THE LABORATORY WITH QUALITY SYSTEMS
CERTIFIED TO INTERNATIONAL STANDARDS

8TH ANNUAL REPORT
1 9 9 7 - 9 8

VIMTA LABS LTD.

BOARD OF DIRECTORS

DR S P VASIREDDI
CHAIRMAN & MANAGING DIRECTOR

SHRI V HARRIMAN
DIRECTOR-TECHNICAL

SHRI V V PRASAD
EXECUTIVE DIRECTOR

SHRI RAGHU CIDAMBI
DIRECTOR

SHRI S SUBRAHMANYAN
DIRECTOR

SHRI A D SINHA
DIRECTOR

Company Secretary & Finance Manager

SHRI A VENKATA RAMANA

BANKERS

CANARA BANK
M G ROAD
NEAR PARK LANE
SECUNDERABAD : 500 003.

AUDITORS

J VENKATESWARLU & CO.
CHARTERED ACCOUNTANTS
12, MASTER SAI APARTMENTS
SOMAJIGUDA
HYDERABAD : 500 482.

REGISTERED OFFICE & CENTRAL LABORATORY

PLOT NOS.141/2 & 142, IDA, PHASE II, CHERLAPALLY,
R R DISTRICT, HYDERABAD 500 051.

NOTICE

NOTICE is hereby given that the Eigth Annual General Meeting of the members of VIMTA LABS LIMITED will be held at 10.30 A.M. on Tuesday the 29th, September,1998 at the Registered Office of the Company i.e. Plot Nos.141/2 & 142, IDA, Phase II, Cherlapally, Rangareddy District, Hyderabad 500 051 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March,1998 and Profit & Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri S Subrahmanyan who retires by rotation and, being eligible, offers himself for reappointment.
3 To consider and, if thought fit, to pass the following Resolution, with or without modifications, as a Special Resolution:

"RESOLVED that pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, M/s J.Venkateswarlu & Co Chartered Accountants, Hyderabad, the retiring Auditors of the Company, be and are hereby appointed Auditors of the Company to hold office from the conclusion of this Meeting upto the conclusion of the next Annual General Meeting of the company on such remuneration as may be decided by the Board of Directors of the Company in addition to reimbursement of all out-of-pocket expenses in connection with audit of the accounts of the company."

SPECIAL BUSINESS

4. To consider and, if thought fit, to pass the following Resolution, with or without modifications, as a Special Resolution.

"RESOLVED THAT pursuant to the Provisions of sections 198, 269, 309, 311, 314 and 317 read with Schedule XIII of the Companies Act,1956 and other applicable provisions of the Act, if any, and subject to the approval of the Company in General Meeting and such other approvals as may be necessary, Shri V Harriman be and is hereby re-appointed as Director-Technical in the whole-time employment of the Company for a period of 5 (Five) years w.e.f. 03.09.1997 on the following terms and conditions:

i) Salary : Time scale of 42000-4000-62000;

ii) Commission at 1% of the net profits of the Company.

iii) Perquisites

PART - A

I. Housing

The expenditure by the Company on hiring unfurnished accommodation will be subject to the following ceiling:

A. a) At Mumbai, Calcutta, Delhi and Chennai - 60% of salary over and above 10% payable by Shri V Harriman.

b) At other places - 50% of salary over and above 10% payable by Shri V Harriman himself.

B. In case no accommodation is provided by the Company, the appointee shall be entitled to House Rent Allowance subject to the ceilings laid down in Clause 'A' above.

II. The expenditure incurred by the Company on gas, electricity, water and furnishings will be valued as per the Income-tax Rules, 1962. This will however, be subject to a ceiling of 10% of the salary.

III. Medical Reimbursement

Reimbursement of medical expenses actually incurred for self and family subject to a ceiling of one month's salary per year or three months salary in a block of three years.

IV. Leave Travel Concession

For self and family once in a year as per the Company's rules.

V. Club Fees

Fees of clubs, subject to a maximum of two clubs.

VI. Personal Accident Insurance

Personal Accident Insurance of an amount, the annual premium of which does not exceed Rs.4,000/-.

PART - B

I. Company's contribution towards Provident Fund, Superannuation Fund or Annuity Fund subject to a ceiling as laid down under Income - Tax Rules, 1962.

II. Gratuity payable in accordance with an approved fund and shall not exceed one-half month's salary for each completed year of service, subject to a ceiling of Rs.1,00,000/-.

III. Earned/Privilege leave on full pay and other allowances, as per the rules of the Company, but not more than one month's leave for every eleven months of service. The leave accumulated but not availed of shall be allowed for encashment.

PART - C

I. Free use of Company's car on Company's business.

II. Residential telephone shall be provided."

By Order of the Board
for Vimta Labs Limited
A Venkata Ramana
Company Secretary
& Finance Manager

Hyderabad
Date : 30.07.1998

NOTES :-

1. The relative Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the business under item No.3 and 4 above is provided hereunder.
2. A member entitled to attend and vote is entitled to appoint a proxy to attend and on poll to vote instead of himself. Such a proxy need not be a member of the company. Proxies in order to be valid and effective must be delivered at the Registered Office of the company not later then 48 hours before the commencement of the meeting.
3. The Register of Members and the Share Transfer Books of the Company will be closed from 06.10.1998 to 08.10.1998 (Both days inclusive).
4. Members are requested to:
   i) Intimate changes, if any, in their registered address to the Company.
   ii) bring their copy of the Annual Report and the Attendance slips with them to the Meeting.

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

Item No.3

The Public Financial Institutions are holding more than 25% of the subscribed share capital of the Company and as such the appointment of Auditors should be made by passing special resolution in pursuance of Section 224A of the Companies Act, 1956.

The Directors recommend the resolution for approval.

None of the Directors of the Company is in any way concerned or interested in the Resolution.

Item No.4

The term of the Director-Technical was expired on 03.09.1997 and the Board in its meeting held on 03.09.1997 reappointed Shri V.Harriman for a period of five years with effect from 03.09.1997 upon terms and conditions as set out in the resolution in accordance with Schedule XIII of the Companies Act, 1956.

None of the Directors of the Company is in any way concerned or interested in the Resolution except Shri V.Harriman, Dr.S.P.Vasireddi and Shri V V Prasad.

By Order of the Board
for Vimta Labs Limited
A Venkata Ramana
Company Secretary
& Finance Manager

Hyderabad.
Date : 30.07.1998

DIRECTORS' REPORT

To
The Members of
VIMTA LABS LIMITED

Your Directors hereby present the Eighth Annual Report and Audited Accounts for the Financial Year ended on 31st March, 1998.

