

VIVIMED LABS LIMITED

(Originally incorporated as M/s Emgi Pharmaceuticals & Chemicals Private Limited on 22-09-1988 with Registrar of Companies of Karnataka, Bangalore and subsequently converted into a Public Limited Company on April 21, 1994. The name of the Company has been changed to Vivimed Labs Limited on 22-04-1997).

Registered Office: Plot No.78-A, Kolhar Industrial Area, Bidar - 585 403 (Karnataka).
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Public Issue of 25,00,000 Equity Shares of Rs. 10/- each issued for cash at a premium of Rs. 60/- per share aggregating Rs. 1,750 Lakhs.

RISKS IN RELATION TO THE FIRST ISSUE

This being the first issue of Vivimed Labs Limited (the “Company”), there has been no formal market for the shares of the Company. **The face value of the shares of the Company is Rs.10/- per share and the Issue Price of Rs. 70 per share is 7 times of the face value of the shares of the Company.** The issue price (as has been determined and justified by the Lead Manager and Vivimed Labs Limited as stated herein under the paragraph on Basis of Issue price) should not be taken to be indicative of the market price of the equity shares after the shares are listed. No assurance can be given regarding an active or sustained trading in the shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISK

Investment in Equity and Equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this offering. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risk involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does the SEBI guarantee the accuracy or adequacy of this document. Specific attention of the investors is invited to the statement of Risk Factors on **Page No. (iii) to (vi)** of the Prospectus.

ISSUER’S ABSOLUTE RESPONSIBILITY

Vivimed Labs Limited, having made all reasonable enquiries, accepts responsibility for, and confirms that this Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the Issue; that the information contained in this Prospectus is true and correct in all material respects and is not misleading in any material respect; that the opinions and intentions expressed herein are honestly held and that there are no other facts the omission of which makes this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares are proposed to be listed on The National Stock Exchange of India Ltd. (NSE), the Designated Stock Exchange and The Stock Exchange, Mumbai (BSE). The in-principle approvals have been received from these Stock Exchanges for listing of the Equity Shares vide their letter dated _____ and _____ respectively.

LEAD MANAGER TO THE ISSUE	REGISTRAR TO THE ISSUE
UTI Securities Ltd. 4 th Floor, Merchant Chamber, 41, Sir Vithaldas Thackersey Marg, New Marine Lines, Mumbai – 400 020. Tel: 91-22- 5667 0673 / 5667 0676 Fax: 91-22- 2203 0165 Email: vivimed@utisel.com Contact Person : Mr. Jinesh N Mehta	Aarhi Consultants Pvt. Ltd. 1-2-285, Domalguda Hyderabad – 500 029 Tel: 91-40-27642217, 27634445 Fax:91-40-27632184 E-mail: aarcons@hd2.dot.net.in Contact Person : Mr. C Bhaskar

ISSUE PROGRAMME

ISSUE OPENS ON: _____ 2004	ISSUE CLOSES ON: _____ 2004
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DEFINITIONS AND ABBREVIATIONS

Act	The Companies Act, 1956
Applicant	Any prospective investor who makes an application for shares in terms of the prospectus.
Application Form	The form in terms of which the investors shall apply for the Equity Shares of the Company
Articles	The Articles of Association of Vivimed Labs Limited
A. Y.	Assessment Year
Board	Board of Directors of Vivimed Labs Limited
BSE	The Stock Exchange, Mumbai
CDSL	Central Depository Services (India) Ltd.
Depository	A Depository registered with SEBI under the SEBI (Depositories & Participant) Regulations, 1996 as amended from time to time
DP	Depository Participant
EPS	Earning Per Share
FEMA	Foreign Exchange Management Act, 1999
FI	Financial Institution
FIIs	Foreign Institutional Investors
Financial Year / Fiscal Year / FY	The 12 months ended March 31, of a particular year
HUF	Hindu Undivided Family
IDBI	Industrial Development Bank of India
Issue	Public Issue of Equity Shares by Vivimed Labs Limited
Issuer/Company/ Vivimed Labs/ Vivimed	Vivimed Labs Limited
IPO	Initial Public Offer
Issue Closing Date	The date on which the issue closes for subscription from the public
Issue Opening Date	The date on which the issue opens for subscription from the public
Issue Period	The period between the Issue opening date and Issue closing date and includes both these dates.
Issue Price	The price at which the Equity shares will be issued by the Company under this Prospectus
IT Act	The Income Tax Act, 1961
L/C	Letter of Credit
MoA	Memorandum and Articles of Association of Vivimed Labs Limited
Memorandum	The Memorandum of Association of Vivimed Labs Limited
MF	Mutual Fund
NAV	Net Asset Value
NRIs	Non Resident Indians
NSDL	National Securities Depository Ltd.
NSE	National Stock Exchange of India Limited
PAN	Permanent Account Number
PAT	Profit After Tax
Prospectus	Refers to this document, in terms of which the present issue of equity shares are proposed to be made, to be filed with ROC
RBI	Reserve Bank of India
RoC	Registrar of Companies, Karnataka at Bangalore
SEBI	The Securities and Exchange Board of India
SEBI Act	Securities and Exchange Board of India Act, 1992 as amended from time to time.
SEBI Guidelines	Means the extant Guidelines for Disclosure and Investor Protection issued by Securities and Exchange Board of India, constituted under the Securities and Exchange Board of India Act, 1992 (as amended), called SEBI (DIP) GUIDELINES, 2000.
Stock Exchanges	NSE and BSE referred to collectively
TNW	Total Net Worth
Underwriters	UTI Securities Limited, -----, -----, all of whom have underwritten this Issue.
Underwriting Agreement	The Agreement between the Underwriters and the Company entered into in respect of the Public Issue of Equity Shares proposed to be made under this Prospectus

Technical Terms/ Abbreviations:

API	Active Pharmaceutical Ingredients
C. S. Flakes	Caustic Soda Flakes
CaGP	Calcium Glycero Phosphate
DCP	Dichloro Phenol
DCNB	Dichloro Nitro Benzene
GMP	Good Manufacturing Practice
EPA	Environment Protection Agency
HCl	Hydrochloric Acid
H ₂ SO ₄	Sulphuric Acid
PPM	Particles per million
KOH	Caustic Potash Flakes
M.T.	Metric Ton
PCE	Perchloro Ethylene
R&D	Research & Development
US-FDA	Food and Drug Administration, United States of America
WHO GMP	World Health Organisation Good Manufacturing Practice
WTO	World Trade Organisation

A. RISKS ENVISAGED BY MANAGEMENT & MANAGEMENT PROPOSALS (MP) THEREOF

Investors should consider carefully the following risk factors, together with the other information contained in this Prospectus, before they decide to buy the Company's Equity Shares. If any of the following risks actually occur, the Company's business, financial condition and results of operations could suffer, the trading price of the Company's Equity Shares could decline and you may lose all or part of your investment.

Note: Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implication of any risks mentioned herein under:

1. The Company is promoted by first generation entrepreneurs and the investors will be subjected to all consequential risk associated with such ventures.

MP: Mr. Santosh Varalwar and Mr. Subhash Varalwar have been managing the Company successfully for over a decade. Further the Company has professionals in key areas of Production, Research & Development, marketing, logistics and Finance. The turnover and PAT of the Company has increased from Rs. 751.85 lacs and Rs 15.26 lacs in FY 1999 respectively to Rs. 4,042.55 lacs and Rs.400.28 lacs respectively in FY2004.

2. About 66% of Vivimed's revenues in FY04 are derived from the sale of Triclosan. The Company is thus highly susceptible to volatility of prices of Triclosan and from potential substitutes and competitive products.

MP: The Company is experiencing continuous increase in demand for Triclosan and accordingly the Company has increased its production capacity from 225 M.T. to 480 M.T. in March 2004. The Company has taken various measures to reduce the raw material cost and increase the input output ratio to be cost competitive in the manufacture of Triclosan. Simultaneously the Company is continuously engaged in identifying new uses of Triclosan for existing and new customers. Also, the Company has been constantly introducing new products thereby reducing the dependence on Triclosan as evidenced by its reducing contribution to Turnover from 76.88% in FY01 to 65.73% in FY04.

3. About 30% of the sales of the Company in FY 2004 are made to Hindustan Lever Ltd ('HLL') & Associates.

MP: The Company started its business in Specialty Chemicals i.e. Triclosan in the Year 1995 mainly catering to HLL & Associates and Harnet International (USA). Subsequently, the Company has diversified its product range and found new applications and it is also supplying to other International Companies like Groupe Arnaud (France), Pharmed (Bangalore), Collaborative Group (USA).

4. There is a Block Assessment done for the period A.Y. 1991-92 to A.Y. 2001-02, where in there was an addition to the Income of Rs.153.75 lacs and Tax demand of Rs.107.94 lacs.

MP: Presently the appeal is in Income Tax Appellate Tribunal, Hyderabad Bench. The Company has already paid Rs.35 lacs and balance amount payable is Rs.72.94 lacs.

5. The Company has not yet placed orders for the Plant & machinery and electrical installation equipment required for proposed expansion project for which an amount aggregating Rs.1,647.17 lacs has been included in the cost of project.

MP: The Company has already received quotations from the proposed suppliers and the orders shall be placed after the completion of construction of building for the expansion project.

6. VVS Pharmaceuticals & Chemicals Pvt. Ltd., a Company promoted by relatives of the promoters, is in the business of manufacturing formulations, which may create a conflict of business interest.

MP: VVS Pharmaceuticals is engaged in the manufacture of pharmaceutical formulations and produces tablets, capsules, syrups and suspensions and injectibles. VVS Pharmaceuticals primarily does job work for government Companies. As against these activities, Vivimed Labs is engaged in the manufacture of ingredients used in the personal care industry. Both the Companies

have separate management with only one common director, Dr. V. Manohar Rao. There have been no transactions between these Companies till date. Hence, there is a clear differentiation in the activities of these Companies, the Management and focus areas and there is no scope for any conflict of interest.

7. The Company's sustained growth depends on its ability to attract and retain skilled manpower as research and development is a key component of Company's business model. Failure on part of the Company to attract and retain skilled manpower could adversely affect the Company's growth strategy.

MP: The Company has retained its key personnel in the areas of production, process improvements and development of new products in the past. The Company is in the process of recruiting requisite professionals for its expansion program.

8. The Company imports certain raw materials. Since the cost of these raw materials is denominated in US Dollars, any adverse fluctuations with respect to the exchange rate of US Dollars for Indian Rupee is likely to affect Company's input cost. Therefore the Company is exposed to losses due to currency fluctuations.

MP: During FY2004 the Company's Export sales amounted to Rs. 1839 lacs and Imported raw material consumption amounted to Rs.157 lacs. Since the exports are significantly higher compared to imports, any foreign exchange losses would be offset by foreign exchange earnings from exports.

9. The Company has not provided for the following contingent liabilities as on 30.09.2004

• Letter of credit	Rs. 286.80 lacs
• Bank guarantees	Rs. 4.14 lacs
• Claims against the Company not acknowledged as debts	Rs. 167.80 lacs

MP: The above Contingent Liabilities are in the normal course of business, hence no provision is required.

10. The Company is yet to obtain the following permissions for the expansion project:

Approval / Consent	Agency	Status
Pollution Clearance for the Expansion project	Andhra Pradesh Pollution Control Board, Hyderabad	Application made in October 2004
License under Factories Act	Director of Factories, Government of Andhra Pradesh	Application will be made after receiving NOC from APPCB
Power sanction for 1000 K.V.A	Andhra Pradesh State Electricity Board	Application will be made after receiving NOC from APPCB
Consent for drilling Bore wells	Andhra Pradesh Irrigation Department, Hyderabad	Application will be made at appropriate time

11. Pending utilization in the project, the proceeds of the issue will be invested in Govt. Securities and/or Bank Deposits in short and medium term. This deployment may not result in adequate returns for the Company.

B. EXTERNAL AND BEYOND THE CONTROL OF THE COMPANY

1. The Company operates in a globally competitive business environment. Growing competition may force the Company to reduce the prices of its products and services, which may reduce its revenues and margins and/or decrease its market share, either of which could have a materially adverse effect on its business, financial condition and results of operations.

MP: The Company aims to keep abreast with the dynamic business scenario and has broad-based its product mix. The Company, as part of its continuous R&D activities, has been achieving developments in areas of better process technology, improved process yield, sourcing of raw material at competitive price and development of new products/processes.

2. WTO compliance recognizes product patent and will thus require Indian pharmaceutical Companies to adhere to product patents and not produce products by merely changing the process of manufacture of an existing product.

MP: The products manufactured by the Company are already off patent and as such they would not be violating WTO requirements.

3. Any change in regulatory environment in relation to manufacturing in the country or for marketing its products within and outside the country will significantly impact the business of the Company.

MP: The Company keeps itself abreast of the various developments in relation to the regulatory environment and gears itself in order to comply with such regulatory changes. Further, the Company is ISO 9001:2000 certified and has already obtained US EPA registration.

4. Any change in policies by the countries, in terms of tariff and non-tariff barriers, from which the Company imports its raw material and/or exports its products to, will have an impact on the Company's profitability.

MP: The Company's exports and imports are spread across various countries. Whenever such policy changes affect the Company's business, the Company would work towards complying with or reckoning the policy changes and adopt appropriate strategies to sustain its business.

5. The Company currently benefits from various income tax exemptions and deductions, which are applicable for Companies having export income. The Government of India has announced the gradual elimination of some of the income tax exemptions that are available to the Indian exporters. Non-availability of these tax exemptions will increase the Company's future tax liabilities and reduce the profits of the Company in future.

6. If any Government Statute makes it compulsory for the Company to follow GMP, EU & US-FDA norms, the Company may not be in a position to follow these norms.

MP: The Company is in the process of creating sufficient infrastructure to meet the GMP requirements and would take necessary steps for obtaining requisite approvals to cater to the regulated markets.

7. The Company's performance is linked to the stability of policies and political situation in India as well as the countries with which we have business relations.

8. If the Company fails to comply with environmental laws and regulations or face environmental litigation, its results of operation may be adversely affected.

MP: The Company has been complying with current environmental laws and regulations and has also obtained necessary approvals from regulatory bodies. Further it has also obtained US EPA registration.

Notes:

1. Pre-issue Net worth of the Company as on March 31, 2004 is Rs. 1,599.11 Lacs and as on September 30, 2004 is Rs. 1,850.15 lacs.
2. Size of the Present issue - Public issue of 25,00,000 equity shares of Rs.10/- each for cash at premium of Rs.60/- per share aggregating Rs. 1,750 Lacs.
3. The average cost of acquisition of Equity Shares of the Promoters is Rs.11.68 per share.
4. Book value of the Equity Shares of the Company as on March 31, 2004 and as on September 30, 2004 is Rs. 33.62 and Rs. 39.60 respectively.
5. Investors are advised to refer to the paragraph on "Basis for Issue Price" on page no. [REDACTED] before making an investment in this Issue.

6. Investors may please note that in the event of over-subscription, allotment shall be made on a proportionate basis in consultation with National Stock Exchange of India Ltd. (NSE) (the Designated Stock Exchange).
7. Investors may contact the Lead Manager or the Compliance Officer for any complaint/ clarification/ information pertaining to the Issue, who will be obliged to attend to the same.

8. Related party transactions are given below:

Name of the Party	Nature of relationship	Nature of transaction	Rs. In Lacs			
			March 31, 2002	March 31, 2003	March 31, 2004	Sept. 30, 2004
Mr. Santosh Varalwar	Chairman & Managing Director	Remuneration	3.00	3.00	6.00	7.50
Mr. Subhash Varalwar	Vice-Chairman	Remuneration	3.00	3.00	5.25	6.00
Mr. V. Manohar Rao	Director	Remuneration	-	-	-	3.00

9. All information shall be made available by the Lead Manager and the Company to the Public or Investors at large and no selective or additional information would be available for a section of the Investors in any manner whatsoever.

