VIMTA LABS
Determining Quality

14^{TH} ANNUAL REPORT
2003-2004

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

CONTENTS

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Determining Quality

Notice Calling 14th Annual General Meeting Scheduled to be held on August 25, 2004

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 fourteenth Annual General Meeting of the members of VIMTA LABS LIMITED will be held on August 25, 2004 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, 2004 and Profit & Loss Account for the year ended on that date, together with the reports of the Directors and Auditors thereon.

2. To approve the Interim Dividend paid on Equity Shares of the Company as declared by the Board in its meeting held on January 31, 2004 as final dividend.

3. To appoint a Director in place of T S Ajai 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 Prof D Balasubramanian who was appointed as an Additional Director of the Company by the Board of Directors under section 260 of the Companies Act, 1956 and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company, liable to retire by rotation."

6. **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, consent of the Company be and is hereby accorded for the increase in the remuneration of Harita Vasireddi, Director-Projects for a period of 3 years w.e.f. 01.07.2004 or upto the last day of her tenure, whichever is earlier, as detailed below :

I. Remuneration :

 A. Salary

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

 B. Allowances

a) Allowances as follows will be paid and /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 applicable from time to time.

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

c) **Leave Travel Concession**
For self and family, including dependent parents, to and fro from any place in India, once in a year subject to a ceiling of Rs.100000/- per year.

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 leave at the end of the tenure as per rules of the Company.

"Resolved that excepting the change in the remuneration as stated above, the other terms and Conditions of her appointment as approved by the members in the Annual General Meeting held on 16.06.2003 remains unaltered."

"Resolved further that the Company hereby accords its consent to Board of Directors for revision in the remuneration and perquisites payable to Harita Vasireddi, Director-Projects without further reference to the Company in General Meeting, in such manner and to such extent as the Board of Directors of the Company may determine and accepted by Harita Vasireddi, Director-Projects subject to the condition that such revised remuneration and perquisite shall always be within the limits prescribed/to be prescribed by the Companies Act,1956 or any statutory amendment and re-enactment thereof."

"Resolved further that Shri A Venkata Ramana, Company Secretary & DGM-Finance of the Company be and is hereby authorised to do such acts, deeds and things as may be necessary to give effect to the above said resolution."

7. 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(1)(d) and other applicable provisions of the Companies Act, 1956 and in partial modification of the resolution passed at the 13th Annual General Meeting of the Company held on June 16, 2003, 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.100 crores. (Rupees one hundred crores only).

By Order of the Board

Place : Hyderabad
Date :12.07.2004

A VENKATA RAMANA
COMPANY SECRETARY & DGM-FINANCE

NOTES

1. 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.

2. The Register of Members and the Share Transfer Books of the Company will remain closed from 23.08.2004 to 25.08.2004 (both days inclusive) for the purpose of annual closing.

3. 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).

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

5. The Company's equity shares are listed on 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 2004-2005.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 FOR THE SPECIAL BUSINESS LISTED AT ITEM NOS. 5 AND 6 OF NOTICE CALLING 14th ANNUAL GENERAL MEETING.

Item No. 5

Prof D Balasubramanian was appointed as an Additional Director of the Company w.e.f 12.07.2004 and will hold office until the conclusion of the ensuing Annual General Meeting of the Company and is eligible for reappointment.

The Company has received a notice pursuant to Section 257 of the Companies Act, 1956 from a member signifying to propose at the ensuing Annual General Meeting, the appointment of Prof D Balasubramanian as a Director of the Company and for that purpose to move a resolution as mentioned in the notice.

Prof D Balasubramanian is a Ph D in Chemistry from Colombia University, New York. He is an eminent Scientist and former Director of Center for Cellular & Molecular Biology (CCMB), Hyderabad and Prof. & Dean, University of Hyderabad. He was honoured **"Padma Shri"** in 2002 and **Chevalier de l'Ordre National de Merite"** by President of France in 2002.

Except Prof D Balasubramanian, none of the Directors of the Company is concerned or interested in the Resolution.

Item No. 6

Haritha Vasireddi was appointed Director-Projects w.e.f. 26.10.2002 and the same was approved by the shareholder in the Annual General Meeting held on 16.06.2003. In the said appointment, her remuneration was fixed at Rs.1.00 lakh per month together with other perquisites as specified in the resolution approved in the above General Meeting.

Considering the managerial and administrative experience and contributions made by Harita Vasireddi for the success of the Company, the Board considered that it is reasonable and in the interest of the Company to increase the remuneration of Harita Vasireddi as stated in the resolution. The Board therefore, commends the resolution for your approval.

Excepting Harita Vasireddi, Director Projects, Dr S P Vasireddi, Managing Director, V V Prasad, Executive Director and V Harriman, Director-Technical, none of the other Directors of the Company is in any way concerned or interested in this resolution.

A statement, pursuant to the requirements of Schedule XIII to the Companies Act,1956 relating to the increase in the remuneration of Harita Vasireddi, Director-Projects is enclosed as Annexure to this notice.

Item No. 7

Under Section 293(1)(d) of the Companies Act, 1956 consent of the members is necessary to enable the Board of Directors to borrow moneys, 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 13th Annual General Meeting held on June 16, 2003 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.25 crores (Rupees twenty five crores only).

In order to meet the financial requirements of the proposed expansion project at S P Bio Tech Park, Turkapally Village, Shamirpet Mandal, Ranga Reddy Dist and the future expantions the Board of Directors seek the approval of shareholders to borrow moneys upto maximum limit of Rs.100 crores (Rupees one hundred 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.

By Order of the Board

Place : Hyderabad
Date :12.07.2004

A VENKATA RAMANA
COMPANY SECRETARY & DGM-FINANCE

ANNEXURE

A statement, pursuant to the requirements of Schedule XIII to the Companies Act, 1956 relating to the increase in the remuneration of Harita Vasireddi, Director-Projects is enclosed as Annexure to this notice.

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.

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	2003-2004	2002-2003	2001-2002
Total Income	**3490.87**	1978.92	1116.23
Profit before non cash charges	**1600.56**	538.77	309.26
Non cash charges	**333.23**	186.05	124.54
Profit before Tax	**1267.33**	352.72	184.72
Profit after Tax	**835.33**	210.72	121.72
Equity	**360.86**	360.86	360.86
Dividend (%)	**15.00%**	15.00%	11.00%

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)
2003-2004	1145.78
2002-2003	363.46
2001-2002	143.89

6. Foreign Investments or collaborators, if any

Nil

II. INFORMATION ABOUT THE APPOINTEE

HARITA VASIREDDI

I. BACK GROUND

Harita Vasireddi is B Pharm, MBA USA with 5 years experience.

II. PAST REMUNERATION

Particulars	2003-2004	2002-2003	2001-2002
Salary and Allowances	1494000	624066	NA

III. Recognition and Awards

—

IV. Job profile and suitability

Administration and technical management of new projects to meet goals and deadlines.

Maintaining and enhancing quality assurance activities to ensure systems, processes and their outcomes comply with Company's quality systems; applicable regulations; guidelines; and customer requirements.

V. Remuneration Proposed

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

a) Remuneration and allowances - Rs.2,00,000/- P.M.

b) Perquisites - Pension/Superannuation Fund
- Gratuity
- Leave encashment

VI. Comparative remuneration profile

This is a unique industry offering different types of testing 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 on remuneration profile with respect to industry, size of the company and profile of the position and person is not possible.

VII. Pecuniary relationship with the Company and among the Managerial personnel.

- She is Director Projects of the Company.
- Dr S P Vasireddi, Managing Director, V V Prasad, Executive Director and V Harriman, Director-Technical of the Company are her 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 her 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 : 12.07.2004

A VENKATA RAMANA
COMPANY SECRETARY & DGM-FINANCE

ATTENTION

All the shareholders are requested to avail Electronic Clearing Services (ECS) mandate facility for payment of dividend in future by forwarding duly filled in ECS form to the Registrars and Transfer Agents M/s CIL Securities Limited, Hyderabad at the earliest.

