	83.68	17.25
(b) Non-Current Investments	12	6.98	-
(c) Other Non-Current Assets	13	476.55	66.95
<b>(2) Current Assets</b>			
(a) Inventories	14	2,478.77	844.75
(b) Trade Receivables	15	2,216.08	1,275.55
(c) Cash and Bank Balances	16	363.37	110.96
(d) Short Term Loans and Advances	17	1,410.86	915.48
(e) Other Current Assets	18	2.29	0.08
<b>Total</b>		<b>12,992.03</b>	<b>5,873.91</b>
a) Significant Accounting Policies			
b) Notes to Accounts forming integral part of Financial Statements			

As per our report of even date

**For P.Murali & Co.,**  
Firm Regn. No: 007257S  
Chartered Accountants

**P.Murali Mohana Rao**  
Partner  
M.No. 023412

**Dr. V. Manohar Rao**  
Whole Time Director

**Santosh Varalwar**  
Managing Director & CEO

**Fahim Aslam Khan**  
Company Secretary

Place : Hyderabad  
Date : 30-05-2012

## CONSOLIDATED PROFIT AND LOSS STATEMENT

(INR in mn)

Particulars	Note No.	Year ended 31.03.2012	Year ended 31.03.2011
<b>REVENUE:</b>			
Revenue from Operations	19	6,683.14	4,160.01
Other Income	20	26.82	10.05
<b>Total</b>		<b>6,709.96</b>	<b>4,170.06</b>
<b>EXPENSES:</b>			
Cost of Materials Consumed	21	3,557.37	2,415.58
Changes in Inventories (Finished goods and WIP)	22	(183.53)	(45.91)
Employee Benefit Expenses	23	342.25	218.42
Other Operating Expenses	24	1,173.64	449.27
Administrative Expenses	25	490.44	257.06
Financial Costs	26	283.75	221.01
Depreciation and Amortization Expenses	11	267.89	102.02
<b>Total</b>		<b>5,931.81</b>	<b>3,617.47</b>
<b>Profit Before Tax</b>		<b>778.15</b>	<b>552.62</b>
Tax Expense:			
(a) Current tax		158.90	94.01
(b) Deferred tax		(12.11)	(29.69)
<b>Profit After Tax</b>		<b>631.37</b>	<b>488.29</b>
<b>Earning Per Equity Share:</b>			
(1) Basic		45.31	48.04
(2) Diluted		39.31	41.90
a) Significant Accounting Policies			
b) Notes to Accounts forming integral part of Financial Statements			

As per our report of even date

**For P.Murali & Co.,**  
Firm Regn. No: 007257S  
Chartered Accountants

**P.Murali Mohana Rao**  
Partner  
M.No. 023412

Place : Hyderabad  
Date : 30-05-2012

**For VIVIMED LABS LIMITED**

**Dr. V. Manohar Rao**  
Whole Time Director

**Santosh Varalwar**  
Managing Director & CEO

**Fahim Aslam Khan**  
Company Secretary



## SIGNIFICANT ACCOUNTING POLICIES

### 1. Basis of Preparation:

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

### 2. Use of Estimates:

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

### 3. Principles of Consolidation :

"The Consolidated Financial Statements relates to VIVIMED LABS LIMITED and its wholly owned Indian subsidiaries as at March 31, 2012: Creative Health Care Private Limited, Mumbai, (Share Holding 100 %, incorporated in India), Octantis Nobel Labs Private Limited, Hyderabad (subsidiary, incorporated in India), Klar Sehen Private Limited, Kolkata (Share Holding 100%, incorporated in India) and its Wholly owned Foreign Subsidiaries namely Vivimed Holdings Limited, (Incorporated in HongKong including its 100% Subsidiary, Vivimed Labs Europe Limited, London), Vivimed Labs USA Inc., (Share Holding 100%, incorporated in USA) and Vivimed Labs Mauritius Ltd (Incorporated in Mauritius including their 100 % step down Subsidiaries Vivimed Labs UK Limited and Vivimed Labs Spain S L with its further step down wholly owned subsidiaries namely Union Quimico Farmaceutica S.A.U., Spain and Holiday International Limited, UK) with its 100% subsidiary Uquifa Mexico S.A. de C.V., have been prepared on the following basis :

- (i) The Financial statements of the company and its subsidiaries have been consolidated on line-by-line basis by adding together the book values of like items of Assets, Liabilities, Income and Expenses, after eliminating intra group balances, intra group transactions and unrealized profits on stocks arising out of intra group transactions as per Accounting Standard 21 – "Consolidated Financial Statements" notified by the Companies (Accounting Standard) Rules, 2006;
- (ii) Minority interest in the Net Assets of the Consolidated Subsidiary is identified and presented in Consolidated Balance Sheet separately from Current Liabilities and Equity of the Company.  
  
Minority Interest in the Net Assets of Consolidated Subsidiary consists of:
  - (i) The Amount of Equity attributable to minorities at the date on which investment in subsidiary is made and
  - (ii) The Minorities share of movement in the Equity since the date the parent subsidiary relationship came into existence.
- (iii) Minority Interest in the net profit for the year of Consolidated subsidiaries is identified and adjusted against the profit after tax of the group;
- (iv) The Consolidated Financial Statements are prepared to the extent possible using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the companies separate Financial Statements.

### 4. Accounting Convention and Revenue Recognition:

The Financial Statements have been prepared on a going concern basis in accordance with historical cost convention except for such Fixed Assets which are revalued. Both Income and Expenditure are recognized on Accrual basis.

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

### 5. Cash Flow Statement : AS - 3

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

## SIGNIFICANT ACCOUNTING POLICIES

### 6. Retirements Benefits:

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

### 7. Fixed Assets:

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

### 8. Depreciation:

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

### 9. Accounting for Government Grants:

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

### 10. Investments :

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

### 11. Intangible Assets :

(a) Intangible assets are capitalized at cost if :

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

- The company will have control over the assets;
- The cost of these assets can be measured reliably and is more than Rs. 10,000/- &
- This is in accordance with AS-26.

(b) Expenditure on Research and Development:

- Capital Expenditure on Research and Development has been capitalized as Fixed Assets at the cost of acquisition inclusive of taxes, freight, and other incidental expenses related to acquisition and installation.
- Revenue Expenditure on Research including the expenditure during the Research phase of Research and Development projects is charged to Profit and Loss Account as expense in the year of occurrence.

The above accounting is in compliance with AS - 26.

### 12. Transactions in Foreign Exchange:

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

Foreign Currency Monetary Assets and Liabilities are translated at year end exchange rates.

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

### 13. Borrowing Cost :

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





## SIGNIFICANT ACCOUNTING POLICIES

### 14. Inventories :

- Materials, Stores & Spares, Tools and Consumables are valued at Cost or Market Value, whichever is lower, on the basis of First In First Out method reflecting the fairest possible approximation to the cost incurred in bringing the items of Inventory to their present location and condition.
- Finished Stock of completed products is valued at lower of Cost or Net Realisable Value on the basis of actual identified units.
- Scrap is valued at Net Realisable Value.
- Work in Progress in respect of activities is valued at estimated cost.
- Shuttering and Tools is valued at amortised Cost, spread over a period of three years.

### 15. Taxes on Income :

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

### 16. Provisions, Contingent Liabilities and Contingent Assets :

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

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

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

Contingent Liability is disclosed in the case of:

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

### 17. Earnings per Share:

The earnings considered in ascertaining the Earnings Per Share comprise of Net Profit after Tax. The number of Shares used in computing Basic Earnings Per Share is the number of shares outstanding at the end of the year.

### 18. Impairment of Assets :

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

### 19. Related Party Disclosures :

The Company as required by AS - 18, furnishes the details of Related Party Disclosures in Notes on Accounts.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENT for the year ended March 31, 2012

### Note: 1. SHARE CAPITAL

(INR in mn)