HIGHLIGHTS:

1. Vivimed Labs Limited is a continuously profit making Company for the last 6 years.
2. The Company has ISO 9001: 2000 QMS certification for its Production facility at Bidar, Karnataka.
3. The Company has Environmental Protection Agency (EPA) registration for VIV-20 (Triclosan) from USA.
4. The Company holds a process patent for Triclosan from the Indian Patent Office.
5. The Company has certification for Bio-Terrorism preparedness from US-FDA which is a prerequisite for exports to certain countries.

PART I

1. GENERAL INFORMATION:

VIVIMED LABS LIMITED

(Originally incorporated as M/s Emgi Pharmaceuticals & Chemicals Private Limited on September 22, 1988 with Registrar of Companies of Karnataka, Bangalore and subsequently converted into a Public Limited Company on April 21, 1994. The name of the Company has been changed to Vivimed Labs Limited on April 22, 1997).

Registered Office : Plot No.78-A, Kolhar Industrial Area, Bidar - 585 403 (Karnataka).
Works Tel & Fax : +91-08482-232045

Corporate Office: 2nd and 4th Floor, Veerang Towers, Habsiguda, Hyderabad-500 007
Tel.: +91-040-27176005 Fax : +91-040-27172242

e-mail: info@vivimedlabs.com

Website: www.vivimedlabs.com

AUTHORITY FOR THE PRESENT ISSUE

Pursuant to Section 81(1A) of the Companies Act, 1956, present issue of Equity Shares has been authorized vide Special Resolution passed at the Extra Ordinary General Meeting of the Company held on January 27, 2004 and a resolution passed by the Board of Directors on December 15, 2003.

GOVERNMENT APPROVALS/ LICENSES/ PERMISSIONS:

The Company has received the following Government approvals/licenses/permissions:

1. Certificate of Incorporation No.08-09465 dated 22nd September, 1988 and converted into Limited Company on April 21, 1994, and change of name u/s 21 of the Companies Act, 1956 to Vivimed Labs Limited on 22-04-1997 by the Registrar of Companies, Department of Company Affairs, Bangalore, Karnataka.
2. Registration vide KGST No: 60301697 valid from 22-11-1989 issued by the Commercial Tax Department, Bidar, Karnataka.
3. Registration vide CST No.60351690 valid from 30-11-1989 issued by the Commercial Tax Department, Bidar, Karnataka.
4. Central Excise Registration No: AAACV 6060A XM 001 dated 04-12-2001 from the Commissioner of Customs and Central Excise, Karnataka.
5. License NoMY/BDR/194 dated 10.04.1991 issued under Factories Act, by Director of Factories, Government of Karnataka valid up to 31st December 2004. Application for extension for validity of Licence is made.
6. Permanent Account Number: AAACV6060A allotted by the Office of the Dy. Commissioner of Income Tax, Bangalore dt. 04-03-1999.
7. Copy of latest Return filed with the Regional Provident Fund Commissioner, Bangalore, bearing P.F. Registration No: KN / 21005.
8. License for use of boilers from the Karnataka State Boilers Inspections Department, vide Registration No. of Boiler: KTK 2607 dated June 21, 2004 valid up to January 27, 2005.
9. Registration No. CH/BGL/V-2/P.I/2001-02 dated 02-04-2001 valid up to 31-03-2006 issued by Basic Chemicals, Pharmaceuticals and Cosmetics Export Promotion Council, Bangalore for Manufacturer Exporter.
10. License No: P-12(22) 1557 /MYS 4802 issued by Department of Explosives, Chennai, valid upto 31st December 2005.
11. Certificate of Importer-Exporter Code (IEC) No.0790008068 bearing the date of Issue 19.09.1991 from the Office of the Joint Director General of Foreign Trade, Ministry of Commerce, Bangalore vide File No.07/04/130/00806/AM91 dated 23.08.1999.

12. License to manufacture for sale of drugs other than those specified in Schedule X granted vide (1) License No. :KTK/25/442/2000 dated 06-07-2002 valid up to 31-12-2006.
13. Patent No: 183696 dated 03-10-1997 in possession of Invention for "a process for the synthesis of the bacteriostat 2,4,4-trichloro-2 hydroxydiphenyl ether (Triclosan) from 2,4-dichlorophenol" bearing the date of Seal 22-09-2000 issued by the Patent Office, Government of India.
14. Consent under the Water (Prevention & Control of Pollution) Act, 1974, from the Karnataka Pollution Control Board, Bangalore No: 29/KSPCB/RO (BDR)/INR 100118/04-05/1245 dated October 18, 2004 valid upto June 30, 2006.
15. Consent under the Air (Prevention & Control of Pollution) Act, 1981 from the Karnataka Pollution Control Board, Bangalore No: 51/KSPCB/RO (BDR)/INR 100118/04-05/1247 dated October 18, 2004 valid upto June 30, 2006.
16. Registration Certificate issued as a small scale Industry vide Certificate No: 08/05/03232/PMT/SSI/1991 dated 23-01-1991 issued by the Government of Karnataka, Department of Industries, Bidar Dist.
17. ISO 9001:2000 Certificate Registration No. 04100 2002 0553 dated May 17, 2004 valid upto May 16, 2007.
18. Copy of Acknowledgement bearing No: 1573 / SIA / IMO /99 dated 06/08/1999 for the "Industrial Entrepreneur Memorandum" issued by the Ministry of Industry, Secretariat for Industrial Assistance, Entrepreneurial Assistance Unit, Udyog Bhawan, New Delhi.

Pending Government Approvals:

Approval / Consent	Agency	Status
Pollution Clearance for the Expansion project	Andhra Pradesh Pollution Control Board, Hyderabad	Application made in October 2004
License under Factories Act	Director of Factories, Government of Andhra Pradesh	Application will be made after receiving NOC from APPCB
Power sanction for 1000 K.V.A	Andhra Pradesh State Electricity Board	Application will be made after receiving NOC from APPCB
Consent for drilling Bore wells	Andhra Pradesh Irrigation Department, Hyderabad	Application will be made at appropriate time

The Company has received all the necessary consents, licenses, permissions and approvals from the Government/RBI and various government agencies required for its present business and no further approvals are required for carrying on the present as well as the proposed business of the Company except the pending approvals as mentioned above. It must, however, be distinctly understood that in granting the above consents/licenses/permissions/approvals, the Government does not take any responsibility for the financial soundness of the Company or for the correctness of any of the statements or any commitments made or opinions expressed.

STATUTORY APPROVAL

The Company can undertake all the present and proposed activities in view of the present approvals and no further approvals from any statutory body are required by the Company to undertake the present and proposed activities.

PROHIBITION BY SEBI

The Company, its directors, any of the Company's Associates or Group Companies, and Companies with which the directors of issuer are associated, as directors or promoters, have not been prohibited from accessing the capital market under any order or directions passed by SEBI. The listing of any securities of the issuer has never been refused at anytime by any of the stock exchanges in India.

ELIGIBILITY FOR THE ISSUE:

The Company is eligible to access the capital market through public issue of equity shares as per Clause 2.2.1 of the SEBI (Disclosure & Investor protection) Guidelines as explained in the following manner:

- The Company has net tangible assets of at least Rs. 3 crore in each of the preceding 3 full years of which not more than 50% is held in monetary assets;
- The Company has a track record of distributable profits as per Section 205 of the Companies Act, 1956, for at least 3 of the immediately preceding 5 years;
- The Company has a net worth of at least Rs. 1 crore in each of the preceding 3 full years;
- The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e. offer through offer document + firm allotment + promoters' contribution through the offer document) does not exceed five times its pre-issue Networth as per the last available audited accounts, either at the time of filing the prospectus with SEBI or at the time of opening of the issue.

The Net Tangible Assets, Monetary Assets, Net Profit and Networth are derived from the Auditors' Report included in this Draft Prospectus is set forth below:

Financial Year	Rs. In lacs				
	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Net Tangible Assets*	1239.23	1343.42	1466.53	2036.49	2437.77
Monetary Assets **	1.21	4.64	4.17	3.80	2.25
Distributable Profit after Tax	21.54	140.88	255.20	348.19	400.28
Networth	586.10	726.98	855.48	1203.68	1599.11

* Net tangible Assets are defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves, if any), trade investments, current assets (excluding deferred tax assets) less Current liabilities (excluding deferred tax liabilities and secured as well as unsecured long term liabilities).

** Monetary Assets is taken as Cash & Bank Balance and Quoted Investments, if any.

MINIMUM NUMBER OF ALLOTTEES:

Further in terms of Clause 2.2.2A of the SEBI DIP Guidelines, the prospective allottees shall be not less than 1000 in numbers, else the Company shall not make an allotment pursuant to this Issue.

DISCLAIMER CLAUSES

SEBI DISCLAIMER CLAUSE

“IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THE PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. THE SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE PROSPECTUS. THE LEAD MANAGER, UTI SECURITIES LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE PROSPECTUS, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER, UTI SECURITIES LIMITED HAS FURNISHED TO THE SEBI, A DUE DILIGENCE CERTIFICATE DATED NOVEMBER 30, 2004 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

- (I) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC., AND OTHER MATERIALS IN CONNECTION WITH THE FINALIZATION OF THE PROSPECTUS PERTAINING TO THE SAID ISSUE.
- (II) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY,
- WE CONFIRM THAT :
- a. THE PROSPECTUS FORWARDED TO THE SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
- b. ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY THE SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
- c. THE DISCLOSURES MADE IN THE DRAFT PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO INVESTMENT IN THE PROPOSED ISSUE.
- (III) WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT PROSPECTUS ARE REGISTERED WITH SEBI AND THAT SUCH REGISTRATIONS ARE VALID TILL DATE.
- (IV) WE HAVE SATISFIED OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFILL THEIR UNDERWRITING COMMITMENTS.
- (V) WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT PROSPECTUS.

THE FILING OF THE PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI, FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGER ANY IRREGULARITIES OR LAPSES IN THE OFFER DOCUMENT."

DISCLAIMER CLAUSE OF THE NATIONAL STOCK EXCHANGE (NSE) (the Designated Stock Exchange)

As required, a copy of this Prospectus has been submitted to the National Stock Exchange of India Limited (hereinafter referred to as NSE or the Designated Stock Exchange). NSE has, in view of its letter dated _____, its permission to the Company, to use the Exchange's name in this Draft Prospectus as one of the Stock Exchanges on which the Company's securities are proposed to be listed subject to, the Company fulfilling the various criteria for listing including the one related to paid up capital (i.e. the paid up capital shall not be less than 10 Crores and market capitalisation shall not be less than Rs. 25 Crores at the time of listing). The Exchange has scrutinised this Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Prospectus has been cleared or approved by NSE; nor does it warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; nor does it warrant that the Company's securities will be listed or will continue to be listed on the Exchange; nor

does it take any responsibility for the financial or other soundness of the Company, its promoter, its management or any scheme or project of the Company.

Every person who desires to apply for or otherwise acquire any securities of the Company may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription or acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGE, MUMBAI

As required, a copy of this prospectus has been submitted to the BSE. The Stock Exchange, Mumbai ("the Exchange") has given vide its letter dated _____, permission to this Company to use the Exchange's name in this offer document as one of the Stock Exchanges on which the Companies securities are proposed to be listed. The Exchange has scrutinised this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. BSE does not in any manner-

- a) Warrant, certify or endorse the correctness or completeness of any of the contents of this, offer document; or
- b) Warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- c) Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this offer document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

JURISDICTION

This issue is made in India to persons resident in India (including Indian nationals resident in India who are majors, Hindu Undivided Families, Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), trust registered under the societies registration act, 1860, or any other trust law and who are authorised their constitution to hold and invest in shares) and to NRIs and FIIs as defined under Indian laws. This prospectus does not, however, constitute an offer to sell or an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation to such jurisdiction. Any person into whose possession this offer document comes is required to inform him about and to observe any such restrictions. Any disputes arising out of this offer will be subject to the jurisdiction of appropriate courts. No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this prospectus has been submitted for approval and has been filed with SEBI. Accordingly, the equity shares represented thereby may not be offered or sold, directly or indirectly, and this prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this prospectus nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of Vivimed Labs Limited since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

DISCLAIMER FROM THE ISSUER

Investors may note that Vivimed Labs Limited accepts no responsibility for statements made other than in this prospectus or in the advertisement or any other material issued by or at the instance of the Issuer Company or Lead Manager and that any one placing reliance on any other source of information would do so at their own risk

All information will be made available by the Lead Manager and the Company to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road shows, presentations, in research or sales reports etc.

FILING:

A copy of this Prospectus along with the documents required to be filed under Section 60 of the Companies Act, 1956 has been delivered for registration to the Registrar of Companies, Karnataka, Bangalore.

Copies of the Prospectus have also been filed with the SEBI, Chennai.

LISTING:

Initial listing applications have been made to The Stock Exchange, Mumbai and The National Stock Exchange for permission to list the Equity Shares and for an official quotation of the equity shares of the Company.

In case, the permission for listing and or dealing & official quotation of the equity shares is not granted by any of the above mentioned Stock Exchanges, the Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Prospectus. If such money is not repaid within 8 days after the day from which the Issuer becomes liable to repay it, then the Company and every director of the Company who is an officer in default shall, on and from expiry of 8 days, be jointly and severally liable to repay that money with interest as prescribed under Section 73 of the Companies Act, 1956.

UNDERTAKING FROM PROMOTERS AND DIRECTORS

THE ISSUER ACCEPTS FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION GIVEN IN THE PROSPECTUS AND CONFIRMS THAT TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO OTHER FACTS, THEIR OMISSION OF WHICH WOULD MAKE ANY STATEMENT IN THE PROSPECTUS MISLEADING AND THEY FURTHER CONFIRM THAT THEY HAVE MADE ALL REASONABLE ENQUIRIES TO ASCERTAIN SUCH FACTS. THE ISSUER FURTHER DECLARES THAT THE STOCK EXCHANGE TO WHICH AN APPLICATION FOR OFFICIAL QUOTATION IS PROPOSED TO BE MADE DOES NOT TAKE ANY RESPONSIBILITY FOR THE FINANCIAL SOUNDNESS OF THIS OFFER OR FOR THE PRICE AT WHICH THE EQUITY SHARES ARE OFFERED OR FOR THE CORRECTNESS OF THE STATEMENT MADE OR OPINIONS EXPRESSED IN THIS OFFER DOCUMENT.

THE PROMOTERS/DIRECTORS DECLARE AND CONFIRM THAT NO INFORMATION/MATERIAL LIKELY TO HAVE A BEARING ON THE DECISION OF INVESTORS IN RESPECT OF THE SHARES OFFERED IN TERMS OF THIS PROSPECTUS HAS BEEN SUPPRESSED, WITHHELD AND/OR INCORPORATED IN THE MANNER THAT WOULD AMOUNT TO MIS-STATEMENT, MISREPRESENTATION AND IN THE EVENT OF ITS TRANSPIRING AT ANY POINT OF TIME TILL ALLOTMENT/REFUND, AS THE CASE MAY BE, THAT ANY INFORMATION/MATERIAL HAS BEEN SUPPRESSED /WITH HELD AND/OR AMOUNTS TO A MIS-STATEMENT/ MIS-REPRESENTATION, THE PROMOTERS/DIRECTORS UNDERTAKE TO REFUND THE ENTIRE APPLICATION MONIES TO ALL THE SUBSCRIBERS WITH IN 7 DAYS THEREAFTER WITH OUT PREJUDICE TO THE PROVISIONS OF SECTION 63 OF THE COMPANIES ACT.