BOOK POST
PRINTED MATTER

To

If undelivered, please return to :

Vimta Labs Limited

Plot Nos. 141/2, & 142, IDA
Phase II, Cherlapally
Hyderabad - 500 051

BOARD OF DIRECTORS

DR S P VASIREDDI
CHAIRMAN & MANAGING DIRECTOR

V HARRIMAN
DIRECTOR-TECHNICAL

V V PRASAD
EXECUTIVE DIRECTOR

HARITA VASIREDDI
DIRECTOR PROJECTS

S SUBRAHMANYAN
DIRECTOR

A D SINHA
DIRECTOR

T S AJAI
DIRECTOR

Dr P SUBBA RAO
DIRECTOR

Company Secretary & DGM-Finance

A VENKATA RAMANA

BANKERS

STATE BANK OF INDIA
OVERSEAS BRANCH
5-9-300, ABIDS
HYDERABAD - 500 001

AUDITORS

SARATHY & BALU
CHARTERED ACCOUNTANTS
12, MASTER SAI APARTMENTS
SOMAJIGUDA
HYDERABAD - 500 082

LISTED WITH

THE HYDERABAD STOCK EXCHANGE LTD
6-3-654, ADJ.TO ERRAMANJIL BUS STOP
SOMAJIGUDA, HYDERABAD - 500 062

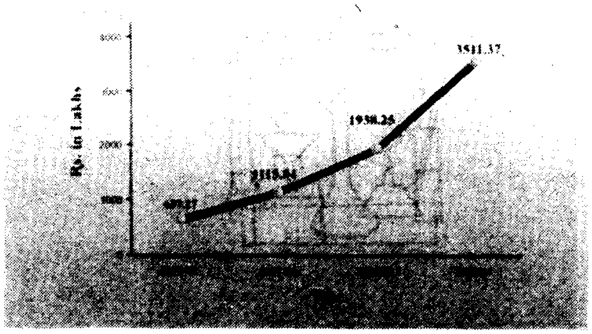
THE STOCK EXCHANGE, MUMBAI
PHIROZE JEEJEEBHOY TOWERS
DALAL STREET
MUMBAI - 400 001

SHARE TRANSFER AGENTS

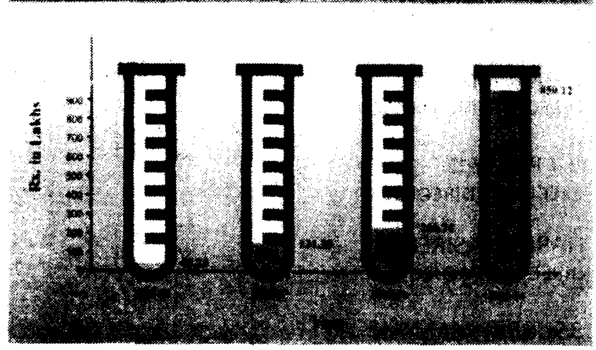
CIL SECURITIES LTD
214, RAGHAVARATNA TOWERS
CHIRAG ALI LANE, ABIDS
HYDERABAD - 500 001

SELECTIVE FINANCIAL DATA

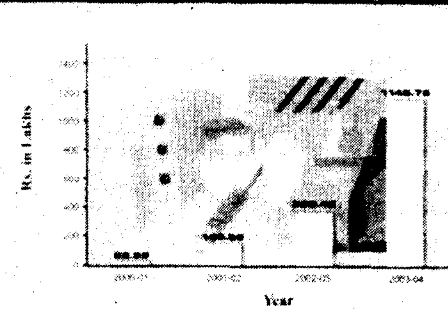
TURNOVER

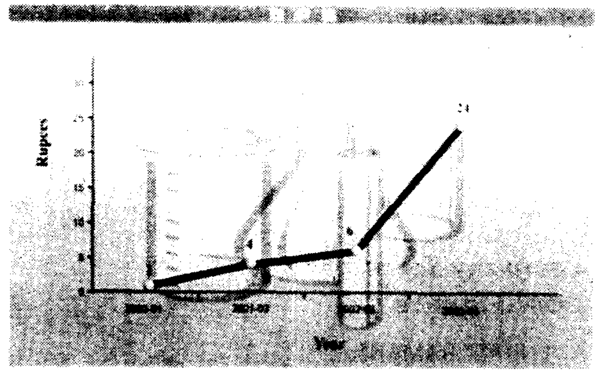


NET PROFIT

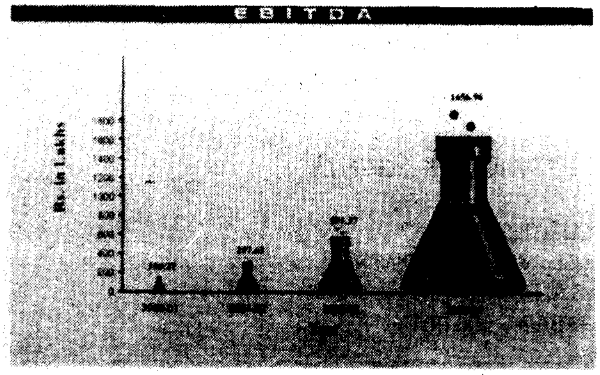


EXPORT SALES

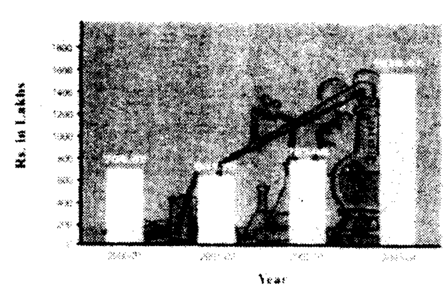




EBITDA



NETWORTH



To
The Members of
VIMTA LABS LIMITED

Your Directors have pleasure in presenting the 14th Annual Report and Audited Accounts for the year ended March 31, 2004.

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		**1655.56**		596.82
	Less : Finance Charges	**55.00**		58.05	
	Depreciation	**334.64**	**389.64**	180.60	238.65
2.	Profit before Amortization, Prior year adjustments & Taxes		**1265.92**		358.17
	Less / Add : Amortization of Preliminary Expenses	**1.75**		3.94	
	Prior year adjustments	**(3.16)**	**1.41**	1.51	5.45
3.	Profit before tax		**1267.33**		352.72
4.	Less : Provision for Tax		**432.00**		142.00
5.	Profit after Tax		**835.33**		210.72
	Less/(Add) : Deferred tax Liability/(Asset)		**14.78**		3.98
	Balance		**850.11**		206.74
6	Add : Surplus brought forward from previous years		**313.40**		178.22
	Amount available for appropriations		**1163.51**		384.96
	APPROPRIATIONS				
	Transfer to General Reserves		**43.00**		10.50
	Interim/Proposed dividend		**54.13**		54.13
	Provision for tax on proposed interim dividend		**6.94**		6.93
	Surplus Carried to Balance Sheet		**1059.44**		313.40
			1163.51		384.96

OPERATIONS

During the year under review your company posted a gross revenue of Rs.3511.37 Lakhs as against Rs.1938.24 Lakhs in the previous year. Profit after tax is Rs.835.33 Lakhs as against Rs.210.72 Lakhs in the previous year. Your Company has achieved the record export turnover of Rs.1145.78 lakhs in the current year as against Rs.363.46 Lakhs in the previous year.

DIVIDENDS

Your Directors have declared an interim dividend of Rs.1.50 per each share in their Board meeting held on January 31, 2004 and paid the same.The Board considered the same as final dividend for the financial year 2003-04.

FUTURE OUTLOOK

Demand for your Company's services continues to be good and the Company is expected to sustain, under normal conditions, the growth rates already experienced during the last four years. Exports are likely to be better in the future.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 read with the Articles of Association of the Company, A D Sinha and T S Ajai directors, shall retire by rotation at the ensuing Annual General Meeting, and are eligible for re-appointment. T S Ajai has opted himself for reappointment and A D Sinha has opted not to be re-appointed due to his personal reasons.