Sl. No.	Particulars	As on 31.03.2012	As on 31.03.2011
<b>a</b>	<b>Equity Share Capital</b>		
(1)	<b>Authorised</b>		
	(No. of Shares 2,00,00,000 - Current Year)	200.00	
	(No. of Shares 2,00,00,000 - Previous Year)		200.00
(2)	<b>Issued</b>		
	(No. of Shares 1,39,33,942 Current Year)	139.34	
	(No. of Shares 1,01,64,016 Previous Year)		101.64
(3)	<b>Subscribed &amp; Fully Paid Up</b>		
	(No. of Shares 1,39,33,942 Current Year)	139.34	
	(No. of Shares 1,01,64,016 Previous Year)		101.64
(4)	Subscribed & not fully paid up	-	-
(5)	Par Value per share Rs. 10/-	-	-
	<b>Total</b>	<b>139.34</b>	<b>101.64</b>
<b>b</b>	<b>Preference Share Capital</b>		
(1.a)	<b>Authorised</b>		
	(No. of Shares 9,10,000 - Current Year at Rs. 1,000/- each)	910.00	-
	(No. of Shares - Nil- Previous Year)		
(1.b)	<b>Vivimed Labs Mauritius Ltd - WOFS</b>		
	(No. of Shares 12,500,000 - Current Year at US\$ 1/- each)	639.46	-
	(No. of Shares - Nil- Previous Year)		
(2)	<b>Issued</b>		
	(No. of Shares 670,000 preference shares at Rs. 1,000/- each)	670.00	-
	(12,500,000 preference shares in WOFS: Vivimed Labs Mauritius Ltd. at US\$ 1/- each)	639.46	-
(3)	<b>Subscribed &amp; Fully Paid Up</b>		
	(No. of Shares 1,31,70,000 - Current Year)	1,309.46	-
	(No. of Shares Nil - Previous Year)	-	-
(4)	Subscribed & not fully paid up	-	-
(5)	Par Value per share Rs. 1000/-	-	-
	<b>Total</b>	<b>1,309.46</b>	<b>-</b>
	<b>Total Share Capital (Equity &amp; Preference)</b>	<b>1,448.80</b>	<b>101.64</b>
<b>c</b>	<b>Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period:</b>		
	<b>Equity Shares of Rs.10/- each, fully paid up</b>		
	At the Beginning	10,164,016	9,964,904
	<b>Issued during the year - Cash Issue</b>		
	(1) Equity shares	1,830,137	-
	(2) Warrants converted into shares	1,490,000	-
	Issued during the year - Other than cash	449,789	199,112
	<b>At the end</b>	<b>13,933,942</b>	<b>10,164,016</b>
<b>d</b>	<b>Compulsorily Convertible Cumulative Preference Shares of Rs.1,000/- each, fully paid up</b>		
	At the Beginning	-	-
	-		
	Issued during the year - Cash Issue	670,000	-
	<b>At the end</b>	<b>670,000</b>	<b>-</b>
<b>e</b>	<b>Details of Shareholder holding more than 5% shares of the company:</b>	<b>% of Share Holding</b>	
	<b>Equity Shares of Rs. 10/- each held by</b>		
	BBR Projects Pvt Ltd - No. Of Shares (C.Y) 18,45,178, (Previous Year 10,95,343)	13.24	10.78
	KITARA PIIN 1102 - No. Of Shares (C.Y) 18,30,137, (Previous Year Nil)	13.13	Nil
	Santosh Varalwar - No. Of Shares (C.Y) 12,69,810, (Previous Year 11,99,810)	9.11	11.80
	Dr. V. Manohar Rao - No Of Shares (C.Y) 6,89,071 (Previous Year 5,89,071)	4.94	5.80
	Vithabai Varalwar - No Of Shares (C.Y) 5,44,669 (Previous Year 5,44,669)	3.91	5.36
	Sandeep Varalwar - No Of Shares (C.Y) 6,12,193 (Previous Year 5,12,193)	4.39	5.04
<b>f</b>	<b>Preference Shares of Rs. 1000/- each held by</b>		
	Nylim Jacob Ballas Indis Fund III, LLC - No. of Shares (C.Y) 6,70,000, (P.Y - Nil)	100	Nil
<b>g</b>	<b>Preference Shares of USD 1 each held by</b>		
	EILSF SPV4, Mauritius (C.Y) 12,500,000 (P.Y) - Nil in WOFS - Vivimed Labs Mauritius Ltd.	100	Nil
<b>h</b>	<b>Money received against share warrants</b>		
	Opening balance:	88.64	49.56
	Received during the year:	158.58	39.08
		<b>247.22</b>	<b>88.64</b>
	Less: Transferred to Equity Capital:	14.90	-
	Transferred to Share Premium:	208.60	-
		<b>23.72</b>	<b>88.64</b>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENT for the year ended March 31, 2012

### Note: 2. RESERVES AND SURPLUS

(INR in mn)

Sl. No.	Particulars	As on 31.03.2012	As on 31.03.2011
a)	<b>Capital Reserve</b>	8.57	8.57
b)	<b>Securities Premium Reserve</b>		
	As at the commencement of the year	270.78	254.25
	Add : Additions during the year	930.47	16.53
	Security Premium Reserve at the end of the year	1,201.25	270.78
c)	<b>Revaluation Reserve</b>	10.00	10.00
d)	<b>Capital Subsidy</b>	3.00	3.00
e)	<b>General Reserve</b>		
	As at the commencement of the year	40.30	19.47
	Add: Additions during the year	40.41	20.82
	General Reserve at the end of the year	80.71	40.30
f)	<b>Surplus :</b>		
i)	Opening Balance - Profit and Loss Account	1,444.17	1,000.49
	Add: Transfer from Profit & Loss Account	631.37	488.28
	Less: Transfer To General Reserve	40.41	20.82
	Surplus at the end of the year	2,035.12	1,467.95
ii)	Proposed Dividend		
	Equity Share Capital	41.80	20.33
	Preference Share Capital	12.34	-
iii)	Corporate Dividend Tax (Both on Equity & Preference)	9.20	3.45
		1,971.80	1,444.17
	<b>Total</b>	<b>3,275.32</b>	<b>1,776.81</b>

### Note: 3. LONG TERM BORROWINGS

(INR in mn)

Sl. No.	Particulars	As on 31.03.2012	As on 31.03.2011
I	<b>Long Term Borrowings</b>		
a)	<b>Secured &amp; Considered Good</b>		
	Term Loans From Banks [Refer Note No. 29(a)]	2,379.60	1,318.99
b)	<b>Unsecured &amp; Considered Good</b>		
	From Banks [Refer Note No. 29(b)]		
	Kotak Mahindra Bank	200.00	-
	From Financial Institutions		
	(FCCB) from International Finance Corporation [Refer Note No. 29(c)]	333.50	-
c)	<b>Deferred payment liabilities</b>		
	Others:	524.16	-
d)	<b>Advance from Related parties</b>		
	Unsecured & Considered Good	-	-
	<b>Total</b>	<b>3,437.25</b>	<b>1,318.99</b>

### Note: 4. DEFERRED TAX LIABILITY (NET)

(INR in mn)

Sl. No.	Particulars	As on 31.03.2012	As on 31.03.2011
	Opening Deferred tax Liability	146.52	160.46
	Add: Due to Depreciation	8.17	(13.94)
	<b>Gross Deferred tax Liability</b>	<b>154.69</b>	<b>146.52</b>
	<b>Deferred Tax Asset:</b>		
	Less: Due to Depreciation	19.51	
	Less: Provision for Gratuity and Leave Encashment	0.77	
	<b>Deferred Tax Liability / (Asset) - Net</b>	<b>134.41</b>	<b>146.52</b>

### Note: 5. OTHER LONG TERM LIABILITIES

(INR in mn)

Sl. No.	Particulars	As on 31.03.2012	As on 31.03.2011
	Advances from others	17.55	-
	<b>Total</b>	<b>17.55</b>	<b>-</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENT for the year ended March 31, 2012

### Note: 6. LONG TERM PROVISIONS

(INR in mn)

Sl. No.	Particulars	As on 31.03.2012	As on 31.03.2011
a)	<b>Provision for Employee Benefits</b>		
	- Provision for Gratuity (Refer Note No. 35)	7.58	6.81
	- Provision for Leave Encashment (Refer Note No. 35)	3.10	2.72
		10.68	9.53
b)	<b>Deferres Payment Liabilities</b>		
	- Sales Tax Department	7.41	7.41
	<b>Total</b>	<b>18.09</b>	<b>16.94</b>

### Note: 7. SHORT TERM BORROWINGS

(INR in mn)

Sl. No.	Particulars	As on 31.03.2012	As on 31.03.2011
	<b>Short Term Borrowings</b>		
a)	<b>Cash Credits and Working Capital Loan from Banks</b>		
	- Secured & Considered Good		
	<b>STATE BANK OF HYDERABAD</b>		
	-- Cash Credit	921.64	926.06
	-- Packing Credit (INR)	-	102.76
	-- Packing Credit (USD)	201.90	-
	-- FUBD (INR)	-	195.00
	-- FUBD (USD)	215.35	73.59
	(Secured by First Pari passu charge on Stocks of Raw Materials, Packing Materials, Stock-in-Process, Finished Goods, Consumables, Stores, Spares, Book Debts, etc. present and future and second Pari Passu Charge on Fixed Assets of the Company).		
	<b>YES BANK</b>	29.95	-
	(Secured by Hypothecation of Stock in Trade and Book Debts of Octantis Nobel Labs Private Limited)		
	<b>BANK OF BAHRAIN &amp; KUWAIT</b>		
	-- Cash Credit	1.42	-
	(Secured by First Pari passu first charge on all the Current Assets and second Charge on all Fixed Assets of the Company)		
	-- Packing Credit in Foreign Currency	98.35	-
	(Secured by Pari passu first charge on all the Current Assets and second charge on all Fixed Assets of the Company)		
	-- Foreign Usance Bill Discounting	101.36	-
	(Secured by Pari passu first charge on all the Current Assets and second charge on all Fixed Assets of the Company)		
	<b>STATE BANK OF INDIA, LONDON</b>	142.19	124.51
	(Secured by Exclusive Debenture charge over Fixed and Floating assets of Vivimed Labs Europe Limited, U.K. and Corporate Guarantee of the Company)		
	<b>UCO BANK, KOLKATA</b>	4.19	-
	(Secured by Mortgage of Leasehold Land and Buildings thereon in respect of Hyderabad Unit, collaterally secured by hypothecation of all existing and future Plant & Machinery, and other Fixed Assets at Kolkata & Hyderabad)		
	<b>AXIS BANK LIMITED</b>		
	-- Cash Credit	49.63	34.07
	(Secured by Exclusive first charge on entire Current Assets both present and future. Further secured by the First charge on entire Fixed Assets both present and future and Equitable Mortgage of Factory Land and Buildings of Creative Health Care Private Limited, Corporate Guarantee of the Company)		
	<b>M &amp; T Bank, USA</b>	76.73	66.98
	(Secured by Fixed and Floating Charge on Net Assets of Vivimed Labs Inc, USA)		
	<b>EXIM BANK</b>		
	-- Packing Credit	485.52	227.82
	(Secured by Pari passu first charge on entire Current Assets and second charge on entire Fixed Assets of the Company)		
	<b>Total</b>	<b>2,328.23</b>	<b>1,750.78</b>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENT for the year ended March 31, 2012

