VIMTA LABS
Determining Quality

# 13TH ANNUAL REPORT
# 2002-2003

**Vimta Labs Limited**

Regd. Office : Plot Nos. 141/2, & 142, IDA, Phase II
Cherlapally, Hyderabad - 500 051, R.R. District.

VIMTA LABS
Determining Quality

# Notice Calling 13th Annual General Meeting Scheduled to be held on June 16, 2003


**Vimta Labs Limited**
Regd. Office : Plot Nos. 141/2, & 142, IDA, Phase II
Cherlapally, Hyderabad - 500 051, R.R. District.

NOTICE is hereby given that the thirteenth Annual General Meeting of the members of VIMTA LABS LIMITED will be held on June 16, 2003 at 10.00 A.M. at the Registered Office of the company at 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, approve and adopt the audited Balance Sheet as at March 31, 2003 and Profit & Loss Account for the year ended on that date together with the reports of the Directors and Auditors thereon.

2. To declare Dividend on Equity Shares.

3. To appoint a Director in place of S Subrahmanyan who retires by rotation and being eligible, offers himself for reappointment.

4. To consider and, if thought fit, to pass the following Resolution, with or without modifications, as an Ordinary Resolution :

   "RESOLVED that M/s Sarathy & Balu, 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 the ensuing Annual General Meeting until 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**

5. To Consider and, if thought fit, to pass with or without modifications, the following resolution as an ORDINARY RESOLUTION:

   " RESOLVED that Dr Subba Rao Pavuluri, in respect of whom the Company has received notices in writing from some members proposing him as candidate for the office of a Director under the provisions of the Section 257 of the Companies Act, 1956, along with a deposit of Rs.500/- for each notice, and who is eligible for appointment to the office of a Director be and is hereby appointed as Director of the Company whose period of office shall be subject to retirement by rotation."

6. To Consider and, if thought fit, to pass with or without modifications, the following resolution as a Special Resolution :

   "RESOLVED that Harita Vasireddi, Additional Director, in respect of whom the Company has received notices in writing from some members proposing her as candidate for the office of a Director under the provisions of the Section 257 of the Companies Act, 1956, along with a deposit of Rs.500/- for each notice, and who is eligible for appointment to the office of a Director be and is hereby appointed as Director of the Company".

   "FURTHER RESOLVED THAT pursuant to the provisions of Sections 198,269,309,310 and 311 read with Schedule XIII and other applicable provisions if any, of the Companies Act,1956 and subject to such other approvals as may be necessary under the provisions of the Act, approval be and is hereby accorded for appointment of Harita Vasireddi as Director-Projects of the Company for a period of three years w.e.f.26.10.2002 at a remuneration as detailed below :

I. **Remuneration :**

   **A. Salary**

   Rs.100000/- (Rupees one lakh only) per month.

   **B. Allowances**

   Allowances as follows shall be paid /or provided in addition to salary, subject however that the amount of allowances and the salary shall be restricted to total remuneration as per Part II of Schedule XIII to the Companies Act,1956, as amended from time to time.

**a) Medical Reimbursement**

Reimbursement of medical expenses actually incurred for self and family including dependent mother and father, subject to a ceiling of Rs.50000/- per year.

**b) Leave Travel Concession**

For self and family including dependent mother and father, to and fro from any place in India, once in a year subject to a ceiling of Rs.50000/- per year in accordance with the rules of the Company.

**II. Perquisites**

The following perquisites shall not be included in computation of the ceiling on remuneration specified at (I) above.

**a) Pension / Superannuation Fund**

Company's contribution to Provident Fund, Superannuation Fund or annuity fund in accordance with the Scheme of the Company to the extent these either singly or put together are not taxable under Income Tax Act,1961.

**b) Gratuity**

Gratuity payable at a rate not exceeding half month's salary for each completed year of service.

**c) Leave encashment**

Encashment of accumulated leave as per the leave rules of the Company.

7. To Consider and, if thought fit, to pass with or without modifications, the following resolution as a SPECIAL RESOLUTION :

"RESOLVED THAT pursuant to the provisions of Sections 198,269,309,310 and 311 read with Schedule XIII and other applicable provisions if any, of the Companies Act, 1956 and subject to such other approvals as may be necessary under the provisions of the Act, approval be and is hereby accorded for reappointment of V Harriman, Director-Technical for a period of 3 years w.e.f. 03.09.2002 to 31.03.2005 on the following terms and conditions.:

I. **Remuneration :**

**A. Salary**

Rs.190000/- (Rupees one lakh ninety thousand only) per month.

**B. Allowances**

Allowances as follows shall be paid /or provided in addition to salary, subject however that the amount of allowances and the salary shall be restricted to total remuneration as per Part II of Schedule XIII to the Companies Act, 1956, as amended from time to time.

**a) Medical Reimbursement**

Reimbursement of medical expenses actually incurred for self and family including dependent parents, subject to a ceiling of Rs.20000/- per year.

**b) Leave Travel Concession**

For self and family including dependent mother and father, to and fro from any place in India, once in a year subject to a ceiling of Rs.100000/- per year in accordance with the rules of the Company.

**II. Perquisites**

The following perquisites shall not be included in computation of the ceiling on remuneration specified at (I) above.

**a) Pension / Superannuation Fund**

Company's contribution to Provident Fund, Superannuation Fund or annuity fund in accordance with the Scheme of the Company to the extent these either singly or put together are not taxable under Income Tax Act, 1961.

**b) Gratuity**

Gratuity payable at a rate not exceeding half month's salary for each completed year of service.

**c) Leave encashment**

Encashment of accumulated leave as per the leave rules of the Company.

8. To Consider and, if thought fit, to pass with or without modifications, the following resolution as a SPECIAL RESOLUTION:

"Resolved that pursuant to the provisions of sections 314 and 314 (1B) and other applicable provisions if any, of the Companies Act, 1956 and subject to such other approvals if any, as may be required under the provisions of the Act, consent of the Company be and is hereby accorded for the appointment of V Swarnalatha as General Manager (MIS) of the company for a period of 5 years w.e.f. 19.04.2003 as per the following terms and conditions :

**I. Remuneration :**

**A. Salary**

Rs.48500/- (Rupees forty eight thousand five hundred only) per month.

**B. Medical Reimbursement**

Rs.1500/- (Rupees one thousand five hundred only) per month

**II. Perquisites**

The following perquisites shall not be included in computation of the ceiling on remuneration specified at (I) above.

**a) Pension / Superannuation Fund**

Company's contribution to Provident Fund, Superannuation Fund or annuity fund in accordance with the Scheme of the Company to the extent these either singly or put together are not taxable under Income Tax Act, 1961.

**b) Gratuity**

Gratuity payable at a rate not exceeding half month's salary for each completed year of service.

**c) Leave encashment**

Encashment of accumulated leave as per the leave rules of the Company.

9. To Consider and, if thought fit, to pass with or without modifications, the following resolution as an ORDINARY RESOLUTION :

"Resolved that pursuant to the provisions of Section 293(I)(d) and other applicable provisions of the Companies Act, 1956 and in partial modification of the resolution passed at the 3rd Annual General Meeting of the Company held on 30th September 1993, consent of the Company be and is hereby accorded to the Board of the Directors of the Company (which term shall include any duly constituted committee of Directors thereof) to borrow such sum or sums of money in any manner as the Board of Directors may think fit, from time to time with or without security and upon such terms and conditions as they may think fit, not withstanding the fact that the moneys borrowed together with the moneys already borrowed by the Company (apart from temporary loans from the Company's Bankers in the ordinary course of business) may exceed the aggregate of paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount so borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of Rs.25 Crores. (Rupees twenty five crores only)".

10. To Consider and, if thought fit, to pass with or without modifications, the following resolution as a SPECIAL RESOLUTION :

"RESOLVED that pursuant to the provisions of Section 163 of the Companies Act, approval be and is hereby accorded to keep the Register of Members, together with the index of members, Register and index of debenture holders, and copies of all returns prepared under Section 159 of the Companies Act, 1956 and also the copies of the Certificates and Documents required to be annexed thereto under Section 161 of the Companies Act, 1956 at the office of the Share Transfer Agents of the Company, M/s CIL Securities Ltd, 214, Raghavaratna Towers, Chirag Ali Lane, Abids, Hyderabad - 500 001.

By Order of the Board

Place : Hyderabad
Date : 19.04.2003

**A VENKATA RAMANA**
**COMPANY SECRETARY & DGM-FINANCE**

## NOTES

1. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of resolutions set out under items 5 to 10 is annexed hereto.

2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on a 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 received by the company not later than 48 hours before the commencement of the meeting.

3. The Register of Members and the Share Transfer Books of the Company will remain closed from 09.06.2003 to 16.06.2003 (Both days inclusive). Physical share transferes received at M/s CIL Securities Ltd, or at the registered office of the Company upto 17.30 hrs. of June 7, 2003 will be considered for payment of dividend subject to the provisions of Section 206 A of the Companies Act, 1956.

4. The Dividend on equity shares as recommended by the Board of Directors, if declared at the meeting, will be payable to those shareholders whose name appears on the Company's Register of Members on 16.06.2003. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership details furnished by NSDL & CDSL for this purpose as on that date.

   Shareholders who have not encashed the dividend warrant(s) so far for the Financial year ended 31st March 2002 are requested to make their claim to the Company.

5. Members holding shares in physical form are requested to notify, immediately, any change in their address to the Company's Registrar and Transfer Agents M/s CIL Securities Ltd, 214, Raghava Ratna Towers, Chirag Ali Lane, Hyderabad : 500001. Members holding shares in electronic form may intimate any such changes to their respective Depository Participants (DPs).

6. Members are requested to bring their copy of Annual Report to the Meeting.

7. The Company's equity shares are listed on the The Hyderabad Stock Exchange Limited and The Stock Exchange, Mumbai. Further, the listing fees in respect of shares of the Company have been paid to the aforesaid Stock Exchanges for the Financial Year 2002-2003.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT,1956 FOR THE SPECIAL BUSINESS LISTED AT ITEM NOS.5 TO 10 OF NOTICE OF ANNUAL GENERAL MEETING**

**Item No.5**

A notice from some members proposing the candidature of Dr Subba Rao Pavuluri for appointment as Director subject to retirement by rotation together with a fee of Rs.500/- has been received pursuant to Section 257 of the Companies Act,1956. Dr Subba Rao Pavuluri is a technologist having rich experience in Indian Space Program. He is the Managing Director of M/s Ananth Technologies Ltd and Chairman of M/s Indian Resources Information & Management Technologies Ltd.Your Board is of the opinion that the expertise and experience of Dr Subba Rao Pavuluri would be a great asset to the Company. Dr Subba Rao Pavuluri has filed his consent to act as a Director with the Company pursuant to Section 264(1) of the Companies Act, 1956.

**Item No.6**

Harita Vasireddi was appointed by the Board at their meeting held on 26.10.2002 as an Additional Director.

The Company received a notice under section 257 of the Companies Act,1956 from a member along with the requisite deposit of Rs.500/- signifying his intention to propose the appointment of Harita Vasireddi as a Director.

To utilise the expertise of Harita Vasireddi, the Board appointed her as a whole time Director with designation "Director-Projects" for a period of 3 years w.e.f. 26.10.2002, subject to approval of shareholders. Harita Vasireddi, B.Pharm, MBA (USA) served the Joint Venture Company M/s. Vimta Rostest (P) Limited for a period of 4 years as Manager-Operations and contributed to the growth of the Company.

Harita Vasireddi, V Harriman, Dr S P Vasireddi and V V Prasad are interested in the resolution.

**Item No. 7**

The term of V Harriman Director-Technical expired on 02.09.2002 and the Board, in its meeting held on 13th July,2002, reappointed him as Director-technical for a further term of three years with effect from 03.09.2002 to 31.03.2005 upon terms and conditions as set out in the resolution in accordance with Schedule XIII of the Companies Act,1956, subject to the consent of the Company.

V Harriman, Dr S P Vasireddi, V V Prasad and Harita Vasireddi are interested in the resolution.

**A statement, pursuant to the requirements of Schedule XIII to the Companies Act, 1956 relating to the appointment of V Harriman is enclosed as Annexure to this notice.**

Your Directors recommend the appointment of V Harriman.

**Item No.8**

At the Board Meeting held on April 19, 2003 V Swarnalatha was appointed General Manager (MIS) of the Company for a period of 5 years w.e.f. 19.04.2003.

V Swarnalatha is a Graduate with over 20 years of experience in testing laboratory field. Her appointment requires consent of the Company by special resolution as she is the relative (spouse) of Managing Director.

Dr S P Vasireddi, V Harriman, V V Prasad and Harita Vasireddi are interested in the resolution.

**Item No.9**

Under Section 293(1)(d) of the Companies Act,1956 consent of the members is necessary to enable the Board of Directors to borrow monies, which exceed the aggregate of the paid up capital of the Company and its free reserves. On these lines, the members of the Company at the 3rd Annual General Meeting held on 30th September, 1993 have authorised the Board of Directors of the Company to borrow moneys, where the moneys to be borrowed, together with moneys already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business), will exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say reserves not set apart for any specific purpose provided however, that such borrowing together with the total amount already borrowed and outstanding at any time shall not exceed Rs.75000000/- (Rupees seven crores fifty lakhs only).

In order to meet the increased financial requirements due to the rapid growth of the Company and its future plans, the Board of Directors seek the approval of shareholders consent to borrow monies upto maximum limit of Rs.25 crores (Rupees twenty five crores only) subject to the provisions of the Companies Act, 1956 and rules made thereunder.

None of the Directors of the Company may be deemed to be concerned or interested in the resolution.