Your directors recommend the reappointment of T S Ajai as a Director subject to retirement by rotation.

Your directors express their sincere gratitude to A D Sinha for his contribution to the Company for a long period.

AUDITORS

M/s Sarathy & Balu, Chartered Accountants, Auditors of the Company shall 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. Appropriate accounting policies have been selected 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. Proper and adequate care has been taken 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. The annual accounts have been prepared on a on going concern basis.

MANAGEMENT DISCUSSION & ANALYSIS

The Management Discussion and Analysis given below discusses the key issues concerning the business carried on by the Company.

Industry Overview

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

1. Contract Research (clinical and pre-clinical)
2. Clinical Reference Laboratory services (Central Lab)
3. Analytical Testing of water, food, drugs, etc.,
4. Environmental Monitoring and Impact Assessment.

Laboratory was established in 1984 and developed a wide range of resources and testing capabilities. Quality, Technology and Knowledge have been the drivers for the Company's growth. Focus areas are Research & testing in water, food, drugs and clinical.

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 further in the coming years. Vimta is now expanding its operations by five times of its existing capacities at S P Biotech Park, Genome Valley, Turkapally Village, Shamirpet Mandal, Ranga Reddy Dist.

Strengths

The processes at Vimta are institutionalized. Quality is the prime focus. Quality Systems as per International Standard ISO 17025, Good Laboratory Practice and Good Clinical Practices are in place. Laboratory has been accredited by the National Accreditation Board for Testing and Calibration Laboratories (NABL), the only accreditation system of Government of India. Also accredited by Brazilian FDA (ANVISA). Laboratory has faced successful audits from European and American customers. USFDA has already affirmed Vimta's Bioavailability study reports.

Threats

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

Segment-wise or Product-wise performance

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

Outlook

Prospects for the Contract Research and Testing business seems to be bright and is experiencing growth rate ranging from 30 to 50% in various disciplines. Pharma and biotech industries have been primarily responsible to drive the Contract Research business. Overseas business opportunities have become plenty for CROs in view of cost effective human resource available in India.

Contract testing activities are also in rise due to stringent quality demands of the food and agri sector, especially for the export markets.

Risks and Concerns

The increasing demand for Vimta services during the last 4 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.

Internal Control Systems

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

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

Financial performance

During the year the Company posted gross revenue of Rs.3511.37 lakhs, an increase of 81% over the previous year of Rs.1938.24 lakhs. Export income increased by 215% in the year to reach Rs.1145.78 lakhs as compared to the previous year of Rs.363.46 lakhs. The Company has shown its commitment once again with respect to cost reduction. Accordingly the earnings before interest, depreciation, amortization and taxes have increased to Rs.1655.56 lakhs i.e. 47% of total revenues as compared to the previous year earning of Rs.596.83 lakhs i.e. 30%. Net profit after tax is Rs.850.11 lakhs an increase of 311% over previous year net profit of Rs.206.74 lakhs.

Human Resources

The strong Human Resource is the back bone of Vimta. The personnel employed at Vimta are qualified and trained. As on date Vimta has 362 employees including 201 Scientists & Engineers, 17 PhDs and 13 Medical Doctors. Continuous learning is key principle of the company and it is in this way the Company offers comprehensive world class training and development resources to its associates.

CORPORATE GOVERNANCE

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

DISCLOSURES AS PER THE LISTING AGREEMENT & SEBI REGULATIONS

1. CASH FLOW STATEMENTS

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

2. STOCK EXCHANGES

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

4. 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.

5. ACKNOWLEDGMENTS

Your Directors wish to place on record their gratitude to the shareholders and thank the customers, vendors, franchisees, patient service centers 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 : 16.04.2004

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, 2004)

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. 32 years	55	Managing Director	01.01.2001	3465600	i. Mineral Exporation Corp. Ltd. Nagpur ii. Vimta Labs
V Harriman	D.Tech in Electronics, Toronto, Canada 27 Years	53	Director-Technical	03.09.2002	2768600	i. GB Electronics Bangalore. ii. Vimta Labs
V V Prasad	B.Com 27 Years	53	Executive Director	07.06.2001	2768600	Vimta Labs

NOTES :

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

For and on behalf of the Board

Hyderabad
Date : 16.04.2004

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, 2004.)

A. CONSERVATION OF ENERGY

The Company is engaged in Testing 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 in the lab.

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 and 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.1145.78 lakhs (previous year Rs.363.46 lakhs). The Company's foreign exchange outgo was of Rs.643.26 lakhs (previous year Rs.406.35 lakhs) on import of capital goods, software, chemicals, consumables & reference standards and travel expenditure.

for and on behalf of the Board

Hyderabad
Date : 16.04.2004

Dr S P Vasireddi
Chairman & Managing Director

1. INTRODUCTION

Company Philosophy on Corporate Governance

Vimta Labs Limited ("Vimta" or "The Company") believes that the Corporate Governance goes beyond being a regulatory requirement and has hereby laid strong emphasis on the transparency of its operations. Vimta is confident that these practices will enable it to establish enduring relationships with all its stakeholders and optimize its sustained growth.

2. BOARD OF DIRECTORS

2.1 Composition

The Board has a fair representation of the executive, non-executive and independent directors consisting of 8 directors out of which 4 directors are non-executive and independent. The Independent Directors on the Board are senior, competent and from different fields. Active participation of the Independent Directors does add value in the decision making process of the Board of Directors.

The Composition of the Board of Directors during the year ended March 31, 2004 and as on the date of the Report along with their brief resume are given below :

Name of Directors	Brief Resume	Category
Dr S P Vasireddi	Ph.D. with over 32 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 Chairman & Managing Director
V Harriman	D.Tech. from Toronto, Canada with over 27 years of experience. He is one of the promoter Director of the company and has been its Director-Technical since inception.	Promoter Executive Director
V V Prasad	A Graduate in commerce with over 27 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 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 Director Projects
A D Sinha	A Gold Medalist in Master of Arts. He is having 41 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
Dr. P Subba Rao	A Technologist and an entrepreneur. He is having more than 11 years of business experience. Inducted to the board in 2003.	Non-Executive Director

2.2 Meetings and attendance record of each Director

During the year ended March 31, 2004 the Board of Directors met four times. These were held on April 19, 2003; July 12, 2003; October 16, 2003 and January 31, 2004. Other than the Annual General Meeting, there was no General Meeting of the shareholders of the Company held during the year ended March 31, 2004.

The attendance record of the Directors at the Board Meetings during the year 2003-04 at the last Annual General Meeting (AGM) is as under :-

Name of the Directors	Attendance at Board Meetings	Attendance at Last at AGM held on 16-06-2003
Dr S P Vasireddi	4 out of 4	Present
V Harriman	3 out of 4	Present
V V Prasad	4 out of 4	Present
Harita Vasireddi	4 out of 4	Present
Raghu Cidambi	1*	Present
A D Sinha	3 out of 4	Present
S Subrahmanyam	4 out of 4	Present
T S Ajai	4 out of 4	Present
Dr P Subba Rao	2**	Present

* Resigned w.e.f. 16-06-2003

** Joined on 16-06-2003

2.3 Other Directorships etc.,

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

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

2.4 Remuneration of Directors

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

The details of remuneration and sitting fee paid and provided to each Directors during the year 2003-04 are given below :

Name of the Directors	Salary	Sitting Fee	Service Contract upto
Dr S P Vasireddi	3465600	NA	31.12.2005
V Harriman	2768600	NA	31.03.2005
V V Prasad	2768600	NA	06.06.2006
Harita Vasireddi	1494000	NA	25.10.2005
Raghu Cidambi	NA	5000	NA
A D Sinha	NA	15000	NA
S Subrahmanyam	NA	20000	NA
T S Ajai	NA	20000	NA
Dr P Subba Rao	NA	Nil	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 A D Sinha and T S Ajai shall retire by rotation at the ensuing Annual General Meeting, and are eligible for re-appointment. T S Ajai has opted himself for reappointment. A D Sinha has opted not to be re-appointed.

