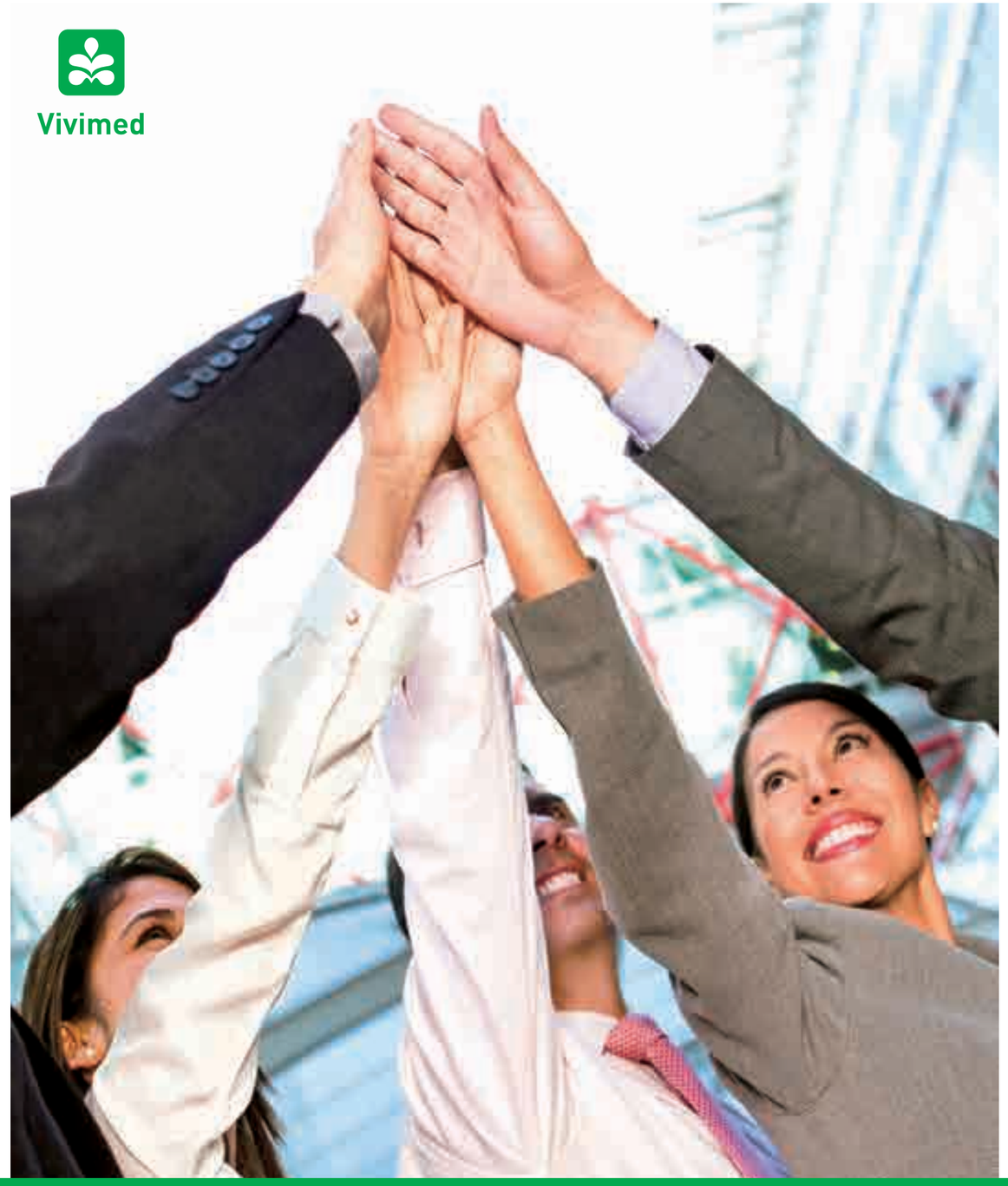
Vivimed



harnessing growth

Vivimed Labs Limited | Annual Report 2012-13

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Safe Harbour

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.

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Vivimed invested strategically in building assets and capabilities across its global and Indian businesses over the past 24 months.

Vivimed's focus for the next 24 months will be in extracting synergies of integration and capitalising on a larger addressable market.

Reflected in a number of prospective results. Higher utilisation. Greater synergy. Stronger innovation. More customers. Better returns.

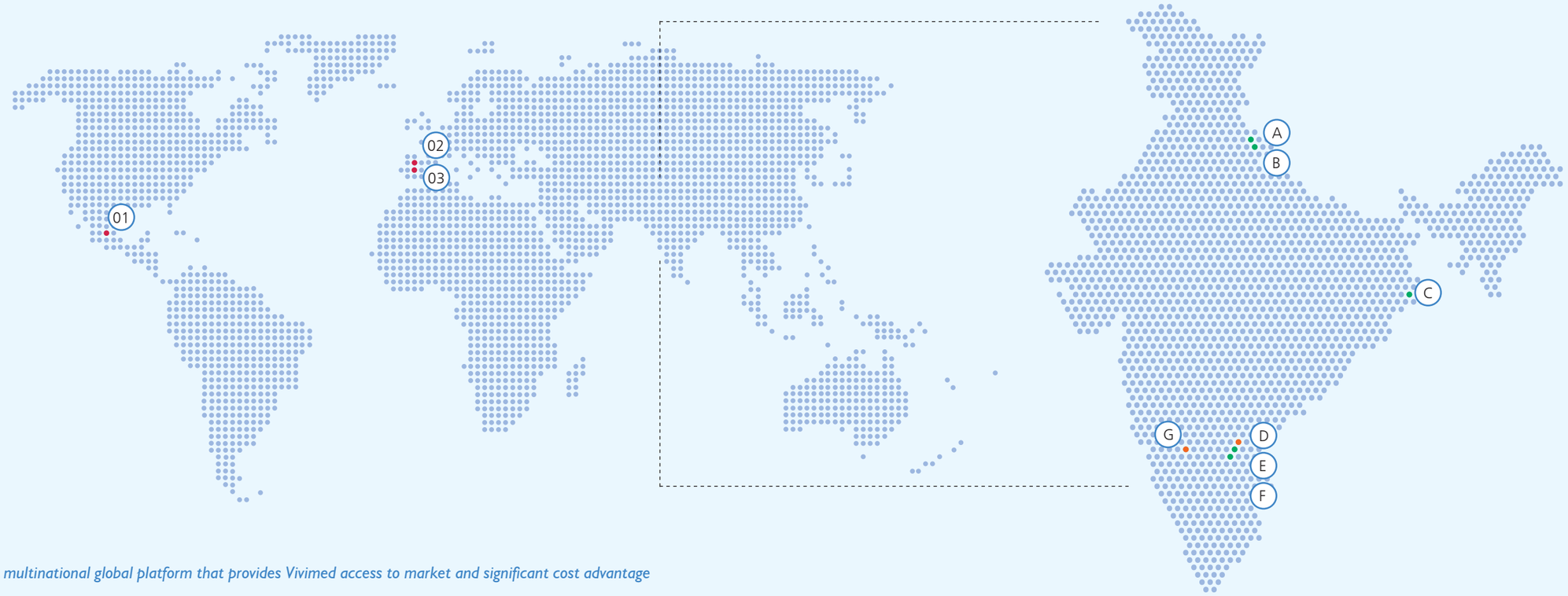
This strategy revolves around a single theme...

harnessing growth.

Vivimed (established 1988) is a diversified global company with a unique business portfolio comprising specialty chemicals and pharmaceuticals.

Vivimed is headquartered in Hyderabad (India) with eleven manufacturing facilities (eight in India and three overseas), five R&D facilities (three in India and two overseas) and a marketing presence in over 50 countries.

The Specialty Chemicals segment is a provider of active ingredients for a range of home, personal care and industrial products, whereas the Pharmaceutical Segment is engaged in the manufacture of Active Pharmaceutical Ingredients (API) and Finished Dosage Formulation (FDF). Within the FDF business, it provides contract manufacturing services and the manufacture of branded formulations.



A multinational global platform that provides Vivimed access to market and significant cost advantage

Facilities	Mexico	Spain	UK	China	USA	India	Total
Healthcare – API	1	2					3
Healthcare – FDF						6	6
Active Ingredients						2	2
Total Facilities	**1**	**2**				**8**	**11**
R&D Facilities		1	1			3	5
Global Support Offices		1	1	1	1	1	5

WORLD
01 Cuernavaca, Mexico
02 Saint Celoni, Spain
03 Llica de Vall, Spain

INDIA
A Kashipur, Uttarakhand
B Haridwar, Uttarakhand
C Kolkata, West Bengal
D Bonthapally, Hyderabad
E Bollarum, Hyderabad
F Jeedimetla, Hyderabad (2)
G Bidar, Karnataka

Our select clients

Unilever
Pfizer
P&G
gsk GlaxoSmithKline
L'ORÉAL
MERCK
NOVARTIS
LG

global footprint. Indian core.

SPECIALTY CHEMICALS - PERSONAL & HOME CARE

through global relationships

After having created a valuable repository of knowledge, innovative products, quality manufacturing platform and global customer relationships, Vivimed is now focused on enhancing its profitability. A superior mapping of its product portfolio around customer needs and market trends represents the foundation of its strategic approach.

Global recognition

- We entered the select 'Partner-to-Win' list of vendors working closely with Unilever; we are developing significant new products which will be commercialised in the next 12 to 18 months.
- We were adjudged 'Strategic Partner' for P&G, Unilever and L'Oreal, which will enable us to access their innovation platform; in turn, this will enable us to attract a larger number of Tier-II partners.

Products, markets and customers

- We focused on launching new products (sun care, peptide for anti-ageing and skin whiteners).
- We established a direct marketing presence in Africa, Latin America, the Middle East and Asia.
- We focused on customer mining and creating more business opportunities through our unique 'Key Customer Account Manager' model.
- We strengthened our focus towards our goal – 'More products per customer, more customers per product'.

Innovative R&D

- Our innovative in-house R&D, alliances and exclusive licensing agreements will define our approach.
- We focused on gaining access to new technologies which will help us build upon our differentiated positioning.
- We entered into a joint venture with a leading fragrance manufacturing company. Initially, we will market imported products in India and subsequently upgrade facilities to manufacture those products in-house.
- We entered into an exclusive agreement with a partner to supply silicones for the personal care industry and market the Company's products globally.

Manufacturing facility flexibility

- A quality and flexible manufacturing platform is an advantage.
- We realigned our production unit in Bidar to manufacture a new anti-dandruff compound and a new sunscreen product.

Value-driven strategy

- We are in discussions with large consumer MNCs to commercialise 'applied-for' patents for innovative natural products.
- We will focus on markets and customer-driven needs through proprietary, differentiated products as opposed to a commoditised 'go-to-market' approach.

Product pipeline

- We have a robust product pipeline comprising molecules to be launched over the next 12 to 24 months, which include peptides for anti-ageing and skin whiteners.
- We expect to receive approvals for high-value molecules from a key customer in the next 12-24 months.

Following the acquisition of Uquifa in 2011, Vivimed integrated its global operations to generate higher returns. The integration of our API business centres on various themes: backward integration, expanding our addressable market, investing in innovative R&D and a renewed business development focus.

Backward integration

- We invested in an intermediate block and API unit in Bidar (Karnataka), which was commissioned in January 2013.
- The intermediate block will begin to supply some key intermediate inputs for our Spanish and Mexican facilities leading to enhanced cost competitiveness.

Expanding our addressable market

- We undertook repairs of certain integral constituents of key products; this should help us become more competitive and grow our addressable markets (customers and geographies).
- We re-appraised our product portfolio and will substitute select low-margin products with high-growth, high-value products over the next 24 months.

Innovation

- We built a state-of-the-art R&D facility in Hyderabad operated by more than 75 qualified and experienced scientists. Vivimed possesses a commitment to build IP and its technical workforce.
- This facility will complement our existing R&D team in Spain, delivering process improvement, product development and new regulatory filings.

The result: We expect to widen our customer base, optimise our manufacturing processes and enhance profitability.

HEALTHCARE - API BUSINESS

through integration

Areas of potential

- Benefits of greater cost competitiveness; larger revenue shares from high-value, high-margin and high-demand products.
- Ramp up high value custom manufacturing orders across niche therapy areas for large innovators and generic customers.
- Accelerate the pace of new DMF filings as R&D efforts deliver a larger addressable market and greater pricing power.

HEALTHCARE - FINISHED FORMULATIONS

through global approvals

Having enjoyed success with finished formulations in the semi-regulated markets, Vivimed expects to grow its footprint in the regulated generic markets. With a quality in-house API platform and growing R&D investments, Vivimed is now an integrated player in healthcare business, ready to target the global generics market.

Infrastructure-ready

- We invested in upgrading our Jeedimetla facilities in line with demanding regulatory standards; we are awaiting requisite approvals which will open the CIS export markets for our formulations.
- The same facility received regulatory approval from key African markets; we filed dossiers for four products and they are at advanced approval stages and are expected to yield results in 2014-15.
- One of our facilities in Jeedimetla focused on the differentiated delivery platform of nasal sprays; this gained approvals to commence exports to regulated markets like Europe.
- Vivimed is ready to target the regulated generics market through its quality manufacturing platform that will integrate its existing API platform and R&D engine.

Vivimed is now positioned to harness the benefits of an integrated generic pharmaceutical company.

Product approvals

- We received the mutual recognition procedure (MRP) in Europe for a high-margin product, which is expected to generate sizeable volumes from 2013-14 onwards.

We enjoy a significant advantage in this particular MRP given the presence of an in-house competitive API. Our approval allows us to market the product in nine European countries. We have also created a robust pipeline of finished products to be launched in Europe over 24 months.

- Through our in-house R&D services unit, we are developing formulations for regulated and semi-regulated markets. The team of scientists possesses a rich repository of dossiers filed across the world. They have to their credit more than 30 dossiers with various regulatory authorities like the Canadian FDA and USFDA (approved or pending approval).
- We will initially utilise filings which allow us to add value to our in-house APIs.

Widening presence

- We are extending our global presence from Eastern Europe to Africa, Asia, CIS and Latin America. We enjoy a widespread presence in Western Europe, North America (USA, Canada, Mexico) and the Asia-Pacific.

Through these initiatives, we are creating a high-margin revenue vertical which will accelerate business and profitability in a sustainable way.

Vivimed generated nearly 40% of its Healthcare-Finished Formulations revenues from regulated markets, largely through API sales. This vertical will leverage existing customer relationships to harness growth and profitability as we integrate forwards and climb the value chain.

After having acquired reputed domestic formulation brands in 2011, Vivimed set about reinforcing its branded formulations business. Its efforts have been centred around leveraging its existing sales force better through a higher utilisation and building its presence of successful brands through extensions. Its geographic expansion will be in a staggered fashion as we look to strengthen in areas where we are already present.

Product launches

- We launched an ophthalmic division in Madhya Pradesh to complement the strong response we received for the therapy areas in adjoining geographies.
- We launched new products in the ophthalmic and gynecology segments, most of which are popular research-based combination therapies.

Growing presence

- Our ophthalmic, nutraceuticals and dermatology divisions are expanding their footprint in Madhya Pradesh, Uttarakhand, Uttar Pradesh, Tamil Nadu, Kerala and Karnataka. These will remain our areas of primary focus; we will initially leverage our stockist and doctor relationships to drive growth in these new therapies.

Team expansion

- We increased our medical representative strength from 180 to 300 in a year and are now focused on leveraging them better with the new launches across therapies and geographies as mentioned above.

Product pipeline

- We will add to our API competence (anti-ulcer segment and sartan family of molecules) for developing new formulations.
- Our research team has created a robust pipeline of products to be launched domestically over the next three years.

The result: We expect to generate healthy growth in our branded formulations business in the immediate future as we build upon our existing brands and continue to leverage the sales force.

HEALTHCARE - BRANDED DOMESTIC FORMULATIONS

out of India

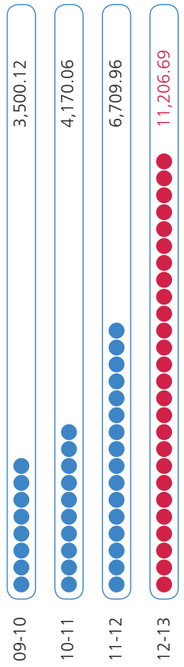
Sustainable growth with better profitability
With its domestic branded formulations business, Vivimed is looking to leverage the group's formidable research capabilities and strong manufacturing platform. We believe that building on this business unit's strong positioning in Eastern India and the ophthalmic therapy is a key opportunity. Vivimed's calibrated expansion, be it new product lines or new geographies, will capitalise its existing franchise strengths.

"In the backdrop of an uncertain economic environment, I am pleased to report a strong financial performance with a revenue growth of 67% and net profit growth of over 32%."
– Santosh Varalwar,
Managing Director and CEO

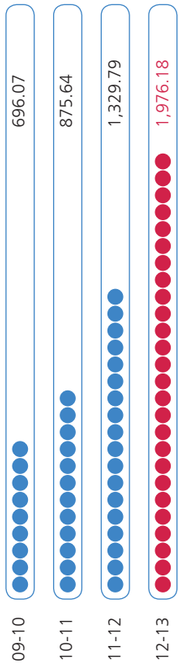
Key corporate highlights

- Share capital increased following the conversion of convertible preference shares issued to NYLIM Jacob Ballas in 2011 into equity shares in Q4 FY 2013; an addition of 2.1 million fresh equity shares to the capital base.
- Received key European marketing authorisation to launch select finished formulations harnessing the European API supply engine, even as the API business notched up high profile custom manufacturing order wins from leading innovators.
- Entered into a joint venture with a leading fragrance manufacturing company in Singapore; pursued similar arrangements to mark entry into two new segments of fragrances and silicones in the Personal and Home Care segment.

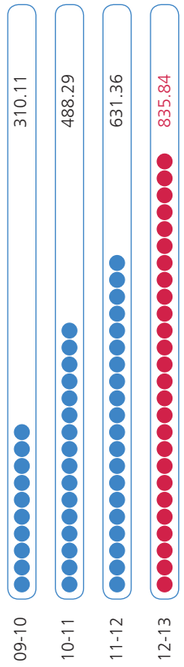
Revenue
(₹ million)



EBIDTA
(₹ million)

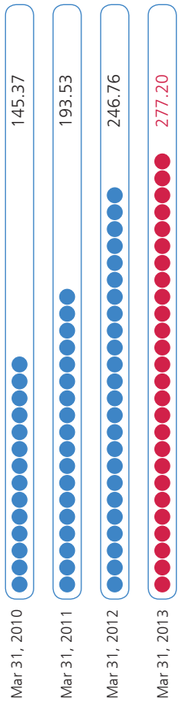


Net profit
(₹ million)

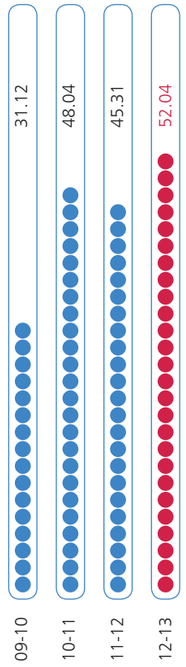


Networth
(₹ million)

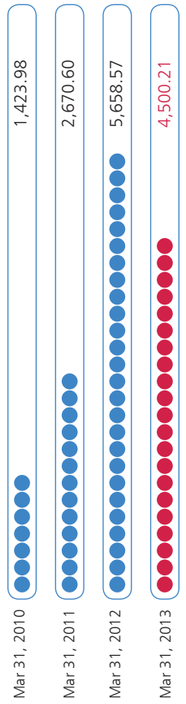
Book value per share
(₹)



Earnings per share
(₹)



Market capitalisation
(₹ million)



Revenue growth
67.02%
Over 2011-12

41.61%
CAGR over 5-years

EBIDTA growth
48.61%
Over 2011-12

42.79%
CAGR over 5-years

Net profit growth
32.39%
Over 2011-12

44.16%
CAGR over 5-years

Net worth growth
7.24%
Over 2011-12

28.53%
CAGR over 5-years

Book value per share growth
12.33%
Over 2011-12

8.72%
CAGR over 5-years

Earnings per share growth
14.85%
Over 2011-12

26.10%
CAGR over 5-years

Key corporate highlights

- Acquisition of Finoso in progress. Finoso is a R&D services company with proven track record in developing finished formulations for regulated and semi-regulated generic drug markets in the Healthcare vertical.
- Committed significant investments towards an in house API R&D team in the Healthcare vertical to complement the existing set up in Europe as well as build on the finished formulation expertise of Finoso (acquisition in progress).
- Received regulated market approvals to manufacture differentiated delivery platform products like nasal sprays in the contract formulations business.
- In the Personal and Home Care business, entered into the prestigious list of 'Partner to Win' vendors for Unilever.
- Similar endorsements received from other leading consumer product MNCs like P&G and L'Oreal, in the Personal and Home Care segment.

MORE PRODUCTS AND A GROWING CUSTOMER LIST...

driving growth

Dear shareholders,

The financial year 2012-13 proved to be exciting as we strengthened our presence across business verticals by successfully integrating our acquisitions, realised synergies and invested in 'building blocks' that we expect will catalyse revenue growth, margins and shareholder value in a sustainable manner over the medium to long-term.

Considering that it was a difficult economic environment, we reported a strong financial performance for FY 2012-13: consolidated revenues increased by 67% and net profit by 32%. The Company's revenue growth was driven by a consolidation of acquisitions, steady growth from the Specialty Chemicals in the Home and Personal care segments and increased traction from the API segment in our Healthcare business.

The result of the strategic steps initiated over the last 24 months is that we are now a company combining a unique portfolio of high-growth and stable margin businesses. While the Healthcare segment stands for accelerated growth, the Home and Personal Care segment represents stable margins. The management believes that this unique portfolio is synergic and reflects elements of sustainability and scalability. The portfolio also serves as a scalable platform with an in-depth knowledge of chemistry at its core thereby positioning us to serve customers better. We aspire to reinforce this core strength with applications from healthcare to home and personal care, servicing a prestigious client roster across the specialty chemical and healthcare segments.

As our business is becoming increasingly global, we strengthened our management team across our core business areas (including R&D) with key senior level appointments. We believe that Vivimed's investments in innovative and differentiated research will translate into a value-accretive product pipeline as they enter the commercialisation phase over the next few years.

Healthcare segment

FY 2013 was a particularly exciting year for our healthcare business.

Our Company is now a unique portfolio of high growth and stable margin businesses which have chemistry at its core. We believe this combination of the Healthcare and Home and Personal Care segments represents elements of sustainability and scalability.

We integrated our global and Indian operations to emerge as an integrated global pharmaceutical player. This has strengthened our belief that expansion of margins will be led by the optimal utilisation of our manufacturing platform and the continued leveraging of our global scale. Going ahead, we will strengthen our presence across the full healthcare value chain, driving synergies from the consolidation of our acquisitions and extracting enhanced economic value across our organisation.

Having strengthened our physical asset base through strategic initiatives, organic and inorganic, we will now focus on creating intellectual property-led soft assets by leveraging our R&D expertise. We will concentrate on niche therapy areas, finished formulations with differentiated delivery systems and accelerate our API and finished dosage filings in our targeted markets. We will also actively leverage our captive API presence as we put in place a portfolio of finished dosage formulations targeted at the regulated and semi-regulated markets. We expect that these initiatives will allow us to establish a strong foothold in value-accretive regulated markets and harness our end-to-end presence leading to superior medium-term profitability.

API segment: The year gone by saw us strengthen our competitive edge as we undertook a systematic exercise to rejuvenate our product portfolio. We are now in the process of increasing the addressable market for our portfolio through tactical R&D interventions and delivering quick wins in terms of profitability. We are also investing in new product development which will be reflected in an accelerated pace of new DMF filings over the medium term.

Operationally, we have commissioned an intermediate facility in India which will start yielding the benefits of backward integration in the manufacture of API's starting FY 2014. We also extended our domestic procurement expertise to enhance the operational efficiencies of our global API business.

Formulations segment: We upgraded our Hyderabad unit (Jeedimetla) in line with demanding European regulatory

Santosh Varalwar
Managing Director & CEO

the best is yet to come

norms (approvals expected in the current year) and complementing it with the acquisition of 'Finoso' (in progress) – a firm engaged in full-service formulations research and development. This will enable us to capture the key elements of the healthcare value chain (formulations/analytical development, regulatory support and dossier review, filing and final approvals). This set-up, in consonance with our existing in-house R&D capabilities, will be critical for Vivimed to emerge as a fully and vertically integrated generic pharmaceutical player with a differentiated product selection and R&D approach.

In August 2013, we acquired a USFDA-approved finished dosage formulation facility which fortifies our presence and commitment to grow our healthcare segment. This global footprint will now enable us to service clients from three continents (Asia, Europe and North America), a significant competitive advantage.