**Item No.10:**

In line with SEBI Circular No.D&CC/FITTC/CIR-15/2002 dated 27.12.2002, the Company has appointed M/s CIL Securities Ltd, 214, Raghavaratna Towers, Chirag Ali Lane, Abids, Hyderabad - 500 001 as share transfer agents to the Company for both Physical Share Registry work and Dematerilisation / Rematerilisation work.

Under section 163 of the Companies Act, 1956 certain documents which are normally required to be kept at the Registered Office of the company may be kept at any other place, if such other place has been approved by a Special Resolution passed by the company in General Meeting.

Approval of the members is sought in terms of Section 163 of the Companies Act, 1956 to keep the Registers of Members and other returns, books, certificates and documents pertaining thereto at the office of M/s CIL Securities Ltd, 214, Raghavaratna Towers, Chirag Ali Lane, Abids, Hyderabad - 500 001.

Your Directors commend the resolution for approval.

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

By Order of the Board

Place : Hyderabad
Date : 19.04.2003

**A VENKATA RAMANA**
**COMPANY SECRETARY & DGM-FINANCE**

# ANNEXURE

**Statement, pursuant to the requirement of ScheduleXIII of the Companies Act, 1956 relating to the appointment of V Harriman, Director-Technical**

## I. GENERAL INFORMATION

1. **Nature of Industry**

   Testing and Research Organisation having state of the art facilities for a wide range of Testing and Research services and other tests.

2. **Date or expected date of commencement of commercial production**

   The Company is in existence since 1990 and carrying on the same business.

3. **In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospects.**

   - Not Applicable -

4. **The financial performance of the Company in the last three years has been as under :**

(Rs. in Lakhs)

| Particulars | 2002-2003 | 2001-2002 | 2000-2001 |
|---|---|---|---|
| Total Income | **1978.92** | 1116.23 | 619.38 |
| Profit before non cash charges | **538.77** | 309.26 | 115.44 |
| Non cash charges | **186.05** | 124.54 | 68.19 |
| Profit before Tax | **352.72** | 184.72 | 47.24 |
| Profit after Tax | **210.72** | 121.72 | 43.23 |
| Equity | **360.86** | 360.86 | 360.86 |
| Dividend (%) | **15.00%*** | 11.00% | 0 |

* Proposed

5. **Export performance and foreign exchange collaborations**

   The export earnings of the company during the last three-financial years are as under :

| Year | Export Earnings Rs.in lakhs) |
|---|---|
| **2002-2003** | **363.46** |
| 2001-2002 | 143.89 |
| 200-2001 | 22.89 |

6. **Foreign investments or collaborators, if any**

   Nil

## II. INFORMATION ABOUT THE APPOINTEE

1. **Background :**

   V Harriman is a D. Tech from Toronto, Canada with over 26 of experience. He is one of the promoter Director of the Company and has been its Director-Technical since inception.

2. **Past Remuneration**

(Amount in Rs.)

| Particulars | 2002-2003 | 2001-2002 | 2000-2001 |
|---|---|---|---|
| Salary & Allowance | **2400000** | 900000 | 900000 |

3. **Job profile and his suitability**

   The profile of V Harriman's job includes overall supervision of testing activities. The job requires expert knowledge in Technical field and related matters. V Harriman with his expert knowledge and wide experience in technical field, is the right person for the job.

4. **Remuneration proposed**

   The remuneration proposed is recommended by the "Remuneration Committee" and is within the limits specified in Schedule XIII to the Companies Act, 1956, as amended from time to time.

a) Remuneration and allowances - Rs.200000/- p.m.

b) Perquisites: Contributions to :

- Pension / Superannuation fund
- Gratuity
- Leave encashment

**5. Comparative remuneration profile**

This is a unique industry offering different types of testing and research services under one roof. There are no industry norms available for comparison. There are no companies offering all types of services under one roof like this Company. Hence providing the comparative information or remuneration profile with respect to industry, size of the Company and profile of the position and person is not practically possible.

**6. Pecuniary relationship with the Company and among the Managerial personnel**

He is one of the promoters and Director-Technical of the Company since inception of the Company.

Among the managerial personnel, Dr S P Vasireddi, Managing Director, V V Prasad, Executive Director and Harita Vasireddi, Director-Projects are his relatives.

**III. OTHER INFORMATION**

**1. Reasons for inadequate profits**

Since the profits are inadequate to cover the remuneration of all the Directors, the remuneration allowed under Schedule XIII is proposed to be paid to the managerial personnel as this is the appropriate remuneration commensurate with his experience and expertise.

**2. Steps taken or proposed to be taken for improvement**

The management is consistently working for improving the performance of the company by introducing various new testing services and as a result, the performance of the company is increasing (refer financial indicators under I (4) above). The company will continue to work for the improvement of its business.

**3. Expected increase in productivity and profits in measurable terms**

As in the past, it is expected that there will be an all-round increase in the productivity and profits of the company in the coming years. It is unpredictable to quantify the increase in productivity in measurable terms.

**IV. DISCLOSURES :**

1. Adequate disclosure is made to the shareholders of the company of the terms of appointment and remuneration of the managerial personnel and their approval is sought for the same.
2. The information on remuneration package and other details are disclosed in the directors report to the shareholders.

By Order of the Board

Place : Hyderabad
Date : 19.04.2003

**A VENKATA RAMANA**
**COMPANY SECRETARY & DGM-FINANCE**

VIMTA LABS
Determining Quality

# Vimta Labs Limited

Registered Office : Plot No. 142, IDA Phase II, Cherllapally, Hyderabad - 500 051.

## ADMISSION SLIP

| Name & Address of Member | Folio No. | DP ID No. | Client ID No. |
|---|---|---|---|
| | | | |

I hereby record my attendance at the 13th Annual General Meeting of the company held on 16th June, 2003 at 10.00 a.m. at Registered Office of the Company i.e. Plot No. 142, IDA Phase II, Cherllapally, Hyderabad - 500 051.

I certify that I am a registered member of the company and hold ______________ shares.

Please indicate whether Member / Proxy.

☐ Member ☐ Proxy

_________________________
Member's / Proxy's Signature

NOTE : Shareholder / Proxy holder must bring the Admission Slip to the meeting and hand over at the entrance duly signed.

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# Vimta Labs Limited

Registered Office : Plot No. 142, IDA Phase II, Cherllapally, Hyderabad - 500 051.

## PROXY FORM

| Folio No. | DP ID No. | Client ID No. |
|---|---|---|
| | | |

I / We ____________________________________________________________

of ________________________________ in the district of ______________________________

being a Member / Members of Vimta Labs Limited hereby appoint ______________________________

of ___________________________ in the District of ______________________________ or

____________________________________________________________

of ___________________________ in the District of ________________________ as my / our Proxy to attend and vote for me / us on my / our behalf at the 13th Annual General Meeting of the Company to be held at 10.00 a.m. on Monday, 16th June, 2003 or at any adjournment thereof.

As Witness my hand / our hands this ________ day of ________________ 2003

Note : A Proxy need not be a member. This form must be deposited at the Registered of the Company not less than 48 hours before the beginning of the Meeting.

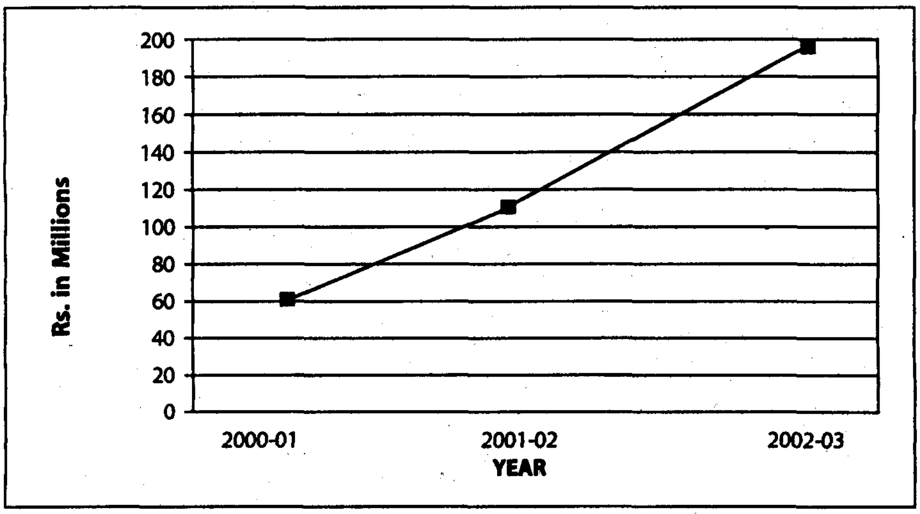
Signed by the said

Affix
1 Rupee
Revenue
Stamp

# CONTENTS

# FINANCIAL HIGHLIGHTS

## SALES

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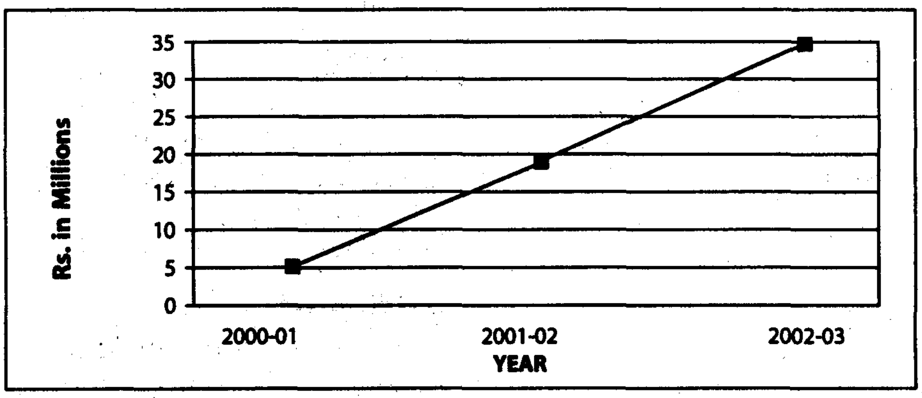
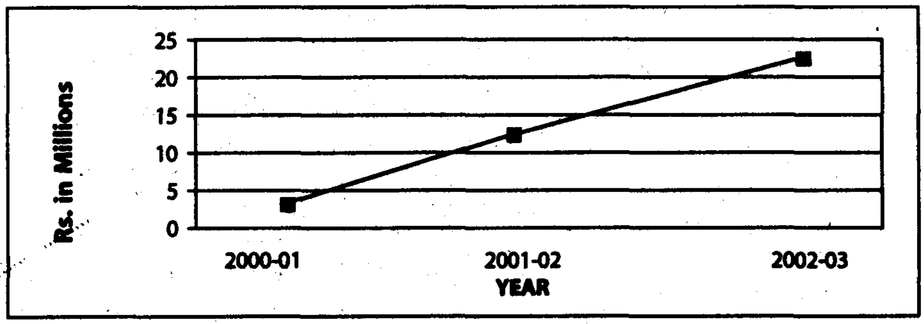



## PAT



To

The Members of

**VIMTA LABS LIMITED**

Your Directors have pleasure in presenting the 13th Annual Report and audited accounts of your Company for the year ended March 31, 2003.

**FINANCIAL RESULTS**

Financial Results for the year under review are as follows :

| | Current Year (Rs.inLakhs) | | Previous Year (Rs.in Lakhs) | |
|---|---|---|---|---|
| 1. Profit before interest, Depreciation & Taxes | | **596.82** | | 348.79 |
| Less : Finance Charges | **58.05** | | 39.54 | |
| Depreciation | **180.60** | **238.65** | 73.36 | 112.90 |
| 2. Profit before Amortization, Prior year adjustments & Taxes | | **358.17** | | 235.89 |
| Less : Amortization of Preliminary Expenses | **3.94** | | 39.95 | |
| Prior year adjustments | **1.51** | **5.45** | 11.22 | 51.17 |
| 3. Profit before tax | | **352.72** | | 184.72 |
| 4. Less : Provision for Tax | | **142.00** | | 63.00 |
| 5. Profit after Tax | | **210.72** | | 121.72 |
| Less/(Add): Deferred tax Liability/(Asset) | | **3.98** | | (9.57) |
| Balance | | **206.74** | | 131.29 |
| 6 Add : Surplus brought forward from previous years | | **178.22** | | 93.63 |
| Amount available for appropriations | | **384.96** | | 224.92 |
| **APPROPRIATIONS** | | | | |
| Transfer to General Reserves | | **10.50** | | 7.00 |
| Proposed dividend | | **54.13** | | 39.70 |
| Provision for tax on proposed dividend | | **6.93** | | — |
| Surplus Carried to Balance Sheet | | **313.40** | | 178.22 |
| | | **384.96** | | 224.92 |

**DIVIDEND**

Your Directors have pleasure in recommending a dividend of Rs.1.50 per each equity share for the year ended March 31, 2003. (Previous year Rs.1.10 per share). This dividend will be subject to the approval of members in the ensuing Annual General Meeting.

**UNCLAIMED DIVIDEND**

There is an amount of Rs.290542/- left unclaimed out of the dividend declared for 2001-2002 and the same is in the "Unclaimed Dividend Account 2001-2002 of Vimta Labs Limited". The members who have not encashed may send their requests to the Company for encashment.

**OPERATIONS**

During the year under review, the company posted a gross revenue of Rs.1978.92 Lakhs against Rs.1116.23 Lakhs in the previous year. Profit after tax is Rs.210.72 Lakhs as against Rs.121.72 Lakhs in the previous year. Your Company has achieved the record export turnover of Rs.363.46 Lakhs in the current year as against Rs.143.89 Lakhs in the previous year

The Company is offering contract research services (clinical and pre clinical), analytical testing and environmental monitoring services. Recently, the company has begun to offer Clinical diagnostics services. Clinical Specialty Diagnostics has been an internal requirement to screen the clinical trial subjects. Facilities were created in the year 2000 to speed up the clinical trials. To meet with the quality aspects, Vimta had to automate the diagnostics, which resulted in spare capacities which are now offered to Health Care sector i.e., patients referred by general physicians and hospitals. The small and medium path labs in the city are also seeking the services provided by Vimta. Hitherto samples from the city have been going to Delhi and Mumbai for all the special tests.