CORPORATE GOVERNANCE

The SEBI Guidelines in respect of Corporate Governance shall be applicable to the Company immediately upon listing of its shares on the various Stock Exchanges. The Company undertakes that it shall take the necessary steps to comply with all the requirements of the guidelines on Corporate Governance as would be applicable to it upon listing of its shares. In this regard, the Company has already set up an Audit Committee, Remuneration Committee and Investor Grievance Committee as per the requirements of the revised guidelines.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, 1956, which is reproduced below:

"Any person who:

- a) makes in a fictitious name, an application to a Company for acquiring or subscribing for, any shares therein, or
- b) otherwise induces a Company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

MINIMUM SUBSCRIPTION

"If the Company does not receive the minimum subscription of 90% of the net offer to public including devolvement on Underwriters within 60 days from the date of closure of the Issue, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to pay the amount, the Company shall pay interest prescribed under Section 73 of the Act."

ISSUE OF ALLOTMENT LETTERS / REFUND ORDERS

The Company shall give credit to the Beneficiary Account with Depository Participants within two (2) working days of finalisation of the basis of allotment of Equity Shares. The Company shall dispatch refund orders, if any, of value up to Rs.1,500, by "Under Certificate of Posting", and will dispatch refund orders above Rs.1,500, if any, by registered post or speed post at the sole or first applicant's sole risk.

In accordance with the Company Act, the requirements of the Stock Exchange and the SEBI Guidelines, the Company further undertakes that:

- Allotment of Equity Shares will be made only in dematerialized form within 30 days from the issue closing date
- Dispatch of refund orders will be done with 30 days from the issue closing date
- The Company shall pay interest at 15 % per annum (for delay beyond 30 day time as mentioned above), if transfer is not made, refund orders are not dispatched and/or demat credit are not made to investors within the 30 day time prescribed above.

The Company will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by the Company, as refund banker(s) and payable at par at places where application are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the applicants.

ISSUE SCHEDULE

The subscription list will open at the commencement of banking hours and will close at the close of banking hours on the dates as mentioned below:

Issue Opens on		, 2004
Issue Closes on		, 2004

ISSUE MANAGEMENT TEAM

LEAD MANAGER TO THE ISSUE UTI Securities Ltd. SEBI Regn. No. INM000007458 MAPIN No. UIN 100000489 4 th Floor, Merchant Chamber, 41, Sir Vithaldas Thackersey Marg, New Marine Lines, Mumbai – 400 020. Tel: (+91-22) 5633 1545 / 5633 1546 Fax: (+91-22) 2203 0165	REGISTRAR TO THE ISSUE Aarathi Consultants Pvt. Ltd. SEBI Regn. No. INR0000000379 MAPIN No. UIN 100021535 1-2-285, Domalguda Hyderabad – 500 029 Tel: 91-40-27642217, 27634445 Fax:91-40-27632184 E-mail:aarcons@hd2.dot.net.in
AUDITORS M/s P. Murali & Co., Chartered Accountants 6-3-655/2/3, Somajiguda, Hyderabad.500 082	LEGAL ADVISOR TO THE ISSUE Mr. Subrahmanyam Kurella Advocate & Corporate Legal Consultant Flat No: 105 & 201 Lakshmi Balakrishna Nivas Barkatpura Hyderabad-500 027.
BANKERS TO THE COMPANY State Bank of Hyderabad Overseas Branch Somajiguda, Hyderabad HDFC Bank Sandoz House, Worli, Mumbai. Citibank G. Pulla Reddy Building Begumpet, Hyderabad	BANKERS TO THE ISSUE

COMPLIANCE OFFICER FROM THE ISSUER COMPANY

Mr. S. Venkata Rao
General Manager (Finance) & Company Secretary,
Vivimed Labs Limited
2nd and 4th Floor, Veerang Towers,
Habsiguda, Hyderabad-500 007
Tel.: +91-040-27176005
Fax : +91-040-27172242
e-mail : venkat@vivimedlabs.com

The Investors are requested to contact the above-mentioned Compliance Officer in case of any pre-issue /post-issue problems such as non-receipt of refund orders / demat credits not made etc.

TRUSTEES

This being an issue of Equity Shares, appointment of Trustees is not required.

CREDIT RATING

This being an issue of Equity Shares, credit rating is not required.

UNDERWRITERS TO THE ISSUE

The Company proposes to underwrite the Issue. The Issue will be fully underwritten as follows:

Sr.No	Name & Address of Underwriter	Date of Agreement	Amount underwritten (Rs. In Lacs)
1	UTI Securities Limited 4 th Floor, Merchant Chambers, Sir Vithaldas Thackersey Marg, New Marine Lines, Churchgate, Mumbai – 400 020		
2			
3			

In the opinion of the Board, on the basis of the declaration given by the Underwriters, the resources of the above mentioned Underwriters are sufficient to enable them to discharge their underwriting obligations in full. The Underwriters referred above have obtained Certificate of Registration from SEBI under the SEBI (Underwriters) Regulations 1993 or the SEBI (Stock Brokers & Sub-brokers) Regulations 1992. The above Underwriting Agreements have been accepted by the Board at their meeting held on _____.

2. CAPITAL STRUCTURE OF THE COMPANY

No. of Shares	Nominal Value (Rs.)	Aggregate Value (Rs.)
A. AUTHORISED CAPITAL 1,10,00,000 Equity Shares of Rs. 10/- each	11,00,00,000	
B. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL 47,56,700 Equity shares of Rs. 10/- each	4,75,67,000	
C. PRESENT ISSUE – PUBLIC ISSUE OF 25,00,000 Equity Shares of Rs. 10/- each at a premium of Rs.60/- per share	2,50,00,000	17,50,00,000
Out of which : 50,000 Equity Shares of Rs. 10/- each at a premium of Rs.60/- per share is reserved for permanent/regular employees of the Company on a competitive basis	5,00,000	35,00,000
600,000 Equity Shares of Rs. 10/- each at a premium of Rs.60/- per share is reserved for NRIs / FIIs on a competitive basis	60,00,000	4,20,00,000
D. NET OFFER TO PUBLIC 18,50,000 Equity Shares of Rs. 10/- each at a premium of Rs.60/- per share	1,85,00,000	12,95,00,000
E. PAID UP CAPITAL AFTER THE PRESENT ISSUE 72,56,700 Equity shares of Rs. 10/- each	7,25,67,000	
F. SHARE PREMIUM ACCOUNT Before the issue	54,71,100	
After the issue	15,54,71,100	

Notes to Capital Structure:

a. Details of Increase in Authorised Capital

S. No.	Particulars Of Increase	Date of Meeting	AGM / EGM
1.	Rs. 3 Lacs	Incorporation	EGM
2.	Rs. 3 Lacs to Rs 12 Lacs	24.10.1988	EGM
3.	From Rs 12 Lacs to Rs.15 Lacs	14.12.1991	EGM
4.	From Rs. 15 Lacs to Rs. 40 Lacs	24.01.1994	EGM
5.	From Rs. 40 Lacs to Rs. 75 Lacs	27.12.1994	EGM
6.	From Rs. 75 Lacs to Rs. 450 Lacs	09.01.1995	EGM
7.	From Rs. 450 Lacs to Rs. 500 Lacs	18.01.1995	EGM
8.	From Rs. 500 Lacs to Rs. 1100 Lacs	27.01.2004	EGM

- b. **Capital Build up:** The existing share capital of the Company has been subscribed and allotted as under:-

Date of allotment Fully paid up	No. of Share:	Face Value (R .)	Issue Price (R .)	Consideration	Remarks	Cumulative number of Equity shares	Cumulative Share Premium (R .)
22.09.1988	0	10	10	Cash	Incorporation	0	--
05.06.1988	10515	10	10	Cash	Allotted to promoters	10515	--
16-02-1994	15000	10	10	Cash	Allotted to relatives of promoters	25515	--
18.11.1994	39485	10	10	Cash	Allotted to promoters & relatives	65000	--
09-02-1994	11000	10	10	Cash	Allotted to relatives of promoters	76000	--
27.11.1994	6710	10	10	Cash	Allotted to relatives of promoters	82710	--
30.12.1994	47290	10	10	Cash	Allotted to relatives of promoters & Corporate Body	130000	--
17.06.1996	220000	10	12	Cash	Allotted to promoters & relatives and employees.	350000	440000
25.09.1996	30000	10	12	Cash	Allotted to promoters & relatives and employees.	380000	500000
25.01.1997	5000	10	10	Cash	Allotted to KSIIDC	385000	500000
25.01.1997	20380	10	12	Cash	Allotted to Others	405380	540760
31.03.1998	20	10	10	Cash	Allotted to promoters	405400	540760
31.03.1998	1270	10	15	Cash	Allotted to Friends & Relatives	406670	547110
30.10.1998	69000	10	10	Cash	Allotted to Corporate Body	475670	547110
TOTAL	475670						

c. **Shares issued for consideration other than cash**

The Company has not issued any shares for a consideration other than cash.

d. **Promoters' Contribution and lock-in Period:**

The following shares shall be locked in for a period of three years as part of the promoter's contribution:

Sl. No.	Name of Promoter / Person in Promoter Group	Date of allotment/ made Fully paid-up	Consideration	No. of Shares	Face Value (Rs.)	Issue / Transfer Price (Rs.)	% of Post Issue paid-up capital	Lock in Period (Years) *
1	Mr. Santosh Varalwar	16.11.1989	Cash	16000	10	10	0.22	3 Years
		16.02.1994	Cash	5000	10	10	0.07	3 Years
		24.09.2003	Cash	579800	10	10	7.99	3 Years
		19.03.2004	Cash	201655	10	18.78	2.78	3 Years
		09.04.2004	Cash	250000	10	10.80	3.44	3 Years
	Total			1052455			14.50	
2	Mr. Subhash Varalwar	16.11.1989	Cash	39965	10	10	0.55	3 Years
		14.07.1990	Cash	8500	10	10	0.12	3 Years
		16.02.1994	Cash	10000	10	10	0.14	3 Years
		24.09.2003	Cash	191200	10	10	2.63	3 Years
		29.03.2004	Cash	20335	10	10	0.28	3 Years
	Total			270000			3.72	

Sl. No.	Name of Promoter / Person in Promoter Group	Date of allotment/ made Fully paid-up	Consideration	No. of Shares	Face Value (Rs.)	Issue / Transfer Price (Rs.)	% of Post Issue paid-up capital	Lock in Period (Years) *
3	Ms. Sujatha Varalwar	19.03.2004	Cash	106420	10	10	1.47	3 Years
4	Ms. Padma Varalwar	24.09.2003	Cash	22465	10	10	0.31	3 Years
	Grand Total			1451340			20.00	

* The lock in period shall commence from the date of allotment of shares in the public issue.

Other than the above, the entire pre-issue capital of the Company shall be locked in for a period of one year from the date of allotment of shares in the public issue.

e. **Promoters Contribution and Lock-in in respect of Promoters whose name figure in the Draft Prospectus as Promoters in the paragraph on "Promoters and their Background" is as under :**

Sl. No.	Name of Promoter / Person in Promoter Group	Date of allotment/ Transfer and made Fully paid-up	Consideration	No. of Shares	Face Value (Rs.)	Issue / Transfer Price (Rs.)	% of Post Issue paid-up capital	Lock in Period (Years) *
1	Mr. Santosh Varalwar	16.11.1989	Cash	16000	10	10	0.22	3 Years
		16.02.1994	Cash	5000	10	10	0.07	3 Years
		24.09.2003	Cash	579800	10	10	7.99	3 Years
		19.03.2004	Cash	201655	10	18.78	2.78	3 Years
		19.03.2004	Cash	2342345	10	18.78	32.28	**
		29.03.2004	Cash	(2342345)	10	18.67	-32.28	**
		09.04.2004	Cash	250000	10	10.80	3.44	3 Years
		Total			1052455			14.50
2	Mr. Subhash Varalwar	16.11.1989	Cash	39965	10	10	0.55	3 Years
		14.07.1990	Cash	8500	10	10	0.12	3 Years
		16.02.1994	Cash	10000	10	10	0.14	3 Years
		31.03.1998	Cash	200	10	10	Negligible	**
		17.07.2000	Cash	(200)	10	10	Negligible	**
		24.09.2003	Cash	191200	10	10	2.63	3 Years
		29.03.2004	Cash	20335	10	10	0.28	3 Years
		Total			270000			3.72

* The lock in period shall commence from the date of allotment of shares in the public issue.

** Transferred from/to other persons

f. **Break-up of Promoters Group holding and Lock-in :**

Name	No. of Shares	% of Outstanding paid up capital	% of Post Issue paid up capital	% of Outstanding paid up capital
Mr. Santosh Varalwar	1052455	22.12	14.5	3 Years
Mr. Subhash Varalwar	270000	5.68	3.72	3 Years
Dr. Sujatha Varalwar	106420	2.24	1.47	3 Years
Mr. Padma Varalwar	22465	0.47	0.31	3 Years
Sub-total (a)	1451340	30.51	20.00	
Dr. Sujatha Varalwar	193580	4.07	2.66	1 Year
Mr. Padma Varalwar	77535	1.63	1.07	1 Year

Dr. V. Manohar Rao	340000	7.15	4.68	1 Year
Ms. V. Vitha Bai	109345	2.30	1.51	1 Year
Mr. Sandeep Varalwar	290000	6.10	4.00	1 Year
Ms. Seethal Varalwar	140800	2.96	1.94	1 Year
Ms. Neelima Varalwar	20000	0.41	0.28	1 Year
Sub-total (b)	1171260	24.62	16.14	
Total (a + b)	2622600	55.13	36.14	

- g. The equity shares held by persons other than Promoters may be transferred to any other person holding shares prior to the issue, subject to continuation of lock-in with transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

The equity shares to be held by the promoters under lock-in period shall not be sold/hypothecated/transferred during the lock-in period. However, the equity shares held by promoters, which are locked in, may be transferred to and among promoter/promoter group or to a new promoter or persons in control of the Company, subject to the continuation of lock-in with the transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as applicable. The Promoters may pledge their Equity Shares with banks or financial institutions as additional security for loans whenever availed by them from banks or financial institutions.

- h. Top ten shareholders as on ----- (two years prior to the date of filing of the Prospectus with the ROC)

Sr. No.	Name of the Shareholders	No. of shares	% of the paid up capital
1.	M. Ravinder	16,69,333	35.09
2.	M. Kishore Kumar	4,76,633	10.02
3.	M.V. Radhika	2,38,034	5.00
4.	Rashna Cyrus Patel	1,60,000	3.36
5	K.S.I.I.DC	1,50,000	3.15
6.	Sumitra Devi	61,600	1.30
7.	Subhash Varalwar	58,465	1.23
8.	Sudha M	40,000	0.84
9	Fali Edul Dhondy	40,000	0.84
10	Hila Fali Dhondy	40,000	0.84

- i. Top ten shareholders as on ----- (being 10 days prior to the date of filing of the Prospectus with the RoC)

Sr. No.	Name of the Shareholders	No. of shares	% of the paid up capital
1.	Santosh Varalwar	1052455	22.13
2.	Dr. V. Manohar Rao	340000	7.15
3.	Dr. Sujata Varalwar	300000	6.31
4.	Sandeep Varalwar	290000	6.10
5	Seepra S. Jajoo	275000	5.78
6.	Subhash Varalwar	270000	5.68
7.	Kamal Nayan Saraogi	150000	3.15
8.	Seethal Varalwar	140800	2.96
9	Vitha Bai Varalwar	109345	2.30
10	Padma Varalwar	100000	2.10

- j. Top ten shareholders as on----- (being the date of filing of the Prospectus with the RoC)

Sr. No.	Name of the Shareholders	No. of shares	% of the paid up capital
1.	Santosh Varalwar	1052455	22.13
2.	Dr. V. Manohar Rao	340000	7.15
3.	Dr. Sujata Varalwar	300000	6.31
4.	Sandeep Varalwar	290000	6.10
5	Seepra S. Jajoo	275000	5.78
6.	Subhash Varalwar	270000	5.68
7.	Kamal Nayan Saraogi	150000	3.15
8.	Seethal Varalwar	140800	2.96
9	Vitha Bai Varalwar	109345	2.30
10	Padma Varalwar	100000	2.10

- k. The details of sale/ purchase/ financing of shares by Promoters/Directors :

The promoters Group/Directors have not purchased and/or sold/financed any shares of the Company during the past 6 months.