Personal and Home Care segment

The specialty chemical business is driven by products, knowledge of chemistry and partnerships, areas where we are attractively placed. Having enduringly partnered with global MNCs in the personal and home care segments, we now possess thought-leadership in terms of products, processes and markets. The result is that Vivimed is a valuable partner for leading consumer product MNC's like Unilever, P&G and L'Oreal.

The management believes that in the specialty chemical business, the Company enjoys a unique and differentiated global positioning, the outcome of innovative R&D initiatives, quality manufacturing platform and marquee customer relationships.

Over the last 12 months, we realigned our product portfolio in line with customer requirements, market growth and strategic customer relationships. These initiatives have seen us reworking our product portfolio and allocating R&D capital towards emerging segments of our addressable market. We believe that these initiatives will yield attractive returns over the medium term and cement our position as a niche global player.

During FY 2013, we benefited from traction in the skin care and sun care product ranges. Repeat business from customers and revenues from new products – two critical parameters - trended favorably.

New products and segments: We are working on a number of projects with several leading MNC customers to customise products which are expected to be commercialised in the next 18-24 months. Naturals, fragrances, silicones are emerging areas of focus even as we continue to grow the high potential skin and sun care segments by mining our existing clients better.

New ideas: We are creating natural remedies as superior replacements over synthetic chemistry. We launched a few products which received an overwhelming customer response, strengthening our resolve to reinforce this product basket.

Going ahead, we expect to deepen strategic engagements with top-tier consumer MNCs and strengthen our competitive advantages (chemistry and quality) to carve out a larger contribution from our addressable market.

Key focus areas

From a management perspective, we have outlined specific areas of focus to ensure sustainable and profitable growth. Firstly, in the Personal and Home Care segment we will look to delve deeper customer relationships and focus on driving innovation. We aspire to emerge as valuable partners for customers and our recent order wins are a testament of our delivery capabilities. Simply put, we are positioned to bring growth back to this key business area.

Secondly, in the API segment of the Healthcare business, our focus will be on driving revenue growth and margins as our integration synergies begin to manifest themselves over the next 12-18 months. Here too, we notched key customer wins in the lucrative custom manufacturing segment even as we drive a comprehensive portfolio rejuvenation exercise for the generic API business. Our focus will be on better profit margins on a growing revenue base.

The third area of focus will be R&D and our efforts to create an intellectual property-based delivery engine across both our businesses - healthcare and specialty chemicals. While the R&D efforts in the specialty chemical business could be of a tactical nature with a faster payback, our efforts in the healthcare business, especially finished formulations research, will entail consistent investment coupled with a longer payback. We will pursue a calibrated strategy even as our approach will remain focused on building a differentiated platform across both verticals.

From a financial perspective, we are clear that a higher asset turnover, minimal physical capital expenditure, leaner working capital outlay and, improved profitability will improve capital efficiency. We are focused to implement this across the enterprise over the next 24 months and share the resultant benefits with our shareholders.

Message to shareholders

As I write to you, the Indian economy is beset with persistent inflation, high interest rates, rising public deficit, weakening rupee (vis-à-vis major international currencies) and a weak investment climate. The ill-effects of these are reflected in the falling GDP growth and a depreciating domestic currency.

Even as the near-term appears challenging, we believe that our Company will do well to pursue all that which is in its means to secure long-term growth. We have morphed from a pure specialty chemicals player to a thriving enterprise with a unique synergic mix of healthcare and specialty chemicals with chemistry at its core. The benefits of this transition are likely to be visible over the long-term as we improve our profitability and cash generation through higher capacity utilisation and scalability.

Finally, I would like to take this opportunity to thank each one of you for your confidence and support.

robust foundation:

41.61%
Revenue
(5-year CAGR)

42.79%
EBIDTA
(5-year CAGR)

43.45%
Profit before tax
(5-year CAGR)

44.16%
Profit after tax
(5-year CAGR)

Unique business model

- Uses chemistry to create ingredients which touch human life on a daily basis
- Focused on the Health Care, Personal Care, Home Care and Industrial segments globally
- Multiple manufacturing and R&D centers provides efficient platforms in India across business segments
- Product portfolio caters to over 75% of the personal care ingredient market
- Combination of stable margin and high growth global businesses

Best-in-class operations

- 11 manufacturing facilities and 5 R&D centers across the world
- 4 US FDA approved sites
- Healthcare revenues: Regulated markets 85% and Semi Regulated markets 15%
- High entry barriers: Long standing customer relationships and in house knowledge base
- Flexible manufacturing across API and Active Ingredients

Robust financial performance

- 5-year Net Sales CAGR of 42% and Net Profit CAGR of 44%
- Revenues: India 35%, RoW 65%
- R&D investments: 3% of Revenues
- Short-term bank facilities rated A2+ and long term facilities rated A- by CARE Ratings
- Strong transnational management team with proven track record of delivering growth & profitability

Attractive industry dynamics

- Global API sales is expected to grow at a CAGR of 5.9% from 2010 to 2015
- Drugs with global market size of US$224 billion to go off-patent by 2015 driving generic sales
- Indian pharmaceutical industry to reach US$20 billion in 2015, a CAGR of 12.3%
- Global personal care ingredient market to grow to US$15 billion by 2015 and India to US$800 million

API and Bulk Drug Manufacturing		Exploration into Specialty Chemicals	Breakthrough in Specialty Chemicals	Expansion of Product Portfolio & Clientele	Inorganic Growth	Integration and Financial Scaling
1991: Commenced production at Bidar, Karnataka. Manufacturing of API's and Bulk Drugs such as Ibuprofen, Chlorzoxazone, Nalidixic Acid		**1997:** • VIV-20 Patent grant by Indian Patents Office • Foray into specialty chemicals through development and process innovation of Anti-Bacterial Viv-20 (Triclosan)	**2000:** • Established R&D centre • Approved by Unilever for the supply of Viv-20 and Vivcal-G to Unilever's Asian locations	**2005:** • Listed on BSE & NSE • Development of new active ingredients • Introduction of Small Volume Parenterals' facility and Specialty Chemicals facility • Added new customers such as L'Oreal, P&G	**Healthcare:** Acquired Uquifa, Octtantis Nobel, Klar Sehen, Finoso (in progress) and US FDA Approved SOD facility in August 2013 to increase presence in API's & formulations **Active Ingredients:** Acquired James Robinson to increase global presence and increase product portfolio	**Drive revenue and profitability growth through:** • Integration of acquisitions • Process and procurement efficiencies in Spain • Capacity expansions and enhancing product range
1989 1994		1995 1998	1999 2003	2004 2007	2008 2013	2014 2015

chemistry at the core

Economy at a glance

Global economy: Global gross domestic product (GDP) grew 3.2% in 2012 against 3.9% in 2011 due to the ongoing challenging economic conditions and slower than expected recovery in some of the major economies. The key impediments were prolonged financial turmoil in the eurozone, uncertainty in the US economy due to the fiscal cliff, higher global oil prices and falling investment appetite in emerging markets.

Following the 2012 deterioration in global economic conditions, the current scenario envisages a marginal economic rebound in 2013. Global GDP growth forecast for 2013 by the IMF stands at 3.5% as trends suggest that factors decelerating global commerce are expected to wane. This growth estimate is assuming the following preconditions:

- Important policy measures are implemented in time to avoid further deterioration in the financial issues in Europe
- A smooth fiscal adjustment in the US
- A rebound in the growth momentum of emerging economies

The World Bank however expects the world economy to grow by a lower number of 2.4% in 2013.

Indian economy: India's economic growth continued to decline for the second year in succession in 2012-13. It declined from 6.2% in 2011-12 to 5% in 2012-13, the slowest economic growth in a decade. This decline was due to a dismal performance by the agricultural and industrial sectors of 1.9% and 2.1% y-o-y growth, respectively. However, the services sector showed some resilience with a 7.1% growth over 2011-12.

India's industrial output declined, led mainly by a contraction in the manufacturing, mining and capital goods sectors. The dampened industrial sentiment was largely due to various factors: sustained inflation, high interest rate, volatile currency fluctuation and a policy logjam.

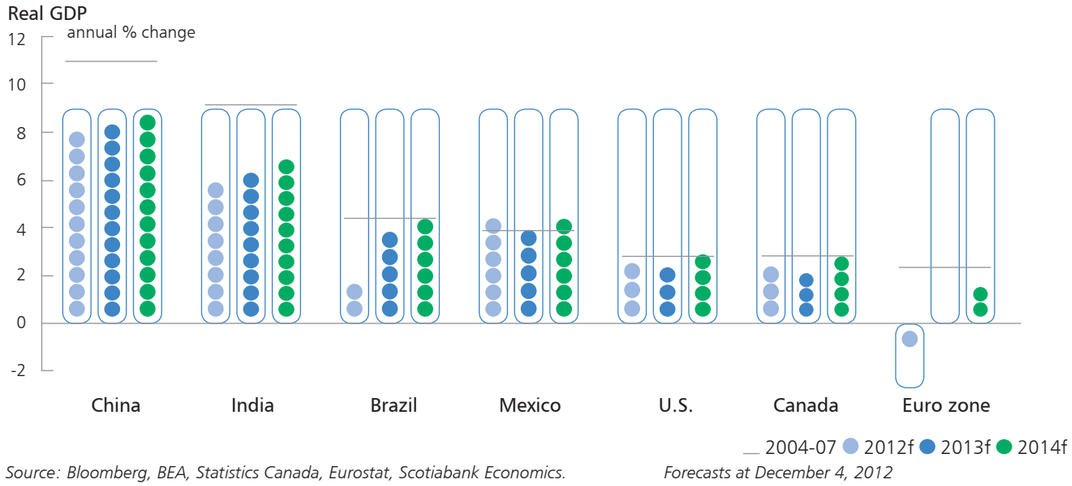
To strengthen industrial growth, the government announced important policy decisions:

- Reduced interest rates 125 basis points from 8.00% in April 2012 to 7.50% in March 2013
- Fast-tracked large infrastructural projects and announcing SOPs for some infrastructure sub-sectors
- Use of buffer stocks to moderate food inflation
- Introduced FDI in multi-brand retail, aviation, insurance and broadcasting sectors
- Partial deregulation of the oil and gas sector (diesel pricing) to reduce subsidy burden

Current account deficit: India suffers from one of the highest current account deficits among the large economies. The full-year current account deficit rose to 4.8% of GDP, or US$88 billion, up from US$ 78 billion during the previous financial year.

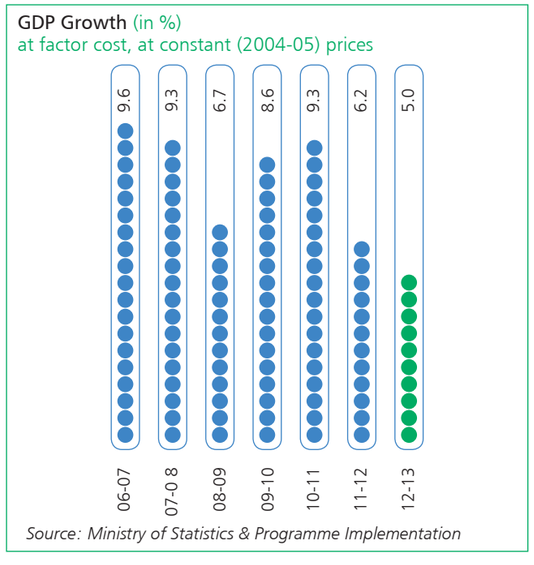
Fiscal deficit: India's fiscal deficit during 2012-13 was ₹ 4.9 trillion, or equivalent to 4.9% of the country's GDP. The higher revenue mop-up moderated this to a lower-than-the revised estimate of 5.2% provided by the government in the federal budget in February 2013.

Gains in global growth will be moderate and uneven

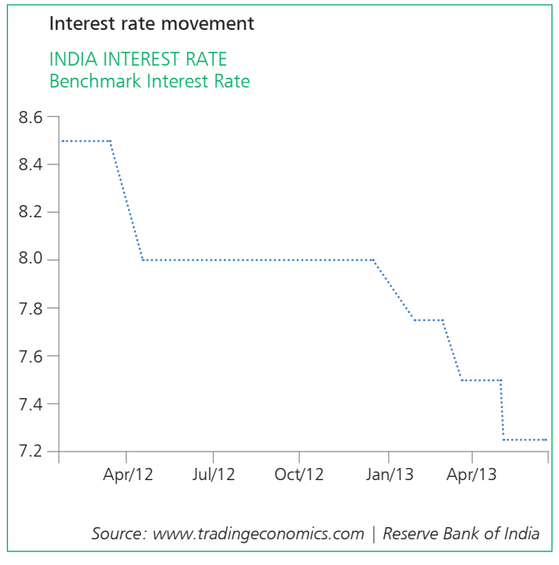


Source: Bloomberg, BEA, Statistics Canada, Eurostat, Scotiabank Economics.

Forecasts at December 4, 2012



Source: Ministry of Statistics & Programme Implementation



Source: www.tradingeconomics.com | Reserve Bank of India

Economic growth estimates for 2013-14

Economic survey: The Indian economy is expected to grow at around 6% in 2013-14

RBI projection: Baseline GDP growth of 5.7% projected for 2013-14

CRISIL estimate: The Indian economy is expected to grow at 6.4% in 2013-14 due to a consumption revival supported by an acceleration in the growth of agricultural sector (predicated on a normal monsoon), lower interest rates and higher governmental spending.

management discussion and analysis

Overview

Under the Pharmaceuticals segment, Vivimed manufactures and markets active pharmaceutical ingredients (APIs) and finished dosage formulations (FDF) covering diverse therapeutic segments. The business is divided into three parts – APIs, contract formulations and branded formulations.

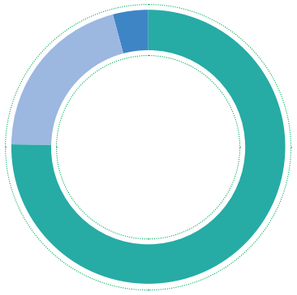
API segment: Vivimed manufactures 45-plus APIs covering diverse therapeutic segments at its three international US FDA facilities in Spain and Mexico which cumulatively possess close to about 150 Drug Master Files filed with the regulator. About 40% of the production comprises the anti-ulcer segment; the rest comprises various therapeutic segments namely oncology, HIV, general therapeutics and certain quaternary APIs. The entire production is marketed to leading global pharmaceutical customers. The Company is focused on implementing process improvements in manufacturing facilities in Spain and Mexico by leveraging its India-based R&D expertise and procurement efficiencies.

Contract FDF manufacture: As the name suggests, the Company enjoys longstanding contractual relations with blue chip global pharmaceutical brands (Merck, Novartis, Cipla, Glenmark, Lupin, Ranbaxy among others). The Company manufactures finished dosages across diverse delivery platforms (capsules, tablets, syrups, liquids and parenterals) for global partners.

Delivery platform	End product
Capsules/ tablets	Flexasur, Spasmosip plus, Codarin, Butaproxivon, Valenzia tablets, Arachitol tablet, C Pink tablet
Syrups and liquids	Codarex, Inalgel, Viscodyne, Brozedex, Celadrin, MITS Codeine Linctus, Candid lotion, Candid mouth paint
Small volume parenterals	Otrivin, Nasivion Moist, Navision, Candbiotic ear drop, Otrivin nasal spray, Tobrop

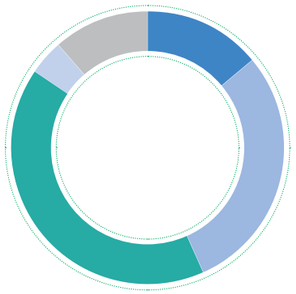
Revenue (2012-13) break-up

Segment-wise sale



API 75.5% Contract FDF 20.6% Branded FDF 3.9%

Region-wise sales



NAFTA 14% ASPAC 29.6% Europe 41% LATAM 4.2% RoW 11.3%

₹ 7,384 million
Revenue (2012-13)

66.6 %
Contribution to consolidated revenue (2012-13)

122 %
Growth over 2011-12

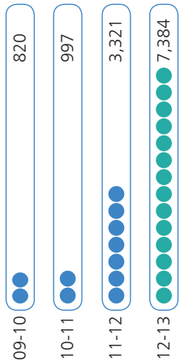
₹ 705 million
Profit before interest and tax (PBIT) (2012-13)

53.0 %
Growth over 2011-12

9.6 %
PBIT margin (2012-13)

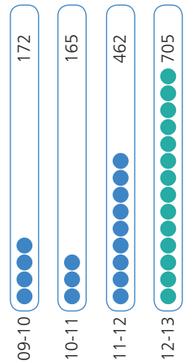
Historic performance

Net sales (₹ million)



CAGR 108.05%

Profit before interest and tax (₹ million)



CAGR 60.04%

2012-13 in retrospect

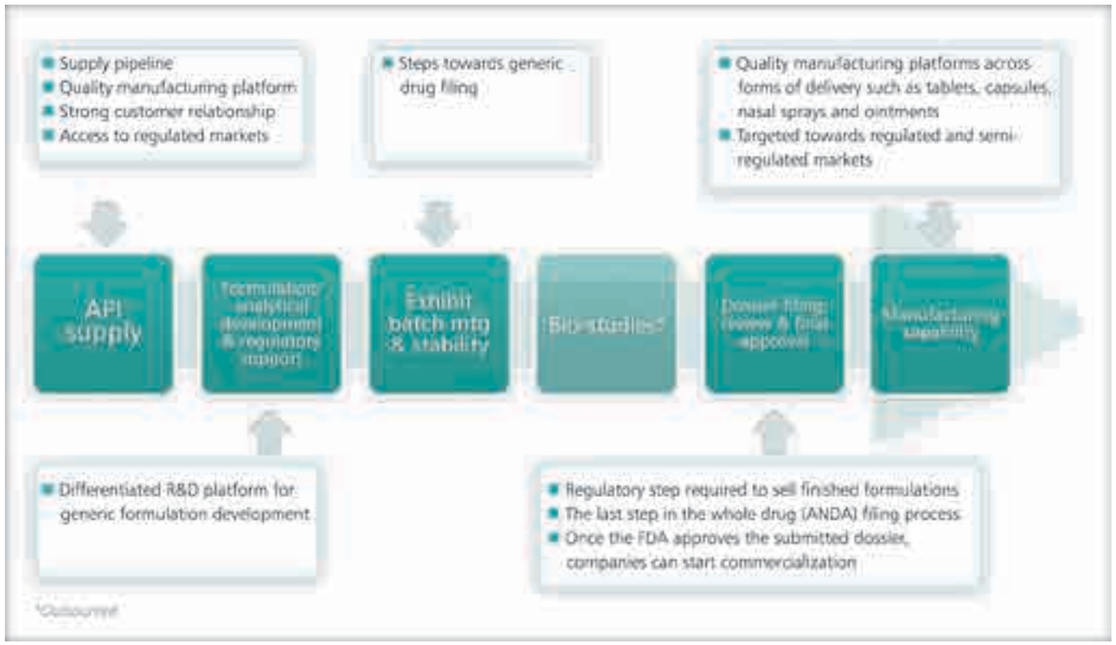
- Received a large CMO order from one of the largest healthcare companies in the US which began to scale up towards the end of the year
- Received an approval to market a high-margin formulation (FDF) in some European countries; it also allows the Company to market its product in nine countries

pharmaceutical business

Branded FDF manufacture: The Company's branded formulations comprise products across the ophthalmic, nutraceuticals and dermatological therapeutic segments. A majority of the formulation brands are marketed in India through the Company's robust team of over 300 medical representatives (MRs). It also exports formulations to Russia and the CIS countries with a dedicated sales team appointed for the African continent.

The ophthalmic segment comprises of over 50 trademark products, which include renowned brands namely Renicol, Lysicon-V, Care Tears and Dexacort marketed by a 150-member dedicated team across Northern, Southern and North Eastern India.

The nutraceuticals segment caters especially to the needs of women and children and includes enzymatic preparations, beta-lactams, antioxidants and multi-vitamins. The Company also promotes the dermatology segment to general physicians with the aim to expand the product basket. The products are marketed pan-India by a team of 125 medical representatives.



International manufacturing facilities

Lliçà, Barcelona, Spain	Sant Celoni, Barcelona, Spain	Cuernavaca, Mexico
Manufactures high quality APIs	Manufactures high quality APIs	Manufactures high quality APIs
29 reactors (10 glass-line, 17 stainless steel)•Total capacity of 140 m^3 •Extensive material handling capabilities	29 reactors (15 glass-line, 14 stainless steel) •Total capacity of 120 m^3	30 reactors (16 glass-line, 14 stainless steel)•Total capacity of 150 m^3
USFDA approved •ISO 14001:2004 certified• Approvals from Spanish and Japanese health authorities	USFDA approved •ISO 14001:2004 certified • Approvals from Spanish, ANVISA (Brazil), Japanese and Korean health authorities	USFDA approved • Approvals from Danish, Japanese and Korean health authorities

Domestic manufacturing facilities

Jeedimetla, Hyderabad	Jeedimetla, Hyderabad	Bolarum, Hyderabad	Haridwar, Uttarakhand	Kashipur, Uttarakhand	Kolkata, West Bengal
Manufactures dosage forms across delivery platforms such as liquid orals, tablets, capsules and ointments in various therapeutic categories	Manufactures dosage forms across delivery platforms such as tablets, capsules, nasal sprays and ointments	Consists of liquid and tablet manufacturing lines	Manufactures wide range of sterile products and small volume parenterals	Manufactures non-sterile syrups, tablets, capsules and dry powders	Manufactures dosage forms across delivery platforms such as tablets, capsules, nasal sprays and ointments
	ISO 13485 certified •CE certificate for medical devices		ISO 9001-2000, ISO 14001 and OHSAS 18001 certifications	ISO 9001-2000, ISO 14001 and OHSAS 18001 certifications	
			Has complex equipment designed as per stringent USFDA norms		

Competitive advantage

Business model: Vivimed is an integrated pharmaceutical player with a strong presence across the entire healthcare value chain. This has transformed the Company from a product vendor to a solutions provider and finally to a meaningful integrated pharmaceutical player globally.

Marquee clients: Vivimed enjoys longstanding relationships with the Top-10 global pharmaceutical players and marquee generics players through contractual services. These provide long-term revenue visibility, strengthening business profitability.

Approved facilities: Vivimed's global API facilities are approved by the US FDA, other reputed regulatory authorities and large customers. Its Indian facilities comply with stringent cGMP operating standards, enabling it to establish its marketing footprint in regulated and semi-regulated markets.

Product portfolio: Vivimed's product portfolio expanded significantly through successful inorganic initiatives in last 24 months covering high-value, high-growth lifestyle therapeutic segments.

Innovation: Vivimed's core strength lies in the understanding the application of chemistry in developing research-based combination therapies. The continued

2012-13 in retrospect

- Completed FDA's and the Spanish Health Authority inspections in both Spanish sites successfully.
- Launched new therapies and expanded to new geographies in the branded formulation segment.
- Received CE approval for the nasal spray manufacturing facility at Hyderabad which makes us compliant for the EU/US markets on this delivery platform.

investment in expanding R&D capabilities is expected to strengthen innovation.

Business-strengthening initiatives, 2012-13

- Implemented procedural improvements in its Spanish and Mexican manufacturing facilities by leveraging Indian R&D expertise.
- Completed USFDA and Spanish Health Authority inspections in both Spanish facilities.
- Commissioned an API intermediate facility at Bidar (Karnataka) as a backward integration to the global API manufacturing facilities.
- Acquired a formulation facility at Bolarum to strengthen the Company's capability in meeting growing product demand from the domestic formulations market.
- Added new customers in Ukraine for contract manufacturing services.
- Launched new products in the ophthalmic and gynecology segments.
- Upgraded the Jeedimetla formulations unit to match exacting European FDA standards; approval is expected in 2013-14.
- Initiated a €3.5 million investment at our Mexico facility to support new projects from existing customers likely to come on board in 2013-14.
- Expanded the branded formulations distribution across Uttar Pradesh, Uttaranchal, Madhya Pradesh, Karnataka, Tamil Nadu, Andhra Pradesh and Kerala; launched the ophthalmic division in Madhya Pradesh.
- Created a robust product pipeline of niche, combination therapeutic formulations covering diverse segments.

Road map

- Ongoing initiatives targeting blue chip customers in regulated markets for custom manufacturing services.
- Branded FDF development to be initiated with a focus on products where in-house APIs are available and new geographies can be addressed.
- Focus on regulated markets; marketing finished formulations to European nations and, the US having received regulatory approvals for some products.
- Ramp up utilisation in the new US FDA-approved unit and secure product approvals which will enhance the Company's presence in the global generics market.