#### FUTURE OUTLOOK

Demand for the Company's services is increasing continuously and the Company is confident of maintaining the growth rate in the years to come. Accordingly, company is augmenting the resources and facilities to catch up with the demand. Best of the information technology solutions are being introduced to manage lab operations more effectively. Company is in the process of establishing sample collection centres/ liasion offices/ branches at different locations. These measures are likely to show perceptible growth in the second half of the current financial year.

#### BANKING OPERATIONS

The Company has moved from Canara Bank to State Bank of India who have offered Foreign Currency Loans at Libor + 2.25% whereby the Company would be saving finance cost substantially. The existing term loans and fund based working capital limits with Canara Bank were taken over by State Bank of India. The Company has adequate orders from foreign customers to earn the required foreign exchange for meeting the repayment obligations in foreign exchange and does not foresee any loss through foreign exchange fluctuations.

#### DIRECTORS

In accordance with the provisions of the Companies Act, 1956 read with the Articles of Association of the Company, Raghu Cidambi and S Subrahmanyan, Directors will retire by rotation and are eligible for reappointment. S Subrahmanyan has given his consent for reappointment and Raghu Cidambi opted for not to be reappointed due to his personal reasons.

Your directors recommend the reappointment of S Subrahmanyan as a director subject to retirement by rotation.

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

During the year under review, Dr R T Ravi and Harita Vasireddi were inducted on to the Board w.e.f. 26.10.2002 as Additional Directors.

However, Dr R T Ravi resigned from the Board w.e.f. 26.02.2003 due to his personal reasons and the Board has accepted the same.

Harita Vasireddi was appointed as a whole time Director with designation "Director-Projects" for a period of 3 years, w.e.f. 26.10.2002.

Your Directors recommend for approval of her appointment as Director and whole time Director.

#### AUDITORS

M/s Sarathy & Balu 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 they are eligible to take up the appointment within the meaning of Section 224 (1-B) of the Companies Act, 1956.

#### PARTICULARS OF EMPLOYEES

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

#### INFORMATION ON ENERGY CONSERVATION & TECHNOLOGY ABSORPTION

Pursuant to the Provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988, the relevant information pertaining to energy conservation, technology absorption, foreign exchange earnings and outgo is enclosed hereto as Annexure -II and forms part of this report.

**DIRECTORS RESPONSIBILITY STATEMENT**

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

i. The applicable accounting standards have been followed in preparation of the annual accounts and there are no material departures during the year under review.

ii. They had selected the accounting standards and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your company at the end of the financial year and of the profits of the Company for the period.

iii. They had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956, to safeguard the assets of your company and for preventing and detecting fraud and other irregularities.

iv. They had prepared the annual accounts on a going concern basis.

**CORPORATE GOVERNANCE**

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

**DISCLOSURES AS PER THE LISTING AGREEMENTS & SEBI REGULATIONS**

**1. CASH FLOW STATEMENTS**

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

**2. STOCK EXCHANGES**

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

i) The Hyderabad Stock Exchange Ltd.
6-3-654, Adj. to Erramanjil Bus Stop
Somajiguda, Hyderabad - 500082.

ii) The Stock Exchange, Mumbai
Phiroje Jeejeebhoy Towers
Dalal Street, Mumbai - 400001

**3. SHARE TRANSFER AGENCY**

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

**FIXED DEPOSITS**

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

**AUDITORS REPORT**

With reference to the remarks of auditors in their report, your Directors submit as under :

i. With regard to the increase in the rate of depreciation charged on Plant & Machinery from the existing 10.34 % p.a. (SLM) to 15 % p.a. (SLM) resulting in an increase of Rs. 49.88 Lakhs in depreciation, your directors wish to state that the increase is considered keeping in view of the fast technological changes and the useful life time of the assets.

ii. During the year, the Company has changed the accounting policy relating to accounting of Leave encashment from payment basis to accrual method in line with the recommendations of the accounting standards prescribed. The arrears of leave encashment is therefore debited to current year P&L A/c.

iii. There were a few days of delay in remittances of PF contributions in some months. However in such cases all the payments were made before the end of the respective months in which they were due. Now, the company is regular in remittance of these contributions.

**ACKNOWLEDGMENTS**

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

For and on behalf of the Board

Hyderabad
Date : 19.04.2003

**DR S P VASIREDDI**
**CHAIRMAN & MANAGING DIRECTOR**

## ANNEXURE - I

Statement pursuant to Section 217(2A) of the Companies Act, 1956 and Companies (Particulars of Employees) Rules, 1975.
(Forming part of the Directors' Report for the year ended March 31,2003)

| Name | Qualification and Experience | Age in years | Designation/Nature of Duties | Date of Commencement of employment | Gross remuneration (Rs.) including perquisites | Last Employment |
|---|---|---|---|---|---|---|
| Dr S P Vasireddi | M.Sc. Ph.D.<br>31 years | 54 | Managing Director | 01.01.2001 | 3825600 | i. Mineral Exporation Corp. Ltd. Nagpur<br>ii. Vimta Labs. |
| V Harriman | D.Tech in Electronics, Toronto, Canada<br>26 Years | 52 | Director-Technical | 03.09.2002 | 3053600 | i. GB Electronics Bangalore.<br>ii. Vimta Labs |
| VV Prasad | B.Com<br>26 Years | 52 | Executive Director | 07.06.2001 | 3053600 | Vimta Labs |
| Harita Vasireddi | B.Pharm, MBA (USA)<br>4 Years | 28 | Director-Projects | 26.10.2002 | 624066 | Vimta Rostest (P) Ltd. |

**NOTES :**

1. Nature of employment of all the above directors is contractual.
2. Remuneration includes salary, reimbursement of medical expenses, leave travel facility as applicable and perquisites like contribution to Provident/ Superannuation Fund, Leave Encashment, Gratuity.

For and on behalf of the Board

Hyderabad
Date : 19.04.2003

**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, 2003.)

### A. CONSERVATION OF ENERGY

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.

a) Energy Conservation Measures Taken :
   i) Designed and installed the power distribution system perfectly well to utilize the power at optimum level of requirement.
   ii) The Laboratory building is designed in such a way that during day time no artificial lighting is necessary for majority of the rooms.

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

   At present no additional investments and proposals are contemplated 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 is not applicable to this Company, as it is not carrying on any business which is listed in the Schedule to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

### B. TECHNOLOGY ABSORPTION

The tests/studies are carried out as per the prescribed National/International Standards and regulations. The Company undertakes contract research projects for the sponsors as per national and international guidelines such as DCGI,USFDA,ICH etc. In the same way, the technology involved in the testing is only testing of products as per the prescribed standard procedures/ manuals. Testing technology is absorbed to the extent permitted by the appropriate guidelines.

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

During the financial year, the Company has earned foreign exchange of Rs.363.46 lakhs (previous year Rs.143.89 lakhs). The Company has incurred an amount of Rs.406.35 lakhs (previous year Rs.133.82 lakhs) on import of capital goods, software, chemicals, consumables & reference standards and travel expenditure.

For and on behalf of the Board

Hyderabad
Date : 19.04.2003

**DR S P VASIREDDI**
**CHAIRMAN & MANAGING DIRECTOR**

## 1. INTRODUCTION

**Company Philosophy on Corporate Governance**

The Company believes in transparency, empowerment, accountability, motivation and fair business and corporate practices with all its stakeholders. These practices being followed since inception have helped the Company in its sustained growth.

The Securities & Exchange Board of India has introduced a code of Corporate Governance for implementation by all the Listed Companies vide an amendment to the Listing Agreement. As per this requirement, the compliance of this code is required to be disclosed in the Directors' Report. The same is presented below:

## 2. BOARD OF DIRECTORS

### 2.1 Composition

As on date the Board is consisting of 8 directors out of which 4 directors are non-executive and independent. The Independent Directors on the Board are senior, competent and respectable people from different fields. Active participation of the Independent Directors does add value in the decision making process of the Board of Directors. Dr R T Ravi an Independent Director, who has joined the Board on 26th October,2002, had resigned on 26.02.2003 due to his personal reasons.

The Composition of the Board of Directors during the year ended 31st March,2003, and as on the date of the Report as well as their brief resume are given below :

| Name of Directors | Brief Resume | Category |
|---|---|---|
| Dr S P Vasireddi | Ph.D. with over 31 years of experience. He is one of the promoter Director of the company and has been its Chairman & Managing Director since inception. He is a member on the Governing Boards of several scientific bodies. | Promoter Executive Director<br><br>Chairman & Managing Director |
| V Harriman | D.Tech. from Toronto, Canada with over 26 years of experience. He is one of the promoter Director of the company and has been its Director-Technical since inception. | Promoter Executive Director<br><br>Director Techincal |
| V V Prasad | A Graduate in commerce with over 26 years experience, He is one of the promoter Director of the company and has been its Executive Director since inception. Prior to starting this Company he was in service with AP State Government. | Promoter Executive Director<br><br>Executive Director |
| Harita Vasireddi | A Pharmacist and an MBA (USA) in Service Operations Management. She worked with Vimta Rostest (P) Ltd. as Manager Operations for four years. Currently she is Director-Projects. | Executive Director<br><br>Director Projects |
| Raghu Cidambi | A law graduate and Post Graduate in Management from IIM, Calcutta. He is having hands on industrial experience in the areas of project formulation, demand forecasting, evaluation, corporate strategies etc., Inducted to the Board in 1991. | Non-Executive Director |
| A D Sinha | A Gold Medalist in Master of Arts. He is having 40 years of industrial experience. Inducted to the Board in 1993. | Non-Executive Director |
| S Subrahmanyan | A Master of Technology in Chemical Engineering. He is a retired Addl. Director General of Bureau of Indian Standards. Inducted to the Board in 1993. | Non-Executive Director |
| T S Ajai | A Chartered Accountant. Specializing in direct tax laws and business and commercial laws. He has wide experience and expertise in the areas of Company Law, Income Tax, Investment Regulations, Other Corporate Laws, and foreign collaborations. Inducted to the Board in 2002. | Non-Executive Director |

### 2.2 Meetings and attendance record of each Director

During the year ended March 31, 2003 the Board of Directors met Five times. These were held on April 12, 2002; May 31, 2002; July 13, 2002; October 26, 2002; January 11, 2003 & Circular Board Meeting February 26, 2003.

Other than the Annual General Meeting, there was no General Meeting of the shareholders of the Company held during the year ended March 31, 2003.

The attendance record of the Directors at the Board Meetings during the year ended on March 31, 2003, and at the last Annual General Meeting (AGM) is as under :-

| Name of the Directors | Attendance at Meetings | Attendance at Last at AGM |
|---|---|---|
| Dr S P Vasireddi | 5 out of 5 | Present |
| V Harriman | 5 out of 5 | Present |
| V V Prasad | 5 out of 5 | Present |
| Harita Vasireddi | 2 out of 2 | Inducted after AGM |
| Raghu Cidambi | 4 out of 5 | Present |
| A D Sinha | 5 out of 5 | Present |
| S Subrahmanyam | 5 out of 5 | Present |
| T S Ajai | 5 out of 5 | Present |

### 2.3 Other Directorships etc.,

The details of Directorships in other Companies (excluding Private Limited Companies, Foreign Companies and Section 25 Companies) held by the Directors as on March 31,2003 are given below :

| Name of the Directors | No. of Other Director-Ships in other Public Limited Co. |
|---|---|
| Dr S P Vasireddi | Nil |
| V Harriman | Nil |
| V V Prasad | Nil |
| Harita Vasireddi | Nil |
| Raghu Cidambi | 2 |
| A D Sinha | Nil |
| S Subrahmanyam | Nil |
| T S Ajai | Nil |

### 2.4 Remuneration of Directors

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

The details of remuneration and sitting fee paid and provided to each Directors during the year ended on March 31,2003 are given below :

| Name of the Directors | Salary | Sitting Fee | Service Contract upto |
|---|---|---|---|
| Dr S P Vasireddi | 3825600 | NA | 31.12.2005 |
| V Harriman | 3053600 | NA | 31.03.2005 |
| V V Prasad | 3053600 | NA | 06.06.2006 |
| Harita Vasireddi | 624066 | NA | 25.10.2005 |
| Raghu Cidambi | NA | 20000 | NA |
| A D Sinha | NA | 25000 | NA |
| S Subrahmanyam | NA | 25000 | NA |
| T S Ajai | NA | 25000 | NA |

**Note :**

Salary includes Basic salary, Allowances and perquisites like Contribution to Provident / Superannuation Fund, Gratuity and Leave encashment.

### 2.5 Re-appointment of Directors

The Directors Raghu Cidambi and S Subrahmanyan shall retire by rotation at the ensuing Annual General Meeting, and are eligible for re-appointment. S Subrahmanyan has offered himself for re-appointment. While Raghu Cidambi opted not to be re- appointed.

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

### 3. AUDIT COMMITTEE

The Audit Committee was constituted on 31.05.2002 and the composition of the committee is as under :

| | | |
|---|---|---|
| T S Ajai | : | Chairman |
| Raghu Cidambi | : | Member |
| S Subrahmanyan | : | Member |

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

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

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

During the year the Audit Committee has met 3 times on July 13,2002, October 26,2002 and January 11,2003. While T S Ajai and S Subrahmanyan attended all the meetings, Raghu Cidambi attended two meetings.