- l. The promoters' contribution has been brought-in in not less than the specified minimum lot of Rs. 25,000/- per application from each individual and Rs. 1,00,000/- from Companies.

- m. The Company/Promoters/Director/Lead Manager have not entered in to buyback/standby or similar arrangements for purchase of securities issued by the Company through this Prospectus.

- n. The pre-issue & post-issue shareholding pattern of Vivimed Labs Limited is as under:

Category	Pre-Issue		Post issue	
	No. of Shares	% holding	No. of Shares	% holding
Promoters & Promoters' Group	2622600	55.13	2622600	36.14
Relatives & Friends	1200100	25.23	1200100	16.54
Public/ Others	934000	19.64	3434000	47.32
Total	4756700	100.00	7256700	100.00

- o. The Company has reserved 50,000 equity shares for permanent/regular employees and 6,00,000 equity shares for NRIs / FIIs on a competitive basis. The unsubscribed portion, if any in any of the category will be added back to the Net offer to the public.

- p. Permanent /regular employees can also apply in the "Net offer to the Public" portion and such application will not be treated as multiple application.

- q. As per SEBI guidelines, a minimum of 50% of the net offer to the public is reserved for allotment to individual investors applying equity shares of or for a value of not more than Rs. 50,000/-. The remaining 50% of the offer to the public is reserved for individuals applying for equity shares of a value more than Rs.50,000/- and corporate bodies/institutions etc. Unsubscribed portion in either of these categories shall be added to the other category interchangeably.

- r. An over-subscription to the extent of 10% of the net offer to public can be retained for the purpose of rounding off to the nearest integer subject to a minimum allotment being equal to 100 shares, which is the minimum application size in this Issue, while finalizing the allotment.

- s. In the event of over-subscription, Allotment will be on proportionate basis as detailed in Para on "Basis of Allotment"
- t. The equity shares offered through this public issue shall be made fully paid up on allotment.
- u. The Company has not issued any shares out of revaluation reserves or for consideration other than cash.
- v. The shareholders of the Company do not hold any warrant, options, convertible loan or any debenture, which would entitle them to acquire further shares of the Company.
- w. There are no "bridge loans" from any Bank taken by the Company against the proceeds of the issue.
- x. No single applicant can make an application for number of shares, which exceeds the number of shares offered.
- y. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Prospectus with SEBI until the Equity Shares offered through this Prospectus have been listed.
- z. The Company presently does not have any intention or proposal to alter its capital structure for a period of six months from the date of opening of the Issue, by way of split/consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, or if the Company goes in for acquisitions and joint ventures, the Company might consider raising additional capital to fund such activity or use shares as currency for acquisition and/or participation in such joint venture.
- aa. At any given point of time, there shall be only one denomination for the Equity Shares of the Company.
- bb. The Company had 109 members as on November 1, 2004.

3. TERMS OF THE PRESENT ISSUE

PRINCIPAL TERMS AND CONDITIONS OF THE ISSUE

The equity shares being issued are subject to the terms of this Prospectus, the terms and conditions contained in the Application Form, the Memorandum and Articles of Association of the Company, provisions of the Act, other applicable Acts and the Letters of Allotment/Equity Share Certificates or other documents and the Guidelines issued from time to time by the Government of India, SEBI and the concerned Stock Exchanges.

TERMS OF PAYMENT:

Applications should be for minimum of 100 equity shares and in multiples of 100 equity shares thereafter. The entire offer price of the equity shares of Rs. 70/- per share is payable on application.

In case of allotment of lesser number of equity shares than the number applied, the excess amount paid on application shall be refunded by the Company to the applicants.

INTEREST IN CASE OF DELAY IN DISPATCH OF ALLOTMENT LETTERS / REFUND ORDERS:

Vivimed Labs Limited agrees that as far as possible, allotment of securities offered to the public shall be made within 30 days of the closure of public issue. Vivimed Labs Limited further agrees that it shall pay interest @ 15% per annum if the shares are not credited to Demat account or/and refund orders have not been dispatched to the applicants within 30 days from the date of the closure of the issue.

ARRANGEMENTS FOR DISPOSAL OF ODD LOTS:

The Company's shares will be traded in dematerialized form only and therefore the marketable lot is 1 (ONE) share. Therefore, there is no possibility of any odd lots.

RIGHTS OF THE EQUITY SHAREHOLDERS

- i. Right to receive dividend, if declared.
- ii. Right to attend general meetings and exercise voting rights, unless prohibited by law.
- iii. Right to vote on a poll either personally or by proxy.
- iv. Right to receive offer for rights shares and be allotted bonus shares.
- v. Right to receive surplus on liquidation.
- vi. Such other rights, as may be available to a shareholder of a Public Limited Company under the Companies Act, 1956.

RANKING OF EQUITY SHARES

The Equity Shares to be issued shall, subject to the MoA, rank *pari passu* with the existing Equity Shares of the Company all respects except the lock-in provisions applicable as per SEBI Guidelines in respect of existing Equity Shares as mentioned in the "Notes to Capital structure".

MARKETABLE LOT

The Company shall allot the Equity Shares in dematerialized form only. The trading in the Equity Shares of the Company shall only be in dematerialized form for all investors, where the marketable lot is one (1) equity share.

NOMINATION FACILITY TO INVESTOR

In accordance with Section 109A of the Companies Act, the sole or first applicant, along with other joint applicants, may nominate any one person in whom, in the event of the death of sole applicant or in case of joint applicants, death of all the applicants, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the equity share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the

prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of the Company or to the registrar and transfer agents of the Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- a. to register himself or herself as the holder of the equity shares; or
- b. to make such transfer of the equity shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the equity shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the equity shares, until the requirements of the notice have been complied with.

PROCEDURE FOR APPLICATION AND MODE OF PAYMENT

Availability of Prospectus and Application Forms

The Memorandum Form 2A containing the salient features of the Prospectus together with Application Forms and copies of the Prospectus may be obtained from the Registered Office of the Company, Lead Manager to the Issue, Registrar to the Issue, Underwriters to the Issue and at the collection centres of the Bankers to the Issue, as mentioned on the Application Form.

Application may be made by

(a)	Indian Nationals resident of India who are Adult Individuals in single name or joint names (not more than three)
(b)	Hindu Undivided Families through the Karta of the Hindu Undivided Family
(c)	Companies, Bodies Corporate and Societies registered under the applicable laws in India and authorised to invest in the Shares
(d)	Indian Mutual Funds registered with SEBI
(e)	Indian Financial Institutions & Banks
(f)	Venture Capital Funds / Foreign Venture Capital investors registered with SEBI
(g)	State Industrial Development Corporation
(h)	Insurance Companies registered with Insurance Regulatory and Development Authority;
(i)	Provident Funds with minimum corpus of Rs.25 Crore;
(l)	Pension Funds with minimum corpus of Rs.25 Crore;
(m)	Trusts who are registered under the Societies Registration Act, 1860 or any other trust law and are authorised under its constitution to hold and invest in shares
(n)	Commercial Banks and Regional Rural Banks. Co-operative Banks may also apply subject to permission from Reserve Bank of India
(o)	Permanent and Regular employees of the Company
(p)	Non-Resident Indians (NRIs) on a repatriable/ non-repatriable basis
(q)	Foreign Institutional Investors (FIIs) on a repatriable/ non repatriable basis

Applications cannot be made by

- a) Minors
- b) Foreign Nationals (except NRIs)
- c) Overseas Corporate Bodies (OCBs)
- d) Partnership firms or their nominees

Subscription by NRIs/ FIIs

The Company has made an application to the RBI for the issue of Equity Shares to NRIs/FIIs with repatriation benefits. Subject to obtaining such approvals, it will not be necessary for the investors to seek separate permission from the RBI for this specific purpose.

The allotment of the Equity Shares to Non-Residents shall be subject to the FIPB/ RBI approval or any other requisite permission as may be necessary.

A. GENERAL INSTRUCTIONS

1. Applications must be made in the prescribed Application Form and completed in Full in BLOCK LETTERS in English as per the instructions contained herein and in the Application Form and are liable to be rejected if not so made.
2. The application for equity shares should be for a minimum of 100 equity shares and in multiples of 100 shares thereafter. An applicant can make an application only for a maximum number of equity shares that are offered in the respective category, however the maximum allotment will be subject to the investment limits prescribed by the regulatory or statutory authorities governing them.
3. Thumb impressions and signatures other than in English/ Hindi/ Marathi or any other language specified in the 8th Schedule to the Constitution of India, must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under his/ her official seal.

4. Bank Account Details of Applicant:

The name of the Applicant, Depository Participant's name, Depository Participant's Identification (DPID) number and the Beneficiary number provided by the Depository participant must be correctly mentioned in the Application Form at the appropriate place. The Registrars will obtain the Demographic details such as Address, Bank account details and occupation from the depository participants. The refunds, if any, will be printed with the Bank details as given by the Depository participant.

5. Applications under Power of Attorney:

In case of applications under Powers of Attorney or by Companies, Bodies Corporate, Societies registered under the applicable laws, trustees of trusts, Provident Funds, Superannuation Funds, Gratuity Funds a certified copy of the Power of Attorney or the relevant authority, as the case may be, must be lodged separately at the office of the Registrar to the Issue simultaneously with the submission of the application form, indicating the serial number of the application form and the name of the Bank and the branch office where the application is submitted.

The Company in its absolute discretion reserves the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Application Form subject to such terms and conditions as it may deem fit.

6. PAN/ GIR Number

Where an application is for a total value of Rs. 50,000/- or more, the applicant or in case of applications in joint names, each of the applicants should mention his/ her/ their Permanent Account number (PAN) allotted under Income Tax Act, 1961 or where the same has not been allotted, the GIR Number and the IT Circle/ Ward/ District should be mentioned. In case where neither the PAN nor the GIR Number has been allotted, or the applicant is not assessed to Income Tax, the appropriate box provided for the purpose in the application form must be ticked. Applications without this will be considered incomplete and are liable to be rejected.

7. Joint Applications in the case of individuals

Applications can be in single or joint names (not more than three). In the case of joint applications, all payments will be made out in favour of the first applicant. All communications will be addressed to the first named applicant whose name appears in the Application form at the address mentioned therein.

8. Applications may be made by Hindu Undivided Families (HUF) through the Karta of the (HUF) and will be treated at par with individual applications.

9. Multiple Applications

An applicant should submit only one application form (and not more than one) for the total number of equity shares applied for. Two or more applications in single or joint names will be deemed to be multiple applications if the sole and/ or first applicant is one and the same.

In case of application by Mutual Funds, a separate application can be made in respect of each scheme of an Indian Mutual Fund registered with SEBI and such applications will not be treated as multiple applications provided that the application made by the Asset Management Company/ Trustees/ Custodian clearly indicate their intention as to the scheme for which the application has been made.

The Company reserves the right to accept or reject, in its absolute discretion, any or all-multiple applications.

A separate single cheque/draft must accompany each application form.

10. Stockinvest

Investors will not have the facility of applying through Stockinvest instrument, as RBI has withdrawn the Stockinvest scheme vide notification No.DBOD.NO.FSC.BC.42/24.47.001/2033-04 dated 5.11.2003.

Note:

Applicants are requested to write their names and application serial number on the reverse of the instruments by which the payments are being made to avoid misuse of instruments submitted along with the applications for equity shares.

Applications by NRIs on non-repatriation basis can be made using the Form meant for Public out of the funds held in Non Resident (Ordinary) Account (NRO). The relevant bank certificate must accompany such forms. Such applications will be treated on par with the applications made by the public.

For further instructions, please read the Application Form carefully.

B. PAYMENT INSTRUCTIONS (For Resident investors)

1. Payment may be made by way of cash or cheque/ demand draft/ (money/ postal orders will not be accepted) drawn on any Bank, including a co-operative Bank which is situated at and is a member or sub-member of the Banker's clearing-house located at the place where the application form is submitted, i.e. at designated collection centers.
2. Outstation cheques/demand drafts drawn on Banks not participating in the clearing process will not be accepted.
3. All cheques/ demand drafts accompanying the Application Form should be marked as follows: Cheque/ bank draft must be made payable to the bankers to the issue and marked "_____A/c Vivimed Labs Limited- Public Issue" and crossed "A/C payee only". For e.g. "_____Bank – A/c Vivimed Labs Limited – Public Issue"
4. The applications shall be made only by way of cash/ cheque/ demand draft. However, if the amount payable on application is Rs. 20,000/- or more, such payment must be effected only by way of an account payee cheque/ or Bank draft in terms of section 269SS of the Income-Tax Act, 1961. Otherwise the applications may be rejected and application money refunded without any interest.

APPLICATION BY EMPLOYEES

Reservation on competitive basis has been made in the public issue to the permanent employees including working directors of the company. Reservation on competitive basis shall mean reservation wherein allotment of shares is made in proportion to the shares applied for.

1. Application must be made only:

- a. On the prescribed Application Form (**BLUE** in colour) accompanying this Prospectus and completed in full in BLOCK LETTERS in English, except signature(s) in accordance with the instructions contained herein and in the application form and is liable to be rejected if not so made.
 - b. For a minimum of 100 Equity Shares and in multiples of 100 thereafter.
 - c. In single name or joint names (not more than three), however first applicant should be permanent / regular employee of the Company;
2. A single applicant in the reserved category can make an application for a number of shares that are being issued to employees in terms of this issue. Payment should be made in cash or by cheque/Bank Draft drawn on any bank(including a Co-operative Bank) which is situated at and is a Member or Sub-member of the Banker's Clearing House located at the place where the application is submitted.
 3. A separate cheque or Bank draft shall accompany each application form. Applicants should write the Share Application Number on the back of the Cheque /draft. Outstation Cheques will not be accepted and applications accompanied by such cheques drawn on outstation banks are liable for rejection. Money Orders/Postal Orders will not be accepted.
 4. All Cheques or Bank Drafts must be payable to any of the Bankers to the Issue with whom the application is lodged and marked "A/c- Vivimed Labs – Public Issue - Employees" and crossed "Account Payee Only" (e.g. _____ **Bank A/c – Vivimed Labs - Public Issue - Employees**).
 5. All application Forms duly completed together with cash/ cheque/bank draft for the amount payable on application must be delivered before the closing of the subscription list to any of the Bankers to the Issue named herein or to any of their branches mentioned on the reverse of Application Form, and NOT to the Company or to the Lead Manager to the Issue or to the Registrar to the Issue.
 6. No receipt will be issued for the application money. However, Bankers to the Issue and/or their branches receiving the applications will acknowledge receipt by stamping and returning acknowledgment slip at the bottom of each application form.
 7. When an application for Equity Shares is for a total value of Rs.50,000/- or more, the applicant or in the case of application in joint names each applicant should mention his/her Permanent Account Number (PAN) allotted under the Income Tax Act, 1961 or where the same has not been allotted, the GIR Number and the IT Circle, Ward, District. In case neither PAN, GIR Number has been allotted mention of "Not Allotted" must be made in the place provided. Application Form without this information will be considered incomplete and is liable to be rejected.
 8. All Cheques/Bank Drafts accompanying the application form should contain the Application Form Number on the reverse of the instrument.
 9. The applicant should fill in the details of his/her bank account in the space provided in the application form failing which the application is liable to be rejected.
 10. Applicants residing at places where designated branches of the Banker to the Issue are not located may submit/mail their applications at their sole risk along with Demand Draft payable at Mumbai only payable to "**Vivimed Labs - Public Issue - Employees**" to Registrar to the Issue.