### Note: 8. TRADE PAYABLES

(INR in mn)

SI.	As on	As on
No. Particulars	31.03.2012	31.03.2011
<b>Trade Payables</b>		
Creditors for Supplies	867.30	239.89
Creditors for Services	701.33	200.73
<b>Total</b>	<b>1,568.63</b>	<b>440.62</b>

### Note: 9. OTHER CURRENT LIABILITIES

(INR in mn)

SI.	As on	As on
No. Particulars	31.03.2012	31.03.2011
Current Maturities of Long Term Debt	200.70	-
Unpaid Dividend & Dividend Payable	63.82	20.88
Credited for Capital goods	53.55	25.93
Other Liabilities	89.84	-
<b>Total</b>	<b>407.92</b>	<b>46.81</b>

### Note: 10. SHORT TERM PROVISIONS

(INR in mn)

SI.	As on	As on
No. Particulars	31.03.2012	31.03.2011
I a) Provision for employee benefits		
Provision for Gratuity	1.13	0.45
b) Others		
Statutory Liabilities		
Provision for Income Tax	168.18	-
Dividend Tax Payable	-	3.45
c) Provision for Expenses	162.80	182.25
<b>Total</b>	<b>332.11</b>	<b>186.16</b>

### Note: 11. FIXED ASSET

(INR in mn)

Particulars	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
	As at 01.4.2011	Additions during the year	Capitalised during the year	Sale/ Deletions during the year	As at 31.3.2012	As at 01.04.2011	For the year	Total Depreciation	As at 31.3.2012	As at 31.3.2011
Free Hold Land	191.84	811.46	-	-	1,003.30	-	-	-	1,003.30	191.84
Leasehold Land	-	0.26	-	-	0.26	-	-	-	0.26	-
Building	391.59	988.55	-	66.12	1,314.02	212.62	36.62	249.24	1,064.78	326.96
Plant & Machinery	1,286.84	6,669.02	-	0.21	7,955.66	4,751.62	144.87	4,896.49	3,059.16	1,090.12
Electrical Equipment	41.29	20.19	-	-	61.48	16.64	2.04	18.68	42.80	26.75
Laboratory Equipment	59.93	57.63	-	-	117.56	42.09	4.08	46.17	71.39	40.69
Office Equipment	8.82	10.78	-	-	19.60	4.30	1.97	6.27	13.33	6.05
Computers	45.63	268.85	-	-	314.48	241.88	35.17	277.05	37.43	11.19
Furniture	18.96	99.00	-	-	117.96	76.80	7.22	84.02	33.94	14.07
Vehicle	32.70	26.05	-	1.77	56.98	26.21	4.55	30.76	26.22	17.83
Books & Periodicals	-	0.04	-	-	0.04	0.01	-	0.01	0.03	-
Borewell	0.05	-	-	-	0.05	0.03	0.02	0.05	(0.00)	0.02
Generator	1.15	0.29	-	-	1.44	0.20	0.02	0.22	1.22	0.99
Intellectual Property	5.29	14.81	-	-	20.10	-	-	-	20.10	5.29
Epa Registration Costs	148.60	1.76	-	-	150.36	111.85	0.54	112.39	37.97	65.52
<b>Sub-total (a)</b>	<b>2,232.69</b>	<b>8,968.69</b>	<b>-</b>	<b>68.09</b>	<b>11,133.29</b>	<b>5,484.25</b>	<b>237.10</b>	<b>5,721.35</b>	<b>5,411.93</b>	<b>1,797.32</b>
Intangible Fixed Assets	845.55	(304.04)	-	-	541.52	-	-	-	541.52	845.55
<b>Sub-Total (b)</b>	<b>845.55</b>	<b>(304.04)</b>	<b>-</b>	<b>-</b>	<b>541.52</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>541.52</b>	<b>845.55</b>
Capital Work In Progress	17.23	66.45	-	-	83.68	-	-	-	83.68	17.23
<b>Sub-Total (c)</b>	<b>17.23</b>	<b>66.45</b>	<b>-</b>	<b>-</b>	<b>83.68</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>83.68</b>	<b>17.23</b>
<b>TOTAL (a + b + c)</b>	<b>3,095.47</b>	<b>8,731.10</b>	<b>-</b>	<b>68.09</b>	<b>11,758.49</b>	<b>5,484.25</b>	<b>237.10</b>	<b>5,721.35</b>	<b>6,037.13</b>	<b>2,660.10</b>
Previous Year	(2,808.31)	(314.62)	(17.55)	(9.91)	(3,095.47)	(343.89)	(91.46)	(435.36)	(2,660.13)	(2,558.61)
Amortization Expenses (Refer note no : 13)							30.79			
(Previous Year)							(10.55)			
Depreciation and Amortization (Current Year)							267.89			
Depreciation and Amortization (Previous Year)							(102.02)			

#### Notes :

Value of Gross Assets added on account of acquisitions during the year Rs. 7,428.41 mn

Accumulated Depreciation of Rs 5,048.89 mn in relation to the assets aggregated through aquisitions included in opening depreciation block

Previous year figures are inclusive of intangible assets

## NOTES TO CONSOLIDATED FINANCIAL STATEMENT for the year ended March 31, 2012

### Note: 12. NON- CURRENT INVESTMENTS

(INR in mn)

SI.	As on	As on
No. Particulars	31.03.2012	31.03.2011
<b>I Non- Current Investments</b>		
<b>Unquoted Shares at Cost - Other than Trade</b>		
-- Investment in Mutual Funds	6.98	-
<b>Total</b>	<b>6.98</b>	<b>-</b>

### Note: 13. OTHER NON CURRENT ASSETS

(INR in mn)

SI.	As on	As on
No. Particulars	31.03.2012	31.03.2011
Unamortized Expenditure		
Balance at the beginning of the year	66.96	58.06
Additions during the year	440.38	19.45
Charge(writtenoff) during the year	30.79	10.55
<b>Balance at the end of the Year</b>	<b>476.55</b>	<b>66.96</b>
<b>Total</b>	<b>476.55</b>	<b>66.96</b>

### Note: 14. INVENTORIES

(INR in mn)

SI.	As on	As on
No. Particulars	31.03.2012	31.03.2011
<b>Inventories :</b>		
Loose Tools & Equipment	0.19	-
Raw Materials	716.91	352.48
Packing Materials	59.24	44.00
Work in Process & Intermediates	405.03	139.97
Finished Goods	1,053.42	308.30
Goods - in - Transit	157.19	-
Traded Goods	124.83	-
Overheads in stock & stock provisions	(38.03)	-
<b>Total</b>	<b>2,478.77</b>	<b>844.75</b>

### Note: 15. TRADE RECEIVABLES

(INR in mn)

SI.	As on	As on
No. Particulars	31.03.2012	31.03.2011
<b>Outstanding for a period exceeding six months from the date they are due for payment</b>		
Unsecured & Considered Good	52.10	16.61
<b>Other Receivables</b>		
Unsecured & Considered Good	2,163.98	1,258.94
<b>Total</b>	<b>2,216.08</b>	<b>1,275.55</b>

### Note: 16. CASH AND BANK BALANCES

(INR in mn)

SI.	As on	As on
No. Particulars	31.03.2012	31.03.2011
<b>Cash and cash equivalents :</b>		
a) Balances with banks :		
In Current Accounts	226.71	66.78
b) Cash on hand	1.97	0.64
<b>Sub-Total</b>	<b>228.68</b>	<b>67.41</b>
<b>Other Bank Balances</b>		
<b>On Deposit Accounts</b>		
1) Having Maturity more than 3 Months but less than or equal to 12 months from date of deposit	134.69	43.55
<b>Sub-Total</b>	<b>134.69</b>	<b>43.55</b>
<b>Total</b>	<b>363.37</b>	<b>110.96</b>





## NOTES TO CONSOLIDATED FINANCIAL STATEMENT for the year ended March 31, 2012

### Note: 17. SHORT TERM LOANS AND ADVANCES

(INR in mn)

Sl. No. Particulars	Current	
	As on 31.03.2012	As on 31.03.2011
<b>I Advances:</b>		
Unsecured, Considered Good	1,202.67	460.86
<b>II Deposits</b>		
Deposits (Sales Tax Deposit, Excise Deposit)	143.18	44.68
<b>III Others</b>		
Loans & Advances to Employees	3.54	6.49
Prepaid Expense	4.02	15.35
Advance tax paid	-	15.32
TDS Receivable	-	5.59
Other Advance	57.44	367.19
<b>Total</b>	<b>1,410.86</b>	<b>915.48</b>

### Note: 18. OTHER CURRENT ASSETS

(INR in mn)

Sl. No. Particulars	Current	
	As on 31.03.2012	As on 31.03.2011
VAT Receivable	2.29	0.08
<b>Total</b>	<b>2.29</b>	<b>0.08</b>