### 4. REMUNERATION COMMITTEE

The Remuneration Committee was constituted on 12.04.2002 and the composition of the committee is as under :

Initially, the remuneration committee comprised of the following members:

| | | |
|---|---|---|
| Raghu Cidambi | : | Chairman |
| A D Sinha | : | Member |
| S Subrahmanyan | : | Member |

Subsequently as Raghu Cidambi desired to be out of the committee, the committe was reconstituted as under:

| | | |
|---|---|---|
| A D Sinha | : | Chairman |
| S Subrahmanyan | : | Member |
| T S Ajai | : | Member |

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

The remuneration committee of the Company recommends the compensation package and other terms and conditions of Executive Directors and other senior managers level. The Chairman and Managing Director and other whole time directors are paid remuneration as per the resolutions approved by the members at their meetings and such other authorities as may be required.

During the year the Remuneration Committee has met 3 times on April 12, 2002, July13, 2002 and October 26, 2002 All the members attended all the meetings.

### 5. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The Shareholders/Investors Grievance Committee was constituted on 26.10. 2002 and the composition of the committee is as under :

| | |
|---|---|
| V V Prasad | : Chairman – Executive Director |
| T S Ajai | : Member – Non-Executive Director |
| S Subrahmanyan | : Member – Non-Executive Director |

The Committee is formed to review and redress all the grievances of Shareholders/Investors of the Company. The Company Secretary & DGM Finance A Venkata Ramana acts as Secretary to the Committee.

During the year the Committee has met on January 11, 2003. All the members attended the meeting.

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

| Nature of Complaints | Received | Resolved | Pending |
|---|---|---|---|
| ***A. Complaints received from shareholders*** | | | |
| Share Certificates | 35 | 35 | --- |
| Dividend | 62 | 62 | --- |
| Loss / Duplicate Shares | 10 | 10 | --- |
| Dematerialization | Nil | -- | --- |
| Others | -- | -- | --- |
| ***B. Complaints of Shareholders forwarded by*** | | | |
| SEBI | 2 | 2 | --- |
| Stock Exchanges | 1 | 1 | --- |
| Depositories | -- | -- | --- |

**6. GENERAL BODY MEETINGS**

The Details of last 3 Annual General Meetings are:

| Sl. No. | Year | Meeting | Venue | Date | Time |
|---|---|---|---|---|---|
| 1. | 1999-2000 | AGM | Regd. Office | 30.09.2000 | 10.00 AM |
| 2. | 2000-2001 | AGM | Regd. Office | 28.09.2001 | 10.00 AM |
| 3. | 2001-2002 | AGM | Regd. Office | 31.05.2002 | 10.00 AM |

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

**7. DISCLOSURES**

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

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

No penalties or strictures have been imposed on the Company by the Stock Exchange, or SEBI, or any statutory authority on any matter related to capital markets during the last three years. However, in compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, the Company has availed the SEBI Regularization Scheme, 2002 announced by Securities Exchange Board of India in terms of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 for Regularization of omissions in complying with Regulation 6 and 8 of the said regulations.

**8. MEANS OF COMMUNICATION**

The quarterly, half-yearly financial results of the Company are sent to the Stock Exchanges immediately after they are approved by the Board by fax and by courier. These are published in two newspapers within 48 hours of the conclusion of the meeting of the Board. Generally the results are published in national daily news papers of English and regional language (Telugu). The results are also placed on the Company's website www.vimta.com.

Further all the material information which has bearing on the operations of the company is sent to all stock exchanges concerned.

**9. COMPLIANCE OF INSIDER TRADING NORMS**

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

**10. GENERAL SHAREHOLDER INFORMATION**

**10.1 Annual General Meeting**

Date : 16.06.2003
Time : 10.00 A.M.
Venue : 141/2 & 142, IDA, Phase-II
Cherlapally, Hyderabad-500051
(Registered Office of the Company)

**10.2 Financial Calendar**

| | |
|---|---|
| First quarter results | : July, 2003 |
| Second quarter results/ Half yearly results | : October, 2003 |
| Third quarter results | : January, 2004 |
| Annual Results | : April,2004 |
| Date of Book Closures | : 09.06.2003 to 16.06.2003 |
| Date of dividend payment | : Within 30 days from declaration (If approved) |

**10.3 Listing with Stock Exchanges**

*Name of the Stock Exchanges & Address*

1. The Hyderabad Stock Exchange Ltd
   6-3-654, Adj. to Erramanjil Bus Stop
   Somajiguda, Hyderabad - 500 082
   **Stock Code : VML**
2. The Stock Exchange, Mumbai
   Phiroje Jeejeebhoy Towers
   Dalal Street, Mumbai - 400 001
   **Stock Code : 524394**

The ISIN of dematerialised shares of the Company is **INE579C01011**

**10.4 Electronic Connectivity**

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

**10.5 Stock Price Data**

Monthly high and low share quotations on the Stock Exchange Mumbai during each month for the financial year 2002 - 2003 are given below:

| Year : 2002- 2003 | BSE | |
|---|---|---|
| | High Rs. | Low Rs. |
| April, 2002 | 20.80 | 09.15 |
| May, 2002 | 23.35 | 15.40 |
| June, 2002 | 24.00 | 14.95 |
| July, 2002 | 24.00 | 17.00 |
| August, 2002 | 20.00 | 16.00 |
| September, 2002 | 17.50 | 12.20 |
| October, 2002 | 24.00 | 11.70 |
| November, 2002 | 24.25 | 16.90 |
| December, 2002 | 28.35 | 19.00 |
| Junuary, 2003 | 38.10 | 23.90 |
| February, 2003 | 50.10 | 39.00 |
| March, 2003 | 44.85 | 27.60 |

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

M/s CIL Securities Ltd.
214, Raghava Ratna Towers,Abids
Hyderabad - 500001
Phone : 040-23203155
Fax : 040-5561267
E-mail : cilsec@rediffmail.com

**10.7 Distribution of shareholding as on 31.03.2003**

| Share held | Shareholders | | No of Shares | |
|---|---|---|---|---|
| From - To | Number | % | Shares | % |
| Upto - 5000 | 5573 | 99.24 | 1439008 | 39.87 |
| 5001-10000 | 24 | 0.43 | 172533 | 4.78 |
| 10001-20000 | 6 | 0.11 | 105305 | 2.92 |
| 20001-30000 | 4 | 0.07 | 93430 | 2.59 |
| 30001-40000 | 2 | 0.04 | 69910 | 1.94 |
| 40001-50000 | 0 | 0.00 | 0 | 0.00 |
| 50001-100000 | 2 | 0.04 | 119767 | 3.32 |
| 100000 and above | 4 | 0.07 | 1608671 | 44.58 |
| Total | 5615 | 100 | 3608624 | 100 |

**10.8 Categories of shareholders as on 31.03.2003**

| SL No. | Category | No. of Shares | % of Shareholding |
|---|---|---|---|
| 1. | Promotors, Relatives, Friends & Associates | 1727104 | 47.86 |
| 2. | UTI & Mutual Funds | 190400 | 5.28 |
| 3. | Bodies Corporate | 133417 | 3.70 |
| 4. | Public | 1557703 | 43.16 |

**10.9 Share Transfer System and Dematerialization**

The Company's shares are covered under the compulsory dematerialization list and are transferable through the depository system. The Company has appointed M/s CIL Securities Ltd. as its Share Transfer Agent and also Depository Transfer Agent. Shares received for physical transfer are generally registered within a period of 15 days from the date of receipt, subject to fulfillment of other legal formalities. Further, the Company has signed a tripartite agreement with NSDL/CDSL and M/s CIL Securities Ltd. to facilitate dematerialization of shares. The shareholders may contact for the redressal of their grievance either to M/s CIL Securities, 214, Raghavaratna Towers, Abids, Hyderabad - 500 001 or the Company Secretary & DGM-Finance, Vimta Labs Limited, 142, IDA, Phase-II, Cherlapally, Hyderabad - 500 051, Phone : 27264141, e-mail : shares@vimta.com.

## AUDITORS' CERTIFICATE

To
The Members of Vimta Labs Limited

1. We have examined the compliance of conditions of Corporate Governance by Vimta Labs Limited, for the year ended 31st March, 2003, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

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

4. We state that no investor grievances are pending for a period exceeding one month against the Company as on 31st March, 2003 as per the records maintained by the shareholders/investors Grievances Committee.

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

**for SARATHY & BALU**
**CHARTERED ACCOUNTANTS**

Hyderabad
Date : 19.04.2003

**J VENKATESWARLU**
**PARTNER**

**I. Discussion**

**Overview**

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

1. Contract Research (clinical and pre-clinical)
2. Clinical Specialty Diagnostics
3. Analytical Testing of water, food, drugs, chemicals, petroleum products, minerals, metals etc.
4. Environmental Monitoring and Impact Assessment

Laboratory was established in 1984 with analytical testing capabilities and today **VIMTA** is the preferred brand for the various industry segments in our fields.

During the last three years starting from fiscal 2001 to 2003 total revenue increased from Rs.619.38 lakhs to Rs.1978.92 lakhs - a growth rate of 219.50% and profits are increased by 389.87%. Further, during the same period the Net Worth has increased from Rs.627.55 lakhs to Rs.782.04 lakhs.

**Scope and Potential**

Vimta established itself as a credible player in this region and is serving market leaders in various segments. During the last four years, customers from USA, Europe and Asia Pacific countries have begun to seek the company's services. In view of Vimta's good reputation, business from overseas is set to increase in the coming years.

**Developments**

Vimta now intends to develop a few branch laboratories to enhance the operations. Focus is now on Water, Food, Nutrition, Drugs & Health.

**Strengths**

The processes at **VIMTA** are institutionalized. Quality is the prime focus. Quality Systems as per International Standard ISO 17025, Good Laboratory Practice as per OECD country guidelines and USFDA, Good Clinical Practices as per USFDA and ICH (International Committee of Harmonization) are in place. Laboratory has been accredited by the National Accreditation Board for Testing and Calibration Laboratories (NABL), the only accreditation system of Government of India. Also accredited by Brazilian FDA (ANVISA). Laboratory has faced successful audits from European and American customers. Regulatory audits from USA and Europe are awaited.

The Human Resource employed at **VIMTA** is qualified and trained, including 90 scientists, 15 Ph.Ds., with a total strength of 214 as of date. Facilities and infrastructure are state-of-the-art.

**Risks and Concerns**

The increasing demand for **VIMTA** services during the last 3 years has been putting a lot of pressure on human resources. Availability of talented and trained manpower is scarce and the company is doing its best to employ qualified people and train them on the job against the increasing work loads. The capabilities are being stretched to deliver the commitments made. Laboratory is facing space constraint in-spite of recent addition of 12000 sq.ft. Most of the testing equipment have been replaced during the last 2 years and now it becomes a continuous process to keep pace with technology and avoid obsolescence.

**Internal Control Systems**

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

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

**II. Analysis of Financial Results**

**A. FINANCIAL CONDITION**

**1. Sources of funds**

**1.1 Share Capital**

The Paid up Capital is Rs.360.86 lakhs (previous year Rs.360.86 lakhs).

**1.2 Reserves and Surplus**

As at 31-03-2003 Vimta's Reserves and Surplus is increased by Rs.145.67 lakhs and the balance as on 31-03-2003 stood at Rs.426.56 lakhs. The principal components of this increase were General Reserve (Rs.10.50 lakhs) and Surplus in Profit & Loss Account (Rs.135.18 lakhs).

**1.3 Loan Funds**

In view of the constant increase in the export earnings of the company, during the year the Company shifted its borrowings from Canara Bank to State Bank of India to avail the benefit of foreign currency loans at low interest rates. The State Bank of India has taken over the existing Term Liabilities of Rs.275 lakhs from Canara Bank and a fresh loan of Rs.175 lakhs at Libor+2.25%. With this, the company would be saving huge amounts on account of finance cost. The total loan funds as of 31-03-2003 are as under :

(Rs. In lakhs)

| SL No. | Particulars | As at 31-03-2003 | As at 31-03-2002 |
|---|---|---|---|
| 1. | Cash Credit | **99.27** | 24.53 |
| 2. | Term Loan | **284.53** | 69.85 |
| 3. | H P Loans | **39.34** | 64.15 |
| | Total | **423.14** | 158.53 |

**B. APPLICATION OF FUNDS**

**2. Fixed Assets**

During the year the company has invested in building new infrastructure facilities. The Company has invested Rs.497.91 lakhs in Plant & Machinery and Computers. Other assets viz., Building, Office Equipment, Furniture & Fixtures, Electrical Installation and vehicles are increased by Rs.138 lakhs. Company believes that these investments are necessary to keep up with growth requirements. The details of Fixed Assets as at March 31, 2003 are as under:

(Rs. In lakhs)

| Particulars | 2002-03 | 2001-02 |
|---|---|---|
| **Gross Block** | | |
| Land | 9.55 | 9.55 |
| Building | 279.72 | 197.32 |
| Plant & Machinery | 1199.86 | 867.93 |
| Electrical Installation | 39.97 | 39.97 |
| Office Equipment | 16.36 | 16.37 |
| Computers | 61.85 | 24.84 |
| Furniture & Fixtures | 36.60 | 31.08 |
| Vehicles | 62.79 | 49.73 |
| **Total** | **1706.72** | **1236.79** |
| Less: Accumulated Depreciation | 463.53 | 372.15 |
| **Net Block** | **1243.19** | **864.64** |
| Add: Capital Work in Progress | Nil | 8.06 |
| Net fixed Assets | 1243.19 | 872.70 |
| Depreciation as % of Total revenues | 9.12 | 6.57 |
| Accumulated Depreciation as a % of Gross Block | 27.16 | 29.89 |

**2.1 Investments**

During 1998-99, the Company has entered into a Joint Venture with Rostest Moscow and formed a company - Vimta Rostest (P) Ltd for conducting pre-shipment inspections of tea, coffee, etc., which are exported to Russia. The Company has invested an amount of Rs.4.8 lakhs as part of its share. During the year, the Joint Venture company has opted for voluntary winding up as the Russian partner has opted to withdraw from the business as the mandatory provisions of pre-shipment certification for these exports have been liberalized. It is in this process, a provision of Rs. 1.60 Lakhs is made for dimunition in the value of investments.