For further instructions please read Application Form carefully.

PAYMENT INSTRUCTIONS (For NRIs/FIIs on a repatriable basis)

APPLICATION BY NRIs / FIIs

1. Application should be made only
 - (a) In the prescribed application form (**RED** in colour) and completed in full block letters in English in accordance with the instructions contained herein and in the application form. Applications not so made are liable to be rejected;
 - (b) For a minimum of 100 shares and in multiples of 100 thereof, subject to maximum of 6,00,000 equity shares;
 - (c) In single or joint names (not more than three);
 - (d) In the names of individuals, (not in the names of minors or nominees) of Indian nationality/origin or FIIs registered with SEBI.
 - (e) with remittances from abroad for the amount payable on application per share through approved banking channels or out of funds held in Non-Resident External (NRE) / Foreign Currency Non Resident (FCNR) accounts maintained with banks authorised to deal in foreign exchange in India, along with the certificate from the bank issuing the draft confirming that the draft has been issued by debit to NRE / FCNR account.
2. Application forms properly completed together with cheques/bank drafts for the amount payable on application @ Indian Rs. 70/- or equivalent of Indian Rs. 70/- remitted through normal banking

channels or funds held in Non-Resident External (NRE) Accounts/Foreign Currency Non resident (FCNR) Accounts maintained with banks authorised to deal in foreign exchange in India along with documentary evidence in support of remittance, must be delivered before the close of subscription list to those branches of the Bankers to the issue at places mentioned against their names in the application forms.

3. Applicants are requested to mention the application form number on the reverse of the instrument to avoid misuse of instrument submitted along with application for shares. Applicants are advised in their own interest, to indicate the name of the Bank and the savings or current a/c number in the application form. In case of refund, the refund order will indicate these details after the name of the payee. The refund order will be sent directly to the payee's address.
4. The allotment of equity shares to NRIs shall be subject to RBI approval or any other requisite authority as may be necessary under the existing Exchange Control Regulation. The sale proceeds of such investment in equity shares by NRIs will be allowed to be repatriated along with the income thereon, subject to instructions from RBI then in force and subject to Indian Tax Laws, provided that the investments are made by inward remittance from abroad through approved banking channels or out of funds held in NRE / FCNR accounts maintained with a bank in India.
5. Refunds/dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges / commission. In case of applicants who remit their application money from funds held in NRE / FCNR accounts, such payments shall be credited to their respective NRE / FCNR accounts (details of which shall be furnished in the space provided for this purpose in the Application Form), under intimation to them. In case of applicants who remit their money through Indian Rupee Drafts from abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as maybe permitted by RBI at the exchange rate prevailing at the time of remittance and will be dispatched by registered post, or if the applicants so desire, will be credited to their NRE / FCNR accounts, details of which are to be furnished in the space provided for this purpose in the Application Form. The Company will not be responsible for loss, if any, incurred by the applicant on account of conversion of Foreign Currency into Indian Rupees and vice versa.
6. Applications in this category cannot be made out of NRO accounts and such applications would be rejected. Applications out of NRO accounts can, however, be made in the category of Resident Indian public.
7. All cheques / bank drafts accompanying the Application Form must be made payable to the Bankers to the Issue with whom the Application Forms are lodged and be marked "Vivimed Labs Limited -Public Issue- NRI" and crossed "Account Payee only".
8. In accordance with the current regulations, the Issue of Equity shares to a single FII should not exceed 10% of the post-Issue capital of the Company. In respect of an FII investing in Equity shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital in case such sub-account is a foreign corporate or an individual.
9. NRI/FII application forms can be obtained on request, from the registered office of the Company.

FOR FURTHER INSTRUCTIONS REGARDING APPLICATIONS FOR THE EQUITY SHARES, INVESTORS ARE REQUESTED TO READ THE APPLICATION FORM CAREFULLY.

SUBMISSION OF COMPLETED APPLICATION FORMS:

All applications duly completed and accompanied by cash/ cheques/ demand drafts shall be submitted at the branches of the Bankers to the Issue (listed in the Application Form) before the closure of the Issue. Applications should NOT be sent to the Office of the Company, the Lead Manager to the Issue.

Application Forms along with Bank Drafts payable at Hyderabad can also be sent by registered post with acknowledgement due to the Registrar to the issue, Aarthi Consultants Pvt. Ltd. so that the same can be received before the closure of the subscription list.

No separate receipts will be issued for the application money. However, the Bankers to the Issue or their approved collecting branches receiving the duly completed application form will acknowledge receipt of the application by stamping and returning to the applicant the acknowledgement slip at the bottom of each application form.

Applications shall be deemed to have been received by the Company only when submitted to the Bankers to the Issue at their designated branches or on receipt by the Registrar as detailed above and not otherwise.

For further instructions, please read the application form carefully.

ACCEPTANCE OF APPLICATIONS

The Company reserves the right to accept or reject, any application, in whole or in part, without assigning any reason thereof. If the application is rejected in full, the whole of the application money received will be refunded by Registered Post to the applicant. If the application is accepted in part, the excess application money after adjusting for the amount payable on allotment will be refunded to the applicant. Such refund, if any, will carry interest @ 15% p.a. after 30 days from the closure of the Issue for the period of delay beyond 30 days.

BASIS OF ALLOTMENT:

A For Permanent / Regular Employees reservation portion:

- Applications received from the Permanent / Regular Employees of the Company shall be grouped together to determine the total allotment under this category.
- If the aggregate number of equity shares applied for in this category is less than or equal to 50000 Equity Shares, full allotment shall be made to the applicants in this category and unsubscribed portion will be added back to the "Net offer to the Public" category.
- If the aggregate number of equity shares applied for in this category is more than 50000 Equity Shares, the allotment shall be made on a proportionate basis as explained below under "Net offer to the Public portion".

B. For Net offer to the Public portion:

In the event of public issue of equity shares being over-subscribed, the allotment will be on a proportionate basis subject to market lots as explained below:

1. A minimum 50% of the net Issue to the Indian public will be made available for allotment in favour of those individual applicants who have applied for Equity Shares of or for a value of not more than Rs.50,000/-. This percentage may be increased in consultation with the Designated Stock Exchange depending on the extent of response to the Issue from investors in this category. In case allotments are made to a lesser extent than 50% because of lower subscription in the above category, the balance Equity Shares would be added to the higher category and allotment made on a proportionate basis as per relevant SEBI Guidelines. The Executive Director/Managing Director of the Designated Stock Exchange along with the post issue Lead Manager and the Registrar to the issue shall be responsible to ensure that the basis of allotment is finalised in a fair and proper manner in accordance with the guidelines.
2. The balance of the Net Issue to Indian Public shall be made available to investors including corporate bodies/institutions and individual applicants who have applied for allotment of Equity Shares for a value of more than Rs.50,000/-.
3. The Unsubscribed portion of the net issue to any of the categories specified in (1) or (2) shall be made available for allotment to applicants in the other category, if so required.
4. Applicants will be categorized according to the number of equity shares applied for.
5. The total number of shares to be allotted to each category as a whole shall be arrived at on a proportionate basis i.e. the total number of shares applied for in that category (number of applicants in the category multiplied by the number of shares applied for) multiplied by the inverse of the over subscription ratio.
6. Number of the shares to be allotted to the successful allottees shall be arrived at on a proportionate basis i.e. total number of shares applied for by each applicant in that category multiplied by the inverse of the over subscription ratio.
7. All the applications where the proportionate allotment works out to less than 100 shares per applicant, the allotment shall be made as follows:
 - i. Each successful applicant shall be allotted a minimum of 100 shares; and
 - ii. The successful applicants out of the total applicants for that category shall be determined by draw of lots in such a manner that the total number of shares allotted in that category is equal to the number of shares worked out as per (5) above.

8. If the proportionate allotment to an Applicant works out to a number that is more than 100 shares but is a fraction, then the fraction equal to or higher than 0.50 shall be rounded off to the next integer and If that fraction is lower than 0.50, the fraction shall be ignored.
9. All applicants in such categories shall be allotted shares arrived at after such rounding off.
10. If the shares allocated on a proportionate basis to any category is more than the shares allotted to the applicants in that category, the balance available shares for allotment shall be first adjusted against any other category, where the allocated shares are not sufficient for proportionate allotment to the successful applicants in that category.
11. The balance shares if any, remaining after such adjustment shall be added to the category comprising applicants applying for minimum number of shares.
12. The process of rounding off to the nearest integer subject to a minimum allotment being equal to 100 shares, which is the minimum application size in this Issue, may result in the actual allotment being higher than the shares offered. However, it shall not exceed 10 % of the net offer to public.

DESPATCH OF REFUND ORDERS

Vivimed shall ensure dispatch of Refund Orders of value up to Rs.1500/- Under Certificate of Posting and refund order over the value of Rs.1500/- by Registered Post only. Vivimed would also make available adequate funds to the Registrar to the Issue for this purpose.

EQUITY SHARE IN DEMATERIALIZED FORM WITH NSDL OR CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Share of the Company can be held in a dematerialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode).

Successful allottees in this issue will be compulsorily allotted Equity Shares in dematerialised form. In this context, two tripartite agreements have been signed between the Company, the Registrar and the Depositories:

1. an Agreement dated June 9, 2004 between the Company, NSDL and Aarthi Consultants Private Limited; and
2. an Agreement dated ____ between the Company, CDSL and Aarthi Consultants Private Limited.

The Company's shares bear an ISIN no. INE526G01013.

All investors can seek allotment only in dematerialised mode. However an investor will have an option to hold the shares in Physical form or demat form. After the allotment in the proposed issue allottees may request their respective DP for rematerialization of shares if they wish to hold shares in physical form. Applications without relevant details of his or her depository account are liable to be rejected.

1. An applicant applying for shares must have at least one beneficiary account with any of the Depository Participants (DPs) of NSDL or of CDSL, registered with SEBI, prior to making the application.
2. The applicant must necessarily fill in the details (including the beneficiary account no. and Depository Participant's ID no.) in the application form.
3. Equity Shares allotted to an applicant in the electronic account will be credited directly to the respective beneficiary accounts (with the DP)
4. Names in the share application form should be identical to those appearing in the account details in the depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the depository
5. The Registrar to this Issue will directly send non-transferable allotment letters/ refund orders to the applicant.
6. If incomplete/ incorrect details are given under the heading 'Request for shares in electronic form' in the application form, it is liable to be rejected.

7. The applicant is responsible for the correctness of the applicant's demographic details given in the application form vis-à-vis those with his/ her Depository Participant.
8. It may be noted that Equity Shares in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where the Equity Shares of the Company are proposed to be listed are connected to NSDL and CDSL.
9. Trading in the Equity shares of the Company would be in dematerialised form only for all investors.

UNDERTAKING BY THE COMPANY:

Vivimed undertakes:

- a. that the complaints received in respect of the Issue shall be attended to by the Company expeditiously and satisfactorily;
- b. that all steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the equity shares are to be listed are taken within 7 working days of finalization of the basis of allotment.
- c. that the funds required for dispatch of refund orders by registered post shall be made available to the Registrar to the Issue by the Company;
- d. that refund orders to non-resident Indian applicants shall be dispatched within specified time.
- e. that no further issue of equity shares shall be made till the equity shares offered through this Prospectus are listed or till the application moneys are refunded on account of non-listing, under-subscription, etc.

UTILISATION OF ISSUE PROCEEDS

The Board of Directors of the Company certifies that:

- a. all monies received out of this issue of shares to public shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of section 73;
- b. details of all monies utilized out of the issue referred to in sub-item(a) shall be disclosed under an appropriate separate head in the balance-sheet of the Company indicating the purpose for which such monies had been utilized; and
- c. details of all unutilized monies out of the issue of shares, if any, referred to in sub-item(a) shall be disclosed under an appropriate separate head in the balance-sheet of the Company indicating the form in which such unutilized monies have been invested.

TAX BENEFITS CERTIFICATE:

M/s P. Murali & Co., Chartered Accountants and the Auditors of the Company, have certified vide their letter dated October 20, 2004 that under the current provisions of the Income Tax Act, 1961 and the existing laws for the time being in force, the following benefits, inter-alia, will be available to the Company and the members

A. TO THE COMPANY

The Company will be entitled for the following tax benefits in computing the Taxable Income under the Provisions of the Income Tax Act, 1961 (The Act).

1. Under Section 32 of the Act, the Company is entitled to claim depreciation on tangible and intangible assets as explained in the said section.
2. Subject to compliance of certain conditions laid down in section 35 (1) (iv) of the Act, in respect of any capital expenditure incurred other than the expenditure incurred on the acquisition of any land, on scientific research related to the business of the Company, to the extent of expenditure incurred.
3. The Company is presently liable to pay Income Tax on the Book profits Computed as per Section 115 JB of the Act.

4. The Company is eligible for amortisation of preliminary expenses being the expenditure on public issue of share under Section 35D (2) (c) (iv) of the Act, subject to limits specified in sub section (3).

B. TO THE MEMBERS OF THE COMPANY

1. As per the provisions of section 112 of the Act, long-term capital gains that are not exempt under the proposed section 10(38) of the Act, would be subject to tax at a rate of 20 percent (plus applicable surcharge and Education Cess @2% of such tax and surcharge). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10% (plus applicable surcharge and Cess).
2. Long term capital gains tax is exempt w.e.f.1st April 2004, in case of securities listed on recognized stock exchange and held for more than 12 months. In case of short term capital gains, the tax rate has been reduced to 10%
3. As per the provisions of section 54ED of the Act and subject to the conditions specified therein, capital gains not exempt under the proposed section 10(38) and arising from transfer of long term assets, being listed securities or units shall not be chargeable to tax, to the extent such gains are invested in acquiring Equity Shares forming part of an "eligible issue of share capital" within six months from the date of transfer of the long term assets (provided they are not transferred within one year of acquisition). Eligible issue of share capital has been defined as an issue of Equity Shares which satisfies the following conditions:
 - the issue is made by a public Company formed and registered in India; and
 - the shares forming part of the offer for subscription to the public.

The issue of shares by the Company being an eligible issue of share capital, the subscribers thereto would be eligible to claim the exemption granted under section 54ED.

4. As per the provisions of Section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ("HUF"), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax, if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.
5. Under Section 115AD of the Act, income received by Foreign Institutional Investor in respect of securities shall be taxed @ 20%. Income by way of Long Term Capital Gains arising from the transfer of such securities shall be taxed @ 10%. With effect from A. Y. 2005-06, Income by way of Short Term Capital Gains arising from the transfer of such securities shall be taxed @ 10%.
6. Section 10(34) provides that any income by way of dividends referred to in section 115 O i.e. dividend declared, distributed or paid by a domestic Company, on or after 1st April,2003 is exempt in the case of all categories of assesses.