### Note: 19. REVENUE FROM OPERATIONS

(INR in mn)

Sl. No. Particulars	Year ended	
	31.03.2012	31.03.2011
<b>Revenue from Operations</b>		
(a) Sale of Products		
Domestic	2,801.63	2,054.21
Export	3,851.30	2,105.80
(b) Other Operating Revenues	30.21	-
<b>Total</b>	<b>6,683.14</b>	<b>4,160.01</b>

### Note: 20. OTHER INCOME

(INR in mn)

Sl. No. Particulars	Year ended	
	31.03.2012	31.03.2011
Interest on Bank Fixed Deposits	3.31	1.85
Interest received on Electricity Deposits	0.37	0.13
Dividend Income from Current Investments	1.02	-
Loss on sale of Current Investments	(0.95)	-
Industrial Promotional Assistance	0.66	-
Other Miscellaneous Income	22.42	8.07
<b>Total</b>	<b>26.82</b>	<b>10.05</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENT for the year ended March 31, 2012

### Note: 21. COST OF MATERIALS

(INR in mn)

Sl. No. Particulars	For the year ended	
	31.03.2012	31.03.2011
Opening Stock of Raw Materials and Consumables	739.70	343.04
Opening Stock of Packing Materials	49.74	32.50
Add : Purchases during the year	3,668.59	2,436.52
	<b>4,458.04</b>	<b>2,812.06</b>
Less : Closing Stock of Raw Materials and Consumables	840.32	352.49
Less : Closing Stock of Packing Materials	60.35	44.00
<b>Total</b>	<b>3,557.37</b>	<b>2,415.58</b>

### Note: 22. CHANGES IN INVENTORIES & WIP.

(INR in mn)

Sl. No. Particulars	For the year ended	
	31.03.2012	31.03.2011
<b>Finished Goods</b>		
Inventories at the beginning of the year	808.41	277.21
Less : Inventories at the end of the year	1,041.42	308.30
<b>Sub-Total (A)</b>	<b>(233.00)</b>	<b>(31.09)</b>
<b>Raw Material &amp; Work in Progress</b>		
Inventories at the beginning of the year	455.67	125.15
Less : Inventories at the end of the year	404.87	139.97
Less : Goods in Transit	1.33	-
<b>Sub-Total (B)</b>	<b>49.47</b>	<b>(14.82)</b>
<b>(Increase) / Decrease in Inventories (A+B)</b>	<b>(183.53)</b>	<b>(45.91)</b>

### Note: 23. EMPLOYEE BENEFIT EXPENSES

(INR in mn)

Sl. No. Particulars	For the year ended	
	31.03.2012	31.03.2011
Salaries & Wages	297.04	169.46
Contribution to Provident fund & ESI	22.62	5.48
Bonus	16.44	8.13
Managerial remuneration	-	18.75
Staff Welfare Expenses		
- Conveyance	0.11	0.53
- Medical Expenses	2.33	6.54
- Gratuity (Refer Note No. 35)	1.99	6.81
- Leave Encashment (Refer Note No. 35)	0.38	2.72
- Staff Training Expenses	1.03	-
- Staff Recruitment Expenses	0.30	-
<b>Total</b>	<b>342.25</b>	<b>218.42</b>

### Note: 24. OTHER OPERATING EXPENSES

(INR in mn)

Sl. No. Particulars	For the year ended	
	31.03.2012	31.03.2011
Consumption of Stores & Spares	46.11	14.98
Power & Fuel	223.34	110.83
Rent	11.15	6.51
Repairs to Building	24.89	15.62
Repairs to Machinery	61.49	15.79
Other Manufacturing Expenses	550.84	127.33
Job Work Charges	19.06	24.77
R & D Expenses	213.67	122.15
Insurance	23.09	11.29
<b>Total</b>	<b>1,173.64</b>	<b>449.27</b>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENT for the year ended March 31, 2012

### Note: 25. ADMINISTRATIVE EXPENSES

(INR in mn)

Sl. No.	Particulars	For the year ended 31.03.2012	For the year ended 31.03.2011
1	Business & Marketing Expenses	14.72	10.66
2	Commission & Discounts	18.69	1.34
3	Travelling Expenses - Foreign	22.92	17.78
4	Sales Comission	44.29	24.90
5	Rebates & Discounts	0.51	0.01
6	Freight Outward	119.67	59.04
7	Other Selling Expenses	32.97	16.61
8	Printing & Stationery	5.46	3.42
9	Telephone & Postage Expenses	12.06	8.89
10	Travelling Expenses	20.83	9.96
11	Rates & Taxes	13.94	2.15
12	Conveyance	0.69	0.30
13	Consultancy Charges	9.97	9.44
14	Directors' Sitting Fee	0.18	0.18
15	Loss on Buy Back of FCCB	-	14.24
16	Other Administrative Expenses	169.46	70.04
17	Payment to Auditors:		
	(i) As Auditor	4.05	0.90
	(ii) For Taxation Matters	0.03	0.03
18	Fluctuations in Foreign Exchange	-	7.17
	<b>Total</b>	<b>490.44</b>	<b>257.06</b>

### Note: 26. FINANCE COST

(INR in mn)

Sl. No.	Particulars	For the year ended 31.03.2012	For the year ended 31.03.2011
	Interest Expenses		
	- Interest on Cash Credit	182.01	125.62
	- Interest on Term Loans	101.92	80.66
	- Interest on Vehicle Loan	0.18	0.39
	- Interest on ECB Loan	1.09	-
	Other borrowing cost	-	12.71
	Loan processing charges - Term Loan	-	-
	Interest on Inter Company loan	(1.45)	1.63
	<b>Total</b>	<b>283.75</b>	<b>221.01</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENT for the year ended March 31, 2012

### 27. Preference Share Capital:

- During the Financial Year 2011-12, the company allotted 6,70,000 Compulsory Convertible Cumulative Preference shares of Rs. 1,000/- each to M/s. Nylim Jacob Ballas India Fund III, LLC, at par.
- During the FY 2011-12, 12,500,000 CCPS of USD one each were allotted by the company, its subsidiary Vivimed Labs Mauritius Ltd to EILSF.

28. Warrant Application Money of Rs. 23.72 mn received during the earlier years represents monies received for which Warrants were not issued by the company for want of approvals from Stock Exchanges.

### 29. Long Term Borrowings:

#### (a) Term Loans From Banks:

##### 1) EXIM Bank:

- Amount Outstanding as on 31-03-2012 - Rs. 345.07 mn.  
Secured by Pari passu First charge on the Immovable and Movable Assets of the Company present and future including Equitable Mortgage of Factory Lands and Buildings and Second pari passu charge on the Current Assets.
- Amount Outstanding as on 31-03-2012 - Rs. 1,243.57 mn  
Secured by assignment of Equity Shares of Vivimed Labs Mauritius Ltd and its step down subsidiaries Vivimed Labs UK Ltd and Vivimed Labs Spain S.L. and Corporate Guarantee of Vivimed Labs Limited, India".

##### 2) State Bank of Hyderabad: Closing Balance as on 31-03-2012 - Rs. 100.24 mn.

Short Term Corporate Loan - Secured by Pari Passu First Charge on the Immovable and Movable Assets of the Company present and future including equitable mortgage of Factory Lands and Buildings and Second Pari Passu charge on Current Assets.

##### 3) Axis Bank:

- Amount Outstanding as on 31-03-2012 - Rs. 308.66 mn.  
Secured by Pari Passu First Charge on the Immovable and Movable Assets of the Company present and future including equitable mortgage of Factory Lands and Buildings and Second Pari Passu charge on Current Assets.
- Amount Outstanding as on 31-03-2012 - Rs. 11.99 mn.  
Secured by First Charge on entire Fixed Assets both present and future including Equitable Mortgage of Factory Land and Buildings of Creative Health Care Private Limited.

##### 4) SBI London: Amount outstanding as on March 31, 2012 :- Rs. 366.47 mn.

Long Term Loan given to Vivimed Holdings Ltd, Hongkong secured by – Secured by assignment of shares of Vivimed Labs Europe Ltd and Corporate Guarantee of Vivimed Labs Limited.

##### 5) Term Loans against Hypothecation of Vehicles:

Amount Outstanding as on 31-03-2012 - Rs. 2.51 mn. Secured by Hypothecation of specific Vehicles of the Company for Rs. 4.67 mn and Rs. 0.50 mn by Hypothecation of specific vehicle of Klar Sehen Private Limited

##### 6) Mortgage Loan from HDFC Bank :

Amount Outstanding as on 31-03-2012 is Rs.1.09 mn. Secured by Mortgage of Specific Immovable Property

#### (b) Unsecured Loans from Banks:

Kotak Mahindra Bank : Closing Balance as on 31-03-2012 - Rs.200.00 mn.

#### (c) Unsecured Loan from Financial Institution:

International Finance Corporation - Closing Balance as on 31-03-2012 - Rs.333.50 mn.