FINANCIAL RESULTS :

Financial Results for the year under review are as follows :

		Current Year (Rs. in lakhs)		Previous Year (Rs. in lakhs)
1) Profit before interest, Depreciation & Taxes		8.25		106.41
Less:				
2) Finance Charges	167.67		143.18	
3) Depreciation	41.71		41.28	
		209.38		184.46
4) Profit/(Loss) before Amortization and Tax		(201.13)		(78.05)
5) Amortization of preliminary expenses		13.53		11.87
6) Prior period adjustments		(5.15)		(2.37)
7) Profit/(Loss) before Tax		(219.81)		(92.29)
8) Provision for Taxation		---		---
9) Profit/(Loss) after tax		(219.81)		(92.29)
Add/Less : Surplus brought forward from previous years		55.17		147.46
Balance carried to Balance Sheet		(164.64)		55.17

REVIEW OF OPERATIONS :

Your Directors hereby report that, your Company has achieved a turnover of Rs. 250 lakhs during the year under review. The resultant gross profit is Rs.8 lakhs before interest and depreciation. However, with the inclusion of interest and depreciation your Board of Directors have to report regretfully a loss of Rs.219 lakhs.

The expected projects and analytical assignments could not be achieved to the extent of Rs. 175 lakhs because of recession in the economy since third quarter of the financial year resulting in steep decline in the turnover.

JOINT VENTURE WITH ROSTEST, MOSCOW :

Your Board of Directors are glad to inform you that your company has entered in to a Joint Venture with Russian Centre for Testing and Certification, ROSTEST, MOSCOW with an investment of Rs. 4.8 lakhs being 24% of the total paidup capital. Main essence of entering in toJoint venture is to diversify the activities in to preshipment inspection services for all Indian exports to Russia. With these diversified activities your company is expected to achieve an additional annual turnover of Rs. 200 lakhs to Rs. 300 lakhs.

BUSINESS OUT LOOK :

The performance of your company during the first quarter of the financial year is quite encouraging. The company is receiving a good number of enquiries from various parties for Environmental, Bio-availability project works and pre-shipment inspection services to other countries. Given the same trend, your directors feel that the company's operating results and performance would be much better.

DIRECTORS :

During the year under review Shri G. Purnachandra Rao ceased to be a Director of your company with effect from 28.07.98 as he was pre-occupied with various assignments. Your Board of Directors wish to place on record its sincere appreciation for the guidance and assistance provided by Shri G. Purnachandra Rao during his tenure.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri S Subrahmanyan will retire by rotation and is eligible for reappointment.

AUDITORS :

M/S J Venkateswarlu & Co. Chartered Accountants, Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting. They have given their consent for reappointment and further stated that if appointed, their appointment will be within the limits specified under Section 224 (1-B) of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES :

Disclosure of information as required under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies Rules (Particulars of Employees), 1975 is enclosed hereto as Annexure -I and forms part of this report.

INFORMATION ON ENERGY CONSERVATION & TECHNOLOGY ABSORPTION :

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

ACKNOWLEDGMENTS :

Your Directors take this opportunity to express their gratitude to the Business Associates, Customers, Bankers, Financial Institutions and Venture Capital Institutions for their support and guidance.

Your Directors deeply acknowledge the continued trust and confidence of the customers and shareholders on your Company. The Directors wish to place on record their deep sense of appreciation of the services rendered by all the employees of the Company.

For and on behalf of the Board

Hyderabad — ***Dr S P Vasireddi***
Date : 30.07.1998 — Chairman & Managing Director

ANNEXURE - I

Statement pursuant to Sec. 217 (2A) of the Companies Act, 1956 and Companies (Particulars of Employees) Rules, 1975.

(Forming part of the Directors' Report for the year ended 31st March, 1998.)

Name	Qualification and Experience	Age in years	Designation/ Nature of duties	Date of commencement of employment	Gross Remuneration (Rs.)	Last Employment
Dr S P Vasireddi	M.Sc, Ph.D. 22 Years	48	Managing Director	01.01.1996	Rs.888918/-	i) Mineral Exploration Corporation Limited, Nagpur, ii) Vimta Labs.
Shri V Harriman	D.Tech in Electronics Toronto, Canada 20 Years	47	Director Technical	03.09.1997	Rs.652804/-	i) GB Electronics Bangalore, ii) Vimta Labs.
Shri V V Prasad	B.Com 20 Years	46	Executive Director	07.06.1996	Rs.1037636/-	Vimta Labs.

NOTES

1. Nature of employment of all the above directors is contractual.
2. Remuneration includes salary, house rent allowance or perquisite for accommodation, commission, Company's contribution to Provident Fund, motor car perquisites/allowance, reimbursement of medical expenses and leave travel facility as applicable.

For and on behalf of the Board

Hyderabad
Date : 30.07.1998

Dr S P Vasireddi
Chairman & Managing Director

ANNEXURE - II

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

(Forming part of the Directors' Report for the year ended 31st March, 1998.)

A. Conservation of Energy :

The Company is a service industry carrying on the business of Testing and Analysis of various materials and Environmental Impact Assessment studies of industrial and other projects. Testing is undertaken for various materials and different types of tests are carried out depending on the nature of material and the quality standards such as IS, IP, USP, BP, ASTM, AOAC, etc. Testing is done using different Testing Equipments. It may be that a particular material needs to be tested on different instruments for various parameters simultaneously as required by the customer. Most of the test equipments are micro-processor based and draw only requisite power.

Power is drawn by different equipments from a common source in the Lab. Besides this, Generator and UPS are used as back-up sources. Hence it is not practicable to quantify the power consumption of each equipment and for each test.

a) Energy Conservation Measures Taken :

i) Designed and installed the power distribution system perfectly which will utilise the power at optimum level of requirement.

ii) The Laboratory Building is designed in such a way that during day time, no artificial lights are necessary for majority of the rooms, which is being conserved for utilisation of equipment.

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

At present no additional investments and proposals are required to be implemented for reduction of consumption of energy.

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

As a result of the measures at (a) above, the energy consumption is reduced to the barest minimum requirement.