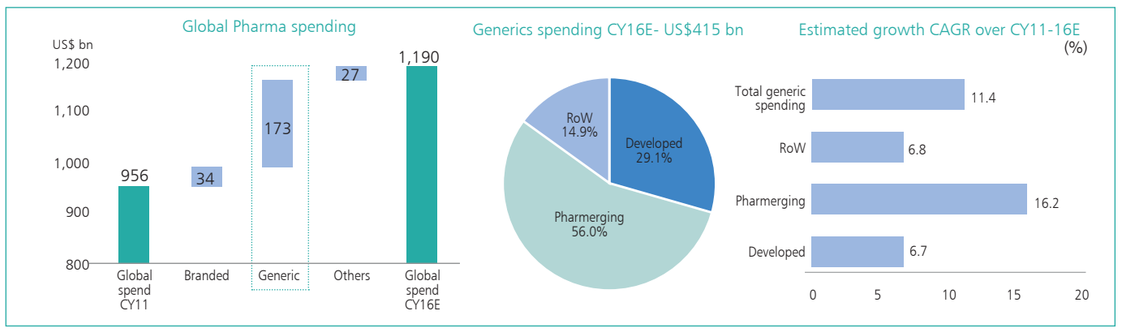
Sectoral outlook

Global healthcare spending is estimated to be around US$1,200 billion in 2016, a growth rate of 3-6% over the next few years. The patents expiry and a need to reduce healthcare spends are likely to drive generics market growth in developed countries, while the need for providing affordable treatment is expected to enhance generics usage in the developing markets. Global generics spend accounts for 25% of the global pharmaceutical spending of US$242 billion in CY2011. It is expected to grow at 12% CAGR over CY2006-11. The generics segment is expected to grow to US$400-430 billion by 2016, of which US$224-244 billion of the increase is likely to come from low-cost generics in the emerging markets.

The domestic formulations market, valued at ~₹ 48,200 crore, has grown at a CAGR of 14-15% over the past five years. The strong growth has been led by various factors including the following:

- Higher income levels resulting higher expenditure on healthcare,
- Increasing incidence of lifestyle-related diseases,
- Rising consumerism in smaller towns and rural areas,
- Improved infrastructure and delivery systems,
- Rise in awareness regarding and penetration of mediclaim products.

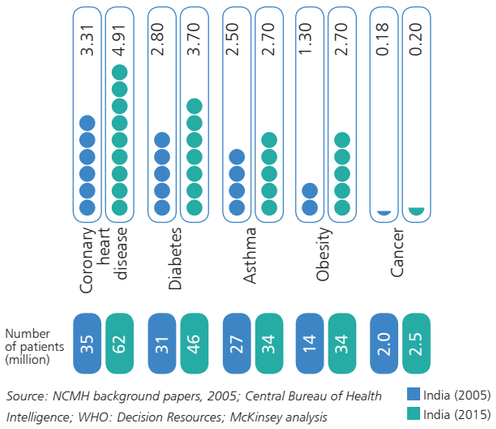
A majority of the growth in the Indian market has been driven by an expansion in volumes and new product introductions as against price increases.



Rapid growth in prevalence of several chronic diseases

Prevalence rate of key chronic diseases in India

Percent of population



Source: NCMH background papers, 2005; Central Bureau of Health Intelligence; WHO: Decision Resources; McKinsey analysis

TRANSFORMATION IN INDIA'S ALIMENT MATRIX

The 'metabolic disorders' segment is likely to grow the fastest. India is already home to the largest diabetic population in the world. The prevalence of diabetes is expected to rise from 2.8% in 2005 to 3.7% in 2015; coronary heart disease is likely to rise from 3.3% to 4.9% and obesity from 1.3% to 2.7%. (Source: McKinsey)

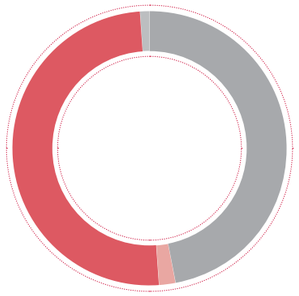
Overview

Vivimed is engaged in the manufacture and marketing of active ingredients used in home and personal care products and industrial care products. The specialty chemicals business is a niche, high-value business which impacts the profitability of the consolidated entity positively.

Vivimed has two specialty chemical manufacturing facilities in Bidar (Karnataka) and Bonthapally (Andhra Pradesh). Its R&D focus is reflected in its dedicated teams (60 members) in India and the UK.

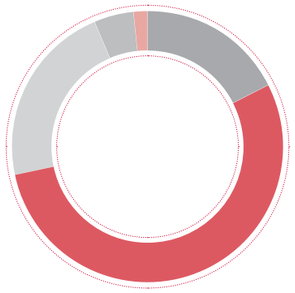
Revenue (2012-13) break-up

Segment-wise sale



Skin care 47.1% Oral care 1.8% Hair care 50.2% Others 0.9%

Region-wise sales



NAFTA 17.5% ASPAC 54.3% Europe 21.8% LATAM 4.8% MEA 1.5%

₹ 3,704 million
Revenue (2012-13)

33.4 %
Contribution to consolidated revenue (2012-13)

10.1 %
Revenue growth over 2011-12

₹ 683 million
Profit before interest and tax (PBIT) (2012-13)

13.6 %
PBIT growth over 2011-12

18.4 %
PBIT margin (2012-13)

Product portfolio

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

Competitive advantage

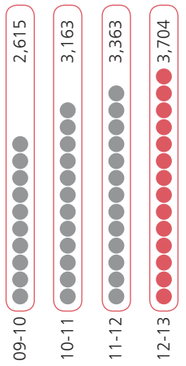
Innovation: Vivimed's R&D activity extends across the creation of a molecule (molecular research) or a derivative, to partnering manufacturers (collaborative manufacturing). The Company invested about 3% of its revenues in R&D initiatives during the year under review.

Wide product basket: Vivimed's product basket of active ingredients caters to a range of applications. Its R&D team added niche molecules to the product basket; in 2012-13, it added several new products including the naturals product line and created an overall strong pipeline of products.

Global brands: Vivimed is an approved supplier of active ingredients to world-famous consumer brands namely P&G, ITC, Unilever, L'Oreal and J&J for its expertise in innovation and impeccable product quality. About 30% of the division's topline accrues from the Top-10 global brands.

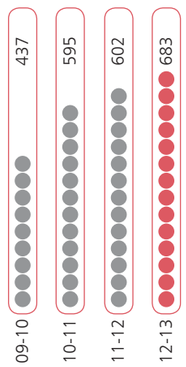
Historic performance

Net sales (₹ million)



CAGR 12.31%

Profit before interest and tax (₹ million)



CAGR 16.05%

2012-13 in retrospect

- Achieved strong growth in key business segments namely skin care (40%), sun care (19%) and hair care (15%).
- Entered the partner-to-win list of Unilever; initiated product development which will fill pipelines over the next 12 to 18 months.
- Adjudged as 'Strategic Partner' for three large global consumer companies namely P&G, Unilever, and L'Oreal, a status that provides more access to their innovation platform over peers.
- Launched Vividine, a hair growth product; received a sizeable order from a leading company in the Asia Pacific geography.

specialty chemical business

Cost-effective molecules: Vivimed has leveraged its chemistry skills to reduce process chemistry and optimise the cost of manufacture, enhancing the viability of its customers.

High entry barriers: Vivimed operates in a niche specialty segment, where attaining a preferred supplier position is challenging. Factors such as brand sensitivity, technical qualifications, pricing and timeliness act as industry entry barriers. Vivimed has distinguished itself as a prominent player in specialty chemicals.

Business-strengthening initiatives, 2012-13

- Realigned the supply chain and distribution arrangement with large global MNCs, which improved the receivables cycle.
- Reallocated Bidar plant's equipment to launch two products - an anti-dandruff and a sunscreen compound – received a large orders for the sunscreen compound.
- Developed a robust product pipeline; some products include peptides for anti-ageing and a category of skin whiteners to be launched in 12 to 24 months.
- Expanded Bonthapally capacity to manufacture 7-8 products including TDS, a new product in the hair dye segment, for which the Company received sizeable orders.
- Entered into a joint venture with a leading fragrance manufacturing company based in Singapore.
  - Initially, Vivimed will market the imported products in India
  - Vivimed will manufacture and market the products in India
- Entered into an exclusive agreement with a Indian technology vendor, to market silicones to the global personal care industry.

Road map

- Engaged in discussions with consumer MNCs to commercialise applied-for patents for innovative natural products.
- Focus on 'markets or customer-driven needs' through proprietary, differentiated products rather than commoditised manufacturing.
- Increase presence in North and Latin America while continuing to grow in Asia and the Middle East.
- Establish relationships with regional brands in high growth emerging markets.
- Explore new business opportunities with specialty silicones); capitalise on business opportunities from new segments (fragrances and naturals).
- Develop innovative chemicals for plastic electronic applications (advance technology).
- Create additional capacities to cater to organic demand from existing clients and manufacture new products to be commercialised over the medium term.

Personal Care Products

Category	Key products	Description	End uses
Sun care	- Avis - Ben-3&4 - Etone	- Broad spectrum UV-A filter - Oil/water soluble UV-A/B filter - UV-A & UV-B filter	Sunscreen, makeup, lotion, lipstick
Skin care	- Vintox - Vivinol	- Anti-oxidant and Anti-ageing molecule - Skin Lightening molecule	Anti-wrinkle and skin whitening cream, moisturiser
Hair care	- Dantuff-Z - Vipirox - Jarocol dyes	- Broad spectrum anti-dandruff agent - Anti-dandruff agent - Hair Dye intermediates	Shampoo, conditioner, scalp treatment, hair dyes
Oral care	- Viv-20 - Vivcal-G	- Anti-Bacterial for toothpaste - Dental Enamel Protection	Toothpaste, mouth wash
Naturals	- Curcuma - Aromatica root oil - Soapnut	- Skin conditioner and brightener - Natural detergent - Shampoos, face wash, hand wash	Soap, shampoos

Home Care and Industrials

Category	Key products	Description	End uses
Anti-Microbials and Preservatives	Vivilide Cosvat	Broad spectrum bacteriostatic Anti-fungal and anti-bacterial	Soap, hand wash, textile, paint, hand gel, cosmetics
Photochromic Dyes	Reversacol	Patented high performance dyes	Lenses, toys, films, clothes, cosmetics like nail varnish
Imaging Chemicals	Phenidone Dimezone Nitroindazole	Black and white developing agent Black and white developing agent Anti-fogging agent	X-rays, photography

Quality certifications

- Integrated Management System (IMS) certification for the manufacture and supply of Specialty Chemicals and Active Pharmaceutical Ingredients and Social Accountability (SA 8000: 2008) certification
- ISO 9001:2008 QMS certification for its manufacturing facilities
- ISO 14001:2004 Certification for its environmental management system
- ISO 18001: 2007 Certification for its safety management system
- Certification for Bio-Terrorism preparedness from the USFDA (prerequisite for exports to some countries)
- Pre-registered products for REACH (Registration, Evaluation and Authorisation of Chemicals) in Europe

R&D certified as a GLP Laboratory by CISR, Government of India

Specialty chemicals sector outlook

Global: The changing face of the personal care products market is best reflected in various developments. Specialty chemical manufacturers supplying to the personal care sector are adopting 'green chemistry' to address consumer demand for natural/safer products and increasingly stringent regulatory requirements. This includes product changes featuring a higher proportion of natural ingredients as raw materials and 'greener' production processes woven around energy conservation, safer solvents and minimal waste generation.

Besides, nanotechnology advances are helping researchers achieve breakthroughs in biotechnology, using a higher proportion of natural ingredients. Nano-scaled encapsulation techniques are being used to develop better systems to deliver the active ingredient to the intended target area. There is a stronger demand for multi-functional products like silicones with improved sensory characteristics as well as surfactants with anti-oxidant and anti-inflammatory properties.

Asia and South East Asia: Conditioning polymers, anti-microbials and emulsifiers performed well in the personal care ingredients market in 2012. Surfactants maintained their primacy as the largest product category while polymers displayed dynamic growth. Asia is leveraging increasing purchasing power leading to a flourishing personal care ingredient market. The personal care ingredients market in South East Asia is growing notably following an increase in expendable incomes and favourable demographic factors. For instance with a near quarter-of-a-billion-strong population, and a median age of less than 28, Indonesia, as Southeast Asia's most populous nation and its largest economy, is flourishing. The country's fast-growing middle class, swelling by an average of 7 million people per year since 2003, and increasing spending power are seeing consumers investing more in themselves. The Indonesian professional hair care market alone enjoys a CAGR of almost 10% since 2007. The Korean pop phenomenon is manifesting in striking hair styles and a hair colouring boom. Led by the fast growth of emollients, surfactants and conditioning polymers, the personal care ingredients market is poised to grow at over 7.7% per annum in South East Asia through 2017. (Source: Kline)

India: From soaps and shampoos in the morning to overnight repair face creams and from sunscreen products in summer to moisturising lotions in winter, personal care products touch our daily lives. The personal care products we use are in some measure the signature of our lifestyles and standards of living.

The sizeable Indian population offers the personal care industry a burgeoning middle-class and a variety of consumer products. Besides, a number of other factors (listed below) highlight the sector's potential:

- Increasing urbanisation
- More women in the urban work force
- Spread of organised retail to Tier-II cities
- Development of non-traditional segments like men's cosmetics (with products like hair gels and fairness creams)
- Development of a range of products at different price points

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. 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 in the Indian market.

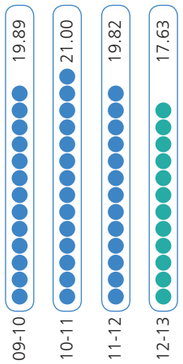
The Indian personal care industry typically uses specialty chemicals such as surfactants, fragrance compounds, polymer compounds and UV filters as active ingredients. The Indian personal care ingredients industry has taken rapid strides in the last few years, as more and more personal care products incorporate specialty ingredients in formulations.

Growing demand is leading to the development of high-end specialty active ingredients with a stronger emphasis on organic (natural) ingredients. 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.

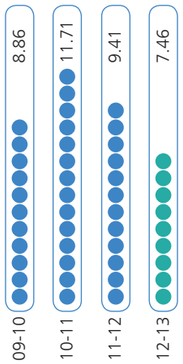
The Specialty Chemicals business is expected to grow at more than 20% annually, based on the following points of optimism:

- Ramp up of key order wins across the personal care segment with a list of prestigious clients.
- Fruition of initiatives to map product portfolio with areas of high growth for key customers.
- Some pipeline products which are almost at an approval stage.
- Entry into new high growth segments like fragrances and silicones which will add to the portfolio attractiveness.

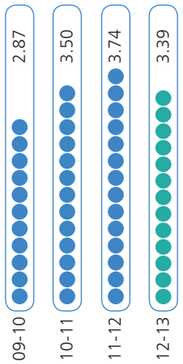
EBIDTA margin (%)



Net margin (%)



Interest cover (x)



Vivimed reported robust performance despite the non-conducive business environment prevailing across the globe, vindicating the effectiveness of its business development strategies.

1) Analysis of the Statement of Profit and Loss

Revenue

The Company's revenue excluding other operating income (net sales) grew by 65.91% from ₹6,683.14 million in 2011-12 to ₹11,087.96 million in 2012-13. The increase was primarily driven by the revenue contribution(for the full year) from the units acquired in 2011-12 – demonstrating the continuity of operations, in addition to the healthy revenue growth seen from the existing product portfolio. The contribution from the pharmaceutical business increased from 49.68% in 2011-12 to 66.60% in 2012-13.

Pharmaceutical business: Revenue from this business grew by 122.38% from ₹3,320.51 million in 2011-12 to ₹7,384.09 million in 2012-13. This substantial increase is due to the full year revenue consolidation of the acquired API units coupled with the organic growth in the existing business operations.

Specialty chemicals business: Revenue from the business grew by 10.15% from ₹3,362.63 million in 2011-12 to ₹3,703.87 million in 2012-13. This moderate growth was due to lower sales from a low margin product, offset to some extent by better sales from higher margin products. More importantly your Company believes that its efforts to map the product portfolio with customer requirements, market dynamics and, focus on emerging segments will ensure healthy growth returns to this business over the medium term.

Other operating income

Other operating income increased by 342.71% from ₹26.82 million in 2011-12 to ₹118.73 million in 2012-13. This was due to a significant increase in interest on fixed deposits, scrap sales and other non-core business income.

65.91 % Revenue from operation growth (₹ million)		48.61 % EBIDTA growth (₹ million)	
2011-12	2012-13	2011-12	2012-13
6,683.14	11,087.96	1,329.79	1,976.18

32.39 % Profit after tax growth (₹ million)		14.85 % Earnings per share (basic)growth (₹)	
2011-12	2012-13	2011-12	2012-13
631.36	835.84	45.31	52.04

Total cost

Total expenditure increased by 72.43% from ₹5,931. 81 million in 2011-12 to ₹10,227.93 million in 2012-13, largely driven by increased scale which necessitated the deployment of additional resources to manage operations. Persisting inflation increased material costs and adversely impacted business profitability.

Operating expenses: Operating expenses increased by 71.57%, which is attributed to the following factors:

- Increase in raw material costs due to inflation and currency fluctuation
- Increase in team size due to routine employment, addition of new teams consequent to acquisitions and the annual wage increases
- Invested meaningfully in adding to its middle and senior management teams and preparing for the growth curve ahead as it transforms into a sizeable industry player with a portfolio of high growth and high margin businesses -- pharmaceuticals and specialty chemicals
- Increase in the Company's power and fuel cost owing to the increasing power tariffs across India
- Increase in marketing and distribution-related expenses due to the efforts towards strengthening their footprint in India and across the globe

Financial expenses: The Company's interest liability increased by 44.28% from ₹283.75 million in 2011-12 to ₹409.32 million in 2012-13. This increase was due to an increase in the interest on term loans and ECBs. The average interest cost for the Company stood at about 7%, significantly below the PLR of Indian banks as a large portion of the debt portfolio comprised foreign currency debt. Interest coverage ratio declined from 3.74x in 2011-12 to 3.39x in 2012-13.

Non-cash expenses: The Company's provision for depreciation increased by 119.53% from ₹267.89 million in 2011-12 to ₹588.10 million in 2012-13. This was due to the provision for the full year for the units acquired in 2011-12. In addition, the Company's new units (API intermediate unit at Bidar and expansion of specialty chemicals at Bidar) have added to the current year's provisions.

Profits and profitability

EBIDTA grew by 48.61% from ₹1,329.79 million in 2011-12 to ₹1,976.18 million in 2012-13 – this growth was primarily due to the scaling up of business volumes and increasing acceptance of its niche products across geographies. EBIDTA margins however declined 219 bps from 19.82% in 2011-12 to 17.63% in 2012-13. Margins moderated due to product-specific issues in Specialty Chemical business and certain exceptional items and product mix changes in the Pharmaceuticals business.

The profit before tax increased to ₹978.76 million in 2012-13 from ₹778.15 million while net profit for the year increased by 32.39 % from ₹631.36 million in 2011-12 to ₹835.84 million in 2012-13.

Total cost

(₹ million)

	2011-12	% of total cost	2012-13	% of total cost
Operating expenses	5,380.17	90.70	9,230.51	90.25
Financial expenses	283.75	4.78	409.32	4.00
Non-cash expenses	267.89	4.52	588.11	5.75
Total	5,931. 81		10,227.93	

1.17	3.39 x	157 days	18.8 %	9.4 %
Debt-equity ratio (March 31, 2013)	Interest cover (2012-13)	Average working capital cycle (2012-13)	Return on networth (2012-13)	Return on capital employed (2012-13)

analysis of consolidated financial statements

2) Analysis of the Balance Sheet

Shareholders' funds

Shareholders' fund increased by 7.24% from ₹4,747.84 million as on March 31, 2012 to ₹5,091.44 million as on March 31, 2013.

The equity capital increased from ₹139.34 million as on March 31, 2012 to ₹160.61 million as on March 31, 2013. This increase was due to the conversion of 670,000 Compulsory Convertible Preference Shares (CCPS) into 21,26,984 Equity Shares on March 22, 2013.

The reserves and surplus balance grew by 30.30% from ₹3,275.38 million as on March 31, 2012 to ₹4,267.66 million as on March 31, 2013. This increase was largely due to an increase under the head securities premium account pursuant to conversion of preference shares into equity at a premium and an increase in general reserve and business surplus accounts due to a ploughback of the annual profit. As a result, the book value per share climbed from ₹246.76 as on March 31, 2012 to ₹277.20 as on March 31, 2013.

Non-current liabilities

The balance under this head increased by 24.66% from ₹3,607.28 million as on March 31, 2012 to ₹4,496.81 million as on March 31, 2013 primarily due to a increase in other long-term liabilities during the year under review.

Long-term liabilities: The balance under this head increased by 15.07% from ₹2,580.29 million as on March 31, 2012 to ₹2,969.20 million as on March 31, 2013.

Other long-term liabilities: The balance under this head grew by 52.05 % over the previous year. This increase was largely due to a huge increase in deferred payment liability.

Current liabilities

The current liabilities balance increased by 31.71% from ₹4,636.89 million as on March 31, 2012 to ₹6,107.30 million as on March 31, 2013. This increase was due to a significant growth in other current liabilities within this reporting period.

Short-term borrowings: The balance increased to ₹3,011.27 million as on March 31, 2013 from ₹2,328.23 million as on March 31, 2012. The increase was due to the increased working capital investments needed to meet the growing business operations.

Trade payables: The trade payables balance increased from ₹1,568.63 million as on March 31, 2012 to ₹1,662.79 million as on March 31, 2013 primarily due to an increase in outstanding to creditors for supplies.

Other current liabilities: The balance under this head increased primarily due to the increase in the balance under the head current maturities of long-term liabilities which refers to long-term loans payable in the next 12 months. This balance stood at ₹672.66 million as on March 31, 2013 against ₹200.70 million as on March 31, 2012.

Non-current assets

The non-current asset balance grew by 15.70% from ₹6,520.66 million as on March 31, 2012 to ₹7,544.70 crore as on March 31, 2013. This increase was primarily due to the increase in tangible fixed assets and capital work-in-progress.

Tangible assets: The 17.03% increase in tangible asset balance as on March 31, 2013 over the previous year was largely due to the following reasons:

- Acquisition of Finoso in progress which is a formulation R&D company
- Commissioning of the API intermediate facility at Bidar
- Capacity augmentation of the Speciality Chemical business
- Additional land acquired at the Bidar facility for growing Speciality Chemical capacity
- Capacity additions and work flow re-engineering investments in the API business.
- Routine capital expenditure at the existing facilities

The returns from these investments are expected to accrue over the medium term improving business and profitability margins.

Capital work-in-progress: It represents the amount invested in projects which are to be commissioned. The balance under this head increased by 221.67% from ₹83.68 million as on March 31, 2012 to ₹269.18 million. It largely includes the investments in the SEZ project which are likely to be commissioned over the coming years.

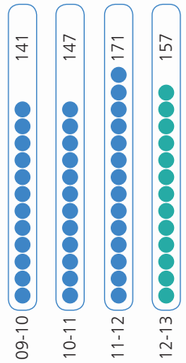
Current assets

The balance under current assets grew by 25.95% from ₹6,471.36 million as on March 31, 2012 to ₹8,150.87 million as on March 31, 2013. This was largely due to an increase in business operations which heightened the working capital requirement.

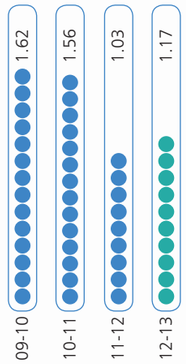
Inventory: At ₹3,402.63 million, inventory as on March 31, 2013 was 37.27% higher than the previous year balance. This increase was largely due to a substantial increase in the raw material inventory balance which comprised 43.01% of the closing inventory balance as on March 31, 2013.

Trade receivables: The trade receivables balance grew by 39.09% from ₹2,216.08 million as on March 31, 2012 to ₹3,082.25 million as on March 31, 2013. Debtors for more than six months accounted for 5.77% of the total receivables balance showcasing the strength in outstanding receivables.

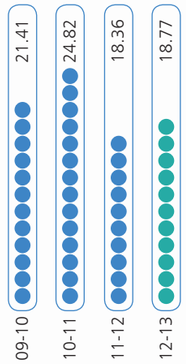
Working capital cycle (days)



Debt-equity ratio (X)



Return on networth (%)



mitigating business risks

Risk is the face of business uncertainty, affecting corporate performance and prospects. At Vivimed, we understand the impact of industry uncertainty and their possible outcomes. We leverage this deep knowledge to undertake proactive counter-measures that strengthen our viability across verticals, products, geographies and market cycles.

"Don't be too timid and squeamish about your actions. All life is an experiment. The more experiments you make, the better."
– Ralph Waldo Emerson

01 The global and Indian economic slowdown could impact Vivimed's product offtake.

Risk mitigation: The Company is present in two business verticals – pharmaceuticals and specialty chemicals – which remain largely unaffected by an economic slowdown.

The pharmaceutical business has consistently grown in India and across the globe in every single year across the last decade despite economic upheavals.

The specialty chemical business is spread evenly across the developed and developing economies. This wide presence provides adequate de-risking against a reduced offtake from any particular geography.