75 Nos. Optionally Convertible / Redeemable Foreign Currency Bonds (F.C.C.B.) at the face value of USD 100,000 each.

#### (d) Deferred payment liabilities – others ; Rs. 524.16 mn

### 30. Treatment of Capital Work in Progress :

Capital Work in Progress includes cost of Land under acquisition, Plant & Machinery and Equipments under installation.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENT for the year ended March 31, 2012

### 31. Related Party Disclosures:

Particulars of related parties:

Sl. No.	Name of the Related Party	Nature of Relationship
1	Dr. V. Manohar Rao	Whole Time Director
2	Subhash Varalwar	Whole Time Director
3	Santosh Varalwar	Managing Director & CEO
4	Sandeep Varalwar	Executive Director
5	Mr. S. Raghunandan	Director (Operations)
6	Dr. R.K. Dhar	Director (Technical)
7	Octantis Nobel Labs Pvt Ltd	Indian Subsidiary
8	Creative Health Care Private Limited, Mumbai.	Wholly Owned Indian Subsidiary
9	Klar Sehen Private Limited	Wholly Owned Indian Subsidiary
10	Vivimed Holdings Limited, HongKong	Wholly Owned Foreign Subsidiary
11	Vivimed Labs USA Inc.	Wholly Owned Foreign Subsidiary
12	Vivimed Labs Europe Limited, U.K.	Wholly Owned Foreign Step Down Subsidiary
13	Vivimed Labs Mauritius Ltd.	Wholly Owned Foreign Subsidiary
14	Vivimed Labs UK Ltd.	Wholly Owned Foreign Step Down Subsidiary
15	Vivimed Labs Spain S L	Wholly Owned Foreign Step Down Subsidiary
16	Union Quimico Farmaceutica S.A.U., Spain	Wholly Owned Foreign Step Down Subsidiary
17	Uquifa Mexico S.A. de C.V.	Wholly Owned Foreign Step Down Subsidiary
18	Holliday International Limited, UK	Wholly Owned Foreign Step Down Subsidiary

### 32. Transactions during the year with related Parties :

Name of the Party	Nature of Relationship	Nature of Transaction	2011-12 (Million)	2010-11 (Million)
Dr. V. Manohar Rao	Whole Time Director	Remuneration	3.60	3.00
Subhash Varalwar	Whole Time Director	Remuneration	3.60	3.00
Santosh Varalwar	Managing Director & CEO	Remuneration	4.50	3.75
Sandeep Varalwar	Executive Director	Remuneration	3.60	3.00
Octantis Nobel Labs Pvt Ltd	Indian Subsidiary	Purchase / Sale	NIL	NIL
		Investment in shares	23.00	NIL
		Other Advances	63.09	NIL
Creative Health Care Private Limited	Wholly Owned Indian Subsidiary	Purchase / Sale	NIL	NIL
		Investment in shares	25.00	25.00
		Other Advances	1.17	1.17
Klar Sehen Private Limited	Wholly Owned Indian Subsidiary	Purchase / Sale	NIL	NIL
		Investment in shares	200.00	NIL
		Other Advances	NIL	NIL
Vivimed Holdings Limited, HongKong	Wholly Owned Foreign Subsidiary	Investment in Shares	0.07	0.06
		Advances	522.82	252.05
Vivimed Labs Europe Limited, U.K	Wholly Owned Foreign Step Down Subsidiary	Sales	483.16	309.40
		Advances	NIL	NIL
Vivimed Labs USA Inc.	Wholly Owned Foreign Subsidiary	Sales	340.69	256.83
		Investment in Shares	163.21	8.93
		Advances	74.69	88.95
Vivimed Labs Mauritius Ltd.	Wholly Owned Foreign Subsidiary	Sales	NIL	NIL
		Investment in Shares	460.41	NIL
		Advances	101.92	NIL
Vivimed Labs Spain S L	Wholly Owned Foreign Step Down Subsidiary	Sales	NIL	NIL
		Advances	12.73	NIL

## NOTES TO CONSOLIDATED FINANCIAL STATEMENT for the year ended March 31, 2012

### 33. Contingent Liabilities :

(Rs. in mn)

Particulars	As at 31.03.2012	As at 31.03.2011
Letter of Credit Foreign LC's	94.69	151.93
Inland LC's	55.89	32.48
SBLC-Axis Bank	51.15	-
Bank Guarantee State Bank of Hyderabad, Balanagar Branch, Hyderabad.	4.87	4.87

### 34. Contingent Liability on account of Corporate Guarantees:

(Rs. in mn)

Name of the Subsidiary	Details of the Lender	As at 31.03.2012	As at 31.03.2011
Vivimed Holdings Private Limited, HongKong.	State Bank of India, London Branch	366.47	571.61
Vivimed Labs Europe Limited, UK.	State Bank of India, London Branch	142.19	124.51
Vivimed Labs Spain S.L.	EXIM Bank	1,243.57	NIL
Octantis Nobel Labs Pvt. Ltd.	YES Bank	30.00	-
Vivimed Labs USA Inc.	Merchants & Traders Trust Co.	179.05	179.05
Vivimed Labs Europe Ltd.	SBI, London	279.75	-

### 35. Earnings Per Share :

Particulars	2011-12	2010-11
Net profit after tax (Rs. Million)	631.37	488.31
Weighted Average Numbers of shares	13,933,942	10,164,016
Basic EPS (Rs.)	45.31	48.04
Diluted EPS (Rs.)	39.31	41.90

36. Segment wise Information is furnished in Annexure -A.

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

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

39. The numbers have been rounded off to the nearest Lacs of rupees.

As per our report of even date

**For P.Murali & Co.,**  
Firm Regn. No: 007257S  
Chartered Accountants

**For VIVIMED LABS LIMITED**

**P.Murali Mohana Rao**  
Partner  
M.No. 023412

**Dr. V. Manohar Rao**  
Whole Time Director

**Santosh Varalwar**  
Managing Director & CEO

Place : Hyderabad  
Date : 30-05-2012

**Fahim Aslam Khan**  
Company Secretary





## ANNEXURE -A

### Segment Information:

Company has identified two reporting segments viz., Speciality Chemicals and Pharmaceuticals. Segments have been identified and reported taking into account nature of products and services the differing risks, returns and the internal business reporting systems. Accounting policies adopted for segment reporting are in line with accounting policy of the company and are in accordance with the AS-17.

### (i) Primary Segment Information :

(Rs. in mn)

Sl. No.	Particulars	Speciality Chemicals		Pharmaceuticals		Total	
		2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
1	<b>REVENUE</b>						
	External Turnover	3,362.63	3,162.77	3,320.51	997.24	6,683.14	4,160.01
	Inter Segment Turnover	NIL	NIL	NIL	NIL	NIL	NIL
	<b>TOTAL REVENUE</b>	<b>3,362.63</b>	<b>3,162.77</b>	<b>3,320.51</b>	<b>997.24</b>	<b>6,683.14</b>	<b>4,160.01</b>
2	<b>RESULTS</b>						
	Operating Profit	591.98	584.79	443.11	164.45	1,035.09	764.29
	Interest Expenses	239.28	194.58	44.48	11.38	283.76	221.01
	Interest Income	8.72	8.41	18.10	0.92	26.82	9.33
	<b>Profit Before Tax</b>	<b>361.42</b>	<b>398.62</b>	<b>416.73</b>	<b>153.99</b>	<b>778.15</b>	<b>552.61</b>
	Current Tax	76.84	61.30	82.06	32.70	158.90	94.00
	Fringe Benefit Tax	NIL	NIL	NIL	NIL	NIL	NIL
	Deferred Tax	(2.35)	(17.90)	(9.76)	(11.79)	(12.11)	(29.69)
	<b>Profit after Tax</b>	<b>286.93</b>	<b>355.22</b>	<b>344.43</b>	<b>133.08</b>	<b>631.36</b>	<b>488.30</b>
3	<b>OTHER INFO</b>						
	Segment Assets	7,294.00	5,495.24	5,698.03	927.67	12,992.03	6,422.91
	Unallocated Corporate Assets	NIL	NIL	NIL	NIL	NIL	NIL
	<b>Total Assets</b>	<b>7,294.00</b>	<b>5,495.24</b>	<b>5,698.03</b>	<b>927.67</b>	<b>12,992.03</b>	<b>6,422.91</b>
	Segment Liabilities	4,631.40	3,495.94	3,612.79	96.92	8,244.19	3,592.86
	Unallocated Corporate Liabilities	NIL	NIL	NIL	NIL	NIL	NIL
	<b>Total Liabilities</b>	<b>4,631.40</b>	<b>3,495.94</b>	<b>3,612.79</b>	<b>96.92</b>	<b>8,244.19</b>	<b>3,592.86</b>
	<b>Capital Employed</b>	<b>6,823.50</b>	<b>4,783.87</b>	<b>4,033.03</b>	<b>595.18</b>	<b>10,856.52</b>	<b>5,379.05</b>
	Capital Expenditure-Net	1,118.48	249.60	2,495.62	37.55	3,614.10	287.15
	Depreciation	103.31	72.82	133.83	18.65	237.14	91.47
	Non Cash Exp. Other than Depreciation	30.47	10.27	0.28	0.28	30.75	10.55