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

3. AUDIT COMMITTEE

a) Composition

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

b) Scope

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

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

c) Attendance

During the year the Audit Committee has met 4 times on April 19, 2003; July 12, 2003; October 16, 2003 and January 31, 2004. While T S Ajai and S Subrahmanyan attended all the meetings, Raghu Cidambi has attended one meeting and Dr P Subba Rao has attended two meetings.

4. REMUNERATION COMMITTEE

a) Composition

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.

b) Scope

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

c) Attendance

During the year the Remuneration Committee has met two times on April 19, 2003 and July 12, 2003. While T S Ajai and S Subrahmanyan have attended the all the meetings and A D Sinha has attended one meeting.

5. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

a) Composition

V V Prasad : Chairman
T S Ajai : Member
S Subrahmanyan : Member

The Company Secretary & DGM Finance A Venkata Ramana acts as Secretary to the Committee.

b) Scope

The Committee is formed to review and redress all the grievances of Shareholders/Investors of the Company.

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

Nature of Complaints/Queries	*Received*	*Resolved*
Non receipt of Shares certificates sent for Transfers	18	18
Non receipt of dividend warrants	38	38
Loss of Share certificates	45	45
Letters from SEBI	3	3
Letter from Stock Exchange	1	1
Others	36	36

c) Attendance

During the year the Committee has met on April 19, 2003; July 12, 2003; October 16, 2003 and January 31, 2004. All the members have attended all the meetings.

6. GENERAL BODY MEETINGS

The Details of last 3 Annual General Meetings are:

Sl. No.	Year	Meeting	Venue	Date	Time
1.	2000-2001	AGM	Regd. Office	28.09.2001	10.00 AM
2.	2001-2002	AGM	Regd. Office	31.05.2002	10.00 AM
3.	2002-2003	AGM	Regd. Office	16.06.2003	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, have been made in the Annual Report.

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

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 a national daily news papers of English and a regional language (Telugu). The results are also placed on the Company's website www.vimta.com & EDIFAR website maintained by National Information Centre (NIC), online, as specified by SEBI. 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 : 25.08.2004
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,2004
Secon quarter results/Half yearly results	: October,2004
Third quarter results	: January,2005
Annual Results	: April,2005
Date of Book Closures	: 23.08.2004 to25.08. 2004 (both days inclusive)
Date of dividend payment	: ——

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 dematerialized 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 2003 - 2004 are given below :

Year : 2003- 2004	BSE	
	High Rs.	Low Rs.
April,2003	53.75	38.50
May'2003	70.05	44.65
June'2003	118.65	71.95
July'2003	123.00	85.50
August'2003	149.15	114.65
September'2003	149.35	113.05
October'2003	153.15	115.90
November'2003	180.45	133.05
December'2003	278.35	184.05
January'2004	325.90	241.15
February'2004	305.30	227.05
March'2004	355.70	255.05

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 : 040-55661267
E-mail: cilsec@rediffmail.com

10.7 Distribution of shareholding as on 31.03.2004

Share held	Shareholders		No. of Shares	
From - To	Number	%	Shares	%
Upto - 5000	4364	98.84	1259368	34.90
5001-10000	20	0.45	138027	3.83
10001-20000	14	0.32	214912	5.95
20001-30000	4	0.09	107776	2.99
30001-40000	4	0.09	134959	3.74
40001-50000	3	0.07	133578	3.70
50001-100000	3	0.07	194233	5.38
100001 and above	3	0.07	1425771	39.51
Total	4415	100	3608624	100

10.8 Categories of shareholders as on 31.03.2004

SL No.	Category	No. of Shares	% of Shareholding
	Promoter's holding		
1	Promoters	1484684	41.14
2	Persons acting in concert	147170	4.08
	Non-Promoter's holding		
3	Institutional Investors	76758	2.13
4	Others	1900012	52.65
	Total	3608624	100

10.9 Share Transfer System and Dematerialization

Presently, the share transfers which are received in physical form are processed and the share certificates are returned within a period of 15 to 20 days from the date of receipt, subject to the documents being valid and complete in all respects. The Company has, as per SEBI guidelines, offered the facility of transfer cum demat. Under the said system, after the share transfer is effected, an option letter was being sent to the transferee indicating the details of the transferred shares and requesting the transferee to approach a Depository Participant (DP) in case transferee wishes to demat the shares with the option letter. The DP, based on the option letter, generates a demat request and sends the same to the Company to dematerialise the shares. In case the transferee does not wish to dematerialise the shares, there is no need to exercise the option and the Company will dispatch the share certificates after 30 days from the date of such option letter.

However, in terms of SEBI Circular SEBI/MRD/Cir-10/2004 dated February 10, 2004, the Company has discontinued the practice of sending option letter for dematerialisation subsequent to transfer.

Over 87.15% of the Company's equity shares has been dematerialised upto 31.03.2004. Trading in Equity shares of the Company is permitted only in dematerialised form as per notification issued by SEBI.

Liquidity

Vimta shares are actively traded shares on The Stock Exchange, Mumbai. Vimta stood at rank 490 * among the top ET 500 Companies. Relevant turnover data for the financial year 2003-04 is given below:

	The Stock Exchange, Mumbai (BSE)
Total shares traded	3061385
Turnover value (Rs. in crores)	45.92

* Source : The ET 500, May 2004

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 March 31, 2004, 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 March 31, 2004 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 : 16.04.2004

J VENKATESWARLU
Partner
ICAI Ms. No. 022481

To
The Members of VIMTA LABS LIMITED

We have audited the attached balance sheet of VIMTA LABS LIMITED, as at 31st March 2004, and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

(i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

(ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.

(iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account.

(iv) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

(v) On the basis of written representations received from the directors, as on 31st March 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

(vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the balance sheet, of the state of affairs of the Company as at 31st March 2004;

(b) in the case of the profit and loss account, of the profit for the year ended on that date; and

(c) in the case of the cash flow statement, of the cash flows for the year ended on that date

for SARATHY & BALU
Chartered Accountants

Place: Hyderabad
Date: 16.04.2004

J. VENKATESWARLU
Partner
ICAI Ms. No.022481

Annexure to Audit Report dated 16.04.2004

(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 fixed assets.

2. The fixed assets have been physically verified by the management at reasonable intervals as per a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

3. During the year, the Company has not disposed off any substantial part of its fixed assets affecting the going concern.

4. The inventory has been physically verified during the year by the management at reasonable intervals. In our opinion, the frequency of verification is reasonable.

5. The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

6. On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification between the physical stocks and the book records were not material.

7. The company has neither granted nor taken any loans, secured or unsecured to / from companies, firms and other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.

8. As the Company has neither granted nor taken any loans, our comments on whether the rate of interest and other terms and conditions of loans given or taken by the Company, secured or unsecured, are *prima facie* prejudicial to the interest of the Company or not and whether the repayment of the principal and interest are regular or not are nil.

9. As the Company has not granted or taken any loans, secured or unsecured, there is no overdue amount of loans taken from or granted to companies, firms or other parties.

10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls and there is no continuing failure to correct major weaknesses in internal control.

11. Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the Company has not entered into any transactions that need to be entered into the register maintained under section 301 of the Act.

12. In our opinion and according to the information and explanations given to us, we are of the opinion that the Company has not entered into any transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act exceeding the value of five lakh rupees in respect of any party during the year.

13. Based on our audit procedures and according to the information and explanations given to us, the Company has not accepted any deposits from public and hence complying with the provisions of Sec.58A and Sec.58AA of the Companies Act, 1956 is not applicable.

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

15. The Central Government has not prescribed maintenance of cost records U/s.209(1)(d) of the Companies Act, 1956 to this Company.

16. According to the records of the Company, the Company is regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth-tax, custom duty, excise duty, cess and other statutory dues applicable to it with the appropriate authorities. The Company is not required to transfer any amount to the investor education protection fund.

17. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding, as at 31.03.2004 for a period of more than six months from the date they became payable.

18. According to the records of the Company, there are no dues of sales tax, income-tax, customs tax, wealth-tax, excise duty or cess which have not been deposited on account of any dispute.

19. The Company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.

20. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to any financial institution or bank. The Company has not issued any debentures.

21. Based on our examination of documents and records, we are of the opinion that the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

22. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the provisions of any special statute applicable to chit fund are not applicable to this Company and the company is not a nidhi/mutual benefit fund/society and hence compliance with the requirements of the order in this regard are not applicable to this company.

23. Based on our examination of the records and evaluation of the related internal controls, we are of the opinion that the Company has not dealt or traded in shares, securities, debentures and other investments during the year.

24. The Company has not given any guarantee for loans taken by others from bank or financial institutions.

25. The term loans have been applied for the purpose for which they were obtained.

26. Based on the audit procedures applied and according to the information and explanations furnished to us, the funds raised on short term basis have not been used for long term investment and vice versa.

27. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.

28. According to the information and explanations furnished to us and based on the records verified by us, during the period covered by our audit report, the Company has not issued any debentures and hence creation of securities for the same is not applicable.

29. According to the information and explanations furnished to us and based on the records verified by us, the Company has not raised any money through public issues during the period covered under audit and hence disclosure by the management on the end usage of money raised by public issues and our verification of the same is not applicable.

30. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

for SARATHY & BALU
Chartered Accountants

Place: Hyderabad
Date: 16.04.2004

J. VENKATESWARLU
Partner
ICAI Ms. No.022481

BALANCE SHEET AS AT MARCH 31, 2004

		Schedule No.	As at 31.03.2004 Rs. Ps.	As at 31.03.2003 Rs. Ps.
I	**SOURCES OF FUNDS**			
	1) Shareholders' Funds			
	a) Capital	1	**36,086,240.00**	36,086,240.00
	b) Reserves & surplus	2	**121,561,123.87**	42,656,741.76
	2) Loan funds			
	- Secured loans	3	**52,749,520.41**	42,314,517.15
	3) Deferred Tax	4	**13,618,007.00**	15,095,619.00
	TOTAL		**224,014,891.28**	136,153,117.91
II	**APPLICATION OF FUNDS**			
	1) Fixed Assets	5		
	a) Gross Block		**247,696,126.17**	170,672,383.42
	b) Less:Depreciation		**79,392,114.35**	46,353,305.35
	c) Net Block		**168,304,011.82**	124,319,078.07
	d) Capital Work-in-progress	6	**21,274,800.00**	0.00
			189,578,811.82	124,319,078.07
	2) Investments	7	**0.00**	320,000.00
	3) Current Assets, Loans & Advances	8		
	a) Inventories		**4,928,418.00**	5,108,147.00
	b) Sundry debtors		**61,578,645.45**	27,729,844.80
	c) Cash & bank balances		**9,600,283.67**	6,098,616.63
	d) Other current assets		**536,684.48**	680,454.00
	e) Loans & advances		**5,670,128.77**	5,373,609.71
			82,314,160.37	44,990,672.14
	Less : Current liabilities & Provisions	9	**48,135,554.27**	34,014,699.90
	Net Current assets		**34,178,606.10**	10,975,972.24
	4) Miscellaneous Expenditure (to the extent not written off or adjusted)	10	**257,473.36**	538,067.60
	TOTAL		**224,014,891.28**	136,153,117.91

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS — 20

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

For 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
S Subrahmanyan	Director
A D Sinha	Director
T S Ajai	Director
A Venkata Ramana	Company Secretary & DGM Finance

Hyderabad
Date : 16.04.2004

Hyderabad
Date : 16.04.2004

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2004

VIMTA LABS
Determining Quality

	Schedule No.	Year ended 31.03.2004 Rs. Ps.	Year ended 31.03.2003 Rs. Ps.
INCOME			
Income from operations	11	**351,137,119.95**	193,824,577.52
Increase/(Decrease) in Inventories	12	**(2,337,248.00)**	2,969,721.00
Other Income	13	**287,161.10**	1,097,992.90
TOTAL		**349,087,033.05**	197,892,291.42
EXPENDITURE			
Testing and analysis expenditure	14	**72,281,811.10**	56,212,504.29
Payments and benefits to employees	15	**46,344,626.96**	29,247,821.95
Administration, selling & general expenses	16	**64,904,084.97**	52,748,000.07
Finance charges and Interest	17	**5,500,833.45**	5,805,574.29
Depreciation	5	**33,463,831.00**	18,060,511.00
TOTAL		**222,495,187.48**	162,074,411.60
Profit before amortisation & Prior year adjustments		**126,591,845.57**	35,817,879.82
Less : a) Amortisation of Preliminary expenditure	18	**174,920.24**	394,493.00
b) Prior year adjustments	19	**316,312.78**	150,981.31
Profit before tax		**126,733,238.11**	35,272,405.51
Less : Provision for Income-tax		**43,200,000.00**	14,200,000.00
Profit after tax		**83,533,238.11**	21,072,405.51
Add/(Less) : Deferred tax Asset /(Liability)		**1,477,612.00**	(398321.00)
Balance		**85,010,850.11**	20,674,084.51
Add : Surplus brought forward from prev.year		**31,340,071.76**	17,822,455.25
Amount available for appropriations		**116,350,921.87**	38,496,539.76
APPROPRIATIONS :			
Transfer to General Reserve		**4,300,000.00**	1,050,000.00
Interim / Proposed dividend		**5,412,936.00**	5,412,936.00
Provision for tax on dividend		**693,532.00**	693,532.00
Surplus carried to Balance Sheet		**105,944,453.87**	31,340,071.76
		116,350,921.87	38,496,539.76
SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS	20		

COMPUTATION OF EARNINGS PER SHARE

	31.03.2004	31.03.2003
a) Net Profit for the year	**Rs.85,010,850**	Rs.20,674,084
b) Weighted average no.of shares outstanding during the year	**3608624**	3608624
c) Basic and diluted earnings pershare (a / b)	**Rs.24/-**	Rs.6/-
d) Nominal value of shares (fully paid up)	**Rs.10/- each**	Rs.10/- each

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

for **Sarathy & Balu**
Chartered Accountants

J.Venkateswarlu
Partner

Hyderabad
Date : 16.04.2004

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
S Subrahmanyan	Director
A D Sinha	Director
T S Ajai	Director
A Venkata Ramana	Company Secretary & DGM Finance

Hyderabad
Date : 16.04.2004

		As at 31.03.2004 Rs. Ps.	As at 31.03.2003 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	**9,566,670.00**	9,566,670.00
	ii) General Reserve		
	Opening Balance	**1,750,000.00**	700,000.00
	Add : Transferred during the year	**4,300,000.00**	1,050,000.00
		6,050,000.00	1,750,000.00
	iii) Surplus in Profit & Loss Account	**105,944,453.87**	31,340,071.76
	TOTAL	**121,561,123.87**	42,656,741.76
3.	**SECURED LOANS**		
	A) Loans & Advances from Banks		
	a) Cash Credit		
	- Rupee component	**421,500.05**	5,177,199.15
	- Foreign Currency component	**4,339,000.00**	4,750,000.00
	b) Term loans		
	- Rupee component	**7,463,335.00**	428,000.00
	- Foreign Currency component	**36,248,835.36**	28,025,000.00
	SUB TOTAL	**48,472,670.41**	38,380,199.15
	B) Loans & Advances from others		
	-Hire Purchase Loans	**4,276,850.00**	3,934,318.00
	SUB TOTAL	**4,276,850.00**	3,934,318.00
	TOTAL	**52,749,520.41**	42,314,517.15
4.	**DEFERRED TAX**		
	Opening Balance	**15,095,619.00**	14,697,298.00
	Add / (Less) : Liability/(Asset) for the year	**(1477612.00)**	398,321.00
	TOTAL	**13,618,007.00**	15,095,619.00