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

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

B. Technology Absorption :

As explained above, the Company is offering testing facilities for various materials and undertaking studies of Environmental Impact Assessment of Projects. The tests/studies are carried out as per the prescribed National/International Standards. The Company has not taken up any Research and Development (R & D) activities due to the reason that it has to conduct the tests as per the prescribed procedures. However, the Company extends support to R & D programmes of Industry in trouble shooting and product development using the state of the art instrumentation and expertise available. In the same way, as the Technology involved in the testing is only testing of products as per the prescribed standard procedures/manuals, the disclosure of information in Form B of the Rules are not applicable.

C. Foreign Exchange Earnings And Outgo :

During the financial year, the company has earned foreign exchange of Rs.1.70 Lakhs. Further the Company has incurred an amount of Rs.8.85 lakhs on travel expenditure and advertisement in foreign journals.

For and on behalf of the Board

Dr S P Vasireddi

Chairman & Managing Director

Hyderabad

Date : 30.07.1998

AUDITORS' REPORT

To
The Members of
VIMTA LABS LIMITED

We have audited the attached Balance Sheet of VIMTA LABS LTD as at 31st March,1998 and the relative Profit & Loss account for the year ended on that date, both of which we have signed under reference to this report and report that:

1. As required by the Manufacturing and other Companies (Auditors'Report) Order,1988, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act,1956, we annex hereto a statement on the matters specified in paragraphs 4 & 5 of the said order to the extent they are applicable to this Company.

2. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for our audit; in our opinion, proper books of account have been kept as required by law so far as appears from our examination of the books and the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the Books of Account of the Company.

3. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit & Loss Account together with the notes thereon and attached thereto, give in the prescribed manner the information required by the Companies Act,1956 and also give respectively, a true and fair view of the state of the Company's affairs as at 31st March,1998 and its Loss for the year ended on that date.

for ***J VENKATESWARLU & CO***
Chartered Accountants

Hyderabad
Date : 29.06.1998

(J Venkateswarlu)
Proprietor

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 1 of our report of even date

1. The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. The fixed assets of the Company have been physically verified at reasonable intervals during the year by the management and no material discrepancies between the book records and the physical inventory have been noticed.
2. The fixed assets of the Company have not been revalued during the year.
3. The stocks of finished goods, stores and spares and raw materials of the Company at all its locations have been physically verified by the management at reasonable intervals during the year.
4. In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
5. There were no material discrepancies between the physical stocks and the book stocks.
6. In our opinion, the valuation of stocks of finished goods, stores and spares and raw materials is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in preceding year.
7. The company has not taken any loans secured or unsecured from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act,1956 and/or from the Companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act,1956.
8. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register(s) maintained under section 301 and/or to the companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.

9. Interest free loans or advances in the nature of loans have been given to employees only who are repaying the principal amounts as stipulated.

10. In our opinion, there is an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of stores and spares, raw materials, including components, plant and machinery, equipment and other assets, and for the sale of goods and services.

11. In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the Register maintained under section 301 of the Companies Act,1956 and aggregating to Rs.50000/- or more during the year in respect of each party, have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods, materials or services have been made with other parties.

12. The company has a regular procedure for determining unserviceable or damaged stores, raw materials, or finished goods, on the basis of technical evaluation and on such basis, in our opinion adequate amounts have been written off of such stocks in the accounts.

13. The Company has not accepted any deposits from public.

14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of scrap - where applicable and significant. The company has no by-products.

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

16. In respect of this company, maintenance of cost records has not been prescribed by the Central Government under Section 209(1)(d) of the Companies Act,1956.

17. According to the records of the company and as explained to us, the Company is not regular in depositing the Provident Fund and Employees' State Insurance dues with the appropriate authorities. The extent of arrears as at 31.03.1998 towards Provident Fund is Rs.377575/- and towards Employees' State Insurance is Rs.81332/-. Out of this total Provident Fund dues, an amount of Rs.298106/- was deposited on 09.06.1998 and the total amount of Employees State Insurance dues of Rs.81332/- was deposted on 09.06.1998.

18. There were no undisputed amounts payable in respect of income-tax, wealth-tax, sales tax, customs duty and excise duty outstanding as at the last day of the accounting period for a period of more than six months from the date they become payable.

19. During the course of our examination of the books of accounts carried out in accordance with the generally accepted auditing practices we have not come across any personal expenses which have been charged to profit and loss account, nor we have been informed of any such case by the management.

20. The Company is not a sick company within the meaning of Clause (o) of sub section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act,1985.

21. In our opinion, the Company has a reasonable system of recording receipts, issues and consumption of material and stores and allocating materials consumed to the relative jobs, commensurate with its size and nature of its business.

22. In our opinion, the Company has a reasonable system of allocating man-hours utilised to the relative jobs, commensurate with its size and nature of its business.

23. In our opinion, there is a reasonable system of authorisation at proper levels, and an adequate system of internal control commensurate with its size and nature of its business, on issue of stores and allocation of stores and labour to jobs.

for *J VENKATESWARLU & CO*
Chartered Accountants

Hyderabad
Date : 29.06.1998

(J Venkateswarlu)
Proprietor

BALANCE SHEET AS AT 31ST MARCH, 1998

	Schedule No.	As on 31.03.1998 Rs. Ps.	As on 31.03.1997 Rs. Ps.
I SOURCES OF FUNDS			
(1) Shareholder's Funds			
Share Capital	1	36,071,240.00	36,071,240.00
Reserves & Surplus	2	9,559,170.00	15,075,682.89
(2) Loan Funds			
Secured Loans	3	90,961,372.68	78,738,006.91
Unsecured Loans	4	117,438.00	115,703.00
TOTAL		136,709,220.68	130,000,632.80
II APPLICATION OF FUNDS			
(1) Fixed Assets	5		
(a) Gross Block		99,003,629.86	96,704,116.27
(b) Less: Depreciation		19,514,653.46	15,529,632.44
(c) Net Block		79,488,976.40	81,174,483.83
(d) Capital Work-in-Progress (incl. Capital advances & pre-operative expenses)	6	0.00	2,329,910.84
SUB TOTAL		79,488,976.40	83,504,394.67
(2) Current Assets Loans & Advances	7		
(a) Inventories		15,196,395.75	14,395,377.45
(b) Sundry Debtors		17,499,817.75	22,189,508.24
(c) Cash & Bank Balances		1,103,711.27	748,507.80
(d) Other Current Assets		865,789.01	911,640.01
(e) Loans & Advances		3,224,879.59	2,438,558.48
SUB TOTAL		37,890,593.37	40,683,591.98
Less: Curent Liabilities & Provisions	8		
Current Liabilities		5,920,667.53	4,779,366.56
Net Current Assets		31,969,925.84	35,904,225.42
(3) (a) Miscellaneous Expenditure (to the extent not written off or adjusted)	9	8,785,663.52	10,592,012.71
(b) Profit and Loss account		16,464,654.92	0.00
TOTAL		136,709,220.68	130,000,632.80
SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS	18		