02 Vivimed may not be able to sustain its growth momentum.

Risk mitigation: While the growth percentage could be lesser than the historic average, the absolute growth numbers will continue to be larger than those of the previous years due to a dynamic business plan being in place that encompasses sustained volume increase, continuous innovation towards a sales-mix skewed in favour of the value-added products and enhanced operational efficiencies. With these advantages, the Company will aspire to outperform the average industry growth.

03 Vivimed's products may lose favour with clients.

Risk mitigation: An in-depth knowledge of chemistry has been at the core of the Company's success over the years. The Company's continued investment in R&D initiatives has enabled it to create niche and relevant products reflected in its steady business growth.

In the pharmaceutical business, the Company's recent R&D investments – creating an R&D unit in India to support the global innovation efforts of its APIs business and acquisition of a R&D company for formulation development – will ensure that the Company continues to develop niche products.

In the specialty chemical business, flexible infrastructure enabled it to convert a decline in the OMC business with two new products which secured heartening business volumes. Besides, being adjudged as the strategic partner for three large consumer MNCs highlights Vivimed's innovation capabilities.

04 Vivimed could be impacted by foreign currency fluctuations.

Risk mitigation: The Company has foreign currency loans on its books. Given about 70% of the Company's revenues accruing from exports, it acts as a natural hedge against any fluctuation in the foreign currency.

05 Vivimed may not be able to market the additional volumes generated from its new assets.

Risk mitigation: Vivimed works with large global corporates for both businesses where forging long-term business relations is the key success ingredient. For this specific reason – products need to be of high quality, and hence the approval process is lengthy and the switch-over cost is substantial.

However, the Company performed relatively well in this regard. It did not just maintain existing relations but expanded business by acquiring a larger share of the customer's wallet. In addition, the Company undertook a number of strategic initiatives to market the proposed additional volumes.

Pharmaceutical business: The Company secured regulatory approvals from regulated markets (both in the US and Europe) and tied up with large distributors in these geographies which will allow it to market its products. The Company also established a meaningful presence in Latin America, Africa and Asia which is expected to generate growing volumes.

Specialty chemicals: The Company is developing niche products. Its credentials as a reliable partner for global MNCs helped it entice other large regional players, which is expected to grow the demand for its products.

06 Vivimed's aspirations may be impacted by the lack of operational capacities.

Risk mitigation: Over the last three years, Vivimed invested consistently in increasing capacities for both businesses. Vivimed believes that at this point it has ample capacity across its manufacturing assets and, the focus will now be on driving greater asset utilisation over a more profitable product portfolio.

In the pharmaceutical business, the Company acquired units in India and across the world, followed with organic initiatives to set up an intermediate and API facilities. This was complemented by the acquisition of a US FDA approved formulations unit, consummated after the end of last financial year.

In the specialty chemicals business, the Company expanded operational capabilities at its Bidar facility to accommodate seven to eight new products.

07 Vivimed has significant debt on its financial statements which could be detrimental to its growth.

Risk mitigation: Vivimed's debt increased over the last two years due to various organic and inorganic initiatives which have now translated into adequate capacities, larger product portfolio and a wider customer list. The management is now focused on maximising returns from these assets with minimal additional investment, which will augment margins and cash generation. Starting 2013-14, the Company is expected to reduce debt, in a sustainable and gradual manner backed by the success it hopes to see in its efforts to increase asset utilisation, optimise working capital intensity and, improving business profitability.

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

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 social responsibility

Board of Directors

Mr. Santosh Varalwar *CEO & Managing Director*

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*

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*

Audit Committee

Mr. P.V. Rathnam *Chairman*

Dr. M. Bhagvanth Rao *Member*

Mr. Srinivas Chidambaram *Member*

Investors Grievance Committee

Mr. P.V. Rathnam *Chairman*

Mr. Santosh Varalwar *Member*

Dr. V. Manohar Rao *Member*

Remuneration Committee

Dr. M. Bhagvanth Rao *Chairman*

Mr. Subhash Varalwar *Member*

Mr. Sandeep Varalwar *Member*

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. Yugandhar Kopparthi

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 Accountants
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@aarthiconultants.com

Listing

Bombay Stock Exchange Limited

National Stock Exchange of India Limited

Bankers

State Bank of Hyderabad

State Bank of India

Axis Bank

Exim Bank
Bank of Bahrain & Kuwait B.S.C.
HDFC Bank
IFC

corporate information

director's report

To the Members,

Your Directors are pleased to present their Twenty Fifth Annual Report on business and operations of the Company and the accounts for the financial year ended March 31, 2013.

The year in retrospect

The consolidated net revenues of the Company during 2012-13 grew by 65.91% at ₹11,087.96 million as compared to ₹6,683.14 million last year. The Company has achieved a standalone net revenue of ₹4,231.25 million during the year under review, as compared with ₹3,829.00 million during the previous year, a rise of 10.51%.

Consolidated profit before tax increased to ₹978.76 million, as compared with ₹778.21 million in the previous year, an increase of 25.77% over the last year. Stand alone profit before tax increased from ₹513.40 million to ₹513.81 million an increase of 0.08% over last year.

Consolidated profit after tax increased to ₹835.84 million as compared with ₹631.42 million in the previous year, an increase of 32.37% over the last year. The Company recorded a Stand alone profit after tax of ₹367.36 million, a Decrease 9.10% as compared with last year's ₹404.15 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:

₹ in million

Particulars	Stand alone			Consolidated		
	Year ended 31.03.2013	Year ended 31.03.2012	Change in %	Year ended 31.03.2013	Year ended 31.03.2012	Change in %
Revenue from Operations	4,231.25	3,829.00	10.51%	11,087.96	6,683.14	65.91%
Other Income	33.79	4.20	706.52%	118.74	26.82	342.71%
Change in Inventory	(75.53)	(15.68)	381.92%	(241.59)	(183.53)	31.63%
Total Income	4,189.51	3,817.52	9.74%	10,965.10	6,526.43	68.01%
Total operating expenditure	3,370.32	3,004.63	10.85%	9,472.10	5,563.69	70.25%
Operating Profit (EBIDTA)	970.26	844.26	14.92%	1,976.19	1,329.80	48.61%
Finance Cost	284.38	225.35	26.19%	409.32	283.70	44.28%
Depreciation and Amortisation	172.07	105.51	63.08%	588.11	267.89	119.53%
Profit Before Tax	513.81	513.40	0.08%	978.76	778.21	25.77%
Current Tax	102.53	102.72	(0.19)%	183.01	158.90	15.17%
Deferred Tax	103.24	6.54	1479.62%	19.22	(12.11)	(258.73)%
Profit After Tax	367.36	404.14	(9.10)%	835.84	631.42	32.38%
Basic EPS	22.87	29.00	(21.14)%	52.04	45.31	14.85%
Diluted EPS	22.87	25.16	(9.10)%	52.04	39.31	32.38%

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, 2013 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, 2013, approved the Audited Consolidated Financial Statements for the financial year 2012-13 in accordance with the Accounting Standard-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, which forms part of this report.

Changes in Share Capital

During the year, the Issued, Subscribed and Paid up Equity Capital has increased from ₹139.0 million to ₹160.6 million due to allotment of Equity Shares against Conversion of CCPS. The Authorised Share Capital of the Company Stands at ₹1110.0 million.

Dividend

The Company paid a pro rata Interim dividend @ 3.50% p.a. on fully paid Compulsorily Convertible and Cumulative Preference Shares (CCPS's) of ₹1,000 each which were converted into Equity Shares on 22nd March 2013.

The Board recommended a dividend of ₹3/- on fully paid equity shares of ₹10 each for the FY 2012-13 for your approval.

The dividend if approved, shall be payable to the shareholders registered in the books of the Company to those Members, holding shares in physical form,whose names shall appear on the Company's Register of Members on close of business hours on Wednesday, September 25, 2013; in respect of the shares held in dematerialised form, the dividend will be paid to the Members whose names are furnished by the National Securities Depository Limited and the Central Depository Services (India) Limited as the beneficial owners as at the close of business hours on Wednesday, September 25, 2013 (the book closure from 26th September, 2013 to 30th September, 2013 (both days inclusive).

Directors

In accordance with the Company's Articles of Association, read with Sections 255, 256 and 262 of the Companies Act, 1956, Mr. Nixon Patel and Mr. M. Bhagvanth Rao are retiring at the ensuing Annual General Meeting. Mr. Nixon Patel and Mr. M. Bhagvanth Rao, being eligible, offer themselves for re-appointment.

Mr. C. Ramakrishna and Mr. R. K. Dhar resigned during the year The Board places on record its sincere appreciation of the services rendered by Mr. C. Ramakrishna and Mr. R. K. Dhar during their tenure of directorship. The Board of Directors appointed Dr. V. Peesapati as an Additional Director effective from May 22, 2013.

Subsidiary Companies

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, 2013. However if any member of the Company or its subsidiaries so desires, 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, 2013 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.

Acquisition & Relevant Date

Acquisition of Finoso Pharma Pvt. Ltd. is in process. However, the Company in its EGM conducted on 12th March, 2013 had mentioned relevant date as 11th February,2013 However as per the instructions/advise of stock exchanges (BSE & NSE) the Company has changed the relevant date as 8th February, 2013 for calculation of minimum price of Equity shares to be issued to the share holders of Finoso Pharma Pvt Ltd.

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 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 is not being furnished with the Directors Report.

Human Resource

Our Company believes that competent human resources are the driving force for any organisation that enables a Company to grow in leaps and bounds. The Company has been able to create a favourable work environment that encourages continuous learning and thereby leading to innovation. 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 recognises the value of the committed workers and efforts are being made to enhance the bonding between the Company and the committed employees.

Risk Management

Our Company views risk management as a value creating function, responsible for bringing about a culture change and preparing the organisation to face uncertain events. With this perspective, FY 2013 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 visualise enterprise, process and compliance risks, and to proactively undertake mitigation actions to minimise such risks – and thus increase the likelihood of business success. The policy recognises 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 authorisation guidelines to commensurate with the size of the organisation, 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 P. Murali & Co., 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 pursuance of Section 233B of the Companies Act, 1956 the Central Government has ordered Cost Audit for pharma sector Accordingly, M/s Bharthula & Associates, Cost Accountants were appointed as Cost Auditors to render reports to the Central Government. The Reports for the year 2011-12 were duly submitted on and for the year 2012-13 the reports will be submitted on or before the due date.

Fixed Deposits

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

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 of the Directors Report. The General Shareholders Information has been provided as Annexure 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 entirely 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 Company has blended aggression with stability. We would like to assure shareholders that investments in projects, products and markets will reinforce our competitive position. Vivimed's strategic blueprint will unfold in a phased manner and as it does, it is confident of enhancing shareholdervalue on a sustained basis over the medium to long-term.

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 judgements 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 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 : 06.09.2013
Place : Hyderabad

Dr. V. Manohar Rao
Director

Santosh Varalwar
Managing Director & CEO

annexure A to directors report

Conservation of energy

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

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 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 bill by ₹ 0.50 million.

At Bidar Plant

At Bidar plant we have 4 Nos of Thermic fluid Boiler catering to TCS and OMC Plants. The configuration of those is as below.

2 Nos of 4 lac kcal capacity run on diesel.

1 No of 5 lac kcal capacity run on coal.

1 No of 6 lac kcal capacity run on diesel.

As a part of the Energy Saving and Natural Resource conservations we have stopped 2 nos of 4 lack 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 had resulted in the below tangible results.

Energy savings : 75168 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.

Form A

Form for disclosure of particulars with respect to conservation of energy

A. Power and fuel consumption

1. Electricity

Particulars	Year ended 31.03.2013	Year ended 31.03.2012
1. Electricity		
(a) Purchased		
Units (million Kwh)	10.89	12.18
Total amount (₹ million)	74.92	61.74
Rate/unit (₹)	6.58	5.04
(b) Own generation		
(i) Through diesel		
Units (million Kwh)	3.00	1.89
Units (million Liters)	0.91	0.53
Cost per Unit (₹)	13.82	11.24
Cost per Unit of diesel (₹)	48.37	42.16
2. Coal (specify quality and where used) C/D grade coal used as fuel for 3TPH & 5TPH capacity coal fired boilers and coal fired thernic fluid heaters		
Quantity (MT)	0.01	9.33
Total cost (₹ million)	61.34	43.38
Average rate Per tonne (₹)	5475.00	4796.20

Form B

Form for disclosure of particulars with respect to technology absorption

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

The company remained focused in its discovery & new technology development; through a rapid supplementation of the earlier knowledge base with newer & more advanced technologies, which also include analytical and trace impurity profiling.

Benefits derived as a result of the R&D:

With a leap taken by the Company in areas of performance chemicals & cosmetic actives, the direct benefits 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 attrition due to a novel pipeline.

(iv) Cost and time cutting for our international clients.

(v) Novelty induction in the areas of beauty & body care.

Future plan of action:

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

(i) Integrative organic synthesis.

(ii) Biological activity and screening.

Technology Absorption, Adaptation and Innovation

Efforts made towards technology absorption, adaptation, and innovation:

Four extremely critical areas of technology have been absorbed with complete success and adapted to the Indian scene & the European point of view regarding product acceptability & process robustness.

They are:

(i) Complex hair colorants.

(ii) Black & White photographics.

(iii) Photochromics

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

The innovation pipelines in the Company are stream lined till the year 2012.

Benefits derived as a result of above efforts:

Apart from entering into a complex chemical technology area which has resulted in a large basket of products, that can be offered to the customers, the technology integration has also directly resulted in cost reduction and product profile improvement.

The Research & development wing of the Company is fully geared up for integrating the proper IP with imaginative thinking and new product and concept launches.

C. Foreign Exchange Earnings / Inflow and Outgo

Particulars	Nature of Currency	Year 2012-2013		Year 2011-12	
		Amount in Foreign Currency (Million)	₹ In Million	Amount in Foreign Currency (Million)	₹ In Million
INFLOW					
On Export of Goods	USD EURO	24.58 13.62	1337.30 947.50	20.89 7.92	1068.65 538.63
FCTL-EXIM Bank	USD	-	-	7.50	383.67
FCCB-International Finance Corporation	USD	-	-	7.50	333.50
Equity –Kitara PIIN-1102	USD	-	-	13.00	598.45
International Finance Corporation- ECB	USD	12.50	679.86	-	-
State Bank of India -ECB	USD	5.00	271.94	-	-
OUT FLOW					
Raw Materials	USD EURO	10.99 00.65	598.10 45.43	7.57 0.68	378.40 46.29
Capital Goods	USD	-	-	0.02	0.76
Travelling	GBP USD EURO	0.0006 0.0300 0.0500	0.05 1.39 3.50	0.03 0.06 0.02	2.61 3.59 1.29
Foreign Company Renewal Fee	HKD	-	-	0.01	0.08
Foreign Currency Term Loan	USD	0.3400	9.46	5.13	256.43
Investment in Vivimed Labs Mauritius	USD	-	-	9.00	460.41
Other (Analytical Charges, Subscriptions for Journals, Legal Opinion Charges, etc)	GBP	-	-	0.01	0.54
Expenses in relation to overseas Acquisitions	USD	-	-	1.99	101.88

corporate governance report

for the year 2012-13

(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 fulfil its obligations to customers, employees, financiers and to the Society at large. The Company emphasises 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 and 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 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, *Whole Time Director*

Dr. V. Manohar Rao aged 76 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 Andhra Pradesh Government Enterprises.

He conceptualised 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 manufacturing of Liquid Orals, Tablets, Capsules, Ointments etc.

Mr. Santosh Varalwar – *Managing Director and CEO*

Mr. Santosh Varalwar aged 52 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. Vivimed Labs Limited was listed on BSE/NSE in the year 2005 & the public issue was all time success having been oversubscribed 40 times. Since then, he steered the Company to various successful milestones and aptly merged VVS Pharmaceuticals in the year to consolidate and create a global entity. Under his leadership the Company went ahead to acquire two overseas companies namely James Robinson Limited (now Vivimed Labs Europe Limited) in UK, Har-Met International Limited, Uquifa, Spain and Uquifa, Mexico.

Mr. Subhash Varalwar: *Whole Time Director*

Mr. Subhash Varalwar, aged 65 years is a Post Graduate in Chemical Engineering and a Management Graduate from Leeds University, U.K. After his post graduation he joined The Fertiliser 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 fertiliser 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, *Whole Time Director*

Mr. Sandeep Varalwar, aged 44 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 is appointed as a whole time Director on the Board of Vivimed Labs Limited.

Mr. S. Raghunandan

Mr. S. Raghunandan aged 53 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- Operations. His association with the Company is now of more than 20 years.

Mr. P.V. Rathnam

Mr. P.V. Rathnam aged 70 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., fertilisers, 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 69 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 etc.

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 position 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 etc.

Dr. Peesapati Venkateswarlu

Dr. P. Venkateswarlu aged 70 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 52 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 5 businesses from startup to millions of US$ in annual sales, developed in a short span of 20 years. His businesses are spread across the globe in the fields of Information Technology, Telecom, Pharmaceutical and Renewable energy industries. 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 47 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 US$600 million under management. Mr. Chidambaram joined JBC in 2005. He has 24 years of financial services and industry experience, including 16 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.

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 10 (Ten) members of which 5 (Five) are Executive Non- Independent Directors, 1 (one) is nominee and Non-Independent Director and 4 (Four) 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 11 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 2012-2013	Whether attended AGM held on September 27, 2013	No. of Directorship in other Public Companies*		No. of Committee Position held in other Public Companies**	
				Chairman	Member	Chairman	Member
Dr. V. Manohar Rao	Executive and Not Independent	4	Yes	Nil	Nil	Nil	Nil
Mr. Santosh Varalwar	Executive and Not Independent	5	Yes	Nil	Nil	Nil	Nil
Mr. Subhash Varalwar	Executive and Not Independent	5	No	Nil	Nil	Nil	Nil
Mr. Sandeep Varalwar	Executive and Not Independent	5	Yes	Nil	Nil	Nil	Nil
Dr. M. Bhagvanth Rao	Independent	5	No	Nil	Nil	Nil	Nil
Mr. P.V. Rathnam	Independent	5	Yes	Nil	Nil	Nil	Nil
Mr. S. Raghunandan	Executive and Not Independent	4	No	Nil	Nil	Nil	Nil
Dr. Peesapati Venkateswarlu	Independent	1	No	Nil	Nil	Nil	Nil
Mr. Nixon Patel	Independent	0	No	Nil	Nil	Nil	Nil
Mr. Srinivas Chidambaram	Nominee & Non Independent	2	No	Nil	3	Nil	4

* Excludes Directorships in associations, private, foreign and Section 25 companies.

** Represents Chairmanships/Memberships of Audit Committee and Shareholders'/Investors' Grievance Committee.

Mr. R. K. Dhar and Mr. C. Rama Krishna resigned from director ship during the financial year.

Five Board Meetings were held during the year 2012-13 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held were as follows: 30-05-2012, 13-08-2012, 12-11-2012, 07-01-2013, 13-02-2013

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 :

1. Annual operating plans and budgets and any updates.

2. Capital budgets and any updates.

3. Quarterly results for the Company and its operating divisions or business segments.

4. Minutes of meetings of audit committee and other committees of the board.

5. The information on recruitment and remuneration of senior officers just below the board level, including appointment or removal of Chief Financial Officer and the Company Secretary.

6. Show cause, demand, prosecution notices and penalty notices, which are materially important

7. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.

8. Any material default in financial obligations to and by the Company, or substantial nonpayment for goods sold by the Company.

9. Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.

11. Details of any joint venture or collaboration agreement.

11. Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.

12. Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.

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

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

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

■ Apart from above the following 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 2012-2013, the Company did not have any material pecuniary relationship transaction with Non- Executive Directors and Independent Directors.

3. Audit Committee

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

1. Recommendation to Board on appointment/ reappointment and replacement or removal of the Statutory Auditors and fixation of their remuneration.

2. Approval of payment to Statutory Auditors for any other services rendered by Statutory Auditors.

3. Reviewing with management, Audited Financial Statement before submission to Board for approval with particular reference to :

- Matters required to be included in Director's Responsibility Statement in Director's Report in terms of sub-section (2AA) of Section 217 of the Companies Act, 1956.
- Changes, if any, in accounting policies and practices and reasons for the same.
- Major accounting entries involving estimates based on exercise of judgment by management.
- Significant adjustments made in financial statements arising our 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, including structure of internal audit department, staffing and seniority of officials heading the department, reporting structure, coverage and frequency of internal audit.

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

8. Reviewing the findings of any internal investigations by Internal Auditors into matters where there is suspected fraud or

irregularity or a failure of internal control systems of a material nature and reporting the matter to Board.

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

10. Carrying our such other functions as may be specifically referred by the Board of Directors and/or other committees of Directors of the Company.

11. To review following :

- Management Discussion and Analysis of financial condition and the result of operations;
- Statement of significant related party transactions (as defined by Audit Committee);
- Management letters/letters of internal control weaknesses issued by Statutory Auditors;
- Internal Audit Reports relating to internal control weaknesses; and
- Appointment, removal and terms of remuneration of Internal Auditors.

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

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

Mr. P.V. Rathnam Chairman of the Audit Committee was present at the Annual General Meeting held on September 27, 2012

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 2012-2013
Mr. P.V. Rathnam	Independent Non Executive	5
Dr. M. Bhagvanth Rao	Independent Non Executive	5
Mr. Srinivas Chidambaram	Nominee Non Independent	2

Five Audit Committee Meetings were held during 2012-2013. The dates on which the said meetings were held were as follows: 29-5-2012, 13-08-2012, 12-11-2012, 07-01-2013, 13-02-2013.

The necessary quorum was present at the meetings.

4. Remuneration Committee

The Company has constituted as 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) Finalise 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

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 2012-2013

Non Executive Directors:

Name of Director	Sitting Fees (In ₹)
Dr. M. Bhagvanth Rao	130000
Mr. P.V. Rathnam	130000
Dr. Peesapati Venkateswarlu	5000
Mr. Chunduri Ramakrishna	35000

Managing and Whole-time Directors

Name	Salary (₹ in million)
Mr. Santosh Varalwar	11.50
Dr. V. Manohar Rao	10.00
Mr. Subhash Varalwar	10.00
Mr. Sandeep Varalwar	10.50
Mr. R. K Dhar	2.39
Mr. S. Raghunandan	5.00

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 2012-2013

The total number of complaints/correspondence received and replied to the satisfaction of the shareholders during the 12 months period ended on March 31, 2013 were 2. There were no outstanding complaints as on March 31, 2013. No Shares were pending transfer as on March 31, 2013.

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

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

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

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

8. General Body Meetings and postal ballots

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

Year	Location	Date	Time
2011-2012	Plot No. 78/A, Kolhar Industrial Area, Bidar, Karnataka	27.09.2012	11.30A.M
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.

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
27.09.2012	Two	1. To issue equity shares to the employees of the Company under the Employees Stock Option Scheme of the Company. 2. To issue equity shares to the employees of the subsidiaries of the Company under the Employees Stock Option Scheme of the Company.
30.09.2011	One	Payment of remuneration to Non Executive Directors of the Company by way of Commission.
18.09.2010	Ten	1. Appointment of Mr. Nixon Patel as director of the Company. 2. Appointment of Mr. Santosh Varalwar as Managing Director and CEO of the Company. 3. Appointment of Dr. V Manohar Varalwar as chairman and whole time director of the Company. 4. Appointment of Subhash Varalwar as Wise chairmen and Whole time Director. 5. Appointment of Mr. Sandeep Varalwar as Whole Time director. 6. Appointment of Dr. R.K. Dhar as Whole Time Director. 7. Appointment of Mr. S. Raghunandan as Whole Time Director of the Company. 8. To issue equity shares to the employees of the Company under the Employees Stock Option Scheme of the Company. 9. To issue equity shares to the employees of the subsidiaries of the Company under the Employees Stock Option Scheme of the Company. 10. To amend article 101 of the Articles of Association so as to increase the maximum number of Directors to 18.

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
12.03.2013	One	1) Further Issue of Equity Shares .
31.01.2013	One	1) Appointment of Auditors to fill the Casual Vacancy.

9. Other Directorships of Directors seeking appointment/re-appointment.

Mr.NIXON PATEL :

Name Of The Company	Chairman / Director Ship	Committee	Chairman/
Member			
Yantra Green Power Pvt Ltd	Director	-	-
Yantra Software Pvt Ltd	Director	-	-
Bhaasikaa Software Pvt Ltd	Director	-	-
Atri Pharma Research (India) Pvt Ltd	Director	-	-
Yantra E Solarindia Private Limited	Director	-	-
Takshila Institute Of Renewable Energy (P) Ltd	Director	-	-

Mr. Bhagvanth Rao

Name Of The Company	Chairman / Director ship	Committee	Chairman/
Nil	Nil	Nil	Nil

Dr. V. Peesapati.

Name Of The Company	Chairman / Director ship	Committee	Chairman/
Nil	Nil	Nil	Nil

10. Disclosures

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

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

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

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

11. 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.

12. Means of Communication

Results

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

ii) Quarterly, half yearly and yearly 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 after duly complying with the provisions of listing agreement.