C. ADDITIONAL BENEFITS AVAILABLE TO NON-RESIDENTS INDIANS

Non-resident Indians have an option to be governed by the special provisions of Chapter XIA of the Act according to which:

1. Under Section 115 G of the Act, it shall not be necessary for the Non-resident Indians to furnish their return of Income, under section 139(1) of the Act, if their source of income is only investment income or income by way of long term capital gains or both, provided income tax deductible at source under the provisions of chapter XVII B has been deducted from such income.
2. The benefit conferred on a Non-resident Indian assessee will be available even after the assessee becomes a resident if declaration in writing is filed along with the return of income under Section 139(1) of the IT Act, to the effect that the provisions of Chapter XII A shall continue to apply to him in respect of investment income derived from foreign

exchange asset vide Section 115 H of the Act, until the Transfer or conversion (otherwise than by transfer) into money of such assets.

3. Under Section 115-I of the Act, a Non-resident Indian, if he elects by so declaring in the return of his income for that assessment year, not be governed by the above mentioned special provisions of chapter XII-A, then he will be entitle to tax benefits available to resident individuals.

D. MUTUAL Funds

Under Section 10 (23D) of the Act, all Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or regulations made there under, mutual funds set up by public sector Bank or public Financial Institutions, or authorized by the Reserve Bank of India and subject to such conditions as may be notified by the Central Government will be exempt from income tax on any income.

E. Wealth Tax

The Shares held in a Company are not liable to Wealth Tax under the Wealth Tax Act, 1957.

F. Gift Tax

The Gift Tax Act 1958, ceases to apply to gifts made on or after 1st October 1998. Gifts of shares of the Company would therefore, be exempt from Gift Tax.

NOTES:

1. All the above benefits are as per the Current Tax Law as amended by the Finance Act, 2004.
2. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint holders.
3. In respect if Non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Agreements, if any, between India and the Country in which the Non Resident has fiscal domicile.
4. In view of the individual nature of tax consequences, each investor is advised to consult his / her own tax advisor with respect to specific tax consequences of his / her participation in the scheme.

4. PARTICULARS OF THE ISSUE

Objects of the Issue

1. Expansion of "Triclosan" Capacities;
2. Setting up of new manufacturing facility for Avis, CaGP, NDGA, Cosvat, A123 etc.;
3. To finance margin money requirement for non-fund based working capital for expansion;
4. To meet the expenses of the issue;
5. To list the equity shares of the Company on the Stock Exchanges.

The main objects clause of the Memorandum of Association of the Company enables the Company to undertake the existing activities and the activities for which the funds are being raised through the present issue.

COST OF PROJECT AND MEANS OF FINANCE

The cost of the project and means of finance as per the appraisal report of UTI Securities Limited dated October 20, 2004.

COST OF THE PROJECT

	(Rs. in lacs)
Particulars	Amount
Land & Site Development **	92.95
Buildings & Civil Work **	400.00
Plant & Machinery **	1371.28
Electrical Installations **	275.89
Furniture and Fixtures & Other Assets **	45.00
Margin Money for working capital	148.00
Preliminary, Pre Operative and Issue Expenses	150.00
Contingencies	166.88
	2,650.00
MEANS OF FINANCE	
Public Issue of Equity Shares	1,750.00
Term Loan from State Bank of Hyderabad ⁽¹⁾	450.00
Term Loan from Citibank N. A. ⁽²⁾	450.00
	2,650.00

** As certified by Independent Chartered Engineer

1. The State Bank of Hyderabad vide its letter no. F/OSPH/ADV/VIV/5134 dated August 10, 2004 sanctioned a term loan of Rs. 450 lacs.
2. Citibank vide its letter dated September 17, 2004 sanctioned a term loan of Rs. 450 lacs.

The entire amount other than the IPO proceeds which forms part of the Means of Finance as given above has been tied up.

Pending utilization in the project, the proceeds of the issue will be invested in Bank Deposits and/or Gilt Edged Government Securities, either directly or through Mutual funds.

In case the IPO does not go as planned, the Company will make alternative arrangements like availing of fresh loans from bank and also internal accruals.

APPRAISAL

The project has been appraised by UTI Securities Limited for the purpose of the IPO of Equity Shares; vide appraisal report dated October 20, 2004, which forms part of Material documents.

The scope of Appraisal is limited to meet the listing norms of Stock Exchanges for IPO and includes the following:

- The promoter and the Company track record for implementing the projects
- The analysis of the past financial performance of the company
- The rationale for undertaking capital expenditure programme
- The markets for the products-existing and new
- The assumptions underlying profitability projections on completion of the capital expenditure programme
- The key financial ratios for the company as a whole on completion of the capital expenditure programme
- Analysis of risk factors associated with project implementation, market size and competition etc.

DEPLOYMENT OF FUNDS IN THE PROJECTS AS ON OCTOBER 15, 2004.

The Company has incurred certain expenditure on the proposed project till October 15, 2004 as depicted below. The same has been certified by M/s P. Murali & Co., Chartered Accountants vide their certificate dated October 20, 2004. The details are given below:

Deployment of Funds	Rs. Lacs
Land and site development	55.00
Total	55.00

Sources of Funds	Rs. Lacs
Internal Accruals	55.00
Total	55.00

The total Cost of the Project and the proposed year wise break up of deployment of fund are as under:

	Rs. in lacs				Total
	FY 2004-05			FY 2005-06	
Capital Expenditure	Already Incurred	3rd Qtr.	4th Qtr.	1st Qtr.	
Land & Site Development	55.00	37.95	--	--	92.95
Building and Civil works	--	100.00	300.00	--	400.00
Plant & Machinery	--	100.00	1271.28	--	1,371.28
Electrical Installations	--	75.00	200.89	--	275.89
Furniture and Fixtures & Other Assets	--	45.00	--	--	45.00
Margin Money for Working Capital	--	--	--	148.00	148.00
Preliminary, Preoperative & Issue expenses	--	30.00	100.00	20.00	150.00
Contingencies	--	--	166.88	--	166.88
Total	55.00	387.95	2039.05	168.00	2,650.00

5. BRIEF DETAILS ABOUT THE PROJECT

The expansion plan proposed to be financed and implemented through IPO proceeds are to setup a new manufacturing facility for the existing and new products of the company.

Existing manufacturing facilities of the Company are located at Plot No. 78-A, Kolhar Industrial Area, Bidar, Karnataka on a plot of land admeasuring 4.5 acres with a built up area of 50,000 sq ft. The Company is manufacturing Triclosan in this unit having a capacity of 480 MT per annum. The Company outsources the manufacturing of Avis and CaGP from the manufacturing facilities located in Bidar and Hyderabad.

The main reason for expansion is increase in demand from the existing as well as few new customers for various products manufactured by the Company. The Company already has an order for 400 MT for Triclosan. At the same time the Company has also got an encouraging response from few MNCs for the products under development coded "A123".

In view of the above, the Company proposes to increase its production capacity of Triclosan from 480MT per annum to 750 MT per annum. Besides, the Company would also be establishing in-house manufacturing facility for Avis, CaGP, Cosvat, A123 etc.

LOCATION OF THE PROJECT

LAND & SITE DEVELOPMENT

The Company has acquired 23.2 acres of land to set-up manufacturing facility for Triclosan, Avis, CaGP and the products under development. The Company has acquired the land in Choutuppal village, Nalgonda District, Andhra Pradesh. The Company proposes to utilize around 7 acres of land towards establishing Manufacturing facilities, around 6 acres towards administrative block, utilities and storage area. The Company has allocated around 10 acres towards future expansion. The cost of the land as per the Agreements for Sale is Rs. 20.95 lacs inclusive of registration charges. The site development cost for the entire land would be around Rs. 72 lacs comprising of site leveling and development, laying of compound wall and landscaping.

BUILDING & CIVIL WORK

The Company plans to construct another 60,000 sq. feet (approx.) which include 3 manufacturing blocks, an administrative block, godown, security block and internal roads at an estimated cost of Rs. 400 lacs.

Details of cost of proposed factory construction (as certified by the Chartered Engineer):

A.	Area of construction (Sq. Ft.)	60,000
B.	Cost of construction	
	Cost of building construction (Rs.)	400 Lacs

PLANT & MACHINERY:

All the plant and machinery would be procured indigenously as detailed below:

Rs. In Lacs						
S. No.	Particulars	Specifications	Supplier	Rate	Qty.	Total value
	INDIGENOUS MACHINERY					
1	Glass Line Reactors	4 KL	Nile Limited	10.16	8	81.28
2	Glass Line Reactors	3 KL	Nile Limited	7.77	4	31.08
3	Glass Line Reactors	2 KL	Nile Limited	6.69	6	40.14
4	Glass Line Reactors	1 KL	Nile Limited	5.26	9	47.34
5	Glass Line Reactors	0.5 KL	Nile Limited	3	3	9.00

S. No.	Particulars	Specifications	Supplier	Rate	Qty.	Total value
6	SS Reactor 316	5 KL	CPK Engg	8.1	3	24.30
7	SS Reactor 316	4 KL	CPK Engg	6.65	3	19.95
8	SS Reactor 316	3 KL	CPK Engg	5.2	4	20.80
9	SS Reactor 316	2 KL	CPK Engg	3.5	15	52.50
10	SS Reactor 316 High Pressure	2 KL	##	8	3	24.00
11	SS Reactor 316 High Pressure	4 KL	##	20	3	60.00
12	SS Reactor 316 Vaccum distillation Unit	0.5 KL	Sree Ram Engg	4	6	24.00
13	SS Reactor 316 Vaccum distillation Unit	1 KL	Sree Ram Engg	5	6	30.00
14	SS 316 Condensers	10 M Sq.	CPK Engg	1.5	92	138.00
15	SS Centrifuge	36 Inches	CPK Engg	1.8	10	18.00
16	Glass column condensers Unit	Various	Sree Vamsa	3.4	12	40.80
17	F B D	60 KG	Grovers (P) Ltd	9.5	4	38.00
18	Tray Drier	Various	Grovers (P) Ltd	5.73	8	45.84
19	DM Plant	-	##	3.80	3	11.40
20	Resin Column	-	##	3.04	3	9.12
21	Multi Mill	-	Coramandal	0.85	6	5.10
22	Leaf Filters	Various	CPK Engg	0.6	3	1.80
23	Oil Sealed Rotary High Vaccum Pumps	10 HP	High Flow Pumps	1.7	2	3.40
24	Oil Sealed Rotary High Vaccum Pumps	15 HP	High Flow Pumps	2.1	2	4.20
25	Steam Ejectors System	-	High Flow Pumps	5.03	2	10.06
26	Transferring pumps	-	##	12.54	2	25.08
27	Nutch Filers SS 316	2 KL	CPK Engg	1.25	2	2.50
28	SS Receivers	250 Litres	CPK Engg	0.47	6	2.82
29	SS Receivers	500 Litres	CPK Engg	0.77	6	4.62
30	SS Receivers	1000 Litres	CPK Engg	1.35	4	5.40
31	Cooling Towers	150 TR	Artic Aricon	1.38	5	6.90
32	Hot water circulation system	-	##	2.28	3	6.84
33	Nitrogen gas plant	-	##	9.12	2	18.24
34	Chilling Plant	30 TR	##	7.6	3	22.80
35	Chilling Plant	20 TR	##	12.16	3	36.48
36	3T Boiler including accessories	3 Tons	##	22.8	3	68.40
37	Pilot Plant Facility	-	##	15.2	3	45.60
38	HPLC	-	Waters	26	3	78.00
39	Gas Chromatography	-		5	3	15.00
40	Vaccum tray Drier	-	Govers	6.51	3	19.53
41	Lab Equipments		Various			18.24
42	Pipes & Fittings, Erection and Fabrication		Various			80.00
	Total cost					1246.62
	Add : 10% for inland freight, insurance and installation charges, excise duty and sales taxes					124.66
	Total					1371.28

Estimates by Company management and certified by Chartered Engineer

The Company does not propose to buy any second hand machinery. The Company has obtained quotations for above Plant & Machinery except mentioned otherwise. The Company would place orders shortly.

CONTINGENCIES:

The provision for contingencies is kept @ 7.75% for all major cost in respect of Site Development, Building & Civil works, Plant and Machineries, Electrical Installations and Miscellaneous Fixed Assets.

ELECTRICAL INSTALLATIONS:

The details of Electrical Installation costs are as under :

						Rs. In Lacs
S. No.	Particulars	Name of Supplier	Capacity	Rate	Qty.	Total Value
1	Transformer 1000 KVA	Pete Transformers Pvt. Ltd.	1000 KVA	7.2	1	7.20
2	High Tension Cables	Quality Electric Company	11 KVA	10.82	3 sets	32.46
3	Reactor motor cables	Various suppliers	NA			50.00
4	Panels with feeders	Quality Electric Company	NA	-	1 set	75.00
5	Generators 1000 KVA	Powerica	1000 KVA	46.21	1	46.21
6	Flame Proof Fittings / Lighting/Reactor Lighting	Quality Electric Company	NA	18.53	2 sets	37.06
7	Electrical Poles	Quality Electric Company	NA	9.96	1 set	9.96
9	Motors	-	-	-	-	10.00
9	Deposit with APTRANSCO	-	-	-	-	8.00
	Total					275.89

FURNITURE, FIXTURES & OTHER ASSETS:

The Furniture and Fixture/Other Fixed assets comprise of costs towards air conditioning of premises. The Furniture & Fixtures proposed to be purchased include production furniture, fixtures involving production tables, workers' stools, office Cabinets and racks, executive tables, chairs, office filing cabinets. Vehicles (4 nos.) will be purchased for facilitating movement of materials and workers.

Rs. In Lacs

S. No.	Particulars	Amount
1	Air-conditioning	10.00
2	Furniture & Fixtures	15.00
3	Vehicles	20.00
	Total	45.00

MARGIN MONEY FOR NON-FUND BASED WORKING CAPITAL

The margin money to be funded out of the proposed Issue has been computed as follows:

Particulars	Amount	Amount
Value of L/Cs for RM purchase		1250.00
Margin requirement @ 20%	250.00	
Less : Existing margin with Banks	102.00	
Balance to be funded out of the Issue proceeds		148.00

PRELIMINARY, PRE OPERATIVE AND ISSUE EXPENSES

Preliminary & Preoperative expenses are estimated from the start up time of this project till the commencement of commercial production. The expenses include travel costs, salary & wages payable during construction of factory building, legal and professional charges, security deposit to various statutory agencies for electricity and water connection, advertising and publicity expenses for printing catalog and brochure of Company's products for International customers. The costs also include the expenses incurred in the production trial runs before commencement of commercial production.

The details of Preliminary, Pre operative & Issue Expenses are as under:

(Rs. In Lacs)

S. No.	Particulars	Amount
	<u>Issue Expenses :</u>	
1	Lead Manager & Registrar fees, Legal consultant Fees	44.00
2	Printing & Stationery / Dispatch	25.00
3	Brokerage & Underwriting Commission	48.00
4	Advertisement & Marketing Expenses	16.00
5	Other Expenses (Listing Fees, Depository Charges etc.)	7.00
	<u>Preliminary & Pre-operative Expenses:</u>	
1	Production Trial & Incidental expenses	10.00
	Total	150.00

SCHEDULE OF IMPLEMENTATION

The implementation schedule of the proposed project is given below:

S. No.	Activities	Commencement	Completion
1	Acquisition of Land	Acquired in August 2004	
2	Civil Works	December 2004	February 2005
3	Plant & Machinery - Indian – Order & Delivery - Other assets – Order & Delivery	December 2004 February 2005	February 2005 February 2005
4	Erection of P & M	January 2005	March 2005
5	Commissioning of P & M	February 2005	March 2005
6	APPCB Consent	October 2004	December 2004
7	APSEB load sanction	January 2005	February 2005
8	Trial runs	April 2005	April 2005
9	Commercial Production	April 2005	-

The Construction of production facilities will be undertaken on a block wise basis. The erection and commissioning of Plant and machinery will be done in phases, as and when construction of production facilities are ready without waiting for completion of entire civil work.