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

for J. VENKATESWARLU & CO.,
Chartered Accountants

(J. Venkateswarlu)
Proprietor

Hyderabad
Date : 29.06.98

For and on behalf of the Board

Dr. S P Vasireddi — Managing Director
Shri V V Prasad — Executive Director
Shri V Harriman — Director Technical
Shri Raghu Cidambi — Director
Shri S Subrahmanyam — Director
Shri A D Sinha — Director
Shri A Venkata Ramana — Company Secretary & Finance Manager

Hyderabad
Date : 29.06.98

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1998

	Schedule No.	Year Ended 31.03.1998 Rs. Ps.	Year Ended 31.03.1997 Rs. Ps.
INCOME			
Income from operations	10	23,369,379.13	33,567,454.90
Increase/(Decrease) in Inventories	11	1,381,831.00	(1,511,270.00)
Other Income	12	259,787.00	330,839.25
TOTAL		25,010,997.13	32,387,024.15
EXPENDITURE			
Chemicals, Consumables and testing expenditure	13	7,509,128.87	6,024,344.04
Payments and Benefits to Employees	14	6,090,051.15	5,324,777.10
Administration Selling & General Exps.	15	10,586,436.95	10,395,800.82
Finance Charges and Interest	16	16,767,181.51	14,318,520.90
Depreciation5		4,171,096.27	4,128,687.03
TOTAL		45,123,894.75	40,192,129.89
Loss before amortisation & prior period adjustments		20,112,897.62	7,805,105.74
Add : Amortisation of Preliminary and Deferred Revenue Expenses	17	1,353,405.19	1,187,379.19
		21,466,302.81	8,992,484.93
Add : Prior year adjustments		514,865.00	237,240.00
LOSS BEFORE TAX		21,981,167.81	9,229,724.93
Provision for Taxation		0.00	0.00
LOSS AFTER TAX		21,981,167.81	9,229,724.93
Less: Surplus brought forward from previous year		5,516,512.89	14,746,237.82
SURPLUS/(LOSS) CARRIED TO BALANCE SHEET		(16,464,654.92)	5,516,512.89
SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS	18		

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

for J. VENKATESWARLU & CO.,
Chartered Accountants

(J. Venkateswarlu)
Proprietor

Hyderabad
Date : 29.06.98

For and on behalf of the Board

Dr. S P Vasireddi	Managing Director
Shri V V Prasad	Executive Director
Shri V Harriman	Director Technical
Shri Raghu Cidambi	Director
Shri S Subrahmanyan	Director
Shri A D Sinha	Director
Shri A Venkata Ramana	Company Secretary & Finance Manager

Hyderabad
Date : 29.06.98

SCHEDULES FORMING PART OF THE ACCOUNTS

		As on 31.03.98 Rs. Ps.	As on 31.03.97 Rs. Ps.
1. SHARE CAPITAL			
Authorised:7000000 Equity Shares of Rs.10/- each(Previous year 7000000 Equity Shares of Rs.10/- each)		70,000,000.00	70,000,000.00
Issued, Subscribed and Paid up 3608624 equity shares of Rs.10/- each fully paid up (Previous year 3608624) shares of Rs.10/- each fully paid up)		36,086,240.00	36,086,240.00
Less : Allotment money due in respect of 3000 shares @ Rs.5/- each (Previous year - 3000 shares @ Rs.5/- each)		15,000.00	15,000.00
	TOTAL	36,071,240.00	36,071,240.00
2. RESERVES AND SURPLUS			
(i) Share Premium Account		9,559,170.00	9,559,170.00
(ii) Surplus in Profit & Loss Account		0.00	5,516,512.89
	TOTAL	9,559,170.00	15,075,682.89
3. SECURED LOANS			
A) Loans & Advances from Banks			
a) Open Cash Credit from Canara Bank		1,453,775.68	1,248,356.91
B) Other Loans & Advances			
1. Term Loans from IDBI			
- Rupee Term Loan (RTL)		20,000,000.00	20,000,000.00
- Foreign Currency Loan under IBRD Line of Credit (FCL)		17,153,745.00	17,153,745.00
2. Interest accrued & due on Term Loans to IDBI		48,652,435.00	35,186,794.00
3. Hire Purchase Loans		1,684,307.00	2,649,111.00
4. Venture Capital type of loan assistance from Centre for Technology Development.		2,017,110.00	2,500,000.00
	TOTAL	90,961,372.68	78,738,006.91
4. UNSECURED LOANS			
(i) Loans & Advances from other than Banks			
a) From Others (Including interest accrued and due thereon)		117,438.00	115,703.00
	TOTAL	117,438.00	115,703.00

SCHEDULES FORMING PART OF THE ACCOUNTS - CONTD.

5. FIXED ASSETS

SL. No.	DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		AS ON 01.04.97 Rs. Ps.	ADDITIONS Rs. Ps.	SALES/ ADJUSTMENTS Rs. Ps.	TOTAL Rs. Ps.	UPTO 31.03.97 Rs. Ps.	FOR THE YEAR Rs. Ps.	ON SALES/ ADJUSTMENTS Rs. Ps.	TOTAL Rs. Ps.	AS ON 31.03.98 Rs. Ps.	AS ON 31.03.97 Rs. Ps.
1	Freehold Land & Site Development	955,656.00	0.00	0.00	955,656.00	0.00	0.00	0.00	0.00	**955,656.00**	955,656.00
2	Buildings										
	- Lab Buildings	16,831,979.53	1,842,349.84	0.00	18,674,329.37	1,142,335.53	276,864.00	0.00	1,419,199.53	**17,255,129.84**	15,689,644.00
	- Staff quarters	944,264.00	0.00	0.00	944,264.00	62,846.00	15,391.00	0.00	78,237.00	**866,027.00**	881,418.00
3	Plant & Machinary	66,631,653.73	735,212.00	0.00	67,366,865.73	12,023,942.93	3,188,762.00	0.00	15,212,704.93	**52,154,160.80**	54,607,710.80
4	Electrical Installation	3,997,340.24	0.00	0.00	3,997,340.24	765,066.24	189,873.00	0.00	954,939.24	**3,042,401.00**	3,232,274.00
5	Office Equipment	1,612,417.31	23,350.00	0.00	1,635,767.31	328,823.14	76,960.00	0.00	405,783.14	**1,229,984.17**	1,283,594.17
6	Furnitures & Fixtures	2,709,349.05	19,880.00	0.00	2,729,229.05	467,782.20	169,343.00	0.00	637,125.20	**2,092,103.85**	2,241,566.85
7	Vehicles	3,021,456.41	745,649.00	1,066,927.25	2,700,178.16	738,836.40	253,903.27	186,075.25	806,664.42	**1,893,513.74**	2,282,620.01
	TOTAL	96,704,116.27	3,366,440.84	1,066,927.25	99,003,629.86	15,529,632.44	4,171,096.27	186,075.25	19,514,653.46	**79,488,976.40**	81,174,483.83
	PREVIOUS YEAR	94,432,462.55	3,547,230.58	1,275,576.86	96,704,116.27	11,765,694.77	4,128,687.03	364,749.36	15,529,632.44	81,174,483.83	82,666,767.78