SCHEDULES FORMING PART OF THE ACCOUNTS

5. FIXED ASSETS

SL No.	DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		AS AT 01.04.2003 Rs. Ps.	ADDITIONS Rs. Ps.	SALES/ ADJUSTMENTS Rs. Ps.	TOTAL Rs. Ps.	UPTO 31.03.2003 Rs. Ps.	FOR THE YEAR Rs. Ps.	ON SALES/ ADJUSTMENTS Rs. Ps.	TOTAL Rs. Ps.	AS AT 31.03.2004 Rs. Ps.	AS AT 31.03.2003 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	27,028,966.37	2,437,068.75	0.00	29,466,035.12	2,960,953.90	461,954.00	0.00	3,422,907.90	**26,043,127.22**	24,068,012.47
	Staff quarters	944,264.00	0.00	0.00	944,264.00	155,193.00	15,391.00	0.00	170,584.00	**773,680.00**	789,071.00
3	Plant & Machinery	119,986,160.46	67,768,094.00	2,582,795.00*	185,171,459.46	36,358,652.66	30,274,353.00	0.00	66,633,005.66	**118,538,453.80**	83,627,507.80
4	Electrical Installation	3,997,340.24	0.00	0.00	3,997,340.24	1,957,671.24	189,874.00	0.00	2,147,545.24	**1,849,795.00**	2,039,669.00
5	Office Equipment	1,635,767.31	0.00	0.00	1,635,767.31	816,116.09	77,699.00	0.00	893,815.09	**741,952.22**	819,651.22
6	Computers	6,185,169.00	3,680,338.00	0.00	9,865,507.00	1,095,702.00	1,293,645.00	0.00	2,389,347.00	**7,476,160.00**	5,089,467.00
7	Furnitures & Fixtures	3,660,033.05	1,085,991.00	0.00	4,746,024.05	1,552,438.20	263,932.00	0.00	1,816,370.20	**2,929,653.85**	2,107,594.85
8	Vehicles	6,279,026.99	5,380,695.00	745,649.00	10,914,072.99	1,456,578.26	886,983.00	425,022.00	1,918,539.26	**8,995,533.73**	4,822,448.73
	TOTAL :	**170,672,383.42**	**80,352,186.75**	**3,328,444.00**	**247,696,126.17**	**46,353,305.35**	**33,463,831.00**	**425,022.00**	**79,392,114.35**	**168,304,011.82**	**124,319,078.07**
	PREVIOUS YEAR	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

* Represents the reduction in the cost of assets due to fluctuations in foreign exchange

6. CAPITAL WORKS IN PROGRESS

SL No.	DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		AS AT 01.04.2003 Rs. Ps.	ADDITIONS Rs. Ps.	SALES/ ADJUSTMENTS Rs. Ps.	TOTAL Rs. Ps.	UPTO 31.03.2003 Rs. Ps.	FOR THE YEAR Rs. Ps.	ON SALES/ ADJUSTMENTS Rs. Ps.	TOTAL Rs. Ps.	AS AT 31.03.2004 Rs. Ps.	AS AT 31.03.2003 Rs. Ps.
1.	**Expansion project**										
	i) Cost of the Land	0.00	20,424,800.00	0.00	20,424,800.00	0.00	0.00	0.00	0.00	20,424,800.00	0.00
	ii) Architect Fee	0.00	850,000.00	0.00	850,000.00	0.00	0.00	0.00	0.00	850,000.00	0.00
	TOTAL :	**0.00**	**21,274,800.00**	**0.00**	**21,274,800.00**	**0.00**	**0.00**	**0.00**	**0.00**	**21,274,800.00**	**0.00**
	PREVIOUS YEAR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

* The land would be registered in the name of the company upon the payment of the balance consideration as per the terms and conditions of the agreement

		As at 31.03.2004 Rs. Ps.	As at 31.03.2003 Rs. Ps.
7.	**INVESTMENTS**		
	Equity shares - fully paidup - at cost - Unquoted-Non trading		
	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**	160,000.00
		320,000.00	320,000.00
	Less: Amount received on voluntary winding up of the company	**320,000.00**	0.00
	TOTAL	**0.00**	320,000.00
8.	**CURRENT ASSETS, LOANS & ADVANCES**		
	a) Inventories (At cost)		
	Chemicals & Consumables	**3,788,687.00**	380,447.00
	Components, Stores & Spares	**507,258.00**	1,757,979.00
	Environmental Jobs Works-in-progress	**632,473.00**	2,969,721.00
	TOTAL	**4,928,418.00**	5,108,147.00
	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	**2,520,819.92**	1,246,066.90
	ii) Other debts	**59,057,825.53**	26,483,777.90
	TOTAL	**61,578,645.45**	27,729,844.80
	c) Cash & Bank Balances		
	i) Cash Balance on hand	**175,164.00**	25,068.00
	ii) Balances with Scheduled Banks		
	a) on current Accounts	**4,876,049.17**	5,057,804.63
	b) on Deposit Accounts	**3,577,346.00**	720,202.00
	c) in unclaimed dividend account	**971,724.50**	295,542.00
	TOTAL	**9,600,283.67**	6,098,616.63
	d) Other Current Assets		
	i) Income-tax refund to be received	**96,008.15**	525,000.00
	ii) Accrued Interest on deposits with banks	**59,007.33**	27,161.00
	iii) Retention Money with customers	**381,669.00**	128,293.00
	TOTAL	**536,684.48**	680,454.00
	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	**1,212,732.30**	447,205.51
	ii) Deposits and balances with Public Sector Bodies & Others	**3,855,717.47**	3,613,765.20
	iii) Advances for Services & Supplies	**601,679.00**	1,312,639.00
	TOTAL	**5,670,128.77**	5,373,609.71

		As at 31.03.2004 Rs. Ps.	As at 31.03.2003 Rs. Ps.
9.	**CURRENT LIABILITES & PROVISIONS**		
	A) Current Liabilities		
	i) Sundry Creditors for services & supplies		
	- dues to SSI undertakings	—	—
	- dues to others	**12,407,429.85**	4,902,182.05
	- creditors for capital expenditure(Non SSI undertakings)	**10,273,141.00**	9,880,688.10
	- creditors for capital expenditure (Expansion Project)	**14,467,566.00**	0.00
	ii) Advances against services	**0.00**	58,995.00
	iii) Other Liabilities	**9,327,845.92**	10,555,796.97
	iv) Unclaimed dividend	**961,724.50**	290,542.00
	SUB TOTAL	**47,437,707.27**	25,688,204.12
	B) Provisions		
	i) Provision for Taxation (Net of advance tax paid)	**0.00**	1,896,312.78
	ii) Proposed dividend	**0.00**	5,412,936.00
	iii) Provision for tax on proposed dividend	**0.00**	693,532.00
	iv) Provision for Leave encashment	**697,847.00**	323,715.00
	SUB TOTAL	**697,847.00**	8,326,495.78
	TOTAL	**48,135,554.27**	34,014,699.90
10.	**MISCELLANEOUS EXPENDITURE**		
	(To the extent not written off or adjusted)		
	i) Public Issue Expenditure		
	Opening Balance	**174,920.24**	569,413.24
	Less : Written off during the year	**174,920.24**	394,493.00
	BALANCE	**0.00**	174,920.24
	(ii) Interest not accrued & due on Hire Purchase Loans - Opening balance	**363,147.36**	850,789.36
	Add : Additions during the year	**237,840.00**	221,120.00
	Less: Written off during the year	**343,514.00**	708,762.00
	BALANCE	**257,473.36**	363,147.36
	TOTAL (i) to (iii)	**257,473.36**	538,067.60