Website

Company's website www.vivimedlabs.con 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, 2013 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, 2013, 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/-

Place: Hyderabad
Date: 06.09.2013

P.Murali Mohana Rao
Partner

Declaration from the Managing Director in Terms of Clause 49(1)(d)(iii) 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, 2013 Compliance with Code of Conduct of the Company laid down for them.

Sd/-

Place: Hyderabad
Date: 06.09.2013

Santosh Varalwar
Managing Director and CEO

Annexure 'C' 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 – **30th September, 2013** at 11.30 A.M.
78/A, Kolhar Industrial Area, Bidar

As required under Clause 49 IV(G)(i), particulars of Directors seeking appointment/reappointment are given in the Explanatory Statement to the Notice of the Annual General Meeting to be held on 30th September, 2013.

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 2013-2014 (Tentative)

Results for the quarter ending on June 30, 2013	- Second Week of August, 2013
Results for the quarter ending on September 30, 2013	- Second Week of November, 2013
Results for the quarter ending on December 31, 2013	- Second Week of February, 2013
Results for the quarter ending on March 31, 2014	- last Week of May, 2014
Annual General Meeting for the year ended on March 31, 2014	- Before end of September, 2014
Date of Book Closure	- 26th September, 2013 – 30th September, 2013 (Both Days Inclusive)
Dividend Payment Date	- On or after 1st October 2013

Listing on Stock Exchanges

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 2013-2014.

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

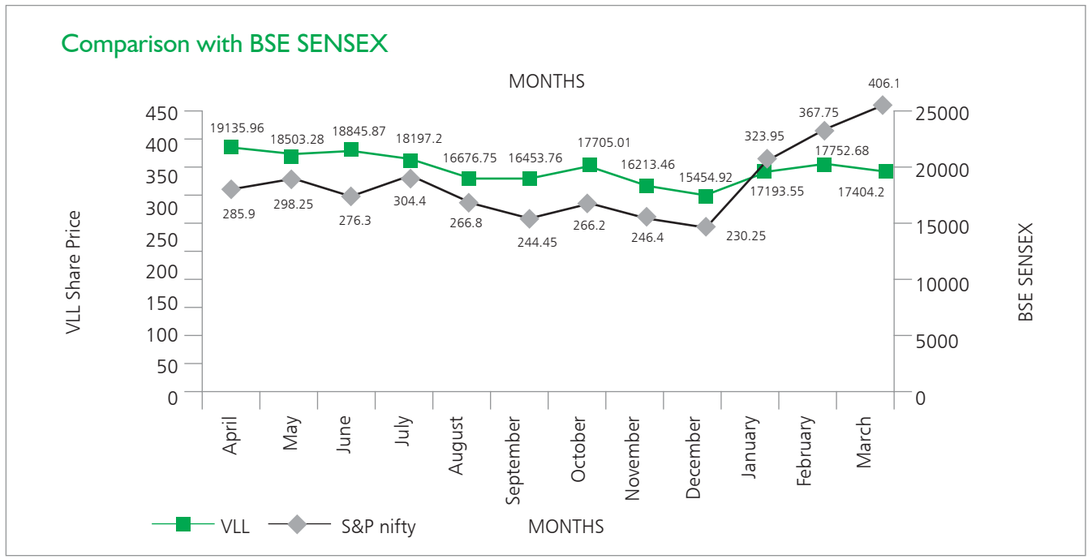
Stock Exchange	Stock Code/ Symbol	ISIN
Bombay Stock Exchange Limited	532660	INE526G01013
National Stock Exchange of India Ltd.	VIVIMEDLAB	INE526G01013

Market Information

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

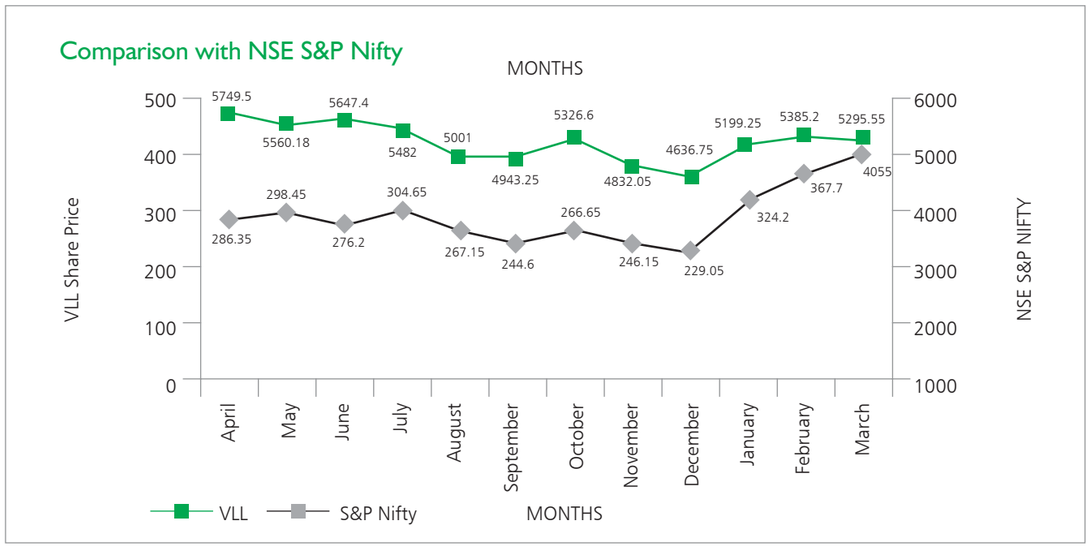
Bombay Stock Exchange Limited

Months	high	low	spread	closing	volume	BSE sensex(closing)
April	444.00	405.15	38.85	430.90	5,90,162	17318.81
May	434.70	376.05	58.65	405.55	4,69,181	16218.53
June	414.80	383.20	31.60	390.00	3,01,841	17429.98
July	399.90	362.95	36.95	389.15	2,31,706	17236.18
August	392.45	363.25	29.20	368.55	3,80,772	17429.56
September	403.65	349.00	54.65	361.70	5,84,691	18762.74
October	365.90	330.10	35.80	335.80	3,72,656	18505.38
November	356.50	325.05	31.00	344.15	4,03,972	19339.9
December	361.00	327.00	34.00	340.85	3,55,576	19426.71
January	356.00	324.00	32.00	337.35	3,93,956	19894.98
February	340.40	254.90	85.50	278.45	3,80,428	18861.54
March	315.00	271.60	43.40	280.20	5,31,936	18835.77



National Stock Exchange of India Limited

Months	high	low	spread	closing	volume	NIFTY
April	444.95	405.00	39.95	429.55	722080	5248.15
May	434.70	380.00	54.70	404.35	580978	4924.25
June	414.90	385.00	29.90	389.90	378540	5278.9
July	406.00	384.00	22.00	389.10	320981	5229
August	392.95	363.00	29.95	367.45	494724	5258.5
September	403.50	346.95	56.55	362.30	1076581	5703.3
October	365.50	332.25	33.25	336.20	473757	5619.7
November	359.95	325.45	34.50	343.65	567110	5879.85
December	359.85	328.60	31.25	340.50	481680	5905.1
January	356.85	331.50	25.35	336.90	455510	6034.75
February	340.90	253.00	87.90	278.85	516630	5693.05
March	314.90	271.40	43.50	280.80	606870	5682.55



Distribution of Shareholding as on 31.03.2013

Shareholding of Nominal Value (In ₹)	Number of Shareholders	Percentage of Total	Number of Shares held of (₹10 Each)	Percentage
1 - 5000	7747	91.45	716407	4.46
5001 - 11000	295	3.48	241477	1.5
11001 - 20000	158	1.87	248170	1.55
20001 - 30000	60	0.71	154037	0.96
30001 - 40000	34	0.40	123977	0.77
40001 - 50000	31	0.37	144729	0.9
50001 - 100000	48	0.57	345770	2.15
100001 & Above	90	1.16	14086359	87.71
TOTAL :	8463	100	16060926	100

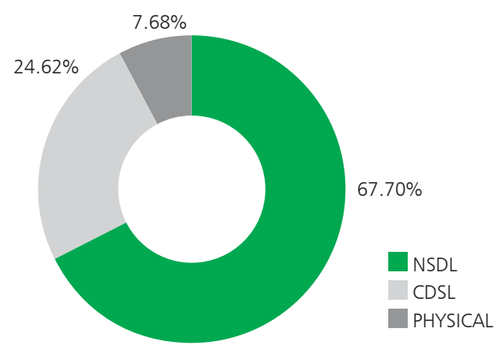
Categories of Shareholders as on 31.03.2013

Category	No. of Shares held	Percentage
Promoter & Promoter Group	6378790	39.72
Financial Institutions/Banks/Central Govt/State Govt	43215	0.28
Foreign Institutional Investors /Foreign Companies.	4413121	27.48
Bodies Corporate	1394727	8.69
Indian Public	2929550	18.24
Clearing Members	8576	0.05
NRI and Foreign Nationals	892947	5.57
TOTAL	16060926	100

Dematerialisation 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 dematerialised form. For the purpose of holding equity shares of the Company in dematerialised 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 INE526G01013.

The annual Custodial charges to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited for the financial year 2013-14 has been paid.



Dividend Payment History of the Company

Financial Year	Rate of Dividend
2011-2012	30%
2010-2011	20%
2009-10	15%

Address for Correspondence

Corporate Office

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

Plant Location

Specialty Chemicals Division

1. 78/A, Kolhar Industrial Area, Bidar – 585403 , State - Karnataka

2. Survey No. 202, 207/A, 207/E & 207/AA, Bonthapally Village, Narsapur Mandal, Medak District – 502313 , State – Andhra Pradesh

Pharma Division

1. D 125 & 128 , Phase III, Jedimetla Industrial Estate, Hyderabad – 500055, State – Andhra Pradesh

2. Plot No. 25, Kundeshwari Village, Kashipur, Udham Singh Nagar – 244713, State – Uttaranchal

3. D-9, Industrial Area, Haridwar – 249401, State – Uttaranchal

CHIEF EXECUTIVE OFFICER (CEO) CERTIFICATION

I have reviewed the financial statements, read with the cash flow statement of Vivimed Labs Limited for the year ended March 31, 2013 and that to the best of my knowledge and belief, I state that:

a) (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.

(ii)) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b) These are, to the best of my knowledge and belief, no transaction entered into by the Company during the year which are fraudulent, illegal or in violation of the Company's Code of Conduct.

c) I accept responsibility for establishing and maintaining internal controls for financial reporting. I have evaluating the effectiveness of internal control systems of the Company and have disclosed to the auditors and audit committee deficiencies in the design or operation of internal control, if any, and steps taken or proposed to be taken for rectifying these deficiencies.

d) I have indicated to the auditors and audit committee:

(i) There are no significant changes in internal control over financial reporting during the year;

(ii) Significant changes in accounting policies made during the year and that the same haven disclosed suitably in the notes to the financial statements; and

(iii) There are no instances of fraud involving the management or an employee.

BY ORDER OF THE BOARD

Sd/-
Managing Director

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS

This is to confirm that the Company has adopted a Code of Conduct for the Board of Directors and senior management of the Company. The same is available on website of the Company at http://www.vivimedlabs.com/. As Managing Director of Vivimed Labs Limited and as required by clause 49(I)(D)(ii) of the Listing Agreement of the Stock Exchanges in India, I hereby declare that all the Board members and senior management personnel of the Company have affirmed compliance with the Code of Conduct for the financial year 2013.

Place: Hyderabad
Date: 06.09.2013

Sd/-
Managing Director

Standalone financial statements

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Consolidated financial statements

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financial section

standalone financial section

INDEPENDENT AUDITOR'S REPORT

To
The Members of
VIVIMED LABS LIMITED

Report on the Financial Statements:
We have audited the accompanying financial statements of VIVIMED LABS LIMITED (the Company), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements:
Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility:
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion:
In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;

(ii) In the case of the Profit and Loss Account, of the profit for the year ended on that date; and

(iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements:

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
   a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
   b) 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;
   c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
   d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956; and
   e) On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

P.Murali Mohana Rao
Partner
Membership No. 023412

Place : Hyderabad
Date : 30-05-2013

ANNEXURE TO THE AUDITORS' REPORT

I. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.

(b) As explained to us, the fixed assets 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 during the year.

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 under section 301 of the Companies Act, 1956.

(b) As the Company has not granted any loans, the Clause of whether the rate of interest & other terms and conditions on which loans have been granted to parties listed in the register maintained under Section 301 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 and other parties listed in the register U/S 301 of the Companies Act, 1956. Hence, over due Amount of more than rupees one Lac does not arise and the clause is not Applicable.

(e) The Company has not taken loans, 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 loans, the clause of whether the rate of interest and 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. We have not observed any major weakness in the internal control system during the course of the audit.

V. a) In our opinion and according to the information and explanations given to us, during the year, no contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered into by the Company.

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 is having internal audit system, commensurate with its size and nature of its business.

VIII. We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under clause (d) of Sub-section (1) of section 209 of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

IX. (a) The Company is regular in depositing statutory dues including Provident fund, Employees State Insurance, Income Tax, Sales tax/Value Added Tax, Excise Duty & other statutory dues with the appropriate authorities and at the end of last 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, 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 in the immediately preceding financial year.

XI. According to information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions or banks.

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

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

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

XV. According to the information and explanations given to us, the Company has given certain guarantees on behalf of its subsidiaries as mentioned in note 39 of notes to financial statements.

XVI. According to the information and explanations given to us, the Term Loans obtained by the company were applied for the 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 applied 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 does not arise.

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
Firm Registration No. 007257S

P.Murali Mohana Rao
Partner
Membership No. 023412

Place : Hyderabad
Date : 30-05-2013

STANDALONE BALANCE SHEET as at 31st March, 2013

₹ in Million

Particulars	Note No	As at 31.03.2013	As at 31.03.2012
I. EQUITY AND LIABILITIES			
(1) Shareholder's Funds			
(a) Share Capital	1		
(i) Equity Share Capital		160.61	139.34
(ii) Preference Share Capital		-	670.00
(b) Reserves and Surplus	2	3,280.14	2,620.15
(c) Money Received against Share Warrants		23.72	23.72
(2) Non-Current Liabilities			
(a) Long-Term Borrowings	3	1,839.45	1,290.57
(b) Defferred Tax Liabilities (Net)	4	266.67	163.43
(c) Other Long Term Liabilities	5	612.00	156.77
(d) Long Term Provisions	6	19.72	18.09
(3) Current Liabilities			
(a) Short-Term Borrowings	7	2,256.26	2,025.54
(b) Trade Payables	8	468.34	277.24
(c) Other Current Liabilities	9	501.29	271.56
(d) Short-Term Provisions	10	119.74	118.44
Total		9,547.94	7,774.84
II.ASSETS			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible Assets	11	3,903.94	2,944.95
(ii) Intangible Assets	11	146.82	-
(iii) Capital Work-In-Progress	11	92.14	77.08
(b) Non-Current Investments	12	955.45	871.69
(c) Other Non-Current Assets	13	0.59	300.61
(2) Current Assets			
(a) Inventories	14	1,403.58	738.82
(b) Trade Receivables	15	1,600.59	987.18
(c) Cash and Bank Balances	16	136.67	194.06
(d) Short-Term Loans and Advances	17	1,246.66	1,658.16
(e) Other Current Assets	18	61.50	2.29
Total		9,547.94	7,774.84

Summary of Significant Accounting Policies and
the accompanying Notes are an 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 : 30-05-2013

For VIVIMED LABS LIMITED

Santosh Varalwar
Managing Director & CEO

Dr. V. Manohar Rao
Director

Yugandhar Kopparthi
Company Secretary

STANDALONE PROFIT AND LOSS STATEMENT for the year ended 31st March, 2013

₹ in Million

Particulars	Note No	For the Year Ended 31.03.2013	For the Year Ended 31.03.2012
Revenue:			
Revenue from Operations	19	4,231.26	3,829.00
Other Income	20	33.79	4.20
Total		4,265.05	3,833.20
Expenses:			
Cost of Materials Consumed	21	2,473.70	2,293.00
Changes in Inventories (Finished goods and WIP)	22	(75.53)	(15.68)
Employee Benefit Expenses	23	155.08	105.79
Other Operating Expenses	24	550.75	480.47
Administrative Expenses	25	190.79	125.35
Financial Costs	26	284.38	225.35
Depreciation and Amortization Expenses	11	172.07	105.51
Total		3,751.24	3,319.80
Profit Before Tax		513.81	513.40
Tax Expense:			
(a) Current tax		102.53	102.72
(b) Deferred tax		103.24	6.54
(c) MAT Credit		(59.31)	
Profit After Tax		367.35	404.14
Earning Per Equity Share:			
(1) Basic		22.87	29.00
(2) Diluted		22.87	25.16

Summary of Significant Accounting Policies and
the accompanying Notes are an 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 : 30-05-2013

For VIVIMED LABS LIMITED

Santosh Varalwar
Managing Director & CEO

Dr. V. Manohar Rao
Director

Yugandhar Kopparthi
Company Secretary

BASIS OF PREPARATION:

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

USE OF ESTIMATES:

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

1. 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.

2. Cash Flow Statement : AS-3

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

   Cash flows are reported using the Indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the group are segregated.

3. 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.

4. Accounting for 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.

5. Accounting for 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.

6. Accounting for Government Grants:

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

7. Accounting for 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.

8. Accounting for Intangible Assets :

   Intangible assets are capitalized at cost if :

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

   b) The company will have control over the assets;

   c) The cost of these assets can be measured reliably and is more than ₹10,000/- & this is in accordance with AS-26.

   d) Expenditure on Research and Development:

      (i) 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.

      (ii) 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.

9. 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.

   Non monitory assets and liabilities are translated at the rate prevailing on the date of transaction and foreign exchange fluctuation gain or loss raised on account of translation of non monitory items like long term loans and advances are accumulated in a reserve account (FCMITDA).

10. Accounting for Borrowing Costs:

    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 inventorisation /capitalisation, are charged to revenue.

11. Accounting & Valuation for Inventories :

    a) 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.

    b) Finished Stock of completed products is valued at lower of Cost or Net Realisable Value on the basis of actual identified units.

    c) Scrap is valued at Net Realisable Value.

    d) Work in process in respect of activities is valued at estimated cost.

    e) Shuttering and Tools is valued at amortised Cost, spread over a period of three years.

12. Accounting for 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.

13. 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.

d) 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.

14. Earnings per Share:

The earnings considered in ascertaining the companies earning per share comprise net profit after tax and includes the post tax effect of any extra-ordinary/exceptional item is considered. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year.

The no. of shares used in computing diluted earnings per share comprises the weighted average no. of shares considered for deriving basic earnings per share and also the weighted average no. of equity shares that could have been issued on the conversion of all dilutive potential equity shares.

15. Accounting for 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.

16. Related Party Disclosures :

The Company as required by AS-18, furnishes the details of Related Party Disclosures in the notes to financial statements.

NOTE NO. 1 : SHARE CAPITAL

₹ in Million

S.No.	Particulars		As at 31.03.2013	As at 31.03.2012
a	Equity Share Capital			
	(a) Authorised			
	No. of Shares 2,00,00,000 - Current Year (2,00,00,000)		200.00	200.00
	(b) Issued			
	No. of Shares 1,60,60,926 - Current Year (1,39,33,942)		160.61	139.34
	(c) Subscribed & Fully Paid Up			
	No. of Shares 1,60,60,926 - Current Year (1,39,33,942)		160.61	139.34
	(d) Subscribed & not fully paid up		-	-
	(e) Par Value per share ₹10/-			
	Total Equity Share capital		160.61	139.34
b	Preference Share Capital			
	(a) Authorised			
	No. of Shares 9,10,000 - Current Year (9,10,000)		910.00	910.00
	(b) Issued			
	No. of Shares NIL - Current Year (6,70,000)	(Note: 27)	-	670.00
	(c) Subscribed & Fully Paid Up			
	No. of Shares NIL - Current Year (6,70,000)		-	670.00
	(d) Subscribed & not fully paid up		-	-
	(e) Par Value per share ₹1000/-			
	Total Preference Share capital		-	670.00
	Total Share Capital (Equity & preferance)		160.61	809.34
c	A Reconcilation of the number of shares outstanding at the beginning and at the end of the reporting period:			
	Equity Shares of ₹10 Each, Fully paid up			
	At the Beginning		13,933,942	10,164,016
	Issued during the year - Bonus Issue		-	-
	Issued during the year - Cash Issue		-	-
	Equity Shares			1,830,137
	Warrants converted into shares		-	1,490,000
	CCPS Converted into Equity shares		2,126,984	-
	Issued during the year - Other than cash		-	449,789
	Forfeited / Bought Back during the year			
	At the end		16,060,926	13,933,942
d	Preference Shares of ₹1000 Each, Fully paid up			
	At the Beginning		670,000	670,000
	Issued during the year - Cash Issue		-	-
	During the year 6,70,000 CCPS converted into 21,26,984 equity shares		670,000	-
	At the end		-	670,000

₹ in Million

S.No.	Particulars	As at 31.03.2013	As at 31.03.2012
e	Details of Shareholder holding more than 5% shares of the company:	% of Share Holding	
	Equity Shares of ₹10 each Held By		
	NYLIM Jacob Ballas Indis Fund III, LLC - No. Of Shares (CY) (21,26,984) (P.Y) - NIL	13.24%	Nil
	BBR Projects Pvt Ltd - No. Of Shares (CY) 19,32,852 (PY) 18,45,178	12.03%	13.24%
	KITARA PIIN 1102 - No. Of Shares (C.Y) 18,30,137, (PY) 18,30,137	11.39%	13.13%
	Santosh Varalwar - No. Of Shares (C.Y) 12,69,810, (PY) 12,69,810	7.91%	9.11%

NOTE NO. 2 : RESERVES AND SURPLUS

₹ in Million

S.No.	Particulars	As at 31.03.2013	As at 31.03.2012
I	RESERVES AND SURPLUS		
	a) Capital Reserve	8.57	8.57
	b) Securities Premium Reserve		
	Opening Balance	1,201.25	270.77
	Add: Additions during the year	516.78	930.48
	Security Premium Reserve at the End of the Year	1,718.03	1,201.25
	c) Revaluation Reserve	10.00	10.00
	d) Capital Subsidy		
	e) General Reserve		
	Opening Balance	80.71	40.30
	Add: Additions during the year	36.74	40.41
	General Reserve at the End of the Year	117.45	80.71
	f) Profit and Loss Account		
	Opening Balance	1,319.61	1,019.22
	Add: Profit for the year	367.36	404.15
	Less: Transfer To General Reserve	36.74	40.41
		1,650.23	1,382.95
	Proposed Dividend	-	
	Equity Shares Capital	41.98	41.80
	Preference Share Capital	22.81	12.34
	Dividend Tax	10.51	9.20
		1,574.94	1,319.61
	g) Foreign Currency Translation Reserve (FCMITDA)	(148.86)	-
	Total	3,280.14	2,620.15

NOTE NO. 3 : LONG TERM BORROWINGS

₹ in Million

S.No.	Particulars		As at 31.03.2013	As at 31.03.2012
I	Long Term Borrowings (Non Current Portion)			
	a) Secured	(Note 3(a))		
	Term Loans From Banks		742.25	757.07
	Term Loans From Financial Institutions		679.87	-
			1,422.12	757.07
	b) Unsecured			
	FCCB's From Financial Institutions		417.33	333.50
	Other Loans		-	200.00
	Note No .3(a): Term Loans secured and considered good from State Bank of Hyderabad, State Bank of India, Axis Bank, Exim Bank & International Finance Corporation are secured by first pari passu charge on all the present and future fixed assets both movable and immovable properties of the company.			
	Total		1,839.45	1,290.57

NOTE NO. 4 : DEFERRED TAX LIABILITY

₹ in Million

S.No.	Particulars	As at 31.03.2013	As at 31.03.2012
I	Deferred tax Liability on account of timing difference	268.46	164.20
	Provision for Gratuity and Leave Encashment	1.79	0.77
	Deferred Tax Liability/ (Asset) - Net	266.67	163.43

NOTE NO. 5 : OTHER LONG TERM LIABILITIES

₹ in Million

S.No.	Particulars		As at 31.03.2013	As at 31.03.2012
I	a) Advances from Related Parties & Others	(Note: 37)	262.48	140
	b) Others		349.52	16.84
	Total		612.00	156.77

NOTE NO. 6 : LONG TERM PROVISION

₹ in Million

S.No.	Particulars	As at 31.03.2013	As at 31.03.2012
I	a) Provision for Employee Benefits	14.66	10.67
	b) Deffered Payment Liabilities	5.06	7.41
	Total	19.72	18.09