SCHEDULES FORMING PART OF THE ACCOUNTS - CONTD.

	As on 31.03.98 Rs. Ps.	As on 31.03.97 Rs. Ps.
6. CAPITAL WORK-IN-PROGRESS INCLUDING ADVANCES AND EXPENDITURE PENDING ALLOCATION - LABORATORY COMPLEX UNDER EXECUTION.		
Civil Works	0.00	1,441,201.94
Advances for Capital Works	0.00	888,708.90
TOTAL	0.00	2,329,910.84
7. CURRENT ASSETS, LOANS & ADVANCES		
(a) Inventories		
Chemicals & Consumables (At cost)	304,824.00	449,862.70
Components, Stores & Spares (At cost)	1,653,290.75	2,089,064.75
Environmental Jobs		
Works-in-progress (At Cost)	13,238,281.00	11,856,450.00
TOTAL	15,196,395.75	14,395,377.45
(b) Sundry Debtors		
(Debts Considered Good, Unsecured)		
(i) Debts Outstanding For a Period Exceeding Six months	9,290,296.50	6,213,366.24
(ii) Other Debts	8,209,521.25	16,022,596.00
TOTAL	17,499,817.75	22,235,962.24
(c) Cash & Bank Balances		
(i) Cash Balance on hand	97,649.80	57,933.10
(ii) Balances with Scheduled Banks		
(a) in current Accounts	746,007.47	124,944.70
(b) in Deposit Accounts	120,054.00	110,630.00
(iii) Cheques on hand	140,000.00	455,000.00
TOTAL	1,103,711.27	748,507.80
(d) Other Current Assets		
(i) Advance payment of Income-tax(TDS)	817,927.56	830,142.56
(ii) Interest accrued on Deposits with Banks & APSEB	47,861.45	35,043.45
TOTAL	865,789.01	865,186.01
(e) Loans and Advances		
(Unsecured, considered good)		
(i) Advances recoverable in cash or in kind or for value to be received	1,326,119.49	903,291.38
(ii) Deposits and balances with Public Sector Bodies & Others	1,467,536.50	1,048,631.50
(iii) Prepaid Expenses	100,589.00	200,418.50
(iv) Advances for Services & Supplies	330,634.60	286,217.10
TOTAL	3,224,879.59	2,438,558.48

SCHEDULES FORMING PART OF THE ACCOUNTS - CONTD.

	As on 31.03.98 Rs. Ps.	As on 31.03.97 Rs. Ps.
8. CURRENT LIABILITIES & PROVISIONS		
(a) Current Liabilities		
(i) Sundry Creditors		
(a) for Capital Expenditure	75,260.00	24,547.00
(b) for Services & Supplies	5,719,140.48	4,691,152.15
(c) Remuneration & fee payable to directors	23,457.05	32,042.41
(ii) Advances from Customers against Services	102,810.00	31,625.00
TOTAL	5,920,667.53	4,779,366.56
9. MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
(i) Preliminary Expenses		
Opening Balance	58,075.50	101,907.50
Less : Written off during the year	43,832.00	43,832.00
BALANCE	14,243.50	58,075.50
(ii) Public Issue Expenditure		
Opening Balance	2,541,878.24	2,936,371.24
Less : Written off during the year	394,493.00	394,493.00
BALANCE	2,147,385.24	2,541,878.24
(iii) Deferred Revenue Expenditure		
(a) ISO Quality System Expenses	2,487,307.81	2,798,221.00
Less: Written off during the year	310,913.19	310,913.19
BALANCE	2,176,394.62	2,487,307.81
(b) GLP Expenses	3,943,269.25	1,418,345.15
Add : Additions during the year	0.00	2,963,065.10
Less: Written off during the year	438,141.00	438,141.00
BALANCE	3,505,128.25	3,943,269.25
(c) Expenditure on International Business promotion	830,128.00	830,128.00
Less: Written off during the year	166,026.00	0.00
BALANCE	664,102.00	830,128.00
(iv) Interest not accrued & due on Hire Purchase Loans	731,353.91	839,966.61
Add : Additions during the year	213,020.00	604,703.55
Less: Written off during the year	665,964.00	713,316.25
BALANCE	278,409.91	731,353.91
TOTAL (i) to (iv)	8,785,663.52	10,592,012.71

SCHEDULES FORMING PART OF THE ACCOUNTS - CONTD.