		As at 31.03.2004 Rs. Ps.	As at 31.03.2003 Rs. Ps.
11.	**INCOME FROM OPERATIONS**		
	i) Income from Testing & Analysis Services		
	- Domestic	236,558,645.95	157,478,161.52
	- Exports	114,578,474.00	36,346,416.00
	TOTAL	351,137,119.95	193,824,577.52
12.	**INCREASE/(DECREASE) IN INVENTORIES**		
	Closing Work-in-progress of Env. Jobs	632,473.00	2,969,721.00
	Less : Opening Work-in-progress	2,969,721.00	0.00
	Increase/(Decrease)	(2,337,248.00)	2,969,721.00
13	**OTHER INCOME**		
	i) Interest on Income-tax refund	0.00	190,529.00
	ii) Interest on Margin money received (including TDS thereon) (Previous year TDS Rs.20864/-)	32,986.00	99,354.00
	iii) Dividend on Long Term investments (including TDS of Rs.15120/-)	0.00	144,000.00
	iv) Excess provision of liability written in	221,607.10	630,112.00
	v) Interest received on consumption deposit	18,343.00	0.00
	vi) Miscellaneous Receipts	14,225.00	33,997.90
	TOTAL	287,161.10	1,097,992.90
14	**TESTING & ANALYSIS EXPENDITURE**		
	Chemicals, Consumables, Stores,Spares & Components Consumed	37,171,370.55	27,093,020.25
	Sample preparation, Data Generation,Inspection and Testing Exps.	29,423,300.85	25,075,796.04
	Water,Power & Fuel Charges	5,687,139.70	4,043,688.00
	TOTAL	72,281,811.10	56,212,504.29
15	**PAYMENTS & BENEFITS TO EMPLOYEES**		
	Salaries & wages	35,577,215.00	22,278,474.66
	Bonus	710,939.00	350,283.00
	Contribution to Provident Fund	2,352,019.00	1,479,327.00
	ESI Contribution	366,560.00	227,210.00
	Staff Welfare Expenses	1,666,712.96	1,776,123.29
	Gratuity	637,449.00	1,059,509.00
	Leave encashment	528,983.00	323,715.00
	Other Benefits	4,504,749.00	1,753,180.00
	TOTAL	46,344,626.96	29,247,821.95

16	**ADMINISTRATION, SELLING & GENERAL EXPENSES**		
	Managerial Remuneration	**10,496,800.00**	10,556,866.00
	Sitting fees to Directors	**60,000.00**	95,000.00
	Rent	**541,110.00**	222,150.00
	Rates, Taxes, Licences & Renewals	**1,717,668.00**	698,334.00
	Insurance	**896,330.00**	371,920.00
	Travelling & Conveyance	**7,986,697.00**	5,896,085.44
	Advertisement & Business Promotion expenses	**6,232,798.29**	4,092,370.63
	Communication Expenses	**3,906,190.88**	2,728,139.14
	Printing & Stationary	**4,009,976.45**	3,383,898.40
	Repairs & Maintenance	**7,884,987.00**	4,481,168.30
	Payments to Auditors	**125,650.00**	98,310.00
	Books & Periodicals	**70,971.00**	109,525.50
	Bad debts written off	**0.00**	466,604.00
	Vehicle Maintenance	**1,186,713.63**	1,041,024.27
	Professional and Consultancy Charges	**2,585,481.00**	3,580,686.00
	Membership & Subscriptions	**264,504.00**	209,258.00
	Security Charges	**692,468.00**	373,001.00
	Recruitment & training expenses of personnel	**540,982.00**	1,279,507.34
	Commission	**2,126,683.00**	1,650,939.00
	Software charges	**11,797,537.00**	2,818,435.00
	Loss on chit bid (Net of dividends)	**95,399.00**	511,150.00
	Loss on sale of assets	**170,627.00**	6,756.00
	Exchange Fluctuation charges	**1,070,726.99**	187,118.00
	Provision for dimunition in value of Investments	**0.00**	160,000.00
	Obsolete Equipment written off	**0.00**	7,554,514.00
	Miscellaneous Expenses	**443,784.73**	175,240.05
	TOTAL	**64,904,084.97**	52,748,000.07
17	**FINANCE CHARGES AND INTEREST**		
	i) Interest		
	a) To Banks		
	- On term Loans	**2,758,435.50**	2,789,336.72
	- On Working Capital facilities	**271,628.77**	484,499.79
	b) on other loans		
	- to Others(other than Directors)	**407,028.00**	891,851.00
	ii) Bank Charges	**2,063,741.18**	1,639,886.78
	TOTAL	**5,500,833.45**	5,805,574.29
18	**AMORTISATION OF PRELIMINARY EXPENDITURE**		
	Public Issue Expenditure written off	**174,920.24**	394,493.00
	TOTAL	**174,920.24**	394,493.00
19	**PRIOR YEAR ADJUSTMENTS**		
	a) Excess provision of Income tax in earlier years written in	**796,312.78**	0.00
	Less: Additional Liability of Income tax on completion of assessment of earlier years	**480,000.00**	150,981.31
	TOTAL	**316,312.78**	150,981.31

20. 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.

Difference arising on account of fluctuations in foreign currencies is adjusted in the cost of the assets or liabilities borrowed for acquiring the assets.

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, 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 as in the past.

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 actuarial 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 unutilized 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 fluctuations charges" a/c with respect to sales . With respect to the fixed loans borrowed for acquiring the fixed assets which are repayable in foreign currency, the fluctuations are adjusted in the values of respective fixed asset accounts.

xi) **Miscellaneous expenditure :**

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

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 disciplines such as Contract Research, Clinical Speciality Diagnostics, Analytical Testing, Environmental Monitoring and Impact Assessment studies. Since the inherent nature of all these activities are integrated and govern by the same set of risks and returns and operating in the same economic environment, these have been grouped as a single segment in the financial statement. The said treatment is in accordance with accounting standard-17(AS-17) on "Segment Reporting".

xiv) **General :** a) Accounting policies not specifically referred to above are in consistent with the generally accepted accounting principles followed in India.
b) Expenditure spent on software is treated as a revenue expenditure and charged to P & L Account

B. NOTES FORMING PART OF THE ACCOUNTS

1. **CONTINGENT LIABILITIES :**

i) Guarantees issued by Bankers on behalf of the Company and not provided for is Rs.79.79 Lakhs (Previous year Rs.9.91 lakhs. These guarantees are secured by lien on the Company's deposits of Rs.11.46 lakhs with the bank (previous year Rs.7.20 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.98.36 lakhs (previous year Rs.64.45 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 31.03.2004, the Company has fulfilled the required export obligations under the scheme and hence no liability is foreseen on account of this.

iv) As the central government has not yet notified the date for levy of cess u/s 441A of the Companies Act, 1956 no provision is made for the same.

v) The Company has entered into agreements for value of Rs.85.00 lakhs towards capital works for its expansion project under implementation. The balance payable in respect of the above contracts is Rs.76,50,000/- as on the date of Balance Sheet.

2. **SECURED LOANS**

i) The working capital borrowings (limit Rs.100.00 lakhs/Outstandings- Rs.47.60 lakhs) from State Bank of India are 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.662.00 lakhs; outstanding Rs.437.12 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.

3. **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).

4. The Company after considering the working conditions of Plant & Machinery, decided that certain equipment whose Gross Block is Rs.126.59 lakhs (WDV Rs.57.66 lakhs) are not having any useful life. Hence, the same are written off to P & L a/c as additional depreciation.

5. 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.

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

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

8. **DEFERRED TAX**
(i) Computation of Deferred Tax as per AS-22 issued by ICAI is as under :-

a) Timing difference on account of depreciation :

WDV of fixed assets as per Income Tax Rules	Rs.1244.34 lakhs
Less : WDV of Fixed Assets as per books of account	Rs.1673.49 lakhs
Timing difference (a)	(-) Rs.429.15 lakhs

b) Timing difference on account of software expense :

Software exp. debited to P&L A/c	Rs.117.98 lakhs
Less : Amount allowed under Income Tax rules for this year as per the applicable rates	Rs. 68.42 lakhs
Timing difference (b)	(+) Rs.49.56 lakhs
Net timing differences	Rs.379.59 lakhs
Deferred tax on the above @35.875%	Rs.136.18 lakhs
Less : Opening balance of deferred tax brought forward	Rs.150.96 lakhs
Deferred tax asset recognized for the year	Rs. 14.78 lakhs

ii) Component wise break up of deferred tax liability as at 31.03.2004 :

a) Deferred tax liability on timing deference of depreciation	Rs.153.96 lakhs
b) Deferred tax asset on software expense	(-) Rs. 17.78 lakhs
Net Deferred tax liability	Rs.136.18 lakhs

Note : Considering the prudence, deferred tax asset is recognized in respect of software expense.