NOTES TO STANDALONE FINANCIAL STATEMENTS For the year ended March 31, 2013

NOTE NO. 7 : SHORT TERM BORROWINGS

₹ in Million

S.No.	Particulars		As at 31.03.2013	As at 31.03.2012
I	Short Term Borrowings			
	Working Capital from Banks	(Note: 7(a))		
	- Secured & Considered Good			
	a) Cash Credit & Packing Credit		1,951.48	1,708.83
	b) Foreign Bills Discounting		304.78	316.71
	Total		2,256.26	2,025.54

NOTE NO. 8 : TRADE PAYABLES

₹ in Million

S.No.	Particulars	As at 31.03.2013	As at 31.03.2012
I	Trade Payables		
	Creditors for Supplies	281.23	171.33
	Creditors for Services	187.11	105.92
	Total	468.34	277.24

NOTE NO. 9 : OTHER CURRENT LIABILITES

₹ in Million

S.No.	Particulars	As at 31.03.2013	As at 31.03.2012
I	Current Maturities of Long Term Debt	341.66	200.70
	Other Liabilities	159.63	70.86
	Total	501.29	271.56

NOTE NO. 10 : SHORT TERM PROVISIONS

₹ in Million

S.No.	Particulars		As at 31.03.2013	As at 31.03.2012
I	a) Provision for employee benefits			
	PF Payable		1.26	-
	Provision for Gratuity	(Note: 29)	1.91	1.13
	b) Provision for Income Tax		102.53	71.87
	c) Provision for Expenses		14.04	45.44
	Total		119.74	118.44

NOTES TO STANDALONE FINANCIAL STATEMENTS For the year ended March 31, 2013

NOTE NO. 11 : FIXED ASSETS

₹ in Million

Sl. No.	Particulars	Gross Block					Depreciation/ Amortisation				Net Block	Net Block
		As at 01.04.2012	Additions Upto 31.03.2013	Capitalised during the period	Sale / Deletions during the period	As at 31.03.2013	As at 01.04.2012	For 12 Months	Sale or Deletion	Total Depreciation	As at 31.03.2013	As at 01.04.2012
1	LAND	689.46	185.24	-	-	874.70	-	0.00		0.00	874.70	689.46
2	BUILDING	587.11	113.09	-	-	700.20	53.79	23.38		77.17	623.03	533.32
3	PLANT & MACHINERY	1,807.82	767.57	-	-	2,575.39	220.03	111.68		331.71	2,243.68	1,587.78
4	ELECTRICAL EQUIPMENT	52.20	12.25	-	-	64.45	14.02	2.58		16.60	47.85	38.18
5	LABORATORY EQUIPMENT	47.86	15.13	-	-	62.99	8.24	2.44		10.68	52.31	39.62
6	OFFICE EQUIPMENT	7.50	1.12	-	-	8.62	2.02	0.38		2.40	6.22	5.48
7	COMPUTERS	28.62	5.65	-	-	34.27	10.81	4.71		15.52	18.75	17.81
8	FURNITURE	17.95	2.75	-	-	20.70	5.69	1.17		6.86	13.85	12.26
9	VEHICLES	36.25	5.91	-	-	42.16	15.22	3.36	-	18.59	23.57	21.03
10	BOREWELL	-	-	-	-	-	-	-		-	-	-
11	GENERATOR	-	-	-	-	-	-	-		-	-	-
12	INTANGIBLE ASSETS	-	163.12	-	-	163.12	-	16.31		16.31	146.81	-
	sub-total	3,274.78	1,271.82	-	-	4,546.60	329.83	166.01	-	495.85	4,050.76	2,944.95
11	CAPITAL WORK IN PROGRESS	77.08	15.05	-	-	92.13	-	-		-	92.13	77.08
		77.08	15.05	-	-	92.13	-	-		-	92.13	77.08
	TOTAL	3,351.87	1,286.87	-	-	4,638.73	329.83	166.01	-	495.85	4,142.89	3,022.03
	PREVIOUS YEAR	1,866.63	1,485.24	-	-	3,351.87	255.01	74.83	-	329.84	3,022.03	-

NOTE NO. 12 : NON- CURRENT INVESTMENTS

₹ in Million

S.No.	Particulars	As at 31.03.2013	As at 31.03.2012
I	Non- Current Investments		
	Unquoted Shares at Cost - Other than Trade	955.45	871.69
	Total	955.45	871.69

NOTE NO. 13 : OTHER NON CURRENT ASSETS

₹ in Million

S.No.	Particulars	Non Current	
		As at 31.03.2013	As at 31.03.2012
I	Preliminary Expenses	0.59	300.61
	Total	0.59	300.61

NOTE NO. 14 : INVENTORIES

₹ in Million

S.No.	Particulars	As at 31.03.2013	As at 31.03.2012
I	Inventories :		
	(a) Raw Materials	1,016.92	409.06
	(b) Work in process	124.03	96.94
	(c) Finished Goods	262.63	232.82
	Total	1,403.58	738.82

NOTE NO. 15 : TRADE RECEIVABLES

₹ in Million

S.No.	Particulars	As at 31.03.2013	As at 31.03.2012
I	Outstanding for a period exceeding six months		
	Unsecured, Considered Good	28.47	10.91
	Other Receivables:		
	Unsecured, Considered Good	1,572.12	976.27
	Total	1,600.59	987.18

NOTES TO STANDALONE FINANCIAL STATEMENTS For the year ended March 31, 2013

NOTE NO. 16 : CASH AND BANK BALANCES

₹ in Million

S.No.	Particulars	As at 31.03.2013	As at 31.03.2012
I	Cash and cash eqivalents :		
	a) Balances with banks :		
	On Current Accounts	48.58	59.06
	b) Cash on hand	0.68	0.33
	Sub Total	49.26	59.38
	Other Bank Balances		
	Margin Money Deposit	87.40	134.67
	Total	136.67	194.06

NOTE NO. 17 : SHORT TERM LOANS AND ADVANCES

₹ in Million

S.No.	Particulars	As at 31.03.2013	As at 31.03.2012
I	Advances:		
	Advances to Supplier for Capital Goods		
	Unsecured & Considered Good	37.83	571.85
II	Loans & Advances to Related Parties		
	UnSecured & Considered Good	842.10	775.27
III	Deposits	206.66	138.84
IV	Others	160.07	172.21
	Total	1,246.66	1,658.16

NOTE NO. 18 : OTHER CURRENT ASSETS

₹ in Million

S.No.	Particulars	As at 31.03.2013	As at 31.03.2012
I	VAT and MAT Receivable	61.50	2.29
	Total	61.50	2.29

NOTE NO. 19 : REVENUE FROM OPERATIONS

₹ in Million

S.No.	Particulars	For the Year Ended 31.03.2013	For the Year Ended 31.03.2012
I	Revenue from Operations		
	(a) Sale of Products		
	Domestic	2,279.03	2,210.52
	Export	1,955.52	1,602.28
	(b) Other Operating Revenues	(3.29)	16.19
	Total	4,231.26	3,829.00

NOTE NO. 20 : OTHER INCOME

₹ in Million

S.No.	Particulars	For the Year Ended 31.03.2013	For the Year Ended 31.03.2012
I	Interest on Bank Fixed Deposits	8.23	2.56
	Other Miscellaneous Income	25.56	1.63
	Total	33.79	4.20

NOTE NO. 21 : COST OF MATERIALS CONSUMED

₹ in Million

S.No.	Particulars	For the Year Ended 31.03.2013	For the Year Ended 31.03.2012
I	Opening Stock of Raw Materials and Consumables	392.17	327.98
	Opening Stock of Packing Materials	35.52	24.99
	Add : Purchases during the year	3,062.93	2,349.09
		3,490.62	2,702.07
	Less : Closing Stock of Raw Materials and Consumables	982.15	373.54
	Less : Closing Stock of Packing Materials	34.77	35.52
	Total	2,473.70	2,293.00

NOTE NO. 22 : CHANGES IN INVENTORIES

₹ in Million

S.No.	Particulars	For the Year Ended 31.03.2013	For the Year Ended 31.03.2012
I	Finished Goods		
	Opening Stock	214.19	179.99
	Less: Closing Stock	262.63	232.82
	Sub Total (A)	(48.44)	(52.83)
	Work in process		
	Opening Stock	96.94	134.09
	Less: Closing Stock	124.03	96.94
	Sub Total (B)	(27.09)	37.15
	(Increase) / Decrease in Inventories (A+B)	(75.53)	(15.68)

NOTE NO. 23 : EMPLOYEE BENEFIT EXPENSES

₹ in Million

S.No.	Particulars	For the Year Ended 31.03.2013	For the Year Ended 31.03.2012
I	(a) Salaries & Wages	150.83	81.94
	(b) Contribution to Provident Fund & ESI	2.65	5.40
	(c) Bonus	0.53	17.88
	(d) Staff Welfare Expenses		
	- Staff Training Expenses	0.42	0.28
	- Staff Recruitment Expenses	0.65	0.30
	Total	155.08	105.79

NOTE NO. 24 : OTHER OPERATING EXPENSES

₹ in Million

S.No.	Particulars	For the Year Ended 31.03.2013	For the Year Ended 31.03.2012
I	Consumption of Stores & Spares	62.07	16.98
	Power & Fuel	198.19	147.83
	Wages & Allowances	26.19	25.16
	Labour Charges	37.01	56.98
	Repairs to Building	1.40	19.19
	Repairs to Machinery	24.62	23.34
	Other Manufacturing Expenses	44.66	59.63
	Job Work Charges	35.58	19.06
	R & D Expenses	121.03	112.30
	Total	550.75	480.47

NOTE NO. 25 : ADMINISTRATIVE EXPENSES

₹ in Million

S.No.	Particulars	For the Year Ended 31.03.2013	For the Year Ended 31.03.2012
I	Business & Marketing Expenses	12.45	12.85
	Commission & Discounts	2.82	4.50
	Travelling Expenses - Foreign	9.28	6.65
	Freight Outward	10.25	28.69
	Other Selling Expenses	0.47	8.19
	Printing & Stationery	3.82	2.86
	Telephone & Postage Expenses	6.80	3.85
	Travelling Expenses	6.33	6.00
	Rates & Taxes	4.74	2.53
	Conveyance	3.87	0.69
	Consultancy Charges	17.17	0.64
	Directors' Sitting Fee	0.25	0.18
	Insurance	9.67	4.76
	Rent	7.39	4.82
	Other Administrative Expenses	80.13	44.82
	Bank charges	12.16	10.22
	Processing Fee on Term Loans	19.84	5.19
	Fluctuation on Foreign exchange	(50.01)	(43.00)
	Directors' Remuneration - Salary	32.14	20.34
	Payment to Auditors:		
	(i) As Auditor	1.24	0.57
	Total	190.79	125.35

NOTE NO. 26 : FINANCE COST

₹ in Million

S.No.	Particulars	For the Year Ended 31.03.2013	For the Year Ended 31.03.2012
I	Interest Expenses		
	- Interest on Cash Credit	116.69	167.26
	- Interest on Term Loans	87.53	56.82
	- Interest on Vehicle Loan	0.65	0.18
	- Interest on ECB Loan	79.52	1.09
	Total	284.38	225.35

27. Preference Share Capital

During the Financial Year 2011-12, the company allotted 6,70,000 Compulsory Convertible Cumulative Preference shares of ₹1,000/- each to M/s. NYLIM Jacob Ballas India Fund III, LLC at par. During the financial year 2012-13, these preference shares were converted to 21,26,984 fully paid equity shares as per the terms of share subscription and shareholders agreement.

28. Warrant Application Money of ₹237.21 Million received during the earlier years represents monies received for which Warrants were not issued by the company for want of approval from Stock Exchanges.

29. 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 31-03-2013

₹ in Million

Sl. No	Particulars	Gratuity		Leave Encashment	
		2012-13	2011-12	2012-13	2011-12
1	Present Value of Obligation as at the end of the year	12.89	8.80	3.70	3.10
2	Value of Fund as at the end of the year	-		-	
3	Funded Status	12.89	(8.80)	(3.70)	(3.10)
4	Unrecognized Actuarial (gains) / losses	-		-	
5	Net Asset / (Liability) Recognized in Balance Sheet	12.89	(8.80)	(3.70)	(3.10)

b) Expenses recognized in Profit & Loss Account for the year ended 31-03-2013

₹ in Million

Sl. No	Particulars	Gratuity		Leave Encashment	
		2012-13	2011-12	2012-13	2011-12
1	Current Service Cost	1.87	1.24	0.59	0.38
2	Interest Cost	0.76	0.54	0.27	-
3	Net actuarial (gain)/ loss recognized in the year	1.73	0.21	(0.31)	3.10
4	Expenses recognized in Profit & Loss Account	4.36	1.99	1.16	3.10

c) Present value of Obligation for the year ended 31-03-2013

₹ in Million

Sl. No	Changes in Present Value of Obligations	Gratuity		Leave Encashment	
		2012-13	2011-12	2012-13	2011-12
1	Present Value of Obligation as at beginning of the year	8.80	6.81	3.10	2.72
2	Interest Cost	0.76	0.54	0.27	-
3	Current Service Cost	1.87	1.24	0.59	0.38
4	Benefits paid	(0.27)	(0.09)	(0.58)	-
5	Actuarial (gain)/ loss on obligations	1.73	0.21	0.31	-
6	Present Value of Obligation as at the end of the year	12.89	8.71	3.69	3.10
	a. Current Liability	1.91	1.03	3.69	-
	b. Non-current Liability	10.98	7.57	-	3.10

d) Actuarial (Gain) / Loss recognised during the year

₹ in Million

Sl. No	Particulars	Gratuity		Leave Encashment	
		2012-13	2011-12	2012-13	2011-12
1	Actuarial (Gain)/Loss for the year – Obligation	(1.73)	(0.21)	(0.31)	-
2	Total (Gain) / Loss for the year	1.73	0.21	0.31	-
3	Actuarial (Gain) / Loss recognized in the year	1.73	0.21	0.31	-

e) Assumptions:

Assumptions made for the purpose of Gratuity & Leave Encashment valuation for the year ended 31-03-2013

₹ in Million

Particulars	Gratuity		Leave Encashment	
	2012-13	2011-12	2012-13	2011-12
Discount Rate	8.60%	8.60%	8.60%	8.60%
Rate of increase in Compensation levels	2% p.a.	2% p.a.	2% p.a.	2% p.a.
Rate of Return on Plan Assets	0%	0%	0%	0%
Expected Average remaining working lives of employees (years)	24 yrs	24 yrs	24 yrs	24 yrs

30. Treatment of Capital Work in Progress

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

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

i) Quantitative information with regard to
Licensed Capacity and & Installed Capacity per annum.

Sl. No	Item	UOM	Quantity
1	Speciality Chemicals	MT	4,000
2	Capsules	Million	400
3	Tablets	Million	100
4	Lotions	KL	800
5	Ointments	MT	5
6	Small Volume Parenterals	KL	400

32. Production Data :

Sl. No	Items	UOM	Quantity 2012-13	Quantity 2011-12
1	Specialty Chemicals	MT	3,927.70	2,037.87
2	Capsules	Million	387.09	790.01
3	Tablets	Million	53.76	35.32
4	Lotions	KL	782.13	46.05
5	Ointments	MT	1.72	12.41
6	Small Volume Parenterals	KL	364.68	400.40
7	Others	MT	1,078.71	Nil

33. Sales Data :

Product	UOM	Quantity 2012-13	Quantity 2011-12	Value (Million) 2012-13	Value (Million) 2011-12
Specialty Chemicals	MT	3,741.70	2441.65	3,286.44	2,787.33
Capsules	Million	370.40	790.02	230.16	305.48
Tablets	Million	54.87	32.12	161.47	114.56
Lotions	KL	781.46	40.16	126.47	244.39
Ointments	MT	0.83	15.64	0.19	99.26
Small Volume Parenterals	KL	345.07	399.61	236.45	277.98
Others	MT	1,072.71	Nil	190.07	Nil
Total				**4,231.25**	**3,829..00**

34. Opening & Closing Stock of Finished Goods :

Product	UOM	Opening Stock Quantity	Opening Stock Value (Million)	Closing Stock Quantity	Closing Stock Value (Million)
Specialty Chemicals	MT	132.92	222.92	318.93	234.07
Capsules	Million	0.01	0.05	16.71	11.35
Tablets	Million	3.45	4.50	2.33	9.53
Lotions	KL	5.97	0.35	6.64	3.81
Ointments	MT	0.49	0.14	1.38	0.37
Small Volume Parentals	KL	0.94	4.86	20.55	3.50
Total			**232.82**		**262.63**

35. Consumption of Materials

Sl. No	Particulars	2012-13 ₹ Million	2012-13 % of Consumption	2011-12 ₹ Million	2011-12 % of Consumption
1	Indigenous	1,675.44	67.73%	1,509.05	65.81 %
2	Imported	798.26	32.27%	783.95	34.19 %

36. 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	Whole Time Director
5	Mr. S. Raghunandan	Whole Time Director
6	Dr. R.K. Dhar	Whole Time Director (part of the year)
7	Octtantis Nobel Labs Pvt Ltd	Indian Subsidiary
8	Creative Health Care Private Limited	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

37. Transactions with related Parties:

Name of the Party	Nature of Relationship	Nature of Transaction	2012-13 ₹ in Million	2011-12 ₹ in Million
Dr. V. Manohar Rao	Whole Time Director	Remuneration	10.00	3.60
Subhash Varalwar	Whole Time Director	Remuneration	10.00	3.60
Santosh Varalwar	Managing Director & CEO	Remuneration	11.50	4.50
Sandeep Varalwar	Whole Time Director	Remuneration	10.50	3.60
S.Raghunandan	Whole Time Director	Remuneration	5.00	2.52
Dr.R.K.Dhar	Whole Time Director	Remuneration (part of the year)	2.39	2.52

Name of the Party	Nature of Relationship	Nature of Transaction	As at 31st March,2013 ₹ in Million	As at 31st March,2012 ₹ in Million
Octtantis Nobel Labs Pvt Ltd	Wholly Owned Indian Subsidiary	Purchase / Sale	NIL	NIL
		Investment in shares	23.00	23.00
		Other Advances	91.23	63.09
Creative Health Care Private Limited	Wholly Owned Indian Subsidiary	Purchase / Sale	2.54	NIL
		Investment in shares	25.00	25.00
		Other Advances	11.43	1.17
Klar Sehen Private Limited	Wholly Owned Indian Subsidiary	Purchase / Sale	5.04	NIL
		Investment in shares	200.00	200.00
		Other Advances	(70.51)	NIL
Vivimed Holdings Limited, HongKong	Wholly Owned Foreign Subsidiary	Investment in Shares	0.07	0.07
		Advances	683.97	522.82

Name of the Party	Nature of Relationship	Nature of Transaction	As at 31st March,2013 ₹ in Million	As at 31st March,2012 ₹ in Million
Vivimed Labs Europe Limited, U.K	Wholly Owned Foreign Step Down Subsidiary	Sales	667.72	483.16
		Advances	NIL	NIL
Vivimed Labs USA Inc.	Wholly Owned Foreign Subsidiary	Sales	298.70	340.69
		Investment in Shares	246.98	163.21
		Advances	79.42	74.69
Vivimed Labs Mauritius Ltd.	Wholly Owned Foreign Subsidiary	Sales	NIL	NIL
		Investment in Shares	460.41	460.41
		Advances	127.26	101.92
Vivimed Labs Spain S L	Wholly Owned Foreign Step Down Subsidiary	Sales	NIL	NIL
		Advances	169.65	12.73
Union Quimico Farmaceutica S.A.U., Spain	Wholly Owned Foreign Step Down Subsidiary	Sales	174.01	NIL
		Advances	NIL	NIL
Uquifa Mexico S.A. de C.V.	Wholly Owned Foreign Step Down Subsidiary	Sales	49.52	NIL
		Advances	NIL	NIL

38. Contingent Liabilities :

₹ in Million

Particulars		As at 31-03-2013	As at 31-03-2012
Letter of Credit	Foreign LC's	86.93	946.90
	Inland LC's	185.50	55.89
	Axis Bank - SBLC	543.89	511.57
Bank Guarantee	State Bank of Hyderabad, Balanagar Branch, Hyderabad.	1.19	4.87

39. Contingent Liability on account of Corporate Guarantees:

₹ in Million

Name of the Subsidiary	Details of the Lender	As at 31-03-2013	As at 31-03-2012
Vivimed Holdings Private Limited, HongKong.	State Bank of India, London Branch	NIL	3,664.65
Vivimed Labs Europe Limited, UK.	State Bank of India, London Branch	412.24	142.19
Vivimed Labs Spain S.L.	EXIM Bank	1,218.55	1,243.58
Octantis Nobel Pvt. Ltd.	Yes bank	31.16	30.00
Vivimed Labs USA Inc.,	Merchants & Traders Trust Company	NIL	179.05
Vivimed Labs USA Inc.,	ICICI Bank, USA	103.06	NIL

40. 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.

41 FOREIGN EXCHANGE INFLOW AND OUTFLOW :

Particulars	Nature of Currency	Year 2012–13 Amount in Foreign Currency Million	Year 2012–13 ₹ in Million	Year 2011–12 Amount in Foreign Currency Million	Year 2011–12 ₹ in Million
INFLOW					
On Export of Goods	USD	24.58	1,337.30	20.89	1,068.66
	EURO	13.62	947.50	7.92	538.63
FCTL- EXIM Bank	USD	-	-	7.50	383.67
FCCB- International Finance Corporation	USD	-	-	7.50	333.50
Equity- Kitara PIIIN -1102	USD	-	-	13.00	598.45
International Finance Corporation - ECB	USD	12.50	679.86	-	-
State Bank India - ECB	USD	5.00	271.94	-	-
OUTFLOW					
Raw Materials	USD	10.99	598.10	7.57	378.40
	EURO	00.65	45.44	0.68	46.29
Capital Goods	USD	-	-	0.02	0.76
Travelling	GBP	0.0006	0.05	0.03	2.61
	USD	0.0300	1.40	0.06	3.59
	EURO	0.0500	3.50	0.02	1.29
Foreign Company Renewal Fee	HKD	-	-	0.01	0.08
Foreign Currency Term Loan	USD	0.3400	9.46	5.13	256.43
Investment In Vivimed Labs Mauritius	USD	-	-	9.00	460.41
Others (Analytical Charges, Subscriptions for Journals, Legal Opinion charges, etc.)	GBP	-	-	0.01	0.54
Expenses in relation to overseas Acquisitions	USD	-	-	1.99	101.88

42 Earnings Per Share :

Particulars		2012–13	2011–12
Net profit after tax	(₹ Million)	366.17	404.15
Weighted Average Numbers of shares	Nos.	16,060,926	13,933,942
Basic EPS	(₹)	22.87	29.00
Diluted EPS	(₹)	22.87	25.16

43 Segment wise Information is furnished in Annexure -A.

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

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

46 The numbers have been rounded off to the nearest Million 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 : 30-05-2013

For VIVIMED LABS LIMITED

Santosh Varalwar
Managing Director & CEO

Dr. V. Manohar Rao
Director

Yugandhar Kopparthi
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.