## CONSOLIDATED CASH FLOW STATEMENT for the year ended March 31, 2012

(INR in mn)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
<b>I. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
<b>Profit Before Tax</b>	<b>778.15</b>	<b>552.63</b>
<b>Adjustments for : -</b>		
Depreciation	237.10	91.46
Financial Cost	283.75	221.01
Misc Exps	30.79	10.55
<b>Operating cash flow before working capital changes</b>	<b>1,329.80</b>	<b>875.65</b>
(Increase) / Decrease in Inventory	(1,634.02)	(51.26)
(Increase) / Decrease in Trade Receivables	(940.53)	(337.01)
(Increase) / Decrease in Short Term Loans & Advances	(315.37)	(251.76)
(Increase) / Decrease in Other Current Assets	(2.21)	-
Increase / (Decrease) in Short Term Borrowing	577.44	-
Increase / (Decrease) in Trade Payables	1,128.02	89.28
Increase / (Decrease) in Other Current Liabilities	321.54	-
Increase / (Decrease) in Short Term Provisions	(12.95)	(85.97)
<b>CASH GENERATED FROM OPERATIONS</b>	<b>(878.08)</b>	<b>(636.72)</b>
<b>CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>451.72</b>	<b>238.93</b>
<b>II. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
(Purchase)/Sale of fixed Assets	(3,614.10)	(193.01)
Investments	(6.98)	-
(Increase) / Decrease in Other Non- Current Assets	(440.39)	(19.45)
(Increase) / Decrease in Long Term Loans & Advances	(180.00)	(511.49)
<b>NET CASH AVAILABLE FROM INVESTING ACTIVITIES</b>	<b>(4,241.46)</b>	<b>(723.95)</b>
<b>III. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from Share Capital	1,347.16	1.99
Increase in long term loans	2,118.27	724.30
Money Received against Share Warrants	(64.91)	39.09
Share Premium and Capital Reserve	930.47	16.53
Interest Paid	(283.75)	(221.01)
Increase / (Decrease) in Other Long Term Liabilities	17.55	-
Long Term Provisions	1.15	-
Increase/(Decrease) in Capital Susidy	-	(3.64)
Payment of dividend & Dividend Tax	(23.78)	(17.49)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>4,042.16</b>	<b>539.77</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>252.41</b>	<b>54.75</b>
<b>Add : Opening balance of Cash &amp; Cash equivalents</b>	<b>110.96</b>	<b>56.21</b>
<b>Closing balance of Cash &amp; Cash equivalents</b>	<b>363.37</b>	<b>110.96</b>

As per our report of even date

For P.Murali & Co.,  
Firm Regn. No: 007257S  
Chartered Accountants

P.Murali Mohana Rao  
Partner  
M.No. 023412

Place : Hyderabad  
Date : 30-05-2012

For VIVIMED LABS LIMITED

Dr. V. Manohar Rao  
Whole Time Director

Santosh Varalwar  
Managing Director & CEO

Fahim Aslam Khan  
Company Secretary



## GLOSSARY OF TERMS AND ABBREVIATIONS:

Term	Definition
<b>COMPANY SECTION</b>	
VLL	Vivimed Labs Ltd
VLE	Vivimed Labs Europe Ltd
VLI	Vivimed Labs USA Inc
VHL	Vivimed Holdings Ltd, Hongkong
VML	Vivimed Labs Mauritius Ltd
VLUK	Vivimed Labs UK Ltd
VLSpain	Vivimed Labs Spain, S.L
Uquifa, Spain	Union Quimico Farmaceutica S.A.U
HIL	Holliday International Limited UK
Uquifa, Mexico	Uquifa Mexico S.A de.C.V
CHCPL	Creative Healthcare Private Limited
ONL	Octantis Nobel Labs Pvt Ltd
KSL	Klar Sehen Pvt Ltd
KITARA CAPITAL	Kitara PIIN 1102
JACOB BALLAS	NYLIM Jacob Ballas India Fund III LLC
IFC	International Finance Corporation, Washington, DC
ASPAC	Asia Pacific + India
EUROPE	All European countries
NAFTA	North America / USA
AMET	Africa, Middle East & Turkey
LATAM	Latin America
ROW	Rest of the world
WOIS	Wholly owned Indian Subsidiary
WOFS	Wholly owned Foreign Subsidiary
WOFSS	Wholly owned foreign step down subsidiary
EILSF	Evolve India Life Sciences Fund
<b>FINANCIAL SECTION</b>	
AS	Accounting Standard
FY	Financial Year
EBIDTA	Earnings before Interest, Depreciation, Tax and Amortisation
PBT	Profit before Tax
PAT	Profit after Tax
ROE	Return on Equity
ROCE	Return on Capital Employed
RON	Return on Net worth
EPS	Earnings Per Share
CAGR	Compound Annual Growth Rate
FCCB	Foreign currency convertible bonds
FUBD	Foreign Ussance bill discounting
CCPS	Compulsorily Convertible and Cumulative Preference Shares
TDS	Tax deducted at source
ECB	External commercial borrowings
FCTL	Foreign Currency Term Loan
VAT	Value added Tax
NA	Not Applicable
CAPEX	Capital expenditure
RM	Raw material
WIP	Work in progress
CWIP	Capital work in Progress
FG	Finished goods

Term	Definition
<b>GENERAL &amp; COMMERCIAL</b>	
ESOP	Employee stock option plan
ESOS	Employee stock option scheme
ESPS	Employee stock purchase scheme
PE	Private Equity
SPV	Special Purpose Vehicle
SEZ	Special Economic Zone
GDP	Gross Domestic Product
B2B	Business to business
B2C	Business to Consumer
<b>CURRENCIES SECTION</b>	
INR	Indian National Rupees
USD	United States Dollar
GBP	Great Britain Pound
EUR	Euro (European Monetary Unit)
MXP	Mexican peso
HKD	Hong Kong Dollar
<b>REGULATORY SECTION</b>	
SEBI	Securities & Exchange Board of India
BSE	Bombay Stock Exchange Limited
NSE	National Stock Exchange of India Limited
NSDL	National security depository limited
CDSL	Central depository services (India) limited
NGO	Non-Government Organisation
NRI	Non-Resident Indian
OCB	Overseas Corporate Bodies
ISIN	International Securities Identification Number
MCA	Ministry of Corporate Affairs
R&D	Research and Development
API	Active Pharmaceutical ingredients
CRAMS	Contract research and manufacturing services
REACH	Registration, evaluation , authorisation and restriction of chemicals
SPF	Sun Protection Factor
XRD	Extensible Resource Descriptor
LC-MS	Liquid Chromatography – Mass Spectrometry
GC-MS	Gas Chromatography – Mass Spectrometry
FTF	First to file
COS	Certificate of suitability
DMF	Drug Master File
USFDA	United States Food & Drug Administration
FDF	Finished Dosage Formulations
EU GMP	European Union - Good manufacturing practice
MHRA	Medicines and Healthcare products Regulatory agency
EMA	European Medicines agency
cGMP	Current good manufacturing practices
UV	Ultra Violet
CEPAA	Council on Economic Priority Accreditation Agency
ESI	Employee's State Insurance
MENA	Middle East North America
CIS	Commonwealth of Independent States

## Our global touchpoints

### Creative Healthcare Pvt Ltd

130, Shanta Industrial Estate, 1st Floor,  
I.B. Patel Road, Goregaon East, Mumbai - 400063

### Klar Sehen Pvt Ltd

60A, Ashok Avenue,  
Kolkata, West Bengal – 700040

### Octtantis Nobel Labs Pvt Ltd

Plot No: 1303 & 1304,  
SY. No. 11/27, Khanamet,  
Hi-tech City, Madhapur, Hyderabad - 500081

### Vivimed Labs Europe Ltd

PO Box B3 Leeds Road,  
Huddersfield, West Yorkshire,  
HD1 6BU, England

### Vivimed Labs USA Inc

1100 Cornwall Road,  
Suite 160, Monmouth Junction,  
New Jersey 08852, USA

### Union Quimico Farmaceutica S.A. U

Mallorca, 262 – 08008,  
Barcelona – ESPANA

### Uquifa Mexico S.A. de. C.V

Calle 37 Este No. 126 - C.P.,  
Civac, Jiutepec-Morelos,  
CP 62578, Mexico

### Vivimed Holdings Ltd

206-07, 12/F,  
New Victory House, 93-103,  
Wing Lok Street,  
Central Hong Kong

### Vivimed Labs Mauritius Ltd

St. James Court, Suit 308,  
St. Denis Street,  
Port Louis, Republic of Mauritius

### Vivimed Labs Spain S.L

Barcelona,  
Calle Pau Claris, 97 – 4º, 1ª,  
08009, Spain

### Holliday International Ltd

PO Box B3 , Leeds Road, Huddersfield, West Yorkshire,  
HD1 6BU, England.

### Vivimed Labs UK Ltd

Po Box – B3, Leeds Road,  
Huddersfield,  
United Kingdom, HD1 6BU

### Vivimed Labs Ltd (China Representative Office)

Guangzhou Representative Office,  
1259 Block C, China Hotel,  
Liuhua Road,  
Guangzhou, 510015 P.R. China

### Warehouses

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

# Notice

### Vivimed Labs Limited

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

Notice is hereby given that the Twenty Fourth Annual General Meeting of the Members of Vivimed Labs Limited will be held on 27th September, 2012 at 11.30 A.M. at 78/A, Kolhar Industrial Area, Bidar – 585403, Karnataka to transact the following businesses :

#### Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2012, the Profit and Loss Account for the year ended on that date and the report of Directors and Auditors thereon.
2. To declare dividend on Compulsorily Convertible and Cumulative Preference Shares (CCPS's)
3. To declare dividend on equity shares.
4. To appoint Director in place of Mr. V. Peesapati, who retires by rotation and does not offer himself for re-appointment.
5. To appoint M/s Grant Thornton, Chartered Accountants, Hyderabad as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

#### Special Business:

6. Appointment of Mr. Srinivas Chidambaram as Director

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

“RESOLVED THAT Mr. Srinivas Chidambaram, who was appointed as an Additional Director of the Company with effect from November 14, 2011 and who holds office upto the date of this Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act, 1956 is eligible for appointment and the Company has received a notice in writing pursuant to the provisions of Section 257 of the Companies Act, 1956 from a member of the Company

proposing his candidature for the office of Director of the Company, and who has consented, if appointed , to act as a Director be and is hereby appointed as Director of the Company, who shall be liable to retire by rotation.”