FOREIGN COLLABORATION

The Company does not have any technical/financial collaboration for the existing business as well as for the proposed expansion project.

6. DETAILS ABOUT THE COMPANY:

History & Background of the Company

The Company was originally promoted by Mr. A. M. Rao and incorporated as Emgi Pharmaceuticals & Chemicals Private Limited on September 22, 1988 with Registrar of Companies of Karnataka, Bangalore. On Mr. Rao's accidental death the Company was put for a sale. In 1989 Mr. Santosh Varalwar and Mr. Subhash Varalwar acquired Emgi Pharmaceuticals and Chemicals Limited and commenced manufacturing of Bulk Drugs in 1991. Both the present promoters are professionals with more than a decade of experience in Chemicals and Pharmaceutical Industry. The Company was converted into a Public Limited Company on April 21, 1994. The name of the Company has been changed to Vivimed Labs Limited on April 22, 1997. The name of the Company has been changed to incorporate present Promoter's initials in the Company's name.

The Company's manufacturing Unit is located at Bidar, Karnataka, where it was originally engaged in the manufacturing of Active Pharmaceutical Ingredients (APIs) and Bulk Drugs like Ibuprofen etc. However, due to downward price movement in the products of the Company during 1995, it gradually moved over to manufacturing Specialty Chemicals and cosmetic ingredients like Triclosan, Avis etc. catering to global and domestic markets.

Vivimed started production of Triclosan with a very small capacity of 5 MT p.a. in the year 1999 and increased its capacity to 225 MT p.a. over a period of next 5 years. The production capacity has been doubled by adding one more production block in March 2004. The Company currently employs over 250 personnel including contract laborers.

Vivimed's Turnover has grown from Rs. 751.85 lacs in FY1999 to Rs. 4,042.55 lacs in FY2004 and its Net profit grew from Rs. 15.26 lacs in FY1999 to Rs. 400.28 lacs in FY2004. The Turnover of the Company for 6 months period ended September 30, 2004 is Rs. 2322.60 Lacs and Net Profit is Rs.249.24 lacs. As at September 30, 2004, the Networth of the Company was Rs. 1850.15 lacs.

The Company has ISO 9001:2000 certification for its Quality Management System related to manufacturing process and marketing aspects. Further, the Company is in the process of obtaining ISO 14001 certification for Environmental Management System for which two Audits have already been completed.

Major events in the history of the Company is given below:

Year	Event
1988 & 1989	<ul style="list-style-type: none">Incorporated on September 22, 1988Death of original promoter Mr. A. M. RaoAcquired by Mr. Santosh Varalwar and Mr. Subhash Varalwar
1990	<ul style="list-style-type: none">Commenced production of Non-Steroidal Anti-Inflammatory Drug (NSAID) – IBUPROFEN.
1994	<ul style="list-style-type: none">Diversification and Expansion of Product mix by adding other APIs viz. Chlorzoxazone (Skeletal disorders), Nalidixic Acid (Anti-diarrheas) and Flucanazole (Anti-fungal).
1995	<ul style="list-style-type: none">Diversification into specialty chemicals by production of Triclosan.
1996	<ul style="list-style-type: none">R&D was commenced with facilities having an integrated instrumentation for organic synthesis, Microbiology and pre-formulation studies.
1997	<ul style="list-style-type: none">Process Innovation of Anti-bacterial and clearance of innovative route of synthesis for Triclosan.Grant of patent for VIV-20 (Triclosan) by the Indian Patents Office.
1998 – 99	<ul style="list-style-type: none">Qualified for supply to Unilever's Asian locations after Audit of manufacturing facility by a team of Unilever Plc.Triclosan customer base expanded to UK, France, Germany as well as domestic market.
2002	<ul style="list-style-type: none">Approved by Unilever group Companies in Asian/Middle & Far East Companies for usage of Enamel Protective Agent manufactured by the Company in their oral care formulations.Developed Anti-fungal for usage in High-end cosmetic and pre-formulation blends.Vivimed emerges as a second chemical Company located outside USA/Europe to get the US EPA's registration for Triclosan as 99% ingredient.Vivimed's Quality Management System gets ISO 9001:2000 certification.
2003	<ul style="list-style-type: none">Signed Confidential Sale Agreement with HLL for R&D, scaling up and commercialization of product coded as A123.Commencement of EMS Audit for ISO 14001 certification.

Year	Event
2004	<ul style="list-style-type: none"> Introduced new products for anti-dandruff and skin care application Triclosan production capacity increased from 225 MT p.a. to 480 MT p.a. Developed novel synthetic process to manufacture a premium Anti-oxidant and Anti-cancer molecule branded as VINTOX

Main Objects of the Company

The main objects of the Company as given in MoA are reproduced below:

Main Objects:

1. To carry on the business of chemicals etc., manufacture and wholesale and retail chemists, druggists, analytical chemists, drysalters oil and colourmen, importers, exporters and manufactures and dealers in chemicals, heavy chemicals, drugs, drug intermediates, essences, cardials, acids, alkalies, pharmaceutical, medicinal chemicals etc., either as their own or on loan licence basis.
2. To manufacture refine and prepare all classes and kinds of drugs including Antimalarial, Antidiabetics, Antipyretics, Diuretics, Anaesthetics, Analgesics and Antacids, Anti helminitics, Anti-amoebics, Antidiarrhoeals, Anti-asthmics and Enteric, Anti-Septics, Anticancer, Anticoagulants, Anti-Convulsants, Antihistaminics, Antileptotics, Antirheubercular, Anti-Convulsants, Antihistaminics, Antileptotics, Antirheumatic and Antigout, Antiseptics, Antitussive and Expectorants, Antispasmodics, Antitubercular, other Anectives, Cardiovascular, Contraceptives, Corticosteroids, Calcium therapy, dental products, Dermatological preparations, Disinfectants, Haematinics, Ophthalmological, Otic preparations, Oxytocics, parasympathomimetics, plasma Expanders, Seta and vaccines, Urinary Disinfectants and Vitamins along with pharmaceutical formulations based on the above drugs in the form of powders, Tablets, Capsules, injectables (in the form of Ampoules, vials and Transfusion Solutions) Liquid orals, Ointments, Aerosols, Cosmetics,
3. To manufacture and/or deal in the preparations of all types of Organic and inorganic fine chemicals.

PRESENT BUSINESS OPERATIONS

Vivimed is a leading manufacturer and exporter of an API, viz. Triclosan. Apart from Triclosan, it also manufactures other Specialty Active Ingredients such as Avis, Chlorphenesin, NDGA and CaGP. Vivimed caters to both domestic as well as Export markets and its major customers are Hindustan Lever Ltd., Anchor Healthcare, Marico Industries, Unilever, Harnet International Inc., USA, Pharmed, Groupe Arnaud, France, Kreglinger Europe S. A., Belgium, Engelhard USA, Benckiser (North America) etc.

THE PRODUCTS:

Vivimed has the following products in Specialty Chemicals:

1. Triclosan – VIV 20
2. Avis (Avo benzene)
3. Calcium Glycero Phosphate (CaGP)
4. Chlorphenesin – Cosvat (Anti Fungal)
5. NDGA (Anti-oxidant)

Triclosan:

Triclosan belongs to a group of Organic entities classified under the category of Hydroxy-poly halogenated diphenyl ethers. Triclosan has emerged over the years as the powerful antibacterial drug due to its broad antibacterial properties & an acceptable toxicological profile. The Indian Patents Office has granted patent for VIV-20 (Triclosan) to Vivimed in October 1997.

The applications of Triclosan are:

Triclosan in concentration ranging from 0.1 to 0.3 is a valuable anti bacterial used in toothpaste and mouth wash formulations, which provide complete 24 hours cover to the cavity against a host of fungal

and bacterial organisms. Further Triclosan can be easily formulated and incorporated into Creams, Gels and Pastes, and its binding in the oral cavity creates sterile conditions thereby minimizing mouth odour and also chances of secondary infections.

'Triclosan impregnated' fabrics play a key dual role, one of protecting the fabric and hence enhancing its life, and imparting an overall antibacterial protection to the consumer. These specialty fibres are constructed using hollow fibre technology wherein a reservoir of Triclosan constantly imparts the protective cover to the fiber surface.

VIV-20 has fast and long lasting action in reduction of dermal bacteria thereby restoring the initial healthy skin flora. VIV-20 can counteract the effects of surfactants by reducing their irritation potential in the formulation. Skin protection can be provided up to 24 hours, by varying the concentration of VIV-20 in different formulations. VIV-20 is soothing and helps in the healing of affected skin and it can be incorporated in: Aerosols, Sticks, Roll-ons, Gels etc,

VIV-20 can also be used in various foot-care products to counteract the foot malodor causing bacteria like *Micrococcus luteus*. VIV-20 also provides a shield against dermatophytes and can be helpful in preventing athlete's foot. VIV-20 can be incorporated in Sprays, Aerosols, Powders, Creams, Lotions, Masks, Wet-pipes, Gels etc.

VIV-20 has a turnover of Rs. 2,657 lacs during FY2004.

AVIS (Ultraviolet Rays (UVA) Absorber):

Exposure to ultraviolet radiation (UVR) is a known health hazard. But for the multi-layered defensive system - OZONE, humans would die in the oxygen-rich environment in which they live. Ultraviolet radiation is subdivided into UVC (200 to 290 nm), UVB (290 to 320 nm) and UVA (320 to 400 nm). UVC radiation is the most carcinogenic but is almost entirely blocked by ozone. Ozone also blocks most UVB but not UVA. Depletion of the ozone layer can result in an increase in UVB radiation exposure. At higher altitudes, UVB intensity is greater. Clouds and air pollution filter out infrared and visible radiation but allow as much as 80% of UV radiation through a scattered light. UV radiation can be reflected from a variety of surfaces such as a green lawn, dry sand, fresh snow, White paint, aluminum sheeting and even glossy magazine pages reflect UV radiation. Because of this, Sun protection should be utilized even on cloudy days.

Avis, an import substitute, whose chemical name is Avo benzene, is an effective sunscreen. It absorbs ultraviolet rays and thus protects the body. It is widely used in body creams and lotions and has extensive application in western countries for its protection against the harmful rays, which can cause skin cancer. Internationally, the Companies manufacturing this product are mainly "GIVAUDAN ROCHE" & "BASF". Vivimed, having successfully accomplished the required quality parameters, will cater to the domestic as well as the world market. In the domestic market, reputed products like Fairever, Fair & Lovely, etc., incorporate Avis in them.

The Company has broad-based the UV absorbers range by adding new products such as Benzophenone-3 (BEN-3) Benzophenone-4 (BEN-4), Octinoxate (CINNAMON) and Octocrylene (OCTYNE-B).

CALCIUM GLYCEROPHOSPHATE (CaGP) – ORAL CARE

CaGP is an active ingredient useful for both maintenance and repair of the dental enamel. The dental protective properties of CaGP (Calcium Glycerophosphate) are responsible for its wide usage in oral care formulations. Recent findings of Vivimed's in-house Research & Development wing have shown bright possibilities of offering CaGP for Dietary supplement applications also.

CaGP has a turnover of Rs. 552 lacs during FY 2004.

COSVAT - Chlorphenesin (Anti Fungal)

Chlorphenesin (COSVAT) is basically anti fungal and preservative used in cosmetics, fibers, food stuffs etc. The quality of COSVAT to be used in cosmetics requires higher purity particularly with very low residual solvent presence. The Company has developed a special grade to meet the higher quality parameters to suit such sensitive applications.

COSVAT has following qualities:

- Keeps the active ingredient intact.
- Preventing bio-degradation due to bacterial growth.
- Preventing any change in the physical form of the finished formulations.
- Preserving the fragrance/aroma/viscosity in formulated products.

The samples of COSVAT manufacture by Vivimed has been approved by L'oreal, France and India. The Company is negotiating commercial terms with them.

COSVAT has a turnover of Rs.147 lacs during FY 2004.

NDGA (Antioxidant)

The Company has recently synthesized this molecule and applied for patent for its process. NDGA finds its usage in both cosmetics, food and beverage industry. NDGA will be playing an important role in controlling the product quality, enhancing its shelf life and delivering to the consumer protection both at the organ as well as superficial level (dermal protection). The chemical nomenclature for NDGA is "Trans Tetrahydroxy diphenyl butane". This chemical entity, apart from having strong antioxidant properties, which confer organ protection leading to lesser incidence of cancer.

NDGA is found to be effective in treating "kaposi sarcoma", which commonly occurs among AIDS patients.

Brief Details about the Customers of the Company:

HLL/Unilever: Unilever, a renowned FMCG Company ranks No.2 (by sales) world wide in personal care segment. They have their manufacturing and sales operations through out the world with U.K. as their corporate office. HLL, the Indian subsidiary of Unilever ranks among the top 5 Companies in India.

Arnaud S.A.: Arnaud S. A. is a France based large trading house, existing for over 100 years with their presence in Fine Chemicals, Pharmaceuticals, Plastics, Agro chemicals. Geographically it has strong presence in whole of Europe. The sales in the last year of Arnaud S.A. were over 1 Trillion French Francs.

Collaborative Laboratories INC: Collaborative Labs is a part of Collaborative Group based in New York, U.S.A. The Company is in existence for over 2 decades with strong presence amongst cosmetics and personal care industry in USA. The Company's major focus is on manufacturing and distribution of cosmetics blends that are high end products for cosmetics industry.

Harmet International Inc., USA: It is a distribution House based in Connecticut USA dealing in Specialty Chemicals and Pharmaceuticals. Vivimed's products are distributed through Harmet to the end users viz. Eco Labs USA, Johnson & Johnson and Procter & Gamble.

INFRASTRUCTURE FACILITIES

Raw Materials:

Triclosan:

The major raw materials required for Triclosan are DCNB, DCP and Sodium Nitrite. All these materials are available locally as well as abroad. The Company sources the raw material both from local as well as international markets. The major suppliers of these materials are Aarti Industries, Crystal Surfactants, Valiant Chemical, Shree Malani Chemicals, Shri Chem Corporation, BASF etc.

Avis :

The major raw material required for Avis are Soda Ash, Sodamine, Toulene, and Acetanisole. All these materials are available locally. The major suppliers of these materials are Chem Colour, Alkali Metals, Unichem Corporation, K. V. Arochem etc.

Chlorphenesin:

The major raw material required for Chlorphenesin are PCP, n-Hexane, IPA, Epichlorohydrin. All these materials are available locally. The major suppliers of this material are Valiant Chemical, Shri Chem Corporation, Unichem Corporation, Nocil etc.

CaGP:

The major raw materials required for CaGP are Epichlorohydrin, Tri Sodium Phosphate, Calcium Chloride. The Company sources the same from local as well as international market. The major suppliers of these materials are Urvi Enterprises, Prabhu Chemicals, C J Shah & Co. etc.

NDGA:

The major raw materials required for NDGA are Vanillin and Hydrobromic Acid. These materials are imported as well as procured from local market. The major suppliers of these materials are Urvi Enterprises, Classic Chemical etc. The Company does not foresee any difficulty in procuring the raw material required for manufacturing the above product.