**2.2 Sundry Debtors**

The Sundry Debtors position as on March 31, 2003 stood at Rs.277.29 lakhs (net of bad debts) compared to previous year of Rs.143.05 lakhs which are considered good and realizable. The day sales outstanding (DSO) level was at 52 days as on March 31, 2003 compared to previous year of 47 days.

**2.3 Cash & Cash Equivalents**

The Cash and cash equivalent are increased by Rs.49.27 lakhs during the year 2002-03 from Rs.11.71 lakhs as on March 31, 2002. The Cash and Bank Balances (including cheques on hand) was Rs.60.98 lakhs as per details given below :

(Rs. in lakhs)

| SL No. | Particulars | 2002-2003 | 2001-2002 |
|---|---|---|---|
| 1. | Cash Balance on Hand | **0.25** | 4.30 |
| 2. | Balance with Scheduled bank | **50.58** | 0.48 |
| 3. | Deposit Accounts | **7.20** | 6.93 |
| 4. | In unclaimed dividend a/c | **2.95** | 0.00 |
| | Total | **60.98** | 11.71 |

**2.4 Other Current Assets**

The company has other current assets of Rs.6.80 lakhs as on March 31, 2003 as compared to Rs.21.16 lakhs of previous year. These are mainly retention money with customers and Income tax refund for the previous year.

**2.5 Loans and Advances**

Loans and Advances are decreased to Rs.53.74 lakhs as on March 31, 2003 compared to previous year of Rs.57.19 lakhs. The Loans and Advances are primarily towards amounts paid in advance for services to be received in future, advances to staff and field camps, Deposits with Public Sector Bodies & Others.

(Rs. in lakhs)

| SL No. | Particulars | 2002-2003 | 2001-2002 |
|---|---|---|---|
| 1. | Advances for Services and Supplies | **13.13** | 7.32 |
| 2. | Advances to Staff and Field Camps | **4.47** | 20.28 |
| 3. | Deposits with Public Sector Bodies & Others | **36.14** | 29.59 |
| | Total | **53.74** | 57.19 |

**2.6 Current Liabilities**

Sundry Creditors Represents the amount payable to vendors for the supply of goods and services. The creditors have increased from Rs.137.00 lakhs to Rs.256.88 lakhs primarily due to enhanced credit terms with vendors for supply of goods and services and capital goods. There is a term loan back up for Rs.70 lakhs against creditors for capital goods.

Other liabilities represent statutory dues to different authorities and Franchisee deposits. The details of current liabilities as at 31-03-2003 are as under :

(Rs. in lakhs)

| SL No. | Particulars | 2002-2003 | 2001-2002 |
|---|---|---|---|
| 1. | Sundry Creditors | **147.82** | 67.79 |
| 2. | Advances against services | **0.59** | 7.60 |
| 3. | Other Liabilities | **105.56** | 61.61 |
| 4. | Unclaimed dividends | **2.91** | 0.00 |
| | Total | **256.88** | 137.00 |

**2.7 Provisions**

Provision for Taxation (net of Advance Tax paid) denotes estimated income tax liabilities payable on the profit from the Company's operations and Tax on proposed Dividend. The Board has proposed a dividend of Rs.1.50 per share for the Financial Year 2002-03. Breakup of provisions as on 31-03-2003 are as under :

(Rs. in lakhs)

| SL No. | Particulars | 2002-2003 | 2001-2002 |
|---|---|---|---|
| 1. | Provision for Taxation including tax on proposed dividend | **25.89** | 22.74 |
| 2. | Proposed Dividend | **54.13** | 39.69 |
| 3. | Provision for Leave Encashment | **3.24** | 12.62 |
| | Total | **83.26** | 75.05 |

**2.8 Deferred Tax Asset/(Liability)**

Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted as on balance sheet date.

## C. RESULTS OF OPERATIONS

### 3. Total Income

Vimta Labs posted a gross revenues of Rs.1978.92 lakhs for the year ended March 31, 2003, an increase of 77.28% over the previous year of Rs.1116.22 lakhs. Export Income is increased by 152.6% in the year to reach Rs.363.46 lakhs as compared to the previous year of Rs.143.89 lakhs.

Other Income contributed to Rs.10.97 lakhs compared to Rs.4.14 lakhs in the preceeding year. It includes interest earned on bank deposits, and interest received on income tax refunds. The breakup of income are as under :

(Rs. In lakhs)

| Particulars | Financial year ended March 31 | | | | |
|---|---|---|---|---|---|
| | 2003 | % | 2002 | % | Growth% |
| Income from Domestic sales (Including WIP) | **1604.49** | **81.53** | 968.19 | 87.06 | **65.72** |
| Income from Export Sales | **363.46** | **18.47** | 143.89 | 12.94 | **152.60** |
| Total Sales | **1967.95** | | 1112.08 | | **76.96** |
| Other income | **10.97** | | 4.14 | | **164.98** |
| Total Income | **1978.92** | | 1116.22 | | **77.29** |

### 3.1 Expenditure

During the year while the total Income grew by 77.28%, the corresponding increase in Total expenditure is 84.10%. The testing expenditure increased by 100% as compared to previous year of 97.63% . The personnel expenses increased by 74.40% during the year mainly due to additional manpower to meet the growth requirements. The Administration Selling and General Expenses are increased by 65.53% in line with the growth in the Company's business. As explained herein above, the financial cost of the Company is expected to minimize in the coming years.

The depreciation on plant and machinery has been charged for triple shift on straight line method at a higher rate of 15% with effect from 1.4.2003 as compared to 10.34% in the previous year. The details of expenditure are as under :

(Rs. In lakhs)

| Particulars | Financial year ended March 31 | | | | |
|---|---|---|---|---|---|
| | 2003 | % | 2002 | % | Growth% |
| Testing Expenditure | **562.12** | **34.68** | 281.06 | 31.93 | **100** |
| Personnel Expenses | **292.48** | **18.05** | 167.71 | 19.05 | **74.40** |
| Administration, Selling & Gen. Expenses | **527.48** | **32.55** | 318.66 | 36.20 | **65.53** |
| Finance Charges | **58.06** | **3.58** | 39.54 | 4.49 | **46.84** |
| Depreciation | **180.60** | **11.14** | 73.36 | 8.33 | **146.18** |
| Total | **1620.74** | | 880.33 | | **84.10** |

### 3.2 Profitability

Earnings before Interest, Depreciation, Amortization and Taxes (EBIDAT) is increased to Rs.596.82 lakhs as compared to Rs.348.79 lakhs in the previous year, i.e. an increase of 71.11%. Profit before Tax stood at Rs.352.72 lakhs as against Rs.184.72 lakhs of previous year, an increase of 90.95%. The Net Profit after Tax is Rs.210.72 lakhs, an increase of 73.11% over previous years Net Profit after tax of Rs.121.72 lakhs. The details of profit and taxes are as under :

(Rs. In lakhs)

| Particulars | Financial year ended March 31 | | | | |
|---|---|---|---|---|---|
| | 2003 | % of Total Income | 2002 | % of Total Income | % of Growth |
| EBIDAT | **596.82** | **30.16** | 348.79 | 31.25 | **71.11** |
| Finance Charges | **58.05** | **2.93** | 39.54 | 3.54 | |
| Depreciation | **180.60** | **9.13** | 73.36 | 6.57 | |
| Amortization & Prior Year expenses | **5.45** | **0.27** | 51.16 | 4.58 | |
| Profit Before Tax | **352.72** | **17.82** | 184.73 | 16.55 | **90.94** |
| Provision for Tax | **142.00** | **7.18** | 63.00 | 5.64 | |
| Profit After Tax | **210.72** | **10.64** | 121.72 | 10.90 | **73.11** |
| Deferred Tax Liability (asset) | **3.98** | | (9.56) | | |
| Profit for the year | **206.74** | **10.45** | 131.29 | 11.76 | |

# AUDITORS' REPORT

To
The Members of
VIMTA LABS LIMITED

1. We have audited the attached Balance Sheet of VIMTA LABS LTD as at 31st March, 2003 and also the Profit & Loss account for the year ended on that date annexed thereto and the Cash-flow statement for the year ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Central Government of India in terms of subsection (4A) of Section 227 of the Companies Act, 1956, we enclose in the annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said order to the extent they are applicable to this Company.

4. Further to our comments in the Annexure referred to above, we report that :
   i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
   ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
   iii. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account of the Company.
   iv. In our opinion, the Balance Sheet and Profit & Loss Account dealt with by this report comply with the accounting standards referred to in sub section (3C) of Sec.211 of the Companies Act, 1956.
   v. On the basis of written representations received from the directors, as on 31st March,2003 and taken on record by the Board of Directors, we report that none of the Directors of the Company is disqualified as on 31.03.2003 from being appointed as a Director of the Company in terms of clause (g) of subsection (1) of Section 274 of the Companies Act, 1956.
   vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required **and subject to our comments 5 & 6 below,** give a true and fair view in conformity with the accounting principles generally accepted in India.
      a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2003;
      b) In the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
      c) in the case of cash flow statement, of the cash flow for the year ended on that date.

5. ***During the year, the Company has changed the rate of depreciation on "Plant & Machinery" from 10.34 % p.a. (SLM) to 15 % p.a. under the Stright Line Method. The effect of this change is that the depreciation is higher by Rs. 49.88 lakhs and the net block of fixed assets and profit for the year are lower by the same. (Refer Note No.B (I)(i) of "Notes forming part of accounts - Schedule 19").***

6. ***During the year, the Company has changed its accounting policy relating to accounting of Leave Encashment from payment basis to accrual method. On account of this change, the arrears of Leave Encashment relating to earlier years, amounting to Rs.3.23 lakhs is provided for and charged to "Profit and Loss a/c". (Refer Note No.B (I) (ii) of "Notes forming part of accounts - Schedule 19").***

**for SARATHY & BALU**
**CHARTERED ACCOUNTANTS**

Hyderabad
Date : 19.04.2003

**J VENKATESWARLU**
**PARTNER**

## ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 3 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 by the management at reasonable intervals during the year 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, spare parts 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 Mnagement are reasonable and adequate in relation to the size of the Company and the nature of its business.

5. No material discrepancies were noticed on physical verification of stocks as compared to book records.

6. On the basis of our examination of stock records we are of the opinion that the valuation of stocks followed is fair and proper, in accordance with the normally accepted accounting principles and the valuation is on the same basis as in preceeding years.

7. In respect of the loans, secured or unsecured, taken 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, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.

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. The Company has not given any loans or advances in the nature of loans to anybody except salary advances and advance for expenses in the normal course of its business to employees who are repaying the principal amounts as stipulated.

10. In our opinion and according to the information and explanations given to us, 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, as aggregating during the year to Rs.50000/- or more 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. As explained to us, the company has a regular procedure for determination of unserviceable or damaged stores, raw materials, and finished goods on the basis of technical evaluation and on such basis, in our opinion adequate amounts have been provided for the loss, if any, of such stocks in the accounts.

13. The Company has not accepted any deposits from public and therefore, compliance with the provisions of Section 58A of the Companies Act, 1956 and Rules made there under is not applicable to the Company.

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. ***As per the records of the Company and as explained to us, during the year there were some delays in depositing the Provident Fund dues with the appropriate authorities. However, all the dues have been paid in the respective months and there are no over dues as at the end of the year.***

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 financial year, for a period of more than six months from the date they became payable.

19. During the course of our examination of the books of account 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 industrial 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 authorization 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 labor to jobs.