	Year Ended 31.03.98 Rs. Ps.	Year Ended 31.03.97 Rs. Ps.
10. INCOME FROM OPERATIONS		
(i) Income from Testing & Analysis Services		
- Domestic	23,199,379.13	33,327,454.90
- Exports	170,000.00	240,000.00
TOTAL	23,369,379.13	33,567,454.90
11. INCREASE/(DECREASE) IN INVENTORIES		
Closing Work-in-progress of Env. Jobs	13,238,281.00	11,856,450.00
Less : Opening Work-in-progress	11,856,450.00	13,367,720.00
INCREASE / (DECREASE)	1,381,831.00	(1,511,270.00)
12. OTHER INCOME		
i) Int. earned on Deposits (Tax deducted at source - Rs. 5436/-) (Previous year Rs. Nil)	25,035.00	24,574.00
ii) Int. earned on IT Refund	77,330.00	42,648.00
iii) Int. on Deposit with banks	6,501.00	6,256.00
iv) Miscellaneous Receipts	0.00	2,090.73
v) Unclaimed Creditors written-in	150,921.00	255,270.52
TOTAL	259,787.00	330,839.25
13. CHEMICALS,CONSUMABLES, AND TESTING EXPENDITURE		
Chemicals, Consumables, Stores, Spares & Components consumed	2,633,214.70	1,548,681.27
Sample preparation, Data Generation and Testing Expenses	3,245,883.92	3,258,772.32
Water, Power & Fuel Charges	1,630,030.25	1,216,890.45
TOTAL	7,509,128.87	6,024,344.04
14. PAYMENTS & BENEFITS TO EMPLOYEES		
Salaries & wages	4,661,580.97	4,066,735.06
Bonus	112,010.00	128,172.00
Contribution to Provident Fund	448,868.78	441,327.42
ESI Contribution	123,898.00	66,787.00
Staff Welfare Expenses	356,504.40	345,888.52
Gratuity	108,870.00	89,023.00
Other Benefits	278,319.00	186,844.10
TOTAL	6,090,051.15	5,324,777.10

SCHEDULES FORMING PART OF THE ACCOUNTS - CONTD.

	Year Ended 31.03.98 Rs. Ps.	Year Ended 31.03.97 Rs. Ps.
15. ADMINISTRATION, SELLING & GENERAL EXPENSES		
Managerial Remuneration	2,307,318.00	1,860,532.00
Sitting fees to Directors	4,500.00	4,000.00
Rent	670,800.00	158,450.00
Rates & Taxes	130,622.00	172,268.00
Insurance	221,788.25	242,854.75
Travelling & Conveyance	2,134,260.17	2,536,022.97
Advertisement, Publicity & Sales Promotion Expenses	399,701.50	227,348.35
Postage, Telegrams, Telephone & Telex	962,645.49	1,041,166.50
Printing & Stationary Charges	448,555.80	451,537.99
Repairs & Miantenance to :		
Plant & Machinary	523,420.50	742,927.50
Buildings	480,892.50	573,040.83
Others	59,249.50	55,129.30
Payments to Auditors		
(a) As Auditor	20,000.00	20,000.00
(b) As advisor for :		
(i) Certification and Co. Law Matters	12,500.00	12,500.00
(ii) Taxation Matters	12,500.00	12,500.00
(c) Out of pocket expenses	400.00	1,400.00
Books & Periodicals	8,354.00	22,827.50
Vehicle Maintenance	517,103.46	619,504.14
Professional Charges	454,105.50	277,962.00
Entertainemnt Expenses	55,466.64	62,548.89
Loss on sale of Assets	250,852.00	381,327.50
Trade discount	74,782.00	16,588.00
Membership & Subscriptions	24,292.06	29,777.30
Security Charges	191,777.95	183,463.20
Miscelaneous Expenses	105,393.83	96,432.85
Seminars, Conferences, Recruitment & Training Expenses of Personnel	515,155.80	593,691.25
TOTAL	10,586,436.95	10,395,800.82
16. FINANCE CHARGES AND INTEREST		
(i) Interest		
(a) on fixed loans		
- to I D B I	15,465,641.00	12,778,481.00
- to CTD	217,110.00	206,397.00
(b) on other loans		
- to Canara Bank	259,648.00	274,445.00
- to Others	609,979.00	739,306.25
(ii) Bank Charges	136,476.21	121,571.35
(iii) Equipment Lease Charges	78,327.30	198,320.30
TOTAL	16,767,181.51	14,318,520.90
17. AMORTISATION OF PRELIMINARY & DEFERRED REVENUE EXPENDITURE		
a) Preliminary Expenses	43,832.00	43,832.00
b) Public Issue Expenditure	394,493.00	394,493.00
c) ISO Quality System Expenses	310,913.19	310,913.19
d) GLP Expenses	438,141.00	438,141.00
e) Business Promotion	166,026.00	---
TOTAL	1,353,405.19	1,187,379.19

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

A. SIGNIFICANT ACCOUNTING POLICIES :

i) **Method of Accounting** : The accounts are prepared in accordance with the Accounting Principles generally accepted in India. The Company follows accrual method of Accounting.

ii) **Income** : The Company's Income consists of income from testing & analysis and from various types of other services rendered.

iii) **Fixed Assets** : Fixed Assets are shown at cost less depreciation. Interest on borrowings for fixed assets acquisition and revenue expenses incurred at project site for the period upto the commencement of using the asset for commercial use are capitalised as part of the asset cost.

iv) **Depreciation** : Depreciation on fixed assets has been charged under straight line method for single shift at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.

Depreciation on additions/deductions is calculated prorata from/to the month of additions/deductions.

v) **Foreign Currency Loan** : As the repayment of foreign currency loan of IDBI was fixed in Indian rupees, no provision for fluctuations in foreign currency is required to be provided.

vi) **Inventories** : Inventories are valued as under after providing for the obsolescence.

a) Raw materials, Chemicals and consumables, components, stores and spares-At cost.

b) Work in progress of environmental jobs-At cost.

vii) **Prior Period Expenses/Income** : The Company follows the practice of making adjustments through "expenses/income under/over provided in previous years in respect of material transactions pertaining to that period prior to the current accounting year."

viii) **Gratuity** : As per the practice consistently followed by the Company, the liability on account of gratuity to employees is accounted for in the year of settlement of claims and also as the amounts are not material, no provision for Gratuity is made in the Accounts. The necessary provision is made in the year of actual payment of gratuity.

ix) **Miscellaneous Expenditure** :

(a) Expenditure incurred towards Preliminary & Pre-operative, Public Issue are written off over a period of 10 years in equal instalments.

(b) The Company follows the policy of treating the expenditure on advertisement and expenditure on implementation of quality systems as a deferred revenue expenditure, the benefits of which will accrue to the Company over an extended period and amortizes such expenditure over a period of 5 years and 10 years respectively, during which the company expects the benefits to accrue.

x) **General** : Accounting Policies not specifically referred to are in consistent with the Generally accepted Accounting Practices.

B NOTES FORMING PART OF ACCOUNTS :

1. CONTINGENT LIABILITIES :

i) Estimated amounts of contracts to be executed on capital account and not provided for is Rs.Nil (net of advance payments) (Previous year Rs.7 lakhs).

ii) Bank Guarantees issued by the Bank on behalf of the Company and not provided for is Rs.5.67 lakhs (Previous Year Rs.10.00 lakhs). These guarantees are secured by way of lien on the Company's Deposits of Rs.1.20 lakhs with the Bank (Previous year 2.00 lakhs).