9. **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) 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

ii) Relatives of Key Management Personnel :
1) V Swarnalatha, General Manager

b) Aggregate Related Party disclosures for the year 2003-2004.

Particulars	Associates/ Joint Venture Company	Key Management Personnel	Relatives of Key Management Personnel	Total
	Rs.	Rs.	Rs.	Rs.
Purchase of goods from	—	—	—	—
Sale of goods to	—	—	—	—
Receiving of Services	—	10,496,800	637,200	11,134,000
Rendering of Services	—	—	—	—
Agency Agreements	—	—	—	—
Loans and advances	—	—	—	—
Rent deposits	—	—	—	—

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

	2003-2004 Rs. in lakhs	2002-2003 Rs.in lakhs
i. Value of Imports calculated on CIF Basis in respect of :		
Capital Goods	503.96	337.40
ii. Expenditure in Foreign Currency on account of :		
a) Travel	15.83	12.87
b) Business Promotion	3.63	24.43
c) Membership & Subscriptions	0.98	0.04
d) Training		6.08
e) Reference Standards	1.63	0.40
f) Software	104.43	21.82
g) Seminars & Conferences		0.45

h)	Proficiency testing	1.77	2.02
i)	Royalty		0.69
j)	Books & Periodicals		0.15
k)	Repairs & Maintenance	2.20	
l)	Professional Charges	1.69	
m)	Chemicals & Consumables	3.07	
n)	Spares	4.07	

iii. Amount remitted in foreign currency on account of :

Dividends	Nil	Nil

iv. Earnings in Foreign Exchange :

Export Income from testing services	1145.78	363.46

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 requires 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:

Particulars	Current year		Previous year	
	Rs.in lakhs	% to total Consumption	Rs. in lakhs	% to total Consumption
a) Chemicals & Consumables				
- Indigenous	**338.62**	**99**	182.03	99
- Imported	**3.07**	**1**	1.53	1
Total	**341.69**	**100**	183.56	100
b) Spares & Components				
- Indigenous	**22.31**	**85**	85.30	98
- Imported	**4.07**	**15**	2.07	2
Total	**26.38**	**100**	87.37	100

vi. Managerial Remuneration :

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

Particulars	Dr S P Vasireddi Managing Director	V V Prasad Executive Director	V Harriman Director Technical	Harita Vasireddi Director Projects	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Salary	3000000 (3000000)	2400000 (2400000)	2400000 (2400000)	1300000 (561666)	9100000 (8361666)
Perquisites : PF	345600 (345600)	273600 (273600)	273600 (273600)	144000 (62400)	1036800 (955200)
Leave Encashment	120000 (480000)	95000 (380000)	95000 (380000)	50000 (Nil)	360000 (1240000)
Total	**3465600** (3825600)	**2768600** (3053600)	**2768600** (3053600)	**1494000** (624066)	**10496800** (10556866)

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 :

Particulars	2003 - 2004 Rs.	2002 - 2003 Rs.
a) On Buildings	**4674011.00**	2680034.00
b) On Plant & Machinery	**2483505.00**	1062239.80
c) On other Assets	**727471.00**	738894.50
Total	**7884987.00**	4481168.30

viii. Details of payments to Auditors are as under :

Particulars	2003 - 2004 Rs.	2002 - 2003 Rs.
a) As auditors	**75600**	52500
b) As advisors or in any other capacity in respect of :		
i. Taxation matters	**15000**	21000
ii. Company law matters	**21600**	21000
iii. Management Consultancy Services	**10800**	---
c) Out of pocket expenses	**2650**	3810
Total	**125650**	**98310**

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

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	:	31.03.2004

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	:	224014	Total Assets	:	224014
Sources of Funds			**Application of funds**		
Paid-up Capital	:	36086	Net fixed assets	:	189578
Reserves & Surplus	:	121561	Investments	:	----
Secured Loans	:	52749	Net Current Assets	:	34179
Deferred Tax	:	13618	Misc. Expenditure	:	257

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

Turnover	:	349087
Total Expenditure	:	222353
Profit before tax	:	126733
Profit after tax	:	85011
Earning per share	:	Rs.24/-
Dividend Rate %	:	15%(Interim)

V. Item code No. : —-

Product description : Analytical testing services

Schedules 1 to 20 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
S Subrahmanyan	Director
A D Sinha	Director
T S Ajai	Director
A Venkata Ramana	Company Secretary & DGM Finance

Hyderabad
Date : 16.04.2004

Hyderabad
Date : 16.04.2004

Particulars		31.03.2004		31.03.2003 (Rs. in lakhs)
A) CASH FLOW OPERATING ACTIVITIES				
Net profit before tax and Extraordinary items		**1265.93**		358.17
Adjustment for :				
Depreciation	**334.64**		180.61	
Obsolete equipment written off	**0.00**		75.54	
Loss on chit bid (net of dividends)	**0.00**		5.11	
Bad debts written off	**0.00**		4.66	
Advances writtenoff	**0.43**		0.00	
Interest debited to P & L Accounts	**55.01**		58.05	
Loss on sale of assets	**1.71**		0.07	
Provision for dimunition on investments	**0.00**		1.60	
	391.79		325.64	
Less : Excess creditors writtenin	**2.22**	**389.57**	10.97	314.67
Operating proft before working capital changes		**1655.50**		672.84
Adjustments for :				
Trade and other receivables	**344.31**		116.42	
Inventories	**1.80**		16.58	
Trade payables	**76.56**		128.09	
		265.95		4.91
Cash generted from operations		**1389.55**		677.75
Taxes paid		**443.51**		56.39
Cash flow before extra-ordinary items		**946.04**		621.36
NET CASH FLOW OPERATING ACTIVITIES		**946.04**		621.36
B) CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets (after adjustments)	**845.76**		469.93	
Other Income			10.97	
Sale of fixed assets	**1.50**		1.15	
Sale of Investments	**3.20**		0	
NET CASH USED IN INVESTING ACTIVITIES		**841.06**		457.81
C) CASH FLOW FROM FINANCING ACTIVITIES				
Interest paid on term loans	**53.95**			
Proceeds from issue of share capital	**0.00**		0.00	
Proceeds from long term borrowings	**154.35**		287.75	
Repayment of finance lease liabilities	**3.42**		415.71	
Dividends paid	**122.12**		61.06	
NET CASH FLOW FROM FINANCEING ACTIVITIES		**18.30**		189.02
Net increase in cash and cash equivalents		**86.68**		-25.47
Cash and Cash equivalents Opening Balance :				

Particulars	31.03.2004		31.03.2003 (Rs. in lakhs)	
Cash and bank balances	**60.98**		11.71	
Cash credit accounts	**-99.27**	**-38.29**	-24.53	-12.82
Cash and Cash equivalents Closing Balance :				
Cash and bank balances	**96.00**		60.98	
Cash credit accounts	**-47.61**	**48.39**	-99.27	-38.29

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
S Subrahmanyan	Director
A D Sinha	Director
T S Ajai	Director
A Venkata Ramana	Company Secretary & DGM Finance

Hyderabad
Date : 16.04.2004

AUDITOR'S CERTIFICATE

We have examined the above Cash Flow Statement of **VIMTA LABS LIMITED** for the year ended 31st March, 2004. 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 16th Apri, 2004.

for **SARATHY & BALU**
Chartered Accountants

Hyderabad
Date : 16.04.2004

J VENKATESWARLU
Partner
ICAI Ms. No. 022481

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