**for SARATHY & BALU**
**CHARTERED ACCOUNTANTS**

Hyderabad
Date : 19.04.2003

**J VENKATESWARLU**
**PARTNER**

# BALANCE SHEET AS AT MARCH 31, 2003

VIMTA LABS
Determining Quality

| | | Schedule No | As at 31.03.2003 Rs. Ps. | As at 31.03.2002 Rs. Ps. |
|---|---|---|---|---|
| I | **SOURCES OF FUNDS** | | | |
| | **1) Shareholders' Funds** | | | |
| | a) Capital | 1 | **36,086,240.00** | 36,086,240.00 |
| | b) Reserves & surplus | 2 | **42,656,741.76** | 28,089,125.25 |
| | **2) Loan funds** | | | |
| | - Secured loans | 3 | **42,314,517.15** | 15,854,279.60 |
| | **3) Deferred Tax** | 4 | **15,095,619.00** | 14,697,298.00 |
| | TOTAL | | **136,153,117.91** | 94,726,942.85 |
| II | **APPLICATION OF FUNDS** | | | |
| | **1) Fixed Assets** | 5 | | |
| | a) Gross Block | | **170,672,383.42** | 123,679,398.42 |
| | b) Less:Depreciation | | **46,353,305.35** | 37,215,180.35 |
| | c) Net Block | | **124,319,078.07** | 86,464,218.07 |
| | d) Capital Work-in-progress | | **0.00** | 806,009.00 |
| | | | **124,319,078.07** | 87,270,227.07 |
| | **2) Investments** | 6 | **320,000.00** | 480,000.00 |
| | **3) Current Assets, Loans & Advances** | 7 | | |
| | a) Inventories | | **5,108,147.00** | 3,450,000.00 |
| | b) Sundry debtors | | **27,729,844.80** | 14,305,062.45 |
| | c) Cash & bank balances | | **6,098,616.63** | 1,171,607.67 |
| | d) Other current assets | | **680,454.00** | 2,116,503.00 |
| | e) Loans & advances | | **5,373,609.71** | 5,719,146.32 |
| | | | **44,990,672.14** | 26,762,319.44 |
| | Less : Current liabilities & Provisions | 8 | **34,014,699.90** | 21,205,806.26 |
| | Net Current assets | | **10,975,972.24** | 5,556,513.18 |
| | **4) Miscellaneous Expenditure** (to the extent not written off or adjusted) | 9 | **538,067.60** | 1,420,202.60 |
| | TOTAL | | **136,153,117.91** | 94,726,942.85 |
| | SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS | 19 | | |

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

For and on behalf of the Board

for **Sarathy & Balu**
Chartered Accountants

**J.Venkateswarlu**
**Partner**

| | |
|---|---|
| Dr S P Vasireddi | Managing Director |
| V Harriman | Director Technical |
| V V Prasad | Executive Director |
| Harita Vasireddi | Director Projects |
| Raghu Cidambi | Director |
| S Subrahmanyan | Director |
| T S Ajai | Director |
| A Venkata Ramana | Company Secretary & DGM Finance |

Hyderabad
Date : 19.04.2003

Hyderabad
Date : 19.04.2003

# PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2003

| | Schedule No | Year ended 31.03.2003 Rs. Ps. | Year ended 31.03.2002 Rs. Ps. |
|---|---|---|---|
| **INCOME** | | | |
| Income from operations | 10 | 193,824,577.52 | 111,584,428.36 |
| Increase/(Decrease) in Inventories | 11 | 2,969,721.00 | (375,550.00) |
| Other Income | 12 | 1,097,992.90 | 413,979.03 |
| **TOTAL** | | 197,892,291.42 | 111,622,857.39 |
| **EXPENDITURE** | | | |
| Testing and analysis expenditure | 13 | 56,212,504.29 | 28,105,510.84 |
| Payments and benefits to employees | 14 | 29,247,821.95 | 16,770,898.08 |
| Administration, selling & General expenses | 15 | 52,748,000.07 | 31,866,489.78 |
| Finance charges and Interest | 16 | 5,805,574.29 | 3,954,015.65 |
| Depreciation | 5 | 18,060,511.00 | 7,336,163.00 |
| **TOTAL** | | 162,074,411.60 | 88,033,077.35 |
| Profit before amortisation & Prior year adjustments | | 35,817,879.82 | 23,589,780.04 |
| Less : a) Amortisation of Preliminary & deferred revenue expenses | 17 | 394,493.00 | 3,994,877.30 |
| b) Prior year adjustments | 18 | 150,981.31 | 1,122,646.00 |
| Profit before tax | | 35,272,405.51 | 18,472,256.74 |
| Less : Provision for Income-tax | | 14,200,000.00 | 6,300,000.00 |
| Profit after tax | | 21,072,405.51 | 12,172,256.74 |
| Add / (Less) : Deferred tax liability / (credit) | | 398,321.00 | (956,831.00) |
| Balance | | 20,674,084.51 | 13,129,087.74 |
| Add : Surplus brought forward from prev.year | | 17,822,455.25 | 9,362,853.51 |
| Amount available for appropriations | | 38,496,539.76 | 22,491,941.25 |
| **APPROPRIATIONS** | | | |
| Transfer to General Reserve | | 1,050,000.00 | 700,000.00 |
| Proposed dividend | | 5,412,936.00 | 3,969,486.00 |
| Provision for tax on proposed dividend | | 693,532.00 | 0.00 |
| Surplus carried to Balance Sheet | | 31,340,071.76 | 17,822,455.25 |
| | | 38,496,539.76 | 22,491,941.25 |
| SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS | 19 | | |
| **COMPUTATION OF EARNINGS PER SHARE** | | | |
| a) Net Profit for the year | | Rs.20674084 | Rs.13129088 |
| b) Weighted average no.of shares outstanding during the year | | 3,608,624 | 3,608,624 |
| c) Basic and diluted earnings pershare (a / b) | | Rs.6/- | Rs.4/- |
| d) Nominal value of shares (fully paid up) | | Rs.10/- each | Rs.10/- each |

Schedules mentioned above form an integral part of the Profit and Loss account

This is the Profit and Loss Account referred to in our report of even date.

for **Sarathy & Balu**
Chartered Accountants

**J.Venkateswarlu**
**Partner**

Hyderabad
Date : 19.04.2003

For and on behalf of the Board

| | |
|---|---|
| Dr S P Vasireddi | Managing Director |
| V Harriman | Director Technical |
| V V Prasad | Executive Director |
| Harita Vasireddi | Director Projects |
| Raghu Cidambi | Director |
| S Subrahmanyan | Director |
| T S Ajai | Director |
| A Venkata Ramana | Company Secretary & DGM Finance |

Hyderabad
Date : 19.04.2003

| | | As at 31.03.2003 Rs. Ps. | As at 31.03.2002 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 |
| | **TOTAL** | 36,086,240.00 | 36,086,240.00 |
| 2. | **RESERVES AND SURPLUS** | | |
| | i) Share Premium Account (As in last year) | 9,566,670.00 | 9,566,670.00 |
| | ii) General Reserve | | |
| | Opening Balance | 700,000.00 | 0.00 |
| | Add : Transferred during the year | 1,050,000.00 | 700,000.00 |
| | | 1,750,000.00 | 700,000.00 |
| | iii) Surplus in Profit & Loss Account | 31,340,071.76 | 17,822,455.25 |
| | **TOTAL** | 42,656,741.76 | 28,089,125.25 |
| 3. | **SECURED LOANS** | | |
| | A) Loans & Advances from Banks | | |
| | a) Cash Credit | | |
| | - Rupee component | 5,177,199.15 | 2,453,596.60 |
| | - Foreign Currency component | 4,750,000.00 | 0.00 |
| | b) Term loans | | |
| | - Rupee component | 428,000.00 | 6,985,531.00 |
| | - Foreign Currency component | 28,025,000.00 | 0.00 |
| | **SUB TOTAL** | 38,380,199.15 | 9,439,127.60 |
| | B) Other Loans & Advances | | |
| | Hire Purchase Loans | 3,934,318.00 | 6,415,152.00 |
| | **SUB TOTAL** | 3,934,318.00 | 6,415,152.00 |
| | **TOTAL** | 42,314,517.15 | 15,854,279.60 |
| 4. | **DEFERRED TAX** | | |
| | Opening Balance | 14,697,298.00 | 15,654,129.00 |
| | Add /(Less) : Liability/(Asset) for the year | 398,321.00 | (956,831.00) |
| | **TOTAL** | 15,095,619.00 | 14,697,298.00 |

## SCHEDULES FORMING PART OF THE ACCOUNTS

### 5. FIXED ASSETS

| SL. No. | DESCRIPTION | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | AS AT 01.04.2002 Rs. Ps. | ADDITIONS Rs. Ps. | SALES/ ADJUSTMENTS Rs. Ps. | TOTAL Rs. Ps. | UPTO 31.03.2002 Rs. Ps. | FOR THE YEAR Rs. Ps. | ON SALES/ ADJUSTMENTS Rs. Ps. | TOTAL Rs. Ps. | **AS AT 31.03.2003 Rs. Ps.** | AS AT 31.03.2002 Rs. Ps. |
| 1 | Freehold Land & Site Dev. | 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 | 18,788,054.37 | 8,240,912.00 | 0.00 | 27,028,966.37 | 2,644,179.90 | 316,774.00 | 0.00 | 2,960,953.90 | **24,068,012.47** | 16,143,874.47 |
| | Staff quarters | 944,264.00 | 0.00 | 0.00 | 944,264.00 | 139,801.00 | 15,392.00 | 0.00 | 155,193.00 | **789,071.00** | 804,463.00 |
| 3 | Plant & Machinery | 86,793,229.46 | 49,791,587.00 | 16,598,656.00* | 119,986,160.46 | 29,224,929.66 | 16,056,109.00 | 8,922,386.00* | 36,358,652.66 | **83,627,507.80** | 57,568,299.80 |
| 4 | Electrical Installation | 3,997,340.24 | 0.00 | 0.00 | 3,997,340.24 | 1,767,797.24 | 189,874.00 | 0.00 | 1,957,671.24 | **2,039,669.00** | 2,229,543.00 |
| 5 | Office Equipment | 1,635,767.31 | 0.00 | 0.00 | 1,635,767.31 | 738,417.09 | 77,699.00 | 0.00 | 816,116.09 | **819,651.22** | 897,350.22 |
| 6 | Computers | 2,483,702.00 | 3,701,467.00 | 0.00 | 6,185,169.00 | 445,415.00 | 650,287.00 | 0.00 | 1,095,702.00 | **5,089,467.00** | 2,038,287.00 |
| 7 | Furnitures & Fixtures | 3,107,845.05 | 552,188.00 | 0.00 | 3,660,033.05 | 1,332,559.20 | 219,879.00 | 0.00 | 1,552,438.20 | **2,107,594.85** | 1,775,285.85 |
| 8 | Vehicles | 4,973,539.99 | 1,305,487.00 | 0.00 | 6,279,026.99 | 922,081.26 | 534,497.00 | 0.00 | 1,456,578.26 | **4,822,448.73** | 4,051,458.73 |
| | **TOTAL :** | **123,679,398.42** | **63,591,641.00** | **16,598,656.00** | **170,672,383.42** | **37,215,180.35** | **18,060,511.00** | **8,922,386.00** | **46,353,305.35** | **124,319,078.07** | **86,464,218.07** |
| | PREVIOUS YEAR | 108,011,843.42 | 22,708,852.00 | 7,041,297.00 | 123,679,398.42 | 32,947,550.35 | 7,336,163.00 | 3,068,533.00 | 37,215,180.35 | 86,464,218.07 | 75,064,293.07 |

* Represents the value of fixed assets and depreciation which are eliminated from the block as they have become obsolete and redundant and no further benefit is expected from its use and disposal (See note No.5 of notes forming part of accounts)

| | | As at 31.03.2003 Rs. Ps. | As at 31.03.2002 Rs. Ps. |
|---|---|---|---|
| 6. | **INVESTMENTS** | | |
| | Equity shares - fully paidup - Unquoted-Non trading - at cost | | |
| | 48,000 Equity Shares of Rs.10/- each in Vimta Rostest(P) Ltd. | 480,000.00 | 480,000.00 |
| | Less : Provision for dimunition in value | 160,000.00 | 0.00 |
| | **TOTAL** | 320,000.00 | 480,000.00 |
| 7. | **CURRENT ASSETS, LOANS & ADVANCES** | | |
| | a) Inventories (At cost) | | |
| | Chemicals & Consumables | 380,447.00 | 1,207,500.00 |
| | Components, Stores & Spares | 1,757,979.00 | 2,242,500.00 |
| | Environmental Jobs Works-in-progress | 2,969,721.00 | 0.00 |
| | **TOTAL** | 5,108,147.00 | 3,450,000.00 |
| | b) Sundry Debtors | | |
| | (Debts considered good for which the Company holds no security other than the debtors' personal security) | | |
| | i) Debts outstanding for a Period exceeding six months | 1,246,066.90 | 1,191,891.00 |
| | ii) Other debts | 26,483,777.90 | 13,113,171.45 |
| | **TOTAL** | 27,729,844.80 | 14,305,062.45 |
| | c) Cash & Bank Balances | | |
| | i) Cash Balance on hand | 25,068.00 | 429,900.97 |
| | ii) Balances with Scheduled Banks | | |
| | a) on current accounts | 5,057,804.63 | 48,249.25 |
| | b) on deposit accounts | 720,202.00 | 693,457.45 |
| | c) in unclaimed dividend account | 295,542.00 | 0.00 |
| | **TOTAL** | 6,098,616.63 | 1,171,607.67 |
| | d) Other Current Assets | | |
| | i) Income-tax refund to be received | 525,000.00 | 1,988,210.00 |
| | ii) Accrued interest on deposits with banks | 27,161.00 | 0.00 |
| | iii) Retention money with customers | 128,293.00 | 128,293.00 |
| | **TOTAL** | 680,454.00 | 2,116,503.00 |
| | e) Loans and Advances | | |
| | (Advances considered good for which the Company holds no security other than the personal security of parties) | | |
| | i) Advances recoverable in cash or on kind or for value to be received | 447,205.51 | 2,027,057.22 |
| | ii) Deposits and balances with Public Sector Bodies & Others | 3,613,765.20 | 2,959,481.70 |
| | iii) Advances for Services & Supplies | 1,312,639.00 | 732,607.40 |
| | **TOTAL** | 5,373,609.71 | 5,719,146.32 |