#### 7. Appointment of Mr. Chunduri Ramakrishna as Director

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

“RESOLVED THAT Mr. Srinivas Chidambaram, who was appointed as an Additional Director of the Company with effect from November 14, 2011 and who holds office upto the date of this Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act, 1956 is eligible for appointment and the Company has received a notice in writing pursuant to the provisions of Section 257 of the Companies Act, 1956 from a member of the Company proposing his candidature for the office of Director of the Company, and who has consented, if appointed , to act as a Director be and is hereby appointed as Director of the Company, who shall be liable to retire by rotation.”

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

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

“RESOLVED THAT pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act,1956(“the Act”)and in accordance with the provisions of the Memorandum and Articles of Association of the Company, provisions of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines,1999(“the ESOP Guidelines”)including any statutory modification(s) or re-enactment of the Act or the ESOP Guidelines for the time being in force, the Listing Agreement entered into with the Stock Exchanges where the securities of the Company are

## Investor relations

### You may mail to us for any further queries to:

#### The Entity dealing with the Investor Relations on behalf of the company

AARNINE Financial Markets Advisory LLP  
Mr. Anuj Sonpal  
asonpal@aarnine.com  
Tel: +91 22 2204 0763 - 66  
Mobile: +91 9930609010

#### Your Point Of Contact at Company:

Investor.relations@vivimedlabs.com  
Ms. Lalitha Swathi  
Tel: +91-40-27176005/06



listed or other relevant authority, from time to time, to the extent applicable and subject to such other conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of our Company (hereinafter referred to as “the Board”) which term shall be deemed to include any committee thereof constituted to exercise its powers, including the powers, conferred by this resolution), approval and consent of the Company be is hereby accorded to the Board to implement the proposed Employees Stock Option Scheme 2012(ESOS 2012) whose main features are provided in ESOS 2012, at any time during the currency of the proposed ESOS 2012 to or for the benefit of employees, who are in permanent employment, including Directors of our Company whether working in or outside India not exceeding 4,00,000 equity shares arising on exercise of options issued under the said proposed ESOS 2012 and/or equity linked instruments including options and /or any other instrument or securities which could give rise to equity shares (hereinafter collectively referred to as “Securities”) of the Company. Each option is exercisable into one equity share of our Company at such exercise price and on such terms and conditions as may be fixed or determined by the Board in accordance with the Guidelines or other applicable provisions of law as may be prevailing at that time.”

“RESOLVED FURTHER THAT the said Securities may be granted/allotted directly to such employees/directors of our Company in accordance with the ESOS 2012 framed and tabled before the Board in any permissible manner.”

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

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

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

“RESOLVED FURTHER THAT the Board be and is hereby authorized to take necessary steps for listing of the Securities allotted upon exercise under the ESOS 2012, on the stock exchanges where our Company’s shares are listed as per the terms and conditions of the listing agreement entered into with

the stock exchanges and other applicable guidelines, rules and regulations.”

“RESOLVED FURTHER THAT for the purpose of giving effect to any creation, offer, issue or allotment or Listing of the Securities under the ESOS 2012, the Board/Compensation Committee be and is hereby authorized On behalf of our Company to evolve, decide upon and bring in to effect and make any modifications, changes, Variations, alterations or revisions in the said ESOS 2012 or to suspend, withdraw or revive the ESOS 2012 from time to time as per the discretion of the Board and to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit or necessary or desirable for such purpose and with power on behalf of the Company to settle any issues, questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the shareholders of our Company”.

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

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

“RESOLVED THAT pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (“the Act”), and in accordance with the provisions of the Memorandum and Articles of Association of the Company, provisions of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 (“the ESOP Guidelines”) including any statutory modification(s) or re-enactment of the Act or the ESOP Guidelines for the time being in force, the Listing Agreement entered into with the Stock Exchanges where the securities of the Company are listed or other relevant authority, from time to time, to the extent applicable and subject to such other conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of our Company (hereinafter referred to as “the Board” which term shall be deemed to include any Committee thereof constituted to exercise its powers, including the powers, conferred by this resolution), approval and consent of the Company be and is hereby accorded to the Board to implement the proposed Employees Stock Option Scheme 2012 (ESOS 2012) whose main features are provided in the explanatory statement and to create, offer, issue and allot in one or more tranches, under the said proposed ESOS 2012, at any time during the

currency of the proposed ESOS 2012 to or for the benefit of employees of the subsidiaries of our Company in or Outside India, who are in permanent employment, including Directors of the subsidiaries of our Company whether working in or outside India not exceeding 1,00,000 equity shares arising on exercise of options issued under the said proposed ESOS 2012 and/or equity linked instruments including options and/or any other instrument or securities which could give rise to equity shares (hereinafter collectively referred to as “Securities”) of our Company. Each option is exercisable into one equity share of our Company at such exercise price and on such terms and conditions as may be fixed or determined by the Board in accordance with the Guidelines or other applicable provisions of law as may be prevailing at that time.”

“RESOLVED FURTHER THAT the said Securities may be granted/allotted directly to such employees/directors of the subsidiaries of our Company in accordance with the ESOS 2012 framed as tabled before the Board in any permissible manner.”

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

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

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

“RESOLVED FURTHER THAT the Board be and is hereby authorized to take necessary steps for listing of the Securities allotted upon exercise under the ESOS 2012, on the stock exchanges where our Company’s shares are listed as per the terms and conditions of the listing agreement with the stock exchanges and other applicable guidelines, rules and regulations.”

“RESOLVED FURTHER THAT for the purpose of giving effect to any creation, offer, issue or allotment or listing of the Securities under the ESOS 2012, the Board be and is hereby authorized on behalf of our Company to evolve, decide upon and bring in to effect and make any modifications, changes, variations, alterations or revisions in the said ESOS 2012 or to suspend, withdraw or revive the ESOS 2012 from time to

time as per the discretion of the Board and to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit or necessary or desirable for such purpose and with power on behalf of our Company to settle any issues, questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the shareholders of the Company.”

#### Notes:

1. An explanatory statement pursuant to Section 173(2) is annexed hereto.
2. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself/ herself and such proxy need not be a member of the Company. The authorized proxy form, if intended to be used, should reach the registered office of the Company duly completed not less than forty eight hours before the scheduled time of the meeting.
3. Corporate members are requested to send a duly certified copy of Board Resolution, pursuant to section 187 of the Companies Act, 1956 authorizing their representative to attend and vote at the Annual General Meeting.
4. Members/ proxies should bring duly filled attendance slips sent herewith for attending the meeting.
5. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification and attendance at the meeting.
6. The register of Members and Shares Transfer books will remain closed from 25th September, 2012 to 27th September, 2012 (both days inclusive).
7. Subject to provisions of Section 206A of the Companies Act, 1956, Dividend recommended by the Board of Directors , if declared at the meeting, will be payable on or after 3rd October, 2012 to the members whose names appear in the Register of Members on 25th September, 2012.
8. Members holding shares in electronic form may please note that their bank account detail as furnished by the representative depositories to the company will be printed on the dividend warrant as per the applicable regulations of the depositories and the company will not entertain any direct request from such members for deletion or change in such bank account details. Members may therefore give instructions regarding bank account details to their depository participants.
9. In order to provide protection against fraudulent

encashment of dividend warrants, members who hold shares in physical form are requested to intimate the Company's Registrar and Share Transfer Agents, Aarthi Consultants Private Limited under the signature of sole/first joint holder the following information to be incorporated on the dividend warrants :

Name of the sole/first joint holder and folio number.

Particulars of Bank Accounts, Viz.

Name of the Bank

Name of the Branch

Complete address of the Bank with PIN Code Number

Account Type, whether, Saving Account (SA) or Current Account (CA)

10. Members are requested to address all correspondence including dividend matters to the Registrar and Share Transfer Agents – Aarthi Consultants Private Limited, 1-2-285, Domalguda, Hyderabad – 500029.

11. Shareholders of the Company are informed that pursuant to the provisions of Companies Act, 1956 the amount of dividend which remain unpaid/unclaimed for a period of 7 years would be transferred to the Investor Education and Protection Fund and the shareholders would not be able to claim any dividend so transferred to the fund. Members wishing to claim dividend which remain unclaimed, are requested to correspond with Mr. Fahim Aslam Khan, Company Secretary at Corporate Office of the Company for further clarifications.

Date:

Place: Hyderabad

By order of the Board  
For Vivimed Labs Limited

Sd/-  
**Santosh Varalwar**  
Managing Director & CEO

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

#### Item No. 6

##### Appointment of Mr. Srinivas Chidambaram as a Director of the Company

Mr. Srinivas Chidambaram was co-opted as an Additional Director of the Company with effect from November 14, 2011 pursuant to the provisions of Section 260 of the Companies Act, 1956 read with Article 106 of the Articles of Association of the Company, Mr. Srinivas Chidambaram holds office of Director upto the date of the ensuing Annual General Meeting. The Company has received notice in writing from a member along with a deposit of Rs. 500/- proposing the candidature of Mr. Srinivas Chidambaram for the office of Director under the provisions of Section 257 of the Companies Act, 1956.