Primary Segment Information

₹ in Million

Sl. No.	Particulars	Speciality Chemicals		Pharmaceuticals		Total	
		2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
1	REVENUE						
	External Turnover	3,286.44	2,787.34	944.81	1,041.67	4,231.25	3,829.01
	Inter Segment Turnover	NIL	NIL	NIL	NIL	NIL	NIL
	TOTAL REVENUE	3,286.44	2,787.34	944.81	1,041.67	4,231.25	3,829.01
2	RESULTS						
	Operating Profit	633.60	493.77	156.36	240.79	789.96	734.56
	Interest Expenses	271.54	217.35	12.835	8.00	284.38	225.35
	Interest Income	7.48	3.25	0.75	0.95	8.23	4.20
	Profit Before Tax	369.54	279.67	144.27	233.74	513.81	513.41
	Current Tax	73.67	55.96	28.85	46.77	102.53	102.73
	Deferred Tax	33.76	5.43	10.16	1.11	43.93	6.54
	Profit After Tax	262.10	218.28	105.25	185.86	367.36	404.14
3	OTHER INFORMATION						
	Segment Assets	8,488.51	6,822.68	1,059.43	952.16	9,547.94	7,774.84
	Unallocated Corporate Assets	NIL	NIL	NIL	NIL	NIL	NIL
	Total Assets	8,488.50	6,822.68	1,059.43	952.16	9,547.93	7,774.84
	Segment Liabilities	5,636.64	3,876.82	446.83	444.82	6,083.47	4,321.64
	Unallocated Corporate Liabilities	-	-	-	-	-	-
	Total Liabilities	5,636.64	3,876.82	446.83	444.82	6,083.47	4,321.64
	Capital Employed	7,702.90	6,443.60	755.43	600.32	8,458.33	7,043.92
	Capital Expenditure – Net	1,123.47	1,259.81	22.63	225.43	1,146.11	1,485.24
	Depreciation	129.73	64.11	19.97	10.72	149.70	74.83
	Non Cash Exp. Other than Depreciation	22.312	30.47	0.05	0.22	22.37	30.69

STANDALONE CASH FLOW STATEMENT As at 31.03.2013

₹ in Million

Particulars	31.03.2013	31.03.2012
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax	513.81	513.40
Add: Adjustment for		
- Depreciation	172.07	105.51
- Financing Charges	88.17	225.35
- Prior Period Adjustments		
Operating Profit before Working Capital Changes	774.05	844.26
Working Capital changes		
Add / (Less): (Increase) / Decrease in		
- Trade Receivables	(613.42)	(27.57)
- Inventories	(664.77)	(71.77)
- Loans, Advances & Deposits	638.19	(620.85)
- Other Current Assets	(59.31)	
- Trade Payables	196.05	466.44
- Other Current Liabilities	207.94	
- Short term Provisions	(326.58)	
- Short term Borrowings	230.73	460.75
- Direct Taxes Paid	59.31	6.54
NET CASH FLOWS FROM OPERATING ACTIVITIES	442.19	1,057.80
B. CASH FLOW FROM INVESTING ACTIVITIES		
- Fixed Assets - Tangible	(1,131.06)	(1,419.54)
- Fixed Assets - Intangible	(146.82)	(65.70)
- Fixed Assets - Capital Work in progress	(15.05)	(264.43)
- (Increase) / Decrease in Miscellaneous Expenditure	300.02	
- (Increase) / Decrease in Investments	(83.76)	(837.71)
- (Increase) / Decrease in Loans & Advances		(180.00)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(1,076.67)	(2,767.38)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
- Long Term Borrowings	432.07	602.43
- Other Long Term Liabilities	581.47	-
- Share Premium & Others	516.78	865.57
- Share & Preference Share Capital	(648.73)	707.70
- Long Term Provisions	7.82	-
- Interest paid	(88.17)	(225.35)
- Dividend Paid	(75.29)	(133.03)
- Foreign Exchange Fluctuation	(148.86)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	577.09	1,817.32
NET INCREASE IN CASH AND CASH EQUIVALENTS	(57.39)	107.74
Opening Cash and Equivalents	194.06	86.32
Closing Cash and Equivalents	136.67	194.06

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 : 30-05-2013

For VIVIMED LABS LIMITED

Santosh Varalwar
Managing Director & CEO

Dr. V. Manohar Rao
Director

Yugandhar Kopparthi
Company Secretary

consolidated financial section

INDEPENDENT AUDITOR'S REPORT

To
The Board of Directors of
VIVIMED LABS LIMITED

Report on Consolidated Financial Statements:
We have audited the accompanying consolidated financial statements of Vivimed Labs Limited ("the Company") and its subsidiaries (collectively referred to as "Vivimed Group"), which comprise the consolidated Balance Sheet as at March 31, 2013, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements:
Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financials. As there is no reporting on 'Other Legal and Regulatory Requirements', there is no necessity of including the heading 'Report on the Financial Statements' above the introductory paragraph statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We did not audit the financial statements of its subsidiaries as at 31-03-2013. The financial statements and other financial information have been audited by the other auditors whose reports have been furnished to us for the purpose of consolidation. We did not audit financial statements of the following subsidiaries.

1. Octtantis Nobel Labs Private Limited- Wholly owned Indian Subsidiary
2. Creative Health Care Private Limited - Wholly owned Indian Subsidiary
3. Klar Sehen Private Limited - Wholly owned Indian Subsidiary
4. Vivimed Holdings Limited, Hong Kong - Wholly owned Foreign Subsidiary
5. Vivimed Labs Europe Limited, UK - Wholly owned Foreign step down subsidiary
6. Vivimed Labs USA, Inc., - Wholly owned Foreign Subsidiary
7. Vivimed labs Mauritius Limited - Wholly owned Foreign Subsidiary
8. Vivimed Labs Spain SL - Wholly owned Foreign Subsidiary
9. Union Quimico Pharaceutica S.A.U Spain- Wholly owned Foreign Subsidiary
10. Union Quimico Pharaceutica S.A de C.V, Mexico- Wholly owned Foreign step down Subsidiary
11. Holiday International - Wholly owned Foreign Subsidiary

The total revenues of the subsidiaries whose financial statements reflect total assets of ₹6,147.63 Million as at 31st March 2013 and total revenue of ₹6,941.65 Million for the year ended on that date.

Our opinion in so far as it relates to the said amounts included in respect of the subsidiaries is based solely on the accounts prepared and certified by them.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion:
In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) In the case of the consolidated Balance Sheet, of the state of affairs of the Vivimed Group as at March 31, 2013;

(b) In the case of the consolidated Profit and Loss Account, of the loss for the year ended on that date; and

(c) In the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

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

P.Murali Mohana Rao
Partner
Membership No. 023412

Place : Hyderabad
Date : 30-05-2013

CONSOLIDATED BALANCE SHEET as at 31st March, 2013

₹ in Million

Particulars	Note No	As at 31.03.2013	As at 31.03.2012
I. EQUITY AND LIABILITIES			
(1) Shareholder's Funds			
(a) Share Capital	1		
(i) Equity Share Capital		160.61	139.34
(ii) Preference Share Capital		639.46	1,309.46
(b) Reserves and Surplus	2	4,267.66	3,275.38
(c) Money Received against Share Warrants		23.72	23.72
(2) Non-Current Liabilities			
(a) Long-Term Borrowings	3	2,969.20	3,113.75
(b) Defferred Tax Liabilities (Net)	4	171.98	134.41
(c) Other Long Term Liabilities	5	1,340.96	348.45
(d) Long Term Provision	6	14.65	10.63
(3) Current Liabilities			
(a) Short-Term Borrowings	7	3,011.27	2,328.23
(b) Trade Payables	8	1,662.79	1,568.63
(c) Other Current Liabilities	9	1,161.02	407.92
(d) Short-Term Provision	10	272.23	332.11
Total		15,695.55	12,992.03
II.ASSETS			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible Assets	11	6,333.70	5,411.93
(ii) Intangible Assets	11	756.69	541.52
(iii) Capital Work-In-Progress	11	269.18	83.68
(b) Non-Current Investments	12	2.44	6.98
(c) Other Non-Current Assets	13	182.71	476.55
(2) Current Assets			
(a) Inventories	14	3,402.62	2,478.78
(b) Trade Receivables	15	3,082.25	2,216.07
(c) Cash and Bank Balances	16	239.57	363.37
(d) Short-Term Loans and Advances	17	1,198.22	1,410.86
(e) Other Current Assets	18	228.17	2.29
Total		15,695.55	12,992.03

Summary of Significant Accounting Policies and
the accompanying Notes are an 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 : 30-05-2013

For VIVIMED LABS LIMITED

Santosh Varalwar
Managing Director & CEO

Dr. V. Manohar Rao
Director

Yugandhar Kopparthi
Company Secretary

CONSOLIDATED PROFIT AND LOSS STATEMENT for the year ended 31st March, 2013

₹ in Million

Particulars	Note No	For the Year Ended 31.03.2013	For the Year Ended 31.03.2012
Revenue:			
Revenue from Operations	19	11,087.96	6,683.14
Other Income	20	118.74	26.82
Total		11,206.70	6,709.96
Expenses:			
Cost of Materials Consumed	21	5,374.33	3,557.37
Changes in Inventories (Finished goods and WIP)	22	(241.59)	(183.53)
Employee Benefit Expenses	23	503.27	342.25
Other Operating Expenses	24	2,569.67	1,139.39
Administrative Expenses	25	1,024.83	524.68
Financial Costs	26	409.32	283.70
Depreciation and Amortization Expenses	11	588.11	267.89
Total		10,227.94	5,931.75
Profit Before Tax		978.76	778.21
Tax Expense:			
(a) Current tax		183.01	158.90
(b) Deferred tax		19.22	(12.11)
(c) MAT Credit		(59.31)	-
Profit After Tax		835.84	631.42
Earning Per Equity Share:			
(1) Basic		52.04	45.31
(2) Diluted		52.04	39.31

Summary of Significant Accounting Policies and
the accompanying Notes are an 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 : 30-05-2013

For VIVIMED LABS LIMITED

Santosh Varalwar
Managing Director & CEO

Dr. V. Manohar Rao
Director

Yugandhar Kopparthi
Company Secretary

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, Creative Health Care Private Limited, Mumbai, (Share Holding 100 %, incorporated in India), Octtantis Nobel Labs Private Limited, Hyderabad (Share Holding 100 %, incorporated in India), Klar Sehen Private Limited, Kolkata (Share Holding 100 %, incorporated in India), 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, Vivimed Labs Spain S L, Union Quimico Farmaceutica S.A.U., Spain, and Holiday International Limited, UK, Uquifa Mexico S.A. de C.V.) , as at 31st March, 2013, 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 the AS - 3.

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. Accounting for 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. Accounting for 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.

9. Accounting for Government Grants:
Government Grants / Subsidies are accounted in accordance with AS - 12.

10. Accounting for 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.

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 ₹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.

Non monitory assets and liabilities are translated at the rate prevailing on the date of transaction and foreign exchange fluctuation gain or loss raised on account of translation of non monitory items like long term loans and advances are accumulated in a reserve account (FCMITDA).

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 inventorisation /capitalisation, are charged to revenue.

14. Inventories :

a) 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.

b) Finished Stock of completed products is valued at lower of Cost or Net Realisable Value on the basis of actual identified units.

c) Scrap is valued at Net Realisable Value.

d) Work in Process in respect of activities is valued at estimated cost.

e) Shuttering and Tools is valued at amortised Cost, spread over a period of three years.

15. 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.

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 :

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:

i) 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;

ii) 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 companies earning per share comprise net profit after tax and includes the post tax effect of any extra-ordinary/exceptional item is considered. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year.

The no. of shares used in computing diluted earnings per share comprises the weighted average no. of shares considered for deriving basic earnings per share and also the weighted average no. of equity shares that could have been issued on the conversion of all dilutive potential equity shares.

18. Impairment of Assets :

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

NOTE NO. 1 : SHARE CAPITAL

₹ in Million

S.No.	Particulars	As at 31.03.2013	As at 31.03.2012
a	Equity Share Capital		
	(a) Authorised		
	No. of Shares 2,00,00,000 - Current Year (2,00,00,000)	200.00	200.00
	(b) Issued		-
	No. of Shares 1,60,60,926 - Current Year (1,39,33,942)	160.60	139.34
	(c) Subscribed & Fully Paid Up		
	No. of Shares 1,60,60,926 - Current Year (1,39,33,942)	160.60	139.34
	(d) Subscribed & not fully paid up		
	(e) Par Value per share ₹10/-		
	Total Equity Share capital	160.60	139.34
b	Preference Share Capital		
	1 Authorised		
	(a) Vivimed Labs Limited India		
	No. of Shares 9,10,000 - Current Year (9,10,000)	910.00	910.00
	(b) Vivimed Labs Mauritius Ltd - WOFS		
	No. of Shares 1,25,00,000- Current Year @ US$ 1/- each (1,25,00,000)	639.46	639.46
	2 Issued		
	(a) Vivimed Labs Limited India		
	No. of Shares NIL - Current Year (6,70,000)	-	670.00
	(b) Vivimed Labs Mauritius Ltd		
	No. of Shares 1,25,00,000- Current Year @ US $ 1/- each (1,25,00,000)	639.45	639.45
	3 Subscribed & Fully Paid Up		
	(a) Vivimed Labs Limited India		
	No. of Shares NIL - Current Year (6,70,000)	-	670.00
	Converted into 2126984 equity shares on 22.03.2013		
	(b) Vivimed Labs Mauritius Ltd		
	No.of Shares 1,25,00,000 -Current Year (1,31,70,000)	639.45	639.45
	(d) Subscribed & not fully paid up	-	-
	(e) Par Value per share ₹1000/- each & US$ 1/- each		
	Total Preference Share capital	639.45	1,309.46
	Total Share Capital (Equity & preferance)	800.05	1,448.80
c	Reconcilation of the number of shares outstanding at the beginning and at the end of the reporting period:		
	Equity Shares of ₹10 each, fully paid up		
	At the Beginning	13,933,942	10,164,016
	Issued during the year - Bonus Issue	-	-
	Issued during the year - Cash Issue	-	-
	Equity Shares		1,830,137
	Warrants converted into shares	-	1,490,000
	CCPS Converted into Equity shares	2,126,984	
	Issued during the year - Other than cash	-	449,789
	Forfeited / Bought Back during the year		
		16,060,926	13,933,942
d	Preference Shares of ₹1000/- each, fully paid up		
	At the beginning	670,000	-
	Issued during the year - Cash Issue		670,000
	During the year 6,70,000 CCPS converted into 21,26,984 equity shares	670,000	-
		-	670,000

₹ in Million

S.No.	Particulars			As at 31.03.2013	As at 31.03.2012
e	Details of Shareholder holding more than 5% equity shares of the company:			% of Share Holding	
	Equity Shares of ₹10 each Held By				
	NYLIM Jacob Ballas India Fund III, LLC	- No. Of Shares (21,26,984) NIL	(P.Y 6,70,000)	13.24%	Nil
	BBR Projects Pvt Ltd	- No. Of Shares (C.Y) 19,32,852	(P.Y 18,45,178)	12.03%	13.24%
	KITARA PIIN 1102	- No. Of Shares (C.Y) 18,30,137	(P.Y 18,30,137)	11.39%	13.13%
	Santosh Varalwar	- No. Of Shares (C.Y) 12,69,810	(P.Y 12,69,810)	7.91%	9.11%

NOTE NO. 2 : RESERVES AND SURPLUS

₹ in Million

S.No.	Particulars	As at 31.03.2013	As at 31.03.2012
I	RESERVES AND SURPLUS		
	a) Capital Reserve	8.57	8.57
	b) Securities Premium Reserve		
	Opening Balance	1,201.25	270.78
	Add: Additions during the year	516.78	930.47
	Security Premium Reserve at the End of the Year	1,718.03	1,201.25
	c) Revaluation Reserve	10.00	10.00
	d) Capital Subsidy	3.00	3.00
	e) General Reserve		
	Opening Balance	80.71	40.30
	Add: Additions during the year	36.73	40.41
	General Reserve at the End of the Year	117.44	80.71
	f) Profit and Loss Account		
	Opening Balance	1,971.85	1,444.17
	Add: Profit for the year	835.84	631.42
	Less: Transfer To General Reserve	36.74	40.40
	Prior period adjustment	121.60	
		2,649.35	2,035.19
	Proposed Dividend	-	
	Equity Shares Capital	41.98	41.80
	Preference Share Capital	22.81	12.34
	Dividend Tax	10.51	9.20
		2,574.05	1,971.85
	g) Foreign Currency Translation Reserve	(163.43)	
	Total	4,267.66	3,275.38

NOTE NO. 3 : LONG TERM BORROWINGS

₹ in Million

S.No.	Particulars		As at 31.03.2013	As at 31.03.2012
I	Long Term Borrowings			
	a) Secured	(Note: 3(a))		
	Term Loans From Banks		1,872.01	2,580.30
	Term Loans From Financial Institutions		679.86	-
			2,551.87	2,580.30
	b) Unsecured			
	FCCB's From Financial Institutions		417.33	333.45
	Other Loans		-	200.00
	Note No.3(a): Term Loans secured and considered good from State Bank of Hyderabad, State Bank of India, Axis Bank, Exim Bank & International Finance Corporation are secured by first pari passu charge on all the present and future fixed assets both movable and immovable properties of the company.			
	Total		2,969.20	3,113.75

NOTE NO. 4 : DEFERRED TAX LIABILITY

₹ in Million

S.No.	Particulars	As at 31.03.2013	As at 31.03.2012
I	Deferred tax Liability on account of timing difference	155.42	154.69
	Provision for Gratuity and Leave Encashment & Others	(16.56)	20.28
	Deferred Tax Liability/ (Asset) - Net	171.98	134.41

NOTE NO. 5 : OTHER LONG TERM LIABILITIES

₹ in Million

S.No.	Particulars	As at 31.03.2013	As at 31.03.2012
	a) Deferred Payment Liabilities and Others	1,340.96	348.45
	Total	1,340.96	348.45

NOTE NO. 6 : LONG TERM PROVISION

₹ in Million

S.No.	Particulars	As at 31.03.2013	As at 31.03.2012
I	Provision for Employee Benefits		
	- Provision for Gratuity	10.98	7.52
	- Provision for Leave Encashment	3.67	3.11
	Total	14.65	10.63

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the year ended March 31, 2013

NOTE NO. 7 : SHORT TERM BORROWINGS

₹ in Million

S.No.	Particulars	As at 31.03.2013	As at 31.03.2012
I	Short Term Borrowings		
	Working Capital from Banks (Note No.7(a))		
	- Secured & Considered Good		
	a) Cash Credit & Packing Credit	2,669.97	2,011.52
	b) Foreign Bills Discounting	304.78	316.71
	c) Others	36.52	
	Note No. 7(a): All Working Capital from State Bank of Hyderabad, Bank of Bahrain & Kuwait, State Bank of India & Exim Bank, BBVA, Bank Sabadell, ICICI Bank, Santander Bank, Axis Bank, Yes Bank, UCO Bank & SBI London are secured by pari passu first charge on all the Current Assets and second charge on all Fixed Assets of the company both present & future.		
	Total	3,011.27	2,328.23

NOTE NO. 8 : TRADE PAYABLES

₹ in Million

S.No.	Particulars	As at 31.03.2013	As at 31.03.2012
I	Trade Payables		
	Creditors for Supplies	1,076.12	867.30
	Creditors for Services	586.67	701.33
	Total	1,662.79	1,568.63

NOTE NO. 9 : OTHER CURRENT LIABILITES

₹ in Million

S.No.	Particulars	As at 31.03.2013	As at 31.03.2012
I	Current Maturities of Long Term Debt	672.66	200.70
	Other Liabilities	488.36	207.22
	Total	1,161.02	407.92

NOTE NO. 10 : SHORT TERM PROVISION

₹ in Million

S.No.	Particulars	As at 31.03.2013	As at 31.03.2012
I	a) Provision for employee benefits	3.47	1.13
	b) Provision for Income Tax	182.96	168.18
	c) Provision for Expenses	85.80	162.80
	Total	272.23	332.11

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the year ended March 31, 2013

NOTE NO. 11 : FIXED ASSETS

₹ in Million

Sl. No.	Particulars	Gross Block					Depreciation / Amortisation				Net Block	Net Block
		As at 01.04.2012	Additions FY 12-13	Capitalised during FY 12-13	Sale / Deletions during FY 12 -13	Gross Block As at 31.03.2013	As at 01.04.2012	For the Year ended Mar'13	Sale or Deletions	Total Depreciation	As at 31.03.2013	As at 31.03.2012
1	Free Hold Land	1,030.25	194.53	-	1.37	1,223.40	18.35	3.80	-	22.15	1,201.25	1,003.30
2	Lease Hold Land	0.26				0.26	0.06	0.00		0.07	0.20	0.26
3	Building	1,277.71	167.53	(11.03)	-	1,456.27	233.14	42.49	-	275.63	1,180.63	1,064.78
4	Plant & Machinery	7,960.75	871.04	(198.90)	110.10	8,920.59	4,873.75	436.80	96.17	5,214.38	3,706.20	3,059.16
5	Electrical Equipment	61.48	14.48	-	-	75.96	18.68	3.39	-	22.08	53.88	42.80
6	Laboratory Equipment	121.09	19.04	-	-	140.13	48.16	7.62	-	55.77	84.36	71.39
7	Office Equipment	19.60	2.11	-	-	21.72	6.27	1.03	-	7.30	14.41	13.33
8	Computers	318.29	(56.92)	(1.45)	-	262.82	280.72	(46.83)	-	233.88	28.93	37.43
9	Furniture	117.96	3.51	(3.79)	-	125.26	84.02	7.92	-	91.94	33.32	33.94
10	Vehicle	57.31	6.52	(0.34)	-	64.17	30.32	5.72	2.36	33.68	30.48	26.22
11	Books & Periodicals	0.04				0.04	0.01	0.00		0.01	0.03	0.03
12	Borewell					-				-	-	-
13	Generator					-				-	-	1.22
14	Intellectual Property	-	-		-	-				-	-	20.10
15	EPA Registration Costs	-	-			-				-	-	37.97
	Sub Total (a)	10,964.74	1,221.83	(215.51)	111.47	12,290.60	5,593.49	461.96	98.54	5,956.91	6,333.70	5,411.93
12	Capital Work in Progress	81.72	407.88	215.79	4.63	269.18	-	-		-	269.18	83.68
	Sub Total (b)	81.72	407.88	215.79	4.63	269.18	-	-	-	-	269.18	83.68
13	Intangibles	712.04	292.35	(0.28)	0.02	1,004.64	127.86	120.10	-	247.96	756.69	541.52
	Sub Total (c)	712.04	292.35	(0.28)	0.02	1,004.64	127.86	120.10	-	247.96	756.69	541.52
	Total (a+b+c)	11,758.49	1,922.06	(0.00)	116.12	13,564.42	5,721.35	582.05	98.54	6,204.87	7,359.57	6,037.13
	Previous Year	3,095.48	8,731.10		68.09	11,758.49	5,484.25	237.11		5,721.36	6,037.13	

NOTE NO. 12 : NON- CURRENT INVESTMENTS

₹ in Million

S.No.	Particulars	As at 31.03.2013	As at 31.03.2012
I	Non- Current Investments		
	Investment in Mutual Funds & National Savings Certificates	2.44	6.98
	Total	2.44	6.98

NOTE NO. 13 : OTHER NON CURRENT ASSETS

₹ in Million

S.No.	Particulars	Non Current	
		As at 31.03.2013	As at 31.03.2012
I	Preliminary expenses	182.71	476.55
	Total	182.71	476.55

NOTE NO. 14 : INVENTORIES

₹ in Million

S.No.	Particulars	As at 31.03.2013	As at 31.03.2012
I	Inventories :		
	(a) Loose Tools & Equipment	0.12	0.19
	(b) Raw Materials	1,463.39	841.74
	(c) Packing Materials	67.35	59.24
	(d) Work in Process & Intermediates	499.90	405.03
	(e) Finished Goods	1,260.13	1,053.42
	(f) Goods - in - Transit	182.13	157.19
	(g) Overheads in Stock & Stock Provision	(70.40)	(38.03)
	Total	3,402.62	2,478.78

NOTE NO. 15 : TRADE RECEIVABLES

₹ in Million

S.No.	Particulars	As at 31.03.2013	As at 31.03.2012
I	Outstanding for a period exceeding six months	168.05	52.10
	Unsecured & Considered Good		
	Other Receivables:	2,914.20	2,163.97
	Unsecured & Considered Good		
	Total	3,082.25	2,216.07

NOTE NO. 16 : CASH AND BANK BALANCES

₹ in Million

S.No.	Particulars	As at 31.03.2013	As at 31.03.2012
I	Cash and cash equivalents :		
	a) Balances with banks :		
	1) On Current Accounts	150.38	226.71
	b) Cash on hand	1.61	1.97
	Sub Total	151.99	228.68
	Margin Money Deposit	87.58	134.69
	Sub Total	87.58	134.69
	Total	239.57	363.37

NOTE NO. 17 : SHORT TERM LOANS AND ADVANCES

₹ in Million

S.No.	Particulars	As at 31.03.2013	As at 31.03.2012
I	Advances:		
	Unsecured & Considered Good		
	Advances to Suppliers for Capital Goods	37.88	149.60
II	Deposits	213.57	143.18
III	Others	946.77	1,118.08
	Total	1,198.22	1,410.86

NOTE NO. 18 : OTHER CURRENT ASSETS

₹ in Million

S.No.	Particulars	As at 31.03.2013	As at 31.03.2012
I	MAT & VAT Receivable	214.20	2.29
II	Others	13.97	-
	Total	228.17	2.29

NOTE NO. 19 : REVENUE FROM OPERATIONS

₹ in Million

S.No.	Particulars	For the Year Ended 31.03.2013	For the Year Ended 31.03.2012
I	Revenue from Operations		
	(a) Sale of Products		
	Domestic	4,626.52	2,801.63
	Export	6,460.32	3,851.30
	(b) Other Operating Revenues	1.12	30.21
	Total	11,087.96	6,683.14

NOTE NO. 20 : OTHER INCOME

₹ in Million

S.No.	Particulars	For the Year Ended 31.03.2013	For the Year Ended 31.03.2012
I	Interest on Bank Fixed Deposits	17.52	3.31
	Other Miscellaneous Income	101.22	23.51
	Total	118.74	26.82

NOTE NO. 21 : COST OF MATERIALS CONSUMED

₹ in Million

S.No.	Particulars	For the Year Ended 31.03.2013	For the Year Ended 31.03.2012
I	Opening Stock of Raw Materials and Consumables	858.97	739.70
	Opening Stock of Packing Materials	60.47	49.74
	Add : Purchases during the year	6,068.98	3,668.60
		6,988.42	4,458.04
	Less : Closing Stock of Raw Materials and Consumables	1,546.74	840.32
	Less : Closing Stock of Packing Materials	67.35	60.35
	Total	5,374.33	3,557.37