| | | As at 31.03.2003 Rs Ps. | As at 31.03.2002 Rs Ps. |
|---|---|---|---|
| **8.** | **CURRENT LIABILITES & PROVISIONS** | | |
| | A) Current Liabilities | | |
| | i) Sundry creditors for services & supplies | | |
| | - dues to SSI undertakings | **0.00** | 0.00 |
| | - dues to other than SSI undertakings | **4,902,182.05** | 6,778,367.86 |
| | - creditors for captial expenditure (No dues to SSI Undertakings) | **9,880,688.10** | 0.00 |
| | ii) Advances against services | **58,995.00** | 760,802.00 |
| | iii) Other liabilities | **10,555,796.97** | 6,161,401.71 |
| | iv) Unclaimed dividend * | **290,542.00** | 0.00 |
| | **SUB TOTAL** | **25,688,204.12** | 13,700,571.57 |
| | B) Provisions | | |
| | i) Provision for taxation (Net of advance tax) | **1,896,312.78** | 2,274,018.69 |
| | ii) Proposed dividend | **5,412,936.00** | 3,969,486.00 |
| | iii) Provision for tax on proposed dividend | **693,532.00** | 0.00 |
| | iv) Provision for leave encashment | **323,715.00** | 0.00 |
| | v) Provision for gratuity | **0.00** | 1,261,730.00 |
| | **SUB TOTAL** | **8,326,495.78** | 7,505,234.69 |
| | **TOTAL** | **34,014,699.90** | 21,205,806.26 |
| **9.** | **MISCELLANEOUS EXPENDITURE** | | |
| | (To the extent not written off or adjusted) | | |
| | i) Public Issue Expenditure | | |
| | Opening Balance | **569,413.24** | 963,906.24 |
| | Less : Written off during the year | **394,493.00** | 394,493.00 |
| | **BALANCE** | **174,920.24** | 569,413.24 |
| | ii) Deferred Revenue Expenditure | | |
| | a) ISO Quality System expenses - Opening balance | 0.00 | 1,243,655.05 |
| | Less: Written off during the year | 0.00 | 1,243,655.05 |
| | **BALANCE** | 0.00 | 0.00 |
| | b) GLP Expenses - Opening balance | 0.00 | 2,190,705.25 |
| | Less: Written off during the year | 0.00 | 2,190,705.25 |
| | **BALANCE** | 0.00 | 0.00 |
| | c) Expenditure on international business promotion - Opening balance | 0.00 | 166,024.00 |
| | Less: Written off during the year | 0.00 | 166,024.00 |
| | **BALANCE** | 0.00 | 0.00 |
| | iii) Interest not accrued & due on Hire Purchase Loans - Opening balance | **850,789.36** | 1,286,227.36 |
| | Add : Additions during the year | **221,120.00** | 530,920.00 |
| | Less: Written off during the year | **708,762.00** | 966,358.00 |
| | **BALANCE** | **363,147.36** | 850,789.36 |
| | **TOTAL (i) to (iii)** | **538,067.60** | 1,420,202.60 |

| | | Year ended 31.03.2003 Rs. Ps. | Year ended 31.03.2002 Rs. Ps. |
|---|---|---|---|
| **10.** | **INCOME FROM OPERATIONS** | | |
| | Income from Testing & Analysis Services | | |
| | - Domestic | **157,478,161.52** | 97,194,881.36 |
| | - Exports | **36,346,416.00** | 14,389,547.00 |
| | **TOTAL** | **193,824,577.52** | 111,584,428.36 |
| **11.** | **INCREASE/(DECREASE) IN INVENTORIES** | | |
| | Closing Work-in-progress of Env. Jobs | **2,969,721.00** | 0.00 |
| | Less : Opening Work-in-progress | **0.00** | 375,550.00 |
| | **Increase/(Decrease)** | **2,969,721.00** | (375,550.00) |
| **12.** | **OTHER INCOME** | | |
| | i) Interest on Income-tax refund | **190,529.00** | 0.00 |
| | ii) Interest on Bank Deposits (Tax deducted at source Rs.20864/-) (Previous year Rs.9306/-) | **99,354.00** | 19,177.00 |
| | iii) Surplus on sale of assets | **0.00** | 10,882.00 |
| | iv) Dividend on long term investments (Including TDS of Rs.15120/-) | **144,000.00** | 0.00 |
| | v) Excess provision of liability written in | **630,112.00** | 0.00 |
| | vi) Miscellaneous receipts | **33,997.90** | 383,920.03 |
| | **TOTAL** | **1,097,992.90** | 413,979.03 |
| **13.** | **TESTING & ANALYSIS EXPENDITURE** | | |
| | Chemicals, Consumables, Stores, Spares & Components Consumed | **27,093,020.25** | 8,143,906.52 |
| | Sample preparation, Data Generation, Inspection and Testing Exps. | **25,075,796.04** | 17,189,467.82 |
| | Water, Power & Fuel Charges | **4,043,688.00** | 2,772,136.50 |
| | **TOTAL** | **56,212,504.29** | 28,105,510.84 |
| **14.** | **PAYMENTS & BENEFITS TO EMPLOYEES** | | |
| | Salaries & wages | **22,278,474.66** | 14,485,412.00 |
| | Bonus | **350,283.00** | 91,493.00 |
| | Contribution to Provident Fund | **1,479,327.00** | 813,286.00 |
| | ESI contribution | **227,210.00** | 150,361.00 |
| | Staff welfare expenses | **1,776,123.29** | 534,605.08 |
| | Gratuity | **1,059,509.00** | 179,918.00 |
| | Leave encashment | **323,715.00** | 0.00 |
| | Other benefits | **1,753,180.00** | 515,823.00 |
| | **TOTAL** | **29,247,821.95** | 16,770,898.08 |

| | | Year ended 31.03.2003 Rs. Ps. | Year ended 31.03.2002 Rs. Ps. |
|---|---|---|---|
| **15.** | **ADMINISTRATION, SELLING & GENERAL EXPENSES** | | |
| | Managerial Remuneration | **10,556,866.00** | 3,462,606.00 |
| | Sitting fees to Directors | **95,000.00** | 8,500.00 |
| | Rent | **222,150.00** | 26,815.00 |
| | Rates, Taxes, Licences & Renewals | **698,334.00** | 1,163,423.00 |
| | Insurance | **371,920.00** | 375,763.00 |
| | Travelling & Conveyance | **5,896,085.44** | 5,102,470.51 |
| | Advertisement & Business Promotion expenses | **3,927,190.06** | 1,584,395.51 |
| | Communication Expenses | **2,728,139.14** | 2,303,838.33 |
| | Printing & Stationery | **3,383,898.40** | 2,055,318.91 |
| | Repairs & Maintenance | **4,481,168.30** | 4,963,580.89 |
| | Payments to Auditors | **98,310.00** | 97,190.00 |
| | Books & Periodicals | **109,525.50** | 55,508.00 |
| | Bad debts written off | **466,604.00** | 725,201.00 |
| | Vehicle Maintenance | **1,041,024.27** | 976,811.68 |
| | Professional and Consultancy Charges | **3,580,686.00** | 2,148,077.00 |
| | Entertainment Expenses | **165,180.57** | 202,990.81 |
| | Membership & Subscriptions | **209,258.00** | 124,551.00 |
| | Security Charges | **373,001.00** | 289,235.00 |
| | Recruitment & training expenses of personnel | **1,279,507.34** | 240,806.70 |
| | Commission to Franchisee agents | **1,650,939.00** | 592,204.00 |
| | Software charges | **2,818,435.00** | 786,220.00 |
| | Loss on chit bid (Net of dividends) | **511,150.00** | 416,900.00 |
| | Loss on sale of assets | **6,756.00** | 0.00 |
| | Exchange fluctuation charges | **187,118.00** | 0.00 |
| | Provision for dimunition on Investments | **160,000.00** | 0.00 |
| | Obsolete Equipment written off | **7,554,514.00** | 3,883,646.00 |
| | Miscellaneous Expenses | **175,240.05** | 280,437.44 |
| | **TOTAL** | **52,748,000.07** | 31,866,489.78 |
| **16.** | **FINANCE CHARGES AND INTEREST** | | |
| | **i) Interest** | | |
| | a) To Banks : | | |
| | - on Term Loans | **2,789,336.72** | 125,150.00 |
| | - on Working Capital facilities | **484,499.79** | 605,821.00 |
| | b) To Others : | | |
| | - to Managing Director | **0.00** | 684,301.00 |
| | - to Others | **891,851.00** | 1,365,309.00 |
| | **ii) Bank Charges** | **1,639,886.78** | 1,173,434.65 |
| | **TOTAL** | **5,805,574.29** | 3,954,015.65 |
| **17.** | **AMORTISATION OF PRELIMINARY & DEFERRED REVENUE EXPENDITURE** | | |
| | a) Public Issue Expenditure | **394,493.00** | 394,493.00 |
| | b) ISO Quality System Expenses | **0.00** | 1,243,655.05 |
| | c) GLP Expenses | **0.00** | 2,190,705.25 |
| | d) Business Promotion Expenses | **0.00** | 166,024.00 |
| | **TOTAL** | **394,493.00** | 3,994,877.30 |
| **18.** | **PRIOR YEAR ADJUSTMENTS** | | |
| | a) Provision for Gratuity for earlier years | **0.00** | 1,134,490.00 |
| | b) Excess provision of expenses written in | **0.00** | (11,844.00) |
| | c) Short provision of Income tax for earlier years | **150,981.31** | 0.00 |
| | | **150,981.31** | 1,122,646.00 |

**19. SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS**

**A. SIGNIFICANT ACCOUNTING POLICIES**

Following are the significant accounting policies adopted in preparation and presentation of financial statements :

i. **Method of Accounting :** The financial statements are prepared under historical cost convention, in accordance with the accounting principles generally accepted in India having due regard to fundamental accounting assumptions of going concern, consistency and accrual. The Company follows accrual method of accounting.

ii. **Accounting Standards :** Recommendations made in the Accounting Standards issued by ICAI which are applicable to the company are complied with.

iii. **Fixed Assets :** Fixed Assets are stated at historical cost of acquisition/ construction less accumulated depreciation. Interest on borrowings for acquiring fixed assets and revenue expenses incurred in connection with installation and commissioning of the assets prior to putting for commercial use are capitalized as part of the asset cost.

Grants/subsidies received, if any, from Government and others, towards cost of the fixed asset(s) are reduced from the cost of the respective asset(s) and the net cost incurred by the Company is carried to the fixed asset block.

iv. **Depreciation :** a) Depreciation on fixed assets **other than Plant & Machinery** is charged under straight line method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.

b) Considering the fast changes in the technology and obsolescence of Plant & Machinery, from this year onwards depreciation on Plant & Machinery is charged under straight line method at a higher rate of 15% p.a. instead of the specified rate of 10.34% p.a. in Schedule XIV to the Companies Act, 1956

c) Depreciation on additions/deductions made during the year is calculated pro rata from/ to the month of additions/deductions.

v. **Investments :** Investments held/intended to be held for a period exceeding one year are classified as long term investments, while other investments are classified as current investments. Long Term and unquoted investments are carried at cost, including related expenses and provision, if necessary, being made for decline, other than temporary, in their value.

vi. **Inventories :** Chemicals, consumables, stores, spares & components are valued at cost after providing for obsolescence and job works in progress are valued at cost. The cost is arrived by using first-in-first-out (FIFO) formula.

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. **Retirement benefits :** Provision for gratuity is made on acturial method and charged to the revenue account. The company has taken a Gratuity Policy from LIC of India. Provident Fund and Employees State Insurance contributions are administered through the respective authorities.

ix. **Leave Encashment :** Provision for unutilised leave encashment is made on accrual basis and charged to revenue account, in accordance with the leave rules of the Company.

x. **Foreign exchange transactions :** Transactions denominated in foreign currency are accounted for at the exchange rate prevailing on the date of transaction. Fluctuations, if any, due to change in exchange rates between the dates of transactions and the dates of realisation are debited/credited to "Exchange fluctuation charges A/c".

xi. **Miscellaneous expenditure:**

a) Preliminary & pre-operative expenditure and Public Issue expenses are written off over a period of 10 years in equal instalments.

b) Interest on Hire Purchase loans for future periods is accounted and shown under the head "Miscellaneous Expenditure". The same is written off to P & L a/c proportionately over the loan period.

xii. **Tax expense :** Provision for Deferred tax on Timing Differences is made as per Accounting Standard 22 (AS-22) issued by ICAI and provision is made for regular income tax as per the provisions of Income Tax Act, 1961.

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

xiv. **General :** Accounting policies not specifically referred to above are in consistent with the generally accepted accounting principles followed in India.

**B. NOTES FORMING PART OF ACCOUNTS**

**1. CHANGES IN ACCOUNTING POLICIES**

From this year onwards the Company has changed the following accounting policies :

i Depreciation on "Plant & Machinery" is provided @ 15% p.a. under straight line method as against the specified rate of 10.34% p.a. in Schedule XIV to the Companies Act, 1956 followed till last year. The effect of this change is that the depreciation for the current year is higher by Rs.49.88 lakhs and consequently the profit for the year is lower by the same amount.

ii. Provision for Leave Encashment is provided on **accrual basis** as per the leave rules of the Company as against the **payment basis** followed till last year. The effect of this change is that the expenditure on leave encashment for the year is higher by Rs.323715/- and consequently the profits are lower by the same.

**2. CONTINGENT LIABILITIES :**

i. Guarantees issued by Bankers on behalf of the Company and not provided for is Rs.9.91 Lakhs (Previous year Rs.38.11 lakhs). These guarantees are secured by lien on the Company's deposits of Rs.7.20 lakhs with the bank (previous year Rs.4.83 lakhs).

ii. Letters of Credit (LCs) opened by Bankers on behalf of the Company and not provided for in the books (as the same are not yet crystallized) is Rs. 64.45 lakhs (previous year Rs.15.00 lakhs). On crystallization, these Letters of Credit will be debited to the Term Loan a/c sanctioned by the Bank.

iii. In order to obtain Import Licenses under Export Promotion Capital Goods Scheme of the Government of India, the Company has given an undertaking to fulfill certain quantified export obligations. In case of non-fulfillment of such obligations, Company shall be liable to pay duty and interest on unfulfilled export obligations under the said scheme. Till 31.03.2003, the Company has fulfilled the required export obligations under the scheme and hence no liability is foreseen on account of this.

iv. As the central govt. has not yet notified the date for levy of cess U/S 441 A of the Companies Act, 1956, no provision is made for the same.