2. SECURED LOANS :

i) The term loans from Industrial Development Bank of India are secured by hypothecation of all tangible movable properties of the Company such as plant and machinery, testing equipment and capital works in progress, furniture and fittings and by equitable mortgage of immovable property of the Company i.e. land and buildings by deposit of title deeds.

ii) The loans from Canara Bank under open Cash Credit Account are secured by hypothecation of present and future stocks of Chemicals, Consumables and spares of the Company and guaranteed by whole time Directors of the Company in their personal capacities.

iii) The venture capital type of loan assistance from Centre for Technology Development, Bangalore is secured by hypothecation of all tangible, movable properties of the Company such as Plant & Machinery and testing equipment acquired with this loan amount.

iv) Hire purchase loans are secured by lien on the respective assets acquired with the loan amounts.

3. SHARE PREMIUM

An amount of Rs.7500/- [@ Rs.2.50 per share on 3000 equity shares (previous year Rs.7500/- @ Rs.2.50 on 3000 shares)] is to be received under Share Premium A/C from the shareholders from whom allotment money is due.

4. DEFERRED REVENUE EXPENDITURE :

During the year under review the following preliminary and deferred revenue expenditure under various heads is written off to Profit and loss account.

Sl. No.	Description	Amount Rs.
1.	Preliminary Expenses	43,832.00
2.	Public Issue Expenses	3,94,493.00
3.	Deferred Revenue Expenditure	
	a) ISO Quality Systems Expenses	3,10,913.19
	b) GLP Expenses	4,38,141.00
	c) Expenditue on Internatioinal Business Promotion	1,66,026.00
		13,53,405.19

5. MANAGERIAL REMUNERATION :

A) Particulars of remuneration to the Whole time Directors are as follows :

	Managing Director Rs. Ps.	Executive Director Rs. Ps.	Director Technical Rs. Ps.	Total Rs. Ps.
a) Salary	**6,15,000.00**	**5,43,200.00**	**4,73,600.00**	**16,31,800.00**
	(5,55,000.00)	(4,84,200.00)	(4,23,000.00)	(14,62,200.00)
b) Commission	**Nil**	**Nil**	**Nil**	**Nil**
	(Nil)	(Nil)	(Nil)	(Nil)
c) Value of Perquisites	**2,73,918.00**	**4,94,436.00**	**1,79,204.00**	**9,47,558.00**
	(2,45,213.00)	(4,34,486.00)	(1,70,021.00)	(8,49,720.00)
Total	**8,88,918.00**	**10,37,636.00**	**6,52,804.00**	**25,79,358.00**
	(8,00,213.00)	(9,18,686.00)	(5,93,021.00)	(23,11,920.00)

Note :

(i) Figures in brackets relate to the previous year.

(ii) Part of the remuneration of previous year has been treated as deferred revenue expenditure considering the time spent by the Directors on the implementation of Good Laboratory Practices (GLP).

(iii) The above Remuneration is paid/provided as per the terms and conditions approved by the Shareholders/Board in line with the revised limits specified in schedule XIII of the Companies Act, 1956.

B) Computation of Net profit in accordance with Section 349 of the Companies Act,1956 for calculation of Commission payable to the Directors has not been done as the directors are not eligible for any commision since there is a book loss.

6. Additional information pursuant to the provisions of Part II of Schedule VI of the Companies Act, 1956 to the extent applicable to this company is as under:

		1997 - 98 Rs. in lakhs	1996-97 Rs. in lakhs
a)	Value of Imports calculated on CIF basis in respect of :		
	— raw material	**Nil**	Nil
	— Capital goods	**Nil**	Nil
	— Components & Spare parts	**Nil**	Nil
	— Reference Standards	**Nil**	Nil
	— Books	**Nil**	Nil
b)	Expenditure in foreign currency on account of royalty, know - how, professional and consultation fees, interest and other matters :		
	i) Foreign travel :	**6.71**	9.65
	ii) Expenses on International Business Promotion	**2.14**	8.30
c)	Amount remitted in foreign currency on account of dividends	**Nil**	Nil
d)	Earnings in Foreign Exchange : Income from environmental jobs	**1.70**	2.40

e) Value of imported and indigenous raw material, spare parts & components consumed during the year and the percentage of each to the total Consumption : The company is carrying on the business testing and analysis of various materials and it requires only a variety of chemicals and consumables for its testing activities and does not require any raw material or components as no manufacturing activity is involved. Further, it is not practicable to furnish the Quantitative details of these chemicals & consumables as number of chemicals in small quantities are used in the process of testing. Hence the aggregate value of chemicals and consumables and the spares and stores consumed during the year are furnished below:

	1997-98		1996-97	
	Rs in Lakhs	% to total consumption	Rs in Lakhs	% to total consumption
Chemicals & Consumables :				
Indigenous	**15.05**	**87.91**	11.63	81.90
Imported	**2.07**	**12.09**	2.57	18.10
TOTAL	**17.12**	**100.00**	14.20	100.00
Spares and Components :				
Indigenous	**9.21**	**100.00**	1.28	100.00
Imported	**Nil**	**Nil**	Nil	Nil
TOTAL	**9.21**	**100.00**	1.28	100.00

7. The provisions of paragraph 4-C of Part II of Schedule VI of the Companies ACt, 1956 are not applicable to this Company.
8. **INCOME - TAX** : No provision for income-tax was considered in view of there being no taxable income after considering depreciation on fixed assets as per the provisions of Income-Tax Act, 1961.
9. Previous Year's figures have been regrouped wherever necessary to conform with the layout of the accounts of the current year.

C. Additional Information pursuant to the provisions of part IV of Schedule VI of the Companies Act, 1956:

I. Registration Details

Registration No. 1 1 9 7 7 — State Code 0 1

Balance Sheet Date 3 1 (Date) 0 3 (Month) 9 8 (Year)

II. Capital Raised during the Year (Amount in Rs. Thousands)

Public Issue N I L — Right Issue N I L

Bonus Issue N I L — Private placement N I L

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities 1 3 6 7 0 9 — **Total Assets** 1 3 6 7 0 9

Sources of Funds

Paid-Up Capital 3 6 0 7 1 — Reserves & Surplus 0 9 5 5 9

Secured Loans 9 0 9 6 1 — Unsecured Loans 1 1 8

Application of Funds

Net Fixed Assets 7 9 4 8 9 — Investments N I L

Net Current Assets 3 1 9 7 0 — Misc. Expenditure 0 8 7 8 6

Accumulated Losses 1 6 4 6 4

IV. Performance of Company (Amount in Rs. Thousands)

Turnover* 2 5 0 1 1 — Total Expenditure 4 6 9 9 2

* Inclusive of increase in work-in-progress and other income

+ - Profit/Loss Before Tax - 2 1 9 8 1 — + - Profit/Loss After Tax - 2 1 9 8 1

Earning Per Share in Rs. NIL — Dividend rate % NIL

V. Item Code No : Not applicable.

Product description : Quality Testing of Industrial materials, Agri Products, Pharmaceuticals and Environmental Consultancy and other testing services.