None of the Directors other than Mr. Srinivas Chidambaram is interested in the above resolution.

The Board recommends the resolution set forth in item no. 6 for approval of the Member.

#### Item No. 7

##### Appointment of Mr. Chunduri Ramakrishna as a Director of the Company

Mr. Chunduri Ramakrishna was co-opted as an Additional

Director of the Company with effect from November 14, 2011 pursuant to the provisions of Section 260 of the Companies Act, 1956 read with Article 106 of the Articles of Association of the Company, Mr. Chunduri Ramakrishna holds office of Director upto the date of the ensuing Annual General Meeting. The Company has received notice in writing from a member along with a deposit of Rs. 500/- proposing the candidature of Mr. Chunduri Ramakrishna for the office of Director under the provisions of Section 257 of the Companies Act, 1956.

None of the Directors other than Mr. Chunduri Ramakrishna is interested in the above resolution.

The Board recommends the resolution set forth in item no. 7 for approval of the Member.

#### Item No. 8

##### To issue equity shares to the employees of the Company under the ESOS 2012 of the Company and its Subsidiaries

Your company has always believed in rewarding employees for their continuous hard work, dedication and support, which has led the company to a growth path. To enable more and

more employees to enjoy the fruits of growth that the company has witnessed in the recent past it is proposed to implement an Employee Stock Option Scheme called ESOS 2012. The main objective of the scheme is to give employees who are performing well, a certain minimum opportunity to gain from the company's performance besides acting as a retention tool.

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

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

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

The Salient features of the ESOS 2012 are as under:-

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

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

##### (b) Identification of classes of employees entitled to participate in the ESOS 2012.

The Permanent employees of the company and subsidiary companies including new employees joining them in future are eligible to participate in this ESOS 2012 Scheme.

Employees who are either promoter or belong to promoter group as defined in SEBI Guidelines will not be eligible for grant of options under this ESOS 2012.

Further, a Director who either by himself or through his relative or through any body corporate, directly or indirectly holds more than 10% of the outstanding equity shares of the Company shall not be eligible to participate in ESOS 2012.

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

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

The options granted shall vest so long as the employee continues to be in the employment of the company. Vesting of options shall take place over a maximum period of 4 years with a minimum vesting period of 1 year from the date of grant. Vesting of Employee Stock Options granted under ESOP 2012 occurs in tranches as follows:

Period	Vesting Proportion
End of one year from the date of Grant	33%
End of two years from the date of Grant	33%
End of three years from the date of Grant	34%

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

The maximum period within which options shall be vested can extend upto 3 years from the date of grant of options as may be decided by the Board.

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

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

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

The eligible employees shall be entitled to exercise the options upto a period of [two] years from the date of respective vesting of the options. The options would be exercisable by the employees in whole or in part. The Options will be exercisable by the Employees by a written application to the designated officer of the Company, in such manner, and on execution of such documents, as may be prescribed by the Compensation Committee under the Scheme.

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

##### (g) Appraisal Process for determining the eligibility of employees to ESOS – 2012

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



the ESOP Guidelines reviews the performance appraisal system of our Company. The decision of the Board / Compensation Committee in this regard shall be final and binding on the employees. The Board / Committee may, in its sole discretion, vary the conditions on the basis of which the eligibility of the employees shall be determined.

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

The maximum number of options to be granted to each employee will depend upon the rank/designation of the employee as on the date of grant of options. However no employee shall be entitled to more than 1% of the issued capital at the time of grant of options in any single financial year of our company. Total number of options in aggregate reserved under the ESOS 2012 is 5,00,000. The Compensation Committee shall decide on the number of options to be granted to each employee within this Limit.

**(i) Accounting Methods**

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

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

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

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

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

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

Accordingly the resolutions set as Item No. 8 & 9 is being placed for the approval of shareholders pursuant to the provisions of Section 81 (1A) of the Companies Act, 1956 and Clause 6 of the ESOP Guidelines and all the applicable provisions of law for the time being in force.

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

None of the directors is interested in the above resolutions.

The Board recommends resolutions set forth in Items 8 and 9 for approval of the members.

	By order of the Board For Vivimed Labs Limited
Date:	Sd/-
Place: Hyderabad	<b>Santosh Varalwar</b> <i>Managing Director &amp; CEO</i>

**Annexure to Notice – (Continued)**

Details of Directors seeking appointment/ reappointment at the 24th Annual General Meeting (Pursuant to Clause 49 of the listing agreement)

**1. Dr. V. Peesapati**

Dr. V. Peesapati aged 68 is B. Sc (Spl), M. Sc (Andhra University), Ph. D (Delhi University), C. Chem. FRSC (London). He got 38 years of experience of Research/teaching experience in various universities in USA, UK and India. Associated with leading International Experts in the field of Organic, Bio-organic, Medicinal and Polymer Chemistry.

Dr. does not hold directorship in any other Company.

**2. Mr. Srinivas Chidambaram**

Mr. Srinivas Chidambaram aged 46 is the Managing Director and CEO of Jacob Ballas Capital India Pvt Ltd (JBC), a leading India focused private equity firm based in New Delhi. JBC advises three India focused private funds with above \$600 million under management. Mr. Chidambaram joined JBC in 2005. He has 22 years of financial services and industry experience, including 14 years in private equity. He previously served with HSBC Private Equity (Asia) and its affiliates in Hong Kong and India, responsible for private equity investments in India and South East Asia. Mr. Chidambaram has also served in the IT industry with HCL Technologies, a leading Indian IT services company, responsible for financial institution relationships and strategic alliances in the USA. He commenced his career with SRF Finance Ltd. (since acquired by GE Capital) where he was responsible for Corporate Finance and Investment Banking, based in Bombay. Mr. Chidambaram is a qualified Chartered Accountant.

The other directorships held by Mr. Srinivas Chidambaram are as below:

- (i) S.P. Apparels Limited
- (ii) Jacob Ballas Capital India Private Limited
- (iii) Trianz Holdings Private Limited
- (iv) Aster Private Limited
- (v) Financial Software and Systems Private Limited
- (vi) NYLIM- JB Asset Management Co. (Mauritius) LLC
- (vii) NYLIM Jacob Ballas Asset Management Company III LLC
- (viii) Religare Finvest Limited

**3. Mr. Chunduri Ramakrishnan**

Mr. Chunduri Ramakrishnan aged 56 is a qualified Chartered Accountant and a Cost Accountant. Mr. Ramakrishna has more than thirty years of experience in Project and Corporate Finance, Strategic Planning, Leading and Corporate Affairs. He worked for fifteen years with the Nagarjuna and DCL Groups, both of which are based in Hyderabad, before establishing his own financial service Company, Creative Finvest Private Limited.

He has advised and successfully got implemented several projects. He has to his credit, several corporate restructures, mergers and demergers. He was a Key Financial Advisor to Hyderabad based Matrix Laboratories Limited, which has created records by scaling new peaks in a short span of time.

He served as Director on the Boards of several companies. Presently he is a Director on the Boards of Maa Television Network Ltd and Vivimed Labs Ltd.

The other directorships held by Mr. Chunduri Ramakrishna are as below:

- (i) Creative Finvest Private Limited
- (ii) Chunduri Management Consultancy Private Limited
- (iii) Maa Television Network Private Limited





Vivimed

Vivimed Labs Limited

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

PROXY

DP ID No.*		Regd. Folio No.	
Client ID No.*		No. of Share(s) held	

\*Applicable for shares held in electronic form.

I/We\_\_\_\_\_of \_\_\_\_\_  
being a member / members of **Vivimed Labs Limited**, hereby appoint \_\_\_\_\_  
of \_\_\_\_\_ or failing him \_\_\_\_\_ of \_\_\_\_\_  
as my / our Proxy to attend and vote for me / us and on my / our  
behalf at the **Twenty-fourth Annual General Meeting** of the Company to be held on Thursday, 27th September, 2012 at 11.30  
A.M. and at any adjournment(s) thereof.

Affix  
Revenue  
Stamp

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2012.

Signature across Revenue Stamp

**Note :** The Proxy, to be valid, should be deposited at the Registered Office of the Company not less than Forty-Eight Hours before the time fixed for holding the aforesaid Meeting. Further, a Proxy need not be a Member of the Company.



Vivimed

Vivimed Labs Limited

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

ATTENDANCE SLIP

DP ID No.*		Regd. Folio No.	
Client ID No.*		No. of Share(s) held	

\*Applicable for shares held in electronic form.

I hereby record my presence at the **Twenty-fourth Annual General Meeting** of the Company held on Thursday, 27th September, 2012 at 11.30 A.M. at 78/A, Kolhar Industrial Area, Bidar – 585403, Karnataka.

Full name of Shareholder / Proxy \_\_\_\_\_  
**(In block letters)**

IF YOU FOCUS ON RESULTS, YOU WILL NEVER CHANGE. IF YOU FOCUS ON CHANGE, YOU WILL GET RESULTS.  
JACK DIXON

Signature of the Shareholder / Proxy





# Vivimed

**Registered Office**

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

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