**3. SECURED LOANS**

i. The working capital borrowings (limit Rs.100.00 lakhs) from State Bank of India is secured by hypothecation of all the current assets of the Company as primary security and extension of charge on land, buildings and fixed assets of the company other than the assets which are acquired with Hire Purchase loans and through grants from Government and other Institutions.

ii. Term Loan from State Bank of India (limit Rs.450 lakhs) is secured by hypothecation of testing equipment procured with the term loan as primary security and extension of charge on land, buildings and other fixed assets of the Company other than the assets which are acquired with HP loans and grants from Government and other institutions.

Both the above borrowings are guaranteed by three of the Directors in their personal capacity.

iii. Hire purchase loans are secured by hypothecation/ lien on the respective assets acquired with the loan amounts.

**4. SUNDRY CREDITORS**

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

**5. OBSOLETE PLANT & MACHINERY WRITTEN OFF**

The Management after considering the working conditions of Plant & Machinery, decided that certain equipment whose Gross Block is Rs.165.99 lakhs (WDV Rs.75.54 lakhs) are not having any useful life and needs to be written off. Hence, the same are written off to P & L a/c in full and removed from the block of fixed assets.

6. In the opinion of Management, Current Assets, Loans & Advances have a value and realisation will be equal to the amount at which they are stated in the Balance Sheet and provision for all known liabilities has been made.

7. i. In the absence of confirmations from Sundry Debtors and Creditors, balances in respect of the same are taken as per books of the Company.

ii. The Balances in the accounts of Debtors and Creditors are subject to reconciliation and adjustments thereon, if any, having impact of revenue nature, will be made in the year in which the same are finally settled.

**8. PRIOR PERIOD ITEMS**

Short provision of income tax in earlier years amounting to Rs.1.50 lakhs is debited to "prior year adjustment a/c".

**9. INCOME TAX**

Provision is made for regular income tax as per the provisions of Income Tax Act,1961.

**10. DEFERRED TAX**

i. As per Accounting standard 22 issued by the ICAI deferred Tax Liability on timing differences of depreciation for the year amounting to Rs.398321/- is debited to Profit & Loss Account and credited to deferred tax liability account.

ii) Break up of Cumulative Deferred Tax Liability as on 31.03.2003 is as under :

Timing differences of depreciation **Rs.15095619/-**

11. **RELATED PARTY DISCLOSURES:** Pursuant to Accounting Standard-18 (AS-18) issued by the ICAI, the names of the related parties and nature of related party relationships and particulars of transactions with the related parties during the year are as under :

a) Names of the related parties and description of relationship

i. Associates : Nil

ii. Key Management Personnel :

1. Dr S P Vasireddi, Chairman & Managing Director
2. V Harriman, Director-Technical
3. V V Prasad, Executive Director
4. Harita Vasireddi, Director-Projects

iii. Relatives of Key Management Personnel :
V Swarnalatha (Wife of Dr S P Vasireddi)

b) Aggregate Related Party disclosures for the year 2002-2003.

| | Associates/ Joint Venture Company | Key Management Personnel | Relatives of Key Management Personnel | Total |
|---|---|---|---|---|
| | Rs. | Rs. | Rs. | Rs. |
| Purchase of goods | — | — | — | — |
| Sale of goods to | — | — | — | — |
| Receiving of Services | — | 10,556,866 | 240,000 | 10,796,866 |
| Rendering of Services | 263,040 | — | — | 263,040 |
| Agency Agreements | — | — | — | — |
| Loans and advances | — | — | — | — |
| Rent deposits | — | — | — | — |

12. **Information pursuant to the provisions of Part II of Schedule VI to the Companies Act, 1956 to the extent applicable is as under :**

| | 2002-2003 Rs. in lakhs | 2001-2002 Rs.in lakhs |
|---|---|---|
| i. Value of Imports calculated on CIF Basis in respect of : | | |
| Capital Goods | 337.40 | 114.86 |
| ii. Expenditure in Foreign Currency on account of : | | |
| a) Travel | 12.87 | 15.98 |
| b) Business Promotion | 24.43 | --- |
| c) Membership & Subscriptions | 0.04 | 0.04 |
| d) Training | 6.08 | 1.81 |
| e) Reference Standards | 0.40 | 1.13 |
| f) Software | 21.82 | —- |
| g) Seminars & Conferences | 0.45 | —- |
| h) Proficiency testing | 2.02 | —- |
| i) Royalty | 0.69 | —- |
| j) Books & Periodicals | 0.15 | —- |
| iii. Amount remitted in foreign currency on account of : | | |
| Dividends | Nil | Nil |
| iv. Earnings in Foreign Exchange : | | |
| Export Income from testing services | 363.46 | 143.89 |

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

The company is carrying on the business of testing and analysis of various materials, bio-availability studies and environmental Impact assessment studies and require variety of chemicals and consumables for its testing activities. It does not require any raw material or components as no manufacturing activity is carried on. 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 & consumables and the components consumed are furnished below:

| | 2002 - 2003 | | 2001 - 2002 | |
|---|---|---|---|---|
| | Rs.in lakhs | % to total Consumption | Rs. in lakhs | % to total Consumption |
| a) Chemicals & Consumables | | | | |
| - Indigenous | **182.03** | **99** | 59.75 | 100 |
| - Imported | **1.53** | **1** | Nil | Nil |
| **Total** | **183.56** | **100** | 59.75 | 100 |
| b) Spares & Components | | | | |
| - Indigenous | **85.30** | **98** | 18.28 | 93.65 |
| - Imported | **2.07** | **2** | 1.24 | 6.35 |
| **Total** | **87.37** | **100** | 19.52 | 100 |

vi. Managerial Remuneration :
Particulars of remuneration paid/payable to the whole-time Directors are as follows :

| | Dr S PVasireddi Managing Director | V V Prasad Executive Director | V Harriman Director Technical | Harita Vassireddi* Director Projects | Total |
|---|---|---|---|---|---|
| | Rs. | Rs. | Rs. | Rs. | Rs. |
| Salary | 3000000<br>(960000) | 2400000<br>(726200) | 2400000<br>(540000) | 561666<br>(Nil) | 8361666<br>(2226200) |
| Perquisites : PF | 345600 | 273600 | 273600 | 62400 | 955200 |
| Leave Encashment | 480000<br>(455000) | 380000<br>(421406) | 380000<br>(360000) | --<br>(Nil) | 1240000<br>(1236406) |
| Total | 3825600<br>(1415000) | 3053600<br>(1147606) | 3053600<br>(900000) | 624066<br>(Nil) | 10556866<br>(3462606) |

* for part of the year

**Notes :**
a) Figures in brackets relate to the previous year
b) The above remuneration is paid/provided as per the terms and conditions approved by the Board/Shareholders.

vii. Details of expenditure on "Repairs & Maintenance" are as under :

| | 2002 - 2003 Rs. | 2001 - 2002 Rs. |
|---|---|---|
| a) On Buildings | **2680034.00** | 2311791.39 |
| b) On Plant & Machinery | **1062239.80** | 2156742.50 |
| c) On other Assets | **738894.50** | 495047.00 |
| Total | **4481168.30** | 4963580.89 |

viii. Details of payments to Auditors are as under :

| | 2002 - 2003 Rs. | 2001 - 2002 Rs. |
|---|---|---|
| a) As auditors | **52500** | 52500 |
| b) As advisors or in any other capacity in respect of : | | |
| i. Taxation matters | **21000** | 21000 |
| ii. Company law matter | **21000** | 21000 |
| c) Out of pocket expenses | **3810** | 2690 |
| Total | **98310** | 97190 |

13. Previous year's figures have been regrouped wherever necessary to conform with the layout of the accounts adopted in the current year.

14. Information pursuant to the provisions of part IV of schedule VI of the Companies Act,1956.

**I. Registration details**

| | | | | | |
|---|---|---|---|---|---|
| Registration No. | : | 11977 | | | |
| State Code | : | 01 | | | |
| Balance Sheet Date | : | 31.03.2003 | | | |

**II. Capital raised during the year (Amount in Rs.thousands)**

| | | | | | |
|---|---|---|---|---|---|
| Public Issue | : | Nil | | | |
| Bonus Issue | : | Nil | | | |
| Right issue | : | Nil | | | |
| Private placement | : | Nil | | | |

**III. Position of mobilisation and deployment of funds (Amount in Rs.thousands)**

| | | | | | |
|---|---|---|---|---|---|
| Total Liabilities | : | 136153 | Total Assets | : | 136153 |
| **Sources of Funds** | | | **Application of funds** | | |
| Paid-up Capital | : | 36086 | Net fixed assets | : | 124319 |
| Reserves & Surplus | : | 42656 | Investments | : | 320 |
| Secured Loans | : | 42315 | Net Current Assets | : | 10976 |
| Deferred Tax | : | 15096 | Misc. Expenditure | : | 538 |

**IV. Performance of Company (Amount in Rs. thousands)**

| | | |
|---|---|---|
| Turnover | : | 197892 |
| Total Expenditure | : | 162620 |
| Profit before tax | : | 35272 |
| Profit after tax | : | 21072 |
| Earning per share | : | Rs.6/- |
| Dividend Rate % | : | 15% |

**V. Item code No.** : —

Product description : Analytical testing services

Schedules 1 to 19 referred to above form an integral part of the Balance sheet and Profit & Loss Account.

For and on behalf of the Board

for **Sarathy & Balu**
Chartered Accountants

**J.Venkateswarlu**
**Partner**

| | |
|---|---|
| Dr S P Vasireddi | Managing Director |
| V Harriman | Director Technical |
| V V Prasad | Executive Director |
| Harita Vasireddi | Director Projects |
| Raghu Cidambi | Director |
| S Subrahmanyan | Director |
| T S Ajai | Director |
| A Venkata Ramana | Company Secretary & DGM Finance |

Hyderabad
Date: 19.04.2003

Hyderabad
Date: 19.04.2003

| | Particulars | | 31.03.2003 | | 31.03.2002 (Rs. in lakhs) |
|---|---|---|---|---|---|
| **A.** | **CASH FLOW FROM OPERATING ACTIVITIES** | | **358.17** | | 235.89 |
| | Net profit before tax and Extraordinary items | | | | |
| | Adjustment for : | | | | |
| | Depreciation | **180.61** | | 73.36 | |
| | Obsolete equipment written off | **75.54** | | 38.83 | |
| | Loss on chit bid (net of dividends) | **5.11** | | 4.17 | |
| | Bad debts written off | **4.66** | | 7.25 | |
| | Interest debited to P & L Account | **58.05** | | 39.54 | |
| | Loss on sale of assets | **0.07** | | -0.10 | |
| | Provision for dimunition on investments | **1.60** | | 0.00 | |
| | | **325.64** | | 163.05 | |
| | Less : Other Income | **10.97** | | 4.13 | |
| | | | **314.67** | | 158.92 |
| | Operating profit before working capital charges | | **672.84** | | 394.81 |
| | Adjustments for : | | | | |
| | Trade and other receivables | **116.42** | | 81.01 | |
| | Inventories | **16.58** | | 9.29 | |
| | Trade payables | **128.09** | | 138.36 | |
| | | | **4.91** | | -48.06 |
| | Cash generated from operations | | **677.75** | | 346.75 |
| | Interest paid | | **56.39** | | 38.72 |
| | Cash flow before extra-ordinary items | | **621.36** | | 308.03 |
| | NET CASH FLOW OPERATING ACTIVITIES | | **621.36** | | 308.03 |
| **B.** | **CASH FLOW FROM INVESTING ACTIVITIES** | | | | |
| | Purchase of fixed assets (after adjustments) | **469.93** | | 227.08 | |
| | Other Income | **10.97** | | 4.13 | |
| | Sale of fixed assets | **1.15** | | 1.00 | |
| | NET CASH USED IN INVESTING ACTIVITIES | | **457.81** | | 221.95 |
| **C.** | **CASH FLOW FROM FINANCING ACTIVITIES** | | | | |
| | Proceeds from issue of share capital | **0** | | 0.23 | |
| | Proceeds from long term term borrowings | **287.75** | | 101.51 | |
| | Repayment of finance lease liabilities | **415.71** | | 124.76 | |
| | Provision for Dividends | **61.06** | | 39.69 | |
| | **NET CASH FLOW FROM FINANCING ACTIVITIES** | | **189.02** | | 62.71 |
| | Net increase in cash and cash equivalents | | **-25.47** | | 23.37 |
| | Cash and Cash equivalents Opening Balance : | | | | |
| | Cash and bank balances | **11.71** | | 6.88 | |
| | Cash credit acounts | **-24.53** | | -43.07 | |
| | | | **-12.82** | | -36.19 |

| **Particulars** | | **31.03.2003** | | 31.03.2002 (Rs. in lakhs) |
|---|---|---|---|---|
| Cash and Cash equivalents Closing Balance : | | | | |
| Cash and bank balances | **60.98** | | 11.71 | |
| Cash credit acounts | **-99.27** | | -24.53 | |
| | | **-38.29** | | -12.82 |

For and on behalf of the Board

| | |
|---|---|
| Dr S P Vasireddi | Managing Director |
| V Harriman | Director Technical |
| V V Prasad | Executive Director |
| Harita Vasireddi | Director Projects |
| Raghu Cidambi | Director |
| S Subrahmanyan | Director |
| T S Ajai | Director |
| A Venkata Ramana | Company Secretary & DGM Finance |

Hyderabad
Date : 19.04.2003

## *AUDITOR'S CERTIFICATE*

We have examined the above Cash Flow Statement of **VIMTA LABS LIMITED** for the year ended 31st March, 2003. 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 19th Apri, 2003.

for **Sarathy & Balu**
Chartered Accountants

Hyderabad
Date : 19.04.2003

**J.Venkateswarlu**
**Partner**

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