NOTE NO. 22 : CHANGES IN INVENTORIES

₹ in Million

S.No.	Particulars	For the Year Ended 31.03.2013	For the Year Ended 31.03.2012
I	Finished Goods		
	Opening Stock	1,022.64	808.41
	Less : Closing Stock	1,176.77	1,041.42
	Sub Total (A)	(154.13)	(233.01)
	Work in process		
	Opening Stock	404.87	455.67
	Less : Closing Stock	499.90	404.87
	Less : Goods in Transit	-	1.32
	Sub Total (B)	(95.03)	49.48
	Goods in Transit		
	Opening Stock	1.33	
	Less : Closing Stock	0.23	
	Sub Total (B)	1.11	-
	Fluctuation in Foreing Exchange	6.47	
	(Increase) / Decrease in Inventories (A+B)	(241.59)	(183.53)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the year ended March 31, 2013

NOTE NO. 23 : EMPLOYEE BENEFIT EXPENSES

₹ in Million

S.No.	Particulars	For the Year Ended 31.03.2013	For the Year Ended 31.03.2012
I	(a) Salaries & Wages	458.04	318.18
	(b) Contribution to Provident Fund & ESI	16.56	22.62
	- Staff Training Expenses	7.94	1.14
	- Staff Recruitment Expenses	20.73	0.31
	Total	503.27	342.25

NOTE NO. 24 : OTHER OPERATING EXPENSES

₹ in Million

S.No.	Particulars	For the Year Ended 31.03.2013	For the Year Ended 31.03.2012
I	Consumption of Stores & Spares	152.78	46.11
	Power & Fuel	440.64	223.34
	Repairs to Building	2.71	24.89
	Repairs to Machinery	167.24	61.49
	Other Manufacturing Expenses	1,447.48	550.84
	Job Work Charges	35.77	19.06
	R & D Expenses	323.05	213.66
	Total	2,569.67	1,139.39

NOTE NO. 25 : ADMINISTRATIVE EXPENSES

₹ in Million

S.No.	Particulars	For the Year Ended 31.03.2013	For the Year Ended 31.03.2012
I	Business & Marketing Expenses	78.05	14.77
	Commission & Discounts	91.80	63.44
	Travelling Expenses - Foreign	50.14	22.92
	Freight Outward	175.94	119.67
	Other Selling Expenses	35.11	32.97
	Printing & Stationery	9.15	5.46
	Telephone & Postage Expenses	21.37	12.06
	Travelling Expenses	17.95	20.83
	Rates & Taxes	37.93	13.94
	Conveyance	3.87	0.69
	Consultancy Charges	103.87	9.97
	Directors' Sitting Fee	0.25	0.18
	Insurance	46.22	23.09
	Rent	21.35	11.15
	Other Administrative Expenses	367.47	169.46
	Other Borrowing Costs & Bank charges	72.99	-
	Processing Fee on Term Loans	22.07	-
	Fluctuation on Foreign exchange	(144.53)	-
	Payment to Auditors:		
	(i) As Auditor	10.92	4.05
	(ii) For Taxation Matters	2.91	0.03
	Total	1,024.83	524.68

NOTE NO. 26 : FINANCE COST

₹ in Million

S.No.	Particulars	For the Year Ended 31.03.2013	For the Year Ended 31.03.2012
I	Interest Expenses		
	- Interest on Cash Credit	113.24	180.51
	- Interest on Term Loans	212.47	101.92
	- Interest on Vehicle Loan	0.65	0.18
	- Interest on ECB Loan	82.96	1.09
	Total Finance Cost	409.32	283.70

27. Preference Share Capital:
During the Financial Year 2011-12, the company allotted 6,70,000 Compulsory Convertible Cumulative Preference shares of ₹1,000/- each to M/s. NYLIM Jacob Ballas India Fund III, LLC at par. During the financial year 2012-13, these preference shares were converted to 21,26,984 fully paid equity shares as per the terms of share subscription and shareholders agreement.

28. Warrant Application Money of ₹237.20 Million received during the earlier years represents monies received for which Warrants were not issued by the company for want of approval from Stock Exchanges.

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

30. 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	Whole Time Director
5	Mr. S. Raghunandan	Whole Time Director
6	Dr. R.K. Dhar	Whole Time Director (part of the year)
7	Octtantis 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

31. Transactions with related Parties:

Name of the Party	Nature of Relationship	Nature of Transaction	2012-13 ₹ in Million	2011-12 ₹ in Million
Dr. V. Manohar Rao	Whole Time Director	Remuneration	10.00	3.60
Subhash Varalwar	Whole Time Director	Remuneration	10.00	3.60
Santosh Varalwar	Managing Director & CEO	Remuneration	11.50	4.50
Sandeep Varalwar	Whole Time Director	Remuneration	10.50	3.60
S.Raghunandan	Whole Time Director	Remuneration	5.00	2.52
Dr.R.K.Dhar	Whole Time Director	Remuneration (part of the year)	2.39	2.52

Name of the Party	Nature of Relationship	Nature of Transaction	As at 31st March,2013 ₹ in Million	As at 31st March,2012 ₹ in Million
Octtantis Nobel Labs Pvt Ltd	Wholly Owned Indian Subsidiary	Purchase /Sale	NIL	NIL
		Investment in shares	23.00	23.00
		Other Advances	91.23	63.09
Creative Health Care Private Limited	Wholly Owned Indian Subsidiary	Purchase /Sale	2.54	NIL
		Investment in shares	25.00	25.00
		Other Advances	11.43	1.17
Klar Sehen Private Limited	Wholly Owned Indian Subsidiary	Purchase /Sale	50.04	NIL
		Investment in shares	200.00	200.00
		Other Advances	(70.51)	NIL
Vivimed Holdings Limited, HongKong	Wholly Owned Foreign Subsidiary	Investment in Shares	0.07	0.07
		Advances	683.97	522.82
Vivimed Labs Europe Limited, U.K	Wholly Owned Foreign Step Down Subsidiary	Sales	667.72	483.16
		Advances	NIL	NIL
Vivimed Labs USA Inc.	Wholly Owned Foreign Subsidiary	Sales	298.70	340.69
		Investment in Shares	2,46.98	163.21
		Advances	79.42	74.69
Vivimed Labs Mauritius Ltd.	Wholly Owned Foreign Subsidiary	Investment in Shares	460.41	460.41
		Advances	127.26	101.92
Vivimed Labs Spain S L	Wholly Owned Foreign Step Down Subsidiary	Sales	NIL	NIL
		Advances	169.65	12.73
Union Quimico Farmaceutica S.A.U., Spain	Wholly Owned Foreign Step Down Subsidiary	Sales	174.01	NIL
		Advances	NIL	NIL
Uquifa Mexico S.A. de C.V.	Wholly Owned Foreign Step Down Subsidiary	Sales	49.52	NIL
		Advances	NIL	NIL

32. Contingent Liabilities :

₹ in Million

Particulars		As at 31-03-2013	As at 31-03-2012
Letter of Credit	Foreign LC's	86.93	94.69
	Inland LC's	185.50	55.89
	Axis Bank - SBLC	543.89	511.56
Bank Guarantee	State Bank of Hyderabad, Balanagar Branch, Hyderabad.	1.19	4.87

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the year ended March 31, 2013

33. Contingent Liability on account of Corporate Guarantees:

₹ in Million

Name of the Subsidiary	Details of the Lender	As at 31-03-2013	As at 31-03-2012
Vivimed Holdings Private Limited, HongKong.	State Bank of India, London Branch	NIL	366.47
Vivimed Labs Europe Limited, UK.	State Bank of India, London Branch	412.24	142.19
Vivimed Labs Spain S.L.	EXIM Bank	1218.55	1243.58
Octantites Noble P Ltd	Yes bank	31.16	30.00
Vivimed Labs USA Inc.,	Merchants & Traders Trust Company	NIL	179.05
Vivimed Labs USA Inc.,	ICICI Bank, USA	103.06	NIL

34 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.

35 Earnings Per Share :

Particulars		2012–13	2011–12
Net profit after tax	(₹ Million)	835.84	631.37
Weighted Average Numbers of shares	Nos.	16,060,926	13,933,942
Basic EPS	(₹)	52.04	45.31
Diluted EPS	(₹)	52.04	39.31

36 Segment wise Information is furnished in Annexure -A.

37 Closing Balances of Debtors / Creditors / Loans & Advances are subject 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 Million 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 : 30-05-2013

For VIVIMED LABS LIMITED

Santosh Varalwar
Managing Director & CEO

Dr. V. Manohar Rao
Director

Yugandhar Kopparthi
Company Secretary

ANNEXURE -A

Segment Information

The 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.

Primary Segment Information

₹ in Million

Sl. No.	Particulars	Speciality Chemicals		Pharmaceuticals		Total	
		2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
1	REVENUE						
	External Turnover	3,703.87	3,362.63	7,384.09	3,320.51	11,087.96	6,683.14
	Inter Segment Turnover	NIL	NIL	NIL	NIL	NIL	NIL
	TOTAL REVENUE	3,703.87	3,362.63	7,384.09	3,320.51	11,087.96	6,683.14
2	RESULTS						
	Operating Profit	679.96	591.98	695.64	443.11	1,375.60	1,035.09
	Interest Expenses	291.57	239.28	117.75	44.48	409.32	283.76
	Interest Income	6.57	8.72	5.90	18.10	12.47	26.82
	Profit Before Tax	394.96	361.42	583.80	416.73	978.76	778.15
	Current Tax	84.59	76.84	98.42	82.06	183.01	158.90
	Deferred Tax	33.76	(2.35)	(73.86)	(9.76)	(40.09)	(12.11)
	Profit after Tax	276.60	286.93	559.24	344.43	835.84	631.36
3	OTHER INFORMATION						
	Segment Assets	8,628.70	7,294.00	7,066.85	5,698.03	15,695.55	12,992.03
	Unallocated Corporate Assets	NIL	NIL	NIL	NIL	NIL	NIL
	Total Assets	8,628.72	7,294.00	7,066.85	5,698.03	15,695.57	12,992.03
	Segment Liabilities	6,258.43	4,631.40	4,345.69	3,612.79	10,604.12	8,244.19
	Unallocated Corporate Liabilities	NIL	NIL	NIL	NIL	NIL	NIL
	Total Liabilities	6,258.43	4,631.40	4,345.69	3,612.79	10,604.12	8,244.19
	Capital Employed	7,772.46	6,823.50	5,156.89	4,033.03	12,929.35	10,856.53
	Capital Expenditure–Net	1,151.74	1,118.48	586.00	2,495.62	1,737.74	3,614.10
	Depreciation	137.44	103.31	324.52	133.83	461.96	237.14
	Non Cash Exp. Other than Depreciation	57.49	30.47	68.66	0.28	126.15	30.75

CONSOLIDATED CASH FLOW STATEMENT As at 31.03.2013

₹ in Million

Particulars	31.03.2013	31.03.2012
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary items	978.76	778.15
Add : Adjustment for	-	
- Depreciation & Amortization Expenses	588.11	267.90
- Financing Charges	215.63	283.75
- Prior Period Adjustments	0.59	-
Operating Profit before Working Capital Changes	1,783.08	1,329.80
Working Capital changes		
Add / (Less) : (Increase) / Decrease in		
- Trade Receivables	(916.62)	(940.53)
- Inventories	(923.85)	(1,634.02)
- Loans, Advances & Deposits	(410.53)	(315.37)
- Other Current Assets	(204.83)	(2.21)
- Trade Payables	342.99	1,128.02
- Other Current Liabilities	1,083.18	321.54
- Short term Provisions	(594.21)	(12.95)
- Short term Borrowings	682.55	577.44
- Direct Taxes Paid	59.31	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	901.07	451.72
B. CASH FLOW FROM INVESTING ACTIVITIES		
- Fixed Assets - Tangible & Intangible	(1,910.54)	(3,614.10)
- (Increase) / Decrease in Miscellaneous Expenditure	298.39	(440.39)
- (Increase) / Decrease in Long term Loans & Advances	-	(180.00)
- (Increase) / Decrease in Investments	(83.76)	(6.98)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(1,695.92)	(4,241.47)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
- Long Term Borrowings	28.99	2,118.27
- Other Long Term Liabilities	1,259.61	17.55
- Share Premium & Others	477.73	930.47
- Preference Share Capital	(670.00)	1,347.16
- Share Capital	21.27	-
- Long Term Provisions	7.82	1.15
- Interest paid	(215.63)	(283.75)
- Dividend Paid	(75.29)	(23.78)
- Money received against share warrants	-	(64.91)
- Foreign Exchange Fluctuation	(163.45)	
NET CASH FLOWS FROM FINANCING ACTIVITIES	671.05	4,042.16
NET INCREASE IN CASH AND CASH EQUIVALENTS	(123.80)	252.41
Opening Cash and Equivalents	363.37	110.96
Closing Cash and Equivalents	239.57	363.37

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

For VIVIMED LABS LIMITED

Santosh Varalwar
Managing Director & CEO

Dr. V. Manohar Rao
Director

Place : Hyderabad
Date : 30-05-2013

Yugandhar Kopparthi
Company Secretary

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATED TO SUBSIDIARY COMPANIES FOR THE FINANCIAL YEAR ENDED MARCH 31, 2013

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 : 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	31.03.2013	a) 2,50,000 equity shares b) 10 each c) 100% held by Vivimed Labs Limited	Not Applicable	(i) ₹43.98 Million (ii) ₹35.87 Million	As the financial year of the holding and subsidiary company coincide, there are no particulars to furnish	None
Klar Sehen Private Limited	31.03.2013	a) 6,99,800 equity shares held by Vivimed Labs Limited b) ₹10 each c) 100%	Not Applicable	(i) ₹35.87 Million (ii) ₹39.10 Million	As the financial year of the holding and subsidiary company coincide, there are no particulars to furnish	None
Octtantis Nobel Labs Private Limited	31.03.2013	a) 25,000 equity shares held by Vivimed Labs Limited b) ₹10 each c) 100%	Not Applicable	(i) ₹(31.71) Million (ii) ₹(47.60) Million	As the financial year of the holding and subsidiary company coincide, there are no particulars to furnish	None

Vivimed Holdings Limited	31.06.2013	a) 10,000 equity shares held by Vivimed Labs Limited b) HK$ 1 each c) 100%	Not Applicable	(i) ₹18.41 Million (ii) ₹(36.26) Million	None	None
Vivimed Labs Europe Limited	31.03.2013	a) 1,00,000 b) GB £ 1 each c)100% held through Vivimed Holdings Limited)	Not Applicable	(i) ₹57.10 Million (ii) ₹110.40 Million	As the financial year of the holding and subsidiary company coincide, there are no particulars to furnish	None
Vivimed Labs USA INC.	31.03.2013	a) 1000 b) US$ 0.01 each c) 100% held by Vivimed Labs Limited	Not Applicable	(i) ₹12.08 Million (ii) ₹9.01 Million	As the financial year of the holding and subsidiary company coincide, there are no particulars to furnish	None
Vivimed Labs Mauritius Limited	31.03.2013	a) 90,00,000 equity shares b) US$ 1 each c) 100% held by Vivimed Labs Limited	Not Applicable	(i) ₹14.77 Million (ii) ₹14.77 Million	As the financial year of the holding and subsidiary company coincide, there are no particulars to furnish	None
Vivimed Labs UK Limited	31.03.2013	a) 78,32,821 b) £ 1 each c) 100% held through Vivimed Labs Mauritius Limited	Not Applicable	(i) ₹(2.22) Million (ii) ₹(2.22) Million	As the financial year of the holding and subsidiary company coincide, there are no particulars to furnish	None
Vivimed Labs Spain S.L.	31.12.2013	a) 91,92,738 b) ₹1 each c) 100% held through Vivimed Labs UK Limited	Not Applicable	(i) ₹(109.94) Million (ii) ₹(109.94) Million	None	None
Union Quimico Farmaceutica S.A.U	31.12.2013	a) 8,23,529 nominative shares b) ₹3.726275 each c) 100% held through Vivimed Labs Spain S.L.	Not Applicable	(i) ₹270.09 Million (ii) ₹306.97 Million	None	None
Holliday International Limited	31.12.2013	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.	31.12.2013	a) 36,54,96,000 b) No nominal value c) 100% 36,54,95,999 fully paid shares held by Holliday International Limited & 1 fully paid share held by Vivimed Labs UK Limited	Not Applicable	(i) ₹233.15 Million (ii) ₹233.15 Million	None	None

Subsidiary Companies Particulars

₹ in Million

Particulars	Capital	Reserves	Total assets	Total liabilities	Investments	Turnover	PBT	Provision for taxation	PAT	Proposed dividend
Creative Health Care Private Limited	25.00	216.09	451.87	218.94		600.24	60.02	16.04	43.98	-
Klarsehen Private Limited	7.00	164.00	227.04	55.71		240.76	48.67	12.79	35.87	-
Octtantis Nobel Labs Private Limited	0.25	(47.60)	112.73	137.33		30.37	(31.71)	-	(31.71)	-
Vivimed Holdings Limited	0.07	(89.37)	1,119.93	1,209.23	895.44	-	(54.67)	-	(54.67)	-
Vivimed Labs Europe Limited	8.18	442.21	1,169.68	739.41		1,053.27	67.40	10.30	57.10	-
Vivimed labs USA Inc	0.0005	243.02	585.93	339.81		514.10	12.69	0.61	12.08	-
Vivimed Labs Mauritius Limited	1,099.87	43.99	1,316.37	172.51	639.46	-	14.77	-	14.77	-
Vivimed Labs UK Limited	639.46	(2.79)	1,140.50	503.83	642.79	-	(2.22)	-	(2.22)	-
Vivimed Labs Spain S.L.	642.78	(225.61)	3,187.53	2,770.35	2,859.71	-	(132.29)	(22.35)	(109.94)	
Union Quimico Farmaceutica S.A.U	209.87	2,446.65	4,262.87	1,419.27		3,805.07	230.63	(39.46)	270.09	-
Holiday International Limited	-	807.85	807.85	-		-	-	-	-	-
Uquifa Kexico S.A DE C.V.	133.79	976.82	1,774.98	574.45		1,776.38	251.66	18.52	233.15	-

Vivimed Labs Limited

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

Notice

NOTICE is hereby given that the Twenty Fifth Annual General Meeting of the Members of VIVIMED LABS LIMITED will be held at 78/A, Kolhar Industrial Area, Bidar – 585403, Karnataka, on Monday, September 30, 2013, at 11.30 a.m. to transact the following businesses:

ORDINARY BUSINESS:

1.To receive, consider and adopt the audited Balance Sheet as at March 31, 2013, the Statement of Profit and Loss for the year ended March 31, 2013, together with the Reports of the Board of Directors and the Auditors thereon.

2. To approve proportionate dividend paid on Compulsorily Convertible and Cumulative Preference Shares (CCPS's)

3.To declare a dividend on Equity Shares of the Company for the Financial Year ended March 31, 2013.

4. To appoint a Director in place of Mr. Nixon Patel , who retires by rotation and being eligible, offers himself for re-appointment.

5. To appoint a Director in place of Mr. M. Bhagvanta Rao, who retires by rotation and being eligible, offers himself for re-appointment.

6. To re-appoint M/s. P.Murali & Co , Chartered Accountants, Hyderabad, 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 and to authorise the Board to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT Dr.V.Peesapati , who was appointed as an Additional Director of the Company by the Board of Directors with effect from May 22, 2013 and who holds office up to the date of this Annual General Meeting and in respect of whom a notice under Section 257 of the Companies Act, 1956, has been received from a Member signifying his intention to propose Dr.V.Peesapati as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation

By Order of the Board of Directors

Place : Hyderabad
Date : 06.09.2013

K.Yugandhar
Company Secretary

Registered Office:
78/A, Kolhar Industrial Area,
Bidar – 585403, Karnataka.

NOTES:

a) The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the special business set out in the Notice, wherever applicable, is annexed hereto.

b) A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member of the Company.

c) Proxies in order to be effective should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the Annual General Meeting.

d) Corporate Members intending to send their authorised representative(s) to attend the Meeting are requested to send a certified copy of the Board resolution authorising their representative to attend and vote on their behalf at the Annual General Meeting.

e) Members desirous of obtaining any information as regards accounts of the Company are requested to write to the Company at least one week before the Meeting, so that the information required will be made available at the Annual General Meeting.

f) Documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company on all working days of the Company, between 2:00 p.m. to 5:00 p.m. up to the date of the Annual General Meeting.

g) The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, September 26, 2013 to Monday, September 30, 2013 (both days inclusive) for determining the names of the Members eligible for dividend on Equity Shares, if declared at the Annual General Meeting.

h) The dividend on Equity Shares, if declared at the Annual General Meeting, will be paid on or after Tuesday, October 1, 2013, to those Members, holding shares in physical form,whose names shall appear on the Company's Register of Members on close of business hours on Wednesday, September 25, 2013; in respect of the shares held in dematerialised form, the dividend will be paid to the Members whose names are furnished by the National Securities Depository Limited and the Central Depository Services (India) Limited as the beneficial owners as at the close of business hours on Wednesday, September 25, 2013.

i) Members holding shares in physical form are requested to immediately notify change in their address, if any, to the Registrar and Transfer Agent of the Company, viz., Aarthi Consultants Private Limited, 1-2-285, Domalguda, Hyderabad -500029 , quoting their Folio Number(s).

j) The Company will disburse the dividend vide ECS/NECS to those share holders whose requisite particulars are available and to other share holders vide dividend warrants. The intimation of dividend payout/dispatch will be sent within the statutory period.

k) Members/Proxies are requested to bring the Attendance Slip(s) duly filled in.

l) Copies of the Annual Report will not be distributed at the Annual General Meeting; Members are requested to bring their copy of the Annual Report to the Meeting.

m) Members are requested to note that the Company's shares are under compulsory demat trading for all investors. Members are, therefore, requested to dematerialise their shareholding to avoid inconvenience.

n) Members may avail of the nomination facility as provided under Section 109A of the Companies Act, 1956.

o) Pursuant to the requirements of Corporate Governance under Clause 49 of Listing Agreement entered into with the Stock Exchange(s), the brief resumes of all the Directors proposed to be re-appointed, nature of their expertise in specific functional areas, names of companies in which they hold directorships and memberships/chairmanships of Board/ Committees, shareholding and relationships between Directors inter-se, are provided in the Directors' Report forming part of the Annual Report.

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

Item No.7: Dr V Peesapati was appointed as an Additional Director of the Company by the Board of Directors with effect from May 22,2013. In terms of the provisions of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956, Dr.V.Peesapati holds office up to the date of the forthcoming Annual General Meeting.

Dr. V. Peesapati, aged 70 years having Thirty five years 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. Names are Prof. K. V. Rao (USA), Prof. G. R. Proctor, Prof. R. A. Pathrick, Prof. John Sherwood, Stratheclyde University and Prof. R. L. Jones and Prof. N. H. Wilson, Edinburgh University, UK.

A notice pursuant to Section 257 of the Companies Act, 1956, has been received from a Member, signifying his intention to propose the appointment of Dr. V. Peesapati. This may also be treated as an individual notice to the Members of his candidature, pursuant to Section 257(1A) of the Companies Act, 1956.

Your Directors recommend the resolution set out in the Notice for your approval.

None of the Directors other than Dr. V. Peesapati are in any way, concerned or interested in the resolution.

By Order of the Board of Directors

Place : Hyderabad
Date : 06.09.2013

K.Yugandhar
Company Secretary

Registered Office:
78/A, Kolhar Industrial Area,
Bidar – 585403, Karnataka.

Vivimed Labs Limited

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

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 member(s) of M/S. Vivimed Labs Limited hereby appoint _____ _____ of _____ on my / our Proxy to attend vote for me/us and on my /our behalf at the **Twenty Fifth Annual General Meeting** of the company to be held on Monday 30th September 2013 at 11-30 a.m. and at any adjournment thereof.

Affix ₹1/- Revenue Stamp

Signature across Revenue Stamp

Signed This ..... Day Of .....2013.

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 Labs Limited

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

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 Twenty fifth Annual General Meeting of the Company, being held on Monday, September 30th 2013 at 11-30 a.m. at 78A , Kolhar Industrial Area, Bidar – 585 403 Karnataka .

Full name of Shareholder/ proxy present.....

(In block letter)

Signature of the Shareholder/Proxy

Vivimed

FORM A

Format of covering letter of the annual audit report to be filed with the stock exchanges

1.	Name of the Company:	Vivimed Labs Limited
2.	Annual financial statements for the year ended	31st March 2013
3.	Type of Audit observation	Un-qualified
4.	Frequency of observation	Not Applicable
5.	To be signed by- ☐ Managing Director & CEO ☐ CFO ☐ Auditor of the company ☐ Audit Committee Chairman	

VIVIMED LABS LIMITED Vivimed

P. MURALI & CO., Hyderabad. Chartered Accountants

P. Murali

VIVIMED LABS LIMITED Vivimed

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