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

for J. VENKATESWARLU & CO
Chartered Accountants,

(J. Venkateswarlu)
Proprietor

Hyderabad
Date : 29.06.1998

For and on behalf of the Board

Dr S P Vasireddi	Managing Director
Shri V V Prasad	Executive Director
Shri V Harriman	Director-Technical
Shri Raghu Cidambi	Director
Shri S Subrahmanyan	Director
Shri A D Sinha	Director
Shri A Venkata Ramana	Company Secretary & Finance Manager

Hyderabad
Date : 29.06.1998

CASH FLOW STATEMENT

(Rupees in lakhs)

Particulars		31.03.98		31.03.97
A. CASH FLOW FROM OPERATING ACTIVITIES :				
Net Profit/(Loss) before tax and Extraordinary items		-219.81		-92.30
Adjustment for :				
Depreciation	41.71		41.28	
Interest debited to P&L A/c	167.67		143.18	
Amortisation of Preliminary deferred revenue expenditure	13.53		11.87	
Loss on sale of assets	2.51		3.81	
	225.42		200.14	
Less : Interest earned	1.09		0.68	
Prior Period Adjustments	5.15		2.37	
		219.18		197.09
Operating profit before working capital changes		-0.63		104.79
Adjustments for :				
Trade and other receivables	-39.50		-22.32	
Inventories	8.01		-11.00	
Trade payables	11.41		-1.10	
		-20.08		-34.42
Cash generated from operations		-20.71		70.37
Interest Paid		33.02		14.74
Cash flow before extra-ordinary items		-53.73		55.63
Extra-ordinary Items :				
Expenditure incurred for implementation of Quality Systems(treated as deferred revenue Expenditure)		0.00		36.84
NET CASH FLOW FROM OPERATING ACTIVITIES		-53.73		18.79
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed assets	10.37		34.75	
Interest received	1.09		0.68	
Sale of fixed assets	6.30		5.29	
Prior period adjustments	-5.15		-2.37	
NET CASH USED IN INVESTING ACTIVITIES		-2.17		26.41

CASH FLOW STATEMENT

(Rupees in lakhs)

	Particulars	31.03.98	31.03.98	31.03.97	31.03.97
C.	**CASH FLOW FROM FINANCING ACTIVITIES**				
	Proceeds from issue of share capital		0.00		0.01
	Proceeds from long term borrowings		0.00		3.62
	Repayment of finance lease liabilities		14.66		6.35
	NET CASH FLOW FROM FINANCING ACTIVITIES		-14.66		-2.72
	Total		-70.56		
	DEFICIT IN PROFIT AND LOSS ACCOUNT		69.05		
			-1.51		
Net increase in cash and cash equivalents					
Cash and Cash equivalents Opening Balance :					
Cash and bank balances		7.48		7.52	
Cash credit accounts		-12.48		-22.86	
			-5.00		-15.34
Cash and Cash equivalents closing balance :					
Cash and bank balances		11.04		7.48	
Cash credit accounts		-14.53		-12.48	
			-3.49		-5.00

For and on behalf of the Board

Dr. S P Vasireddi	Managing Director
Shri V V Prasad	Executive Director
Shri V Harriman	Director Technical
Shri Raghu Cidambi	Director
Shri S Subrahmanyan	Director
Shri A D Sinha	Director
Shri A Venkata Ramana	Company Secretary & Finance Manager

Hyderabad
Date : 29.06.98

AUDITOR'S CERTIFICATE

We have examined the above Cash Flow Statement of VIMTA LABS LIMITED for the year ended 31st March, 1998. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of the listing agreement entered into with the Stock Exchanges and is based on and in agreement with the corresponding Profit & Loss Account and the Balance Sheet of the Company covered by our Report of 29th June, 1998.

for J. VENKATESWARLU & CO
Chartered Accountants

(J.Venkateswarlu)
Proprietor

Hyderabad
Date : 29.06.98

VIMTA LABS LIMITED

Regd. Office : Plot No. 142, IDA, Phase II,
Cherlapally, R R Dist., Hyderabad - 500 051.

PROXY FORM

I / We ....
of ....
the district of ....
being member / members of the above named Company appoint ....
of ....
in the district of ....
as my / our Proxy to vote for me / us on my /our behalf at the 8th Annual General Body Meeting of the Company to be held on Tuesday, the 29th September, 1998 at 10.30 A.M. at Plot No. 142, IDA, Phase II, Cherlapally, R R Dist., Hyderabad - 500 051 and at any adjournment thereof.

Signed this .... day of .... 1998.

Affix 1Re. Revenue Stamp

Signature

Note : This form duly completed and signed must be deposited at the Registered Office of the Company not less than 48 hours before the meeting.

VIMTA LABS LIMITED

Regd. Office : Plot No. 142, IDA, Phase II,
Cherlapally, R R Dist., Hyderabad - 500 051.

PROXY FORM

This Attendance Slip, duly filled in, to be handed over at the Entrance of the Meeting Hall.

Name of the attending Member ....
(in Block Letters)

Members Folio No. ....

Name of the Proxy ....
(in Block Letters, to be filled in, if the Proxy attends instead of the Member)

No, of Shares held ....

I hereby record my presence at the 8th Annual General Body Meeting of the Company to be held on Tuesday, the 29th September, 1998 at 10.30 A.M. at Plot No. 142, IDA, Phase II, Cherlapally, R R Dist., Hyderabad - 500 051.

Member's / Proxy's Signature*

* To be signed at the time of handing over the slip.

BOOK POST
PRINTED MATTER

To

If undelivered, please return to :

VIMTA LABS LTD.
Plot Nos. 141/2, & 142, Phase II,
IDA, Cherlapally, R.R. District,
Hyderabad - 500 051. A.P. India.

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