Utilities**a) Power****Requirement of power and its arrangements:**

Presently, the Company has 750 K.V.A. power sanctioned by Karnataka Electricity Board. The Company will apply for additional 1000 K.V.A power required for the proposed project in due course of time. The Company also proposes to acquire 1 DG set of 1,000 KVA out of IPO proceeds as stand by arrangement.

b) Water**Requirement of water**

The Company presently consumes 60 KL per day of which 50% is used in manufacturing process and rest is used for sanitation, garden etc. The Company procures water from private suppliers, which is available in abundance. The Company will require 100 KL per day for the proposed project and the same will be procured from private suppliers.

c) Manpower

The Company at present has 70 permanent employees. The details of the same are as under:

Particulars	No. of Employees	Functional Area
Key Managerial Employees (including 2 directors)	7	Finance, Marketing, Production, R & D, Logistics etc.
Skilled	15	R & D, Quality Control and office work
Semi Skilled & Unskilled	50	Maintenance, Stores, Production process

Additional manpower requirements for the project are as under:

Particulars	Project	Functional Area
Professionals	10	Production, Quality Control, Maintenance etc.
Clerical staff	10	Stores and office work
Labor	100	Production process

The Company already has key employees required for managing the proposed project operations. It will be recruiting the additional manpower as listed above in due course for which it does not envisage any difficulty as the same is easily available.

d) Production Capacity:

The existing year wise installed and utilized capacities of the major products manufactured by the Company are given below:

Product	Quantity In tons					
	2002		2003		2004	
	Installed Capacity	% Utilization	Installed Capacity	% Utilization	Installed Capacity	% Utilization
Triclosan	180	66.44	225	72.15	480*	92.99**

*: Since the production capacity has been increased during March 2004 from 225 MT to 480 MT, the impact of the increase on capacity utilization would be felt in the subsequent financial year.

** Weighted Average

Note: Since all the other products sold by the Company, viz. Avis, CaGP, Chlorophensin, NDGA, etc. are manufactured through contract manufacturers as detailed below, capacity utilization of the other products is not available.

S. No.	Contract Manufacturer	Product
1	Glo Chem Industries Ltd., Hyderabad	Avis
2	Shri Balaji Pharma Chem Hyderabad	Cosvat , Anti-Oxidant
3	Spar Labs Pvt. Ltd. Hyderabad	Avis, Cosvat, Anti-Oxidant

d) Location & Facilities:

The details of Vivimed's Office premises, manufacturing facility and R & D Facility are provided below

S. No.	Location	Owned/ Leased	Area	Type of facility
1	2 nd and 4 th Floor, Veerang Towers, Habsiguda, Hyderabad	Leased	4,800 sq. ft.	Corporate office
2	Plot no. 78A, Kolhar Industrial Area, Bidar – 585 403, Karnataka	Owned	12,083 sq. meters.	Manufacturing facility and Registered office
3	Plot No. 2/1. ABC, IDA Nacharam, Hyderabad – 76	Leased	10,000 sq. ft.	Research & Development facility

e) Environmental aspects

The Company has obtained consent from the Karnataka State Pollution Control Board (KSPCB) for the existing production facilities at Bidar, Karnataka. Further the Company has an arrangement for the treatment of solid waste generated from the production process. The Company stores the waste in specific area in factory, which is regularly transferred to Hyderabad Waste Management authorities. The Company has applied for consent from APPCB for the proposed project recently.

MANUFACTURING PROCESS

The manufacturing process of bulk drugs/intermediates involves a series of reaction steps under controlled conditions of temperature and pressure. An API or intermediate can be produced by a number of alternative methods from different starting points and under a variety of controlled operations. For each product, the Company identifies several alternative methods of manufacture and chooses the one which is most appropriate for the situation viz., economic, patent non-infringing, achieving a desired

quality standard, environment impact etc. Depending on the requirements of the customers, the finished products can be either in powder or liquid form. It is then suitably packed in different packaging material.

The raw materials are imported as well as procured domestically. The raw materials can be imported without any restrictions. If the raw materials are imported under advance licensing scheme, no custom duty is leviable. The Company is not dependent on a single source for sourcing the required raw materials.

RESEARCH AND DEVELOPMENT CENTRE:

R&D plays a critical role in development of every Industry, particularly Pharmaceutical and Chemical Industry. In Europe and USA, R&D is one of the most expensive activities. Because of this most of the MNCs are looking at contract research activity in India from 2005 onwards as product patent system will come in force in India. MNCs have already started identifying the Companies who have good R&D facilities and have their production facilities meeting International regulatory norms.

To meet R & D challenges of this industry, Vivimed has set up a modern laboratory to support the manufacturing facilities. The laboratory is well equipped with the latest equipment and manned by a set of qualified professionals working towards the development of new products /molecules. Since Research & Development activities are done on regular basis, more improvement and reduction in cost of production will flow in with the passage of time.

Vivimed's R&D facility located at Hyderabad has professionals from the diverse fields of organic synthesis, analytical knowledge, microbiology & formulations. This division has eight qualified organic chemists apart from 2 PhDs' having diverse experience.

The division focuses on:

- Undertaking diverse chemical operations for modifying the existing routes.
- Rationalizing certain aspects of drug intermediate synthesis.
- Synthesizing and study of all impurities to the level of PPT (Parts Per Trillion)
- Synthesizing of novel chemical entities with potential drug activity, for bigger Corporations, including the study of polymers and co-polymers.
- Creating a data bank for Patenting & other regulatory affairs.
- Scaling-up of operations.

It also has a function of studying the trends in the pharmaceutical and cosmetic markets, create literature-based ideas and implement those, which have a commercial value in the near to distant future.

In pursuance of these leads, work at Vivimed's R&D Centre is centered on:

- Heterocyclic and Natural product synthesis
- Impurity profile documentation and synthesis.
- Building up of compound libraries.
- Novel catalysis using Pd, Ti, Ni, Zn and Rhodium; to enter into the arena of stereo and region-selectivity.
- Reaction Kinetics.

Further, the R&D laboratory of Vivimed is equipped with glass equipment's -mechanized and non-mechanized and other balancing equipment's like mechanical stirrer, water baths of different size and thermostatically controlled, magnetic stirrer, hot plate, heating mantles of different capacity, vacuum pump, vacuum oven, incubator, rotary evaporator, complete TLC kit including UV cabinet, micro and analytical balances, etc. The laboratory is also equipped with the analytical instruments viz. HPLC, Gas Chromatographs, FTIR, UV Spectrophotometers, etc.

In the next few years Vivimed's R&D will focus on the following:

- Basic research for new chemical entities
- Custom/ contract synthesis
- Extraction of natural products to develop standardized extracts.
- Synthesis of specialty chemicals

Considering the fact that the range of the present product portfolio has a significant offering to personal care product applications, Vivimed's R & D is also exploring the possibilities of offering 'custom blends' for large personal care product manufacturing Companies using its existing/proposed range of active ingredients.

MARKETING STRATEGY & SELLING ARRANGEMENTS

The marketing operations of the Company have grown both quantitatively and qualitatively over the last decade. The management initially took the Company towards International market and later moved towards domestic market realizing that a better and a more profitable path could be achieved by having a synergy with the Indian Market.

The Company has been supplying Triclosan and CaGP to Unilever/HLL group since 1995 and has gradually built a level of satisfaction and comfort with them. This strategy has increased the market for the Company's products by directly approaching other Unilever locations worldwide and ensuring supplies to them. Apart from Unilever group, the Company directly sells Chlorophenesin, a Cosmetic blend to Collaborative Laboratories Limited, USA.

The Company also participates in International fairs, exhibitions and major events organized by industry groups to meet new customers and introduce its products to wider markets. The Company sends samples to large customers for approval and on satisfactory feed back signs annual contracts with them. The Company has got the similar approval for its samples from L'Oreal of France and will be signing annual contract for supply to them.

Apart from the direct selling, the Company uses representative network to tap the unorganized markets. Various regulatory compliances and certifications like US EPA, ISO etc. also helps the Company's direct marketing efforts.

The Company has appointed a consultant, Mr. Anirudha Nandi, to look after the marketing operations in domestic market. He is a Science Graduate and has a Masters in Marketing Management and has more than 30 years of experience in this marketing field.

The Company's approach to marketing has been direct to the customers as well as through representative network in the local as well as global markets.

COMPETITION

The Company has few competitors in its product segments. However, none of the Company's competitors are listed on any Stock Exchange in India. Hence the data has been obtained through the competitor's websites. Few such names are:

- **Ciba Speciality Chemicals, Switzerland**
Ciba Speciality Chemicals, a leading Speciality chemicals company having diverse interests in various segments which includes healthcare, Textiles and agro chemicals. In March 1996, Ciba and Sandoz, a pharmaceuticals Company announced plans to merge and form one of the world's largest life sciences groups - Novartis. Subsequently, Ciba's "specialty chemicals division" was spun-off into Ciba Specialty Chemicals, which became operationally independent from Novartis on January 1, 1997.
- **Hoffman LA' Roche, France (Roche)**
The founder of Roche, Fritz Hoffmann-La Roche, was a pioneering entrepreneur who was amongst the first to introduce branded pharmaceutical products and to commence the industrial manufacture of standardised medicines. Since then, Roche has grown into conglomerate with diverse interests in various segments of chemicals and healthcare industry worldwide.

Roche manufactures certain sun screen ingredients which compete with the products of the Company.

- **International Specialty Products, USA (ISP)**

ISP is one of the world's premier specialty chemical Companies, operating in more than fifty locations worldwide – including manufacturing facilities, research laboratories, sales and service offices.

ISP is a world leader in the supply of raw materials to the skin care industry, hair care industry, preservative technology, etc. and offers an extensive range of ingredients for the aforesaid industries amongst others.

- **BASF, Germany**

In its five business segments, BASF posted sales of Euro 33.4 billion in 2003. BASF'S range of chemicals starts with basic petrochemicals and inorganics for captive use, and extends to intermediates and specialties for the external market. Roche manufactures certain ingredients used in Sun Screen protection products which compete with the products of the Company.

BUSINESS STRATEGY:

Vivimed, with its State of Art manufacturing facility and full-fledged R&D facility, is ready to take on challenges in the business segment in which it is operating. The Company is also benefited by the US EPA certification as well as ISO approved plant. The Company has been meeting the challenges of quality and timeliness to meet the business growth and global challenges.

The Company's Business strategy is built around following factors:

- Customer satisfaction & Relationship building
- Adherence to various global regulatory requirements
- Introducing new products at regular intervals
- Research and Development

Customer Satisfaction & Relationship building:

The flagship product of the Company Triclosan was first launched in the year 1995. And since then has exhibited a phenomenal growth rate especially by its being accepted by the multinational Lever Brothers for its toothpaste brand (Pepsodent and Pepsodent Plus). Over a period, this product has become a part of their worldwide sourcing. Triclosan has gained entry into both European and North American markets and is shown steady acceptance in the Far East.

The Company exploits the above relationship and satisfaction build over years by approaching them with professional honesty and transparency to develop new business with the customers.

Adherence to Global Regulatory requirements:

The Company has obtained clearance from the US Environmental Agency for total adherence to quality and environment. Special care is also being taken to register the product with the European commission and studies ensuring its complete Toxicology, Environmental impact and Pharmacological action are presently being undertaken.

Introducing New Products at Regular Intervals:

The Company in the meantime has entered into supplementary cosmetic areas and launched new products like CaGP (enamel protective agent) and Zinc Pyrithione. Both these launches are deemed to improve the coverage of the cosmetic market and improve the bottom line.

Apart from above, Sunscreen products, which are extensions of the total body care segments, have also been accounted for in Vivimed's growth plan and six 'active ingredients' have been short-listed for development, marketing and sales. In the on-going process of Vivimed's North American marketing drive and also due to expiry of the patents of the said sunscreens, a huge market segment has opened up.

In first marketing foray, Avobenzone has been launched both in the Indian as well as International market. This has been followed by the launch of other sunscreens products.

Research & Developments:

Considering the fact that the range of the present product portfolio has a significant offering to personal care product applications, R & D at Vivimed is also exploring the possibilities of offering 'custom

blends' for large personal care product manufacturing Companies using its existing/proposed range of active ingredients, with a view to merge into the prospect and growth of these large Companies and consolidate its strategy to emerge as a strong Asian Company, to support the needs of the growing personal care & cosmetic industry, world wide.

All the above has made it simpler and easy for the Company to expand its business with MNCs as well as in new markets worldwide.

TERM LOANS

The Term loan availed by Vivimed and the outstanding as on September 30, 2004 is as under:

From STATE BANK OF HYDERABAD

Rs. in lacs			
Bank or Institution / Sanction Letter No. & Date	Amount Sanctioned	Rate of Interest (p.a.)	Amount O/s as on 30.9.2004
State Bank of Hyderabad Overseas Branch Somajiguda, Hyderabad F/OSBH/ADV/VIV/5134, Dtd. 10.08.2004	583.00	11%	114.00
TOTAL			114.00

Principal Terms & Conditions:

Security

Primary security

First charge on pari-passu basis over present and future stocks, book debts and receivables, etc.

Collateral security

- Personal guarantee of directors and relatives
- Equitable mortgage of land and buildings of directors
- First charge on fixed assets (present and future) on pari-passu basis
- Equitable mortgage of factory land and buildings (present and proposed)

Repayment

Repayable in 16 quarterly installments of Rs. 28.13 lacs commencing from quarter ending June 2005.

From CITI BANK N. A.

Rs. in lacs			
Bank or Institution / Sanction Letter No. & Date	Amount Sanctioned	Rate of Interest (p.a.)	Amount O/s as on 30.9.2004
CITI BANK N. A. G. Pulla Reddy Building Begumpet, Hyderabad No. Nil Date : September 17, 2004	450.00	9%	Nil
TOTAL			Nil

Principal Terms & Conditions:

Security

- Pari-passu charge on the existing and future current assets (including receivables from Hindustan Lever Limited).
- Pari-passu charge on all the existing and future fixed assets of the Company.
- Pari-passu Equitable mortgage on Agricultural Land of 4.38 acres forming part of Survey no. 253, Cherial Village, Keesara Mandal, R R District, Andhra Pradesh owned by Mr. Santosh Varalwar
- Pari-passu Equitable mortgage on residential plot of 797 sq. yards in survey no. 213 situated at Bhanu Enclave, Phase I, Yapral Village, Alwal Municipality owned by Mrs. Sujatha Varalwar
- Demand Promissory note and Letter of continuity for Rs.750 lacs

- Personal guarantee of Mr. Subhash Varalwar, Mr. Santosh Varalwar, Dr. V. Manohar Rao, Mrs. Sujatha Varalwar and Mrs. Padma Varalwar
- Security shall be cross collateralized for all facilities availed from CITIBANK N.A. by the Company

Repayment

Moratorium of 6 months from the date of draw down and repayment over a 3 year period in EMLs;
Renewable on March 31, 2005

WORKING CAPITAL FACILITIES

From STATE BANK OF HYDERABAD

Rs. In lacs

Bank or Institution / Sanction Letter No. & Date / Security	Nature of Facility	Amount Sanctioned	Rate of Interest (p.a.)	Amount O/s as on 30.9.2004
State bank of Hyderabad, Overseas Branch, Somajiguda, Hyderabad F/OSBH/ADV/VIV/5134, Dtd. 10.08.2004 Security is same as applicable for Term Loan	<u>Fund Based</u> Cash Credit / Export Packing Credit	675.00	11.00% / 7.50%	522.15
	FUBD / FDBP / Book Debts	225.00	RBI mandated rate	170.53
	<u>Total – Fund based</u>	900.00		692.68
	<u>Non- Fund Based</u> Letter of Credit Bank Guarantee	457.50 10.00	As per Bank's standard / FEDAI rate	286.80 4.14
	<u>Total – Non-Fund based</u>	467.50		290.94

From CITI BANK N. A.

Bank or Institution / Sanction Letter No. & Date / Security	Nature of Facility	Amount Sanctioned	Rate of Interest (p.a.)	Amount O/s as on 30.9.2004
CITI BANK N. A. G. Pulla Reddy Building Begumpet, Hyderabad No. Nil Date : September 17, 2004 Security is same as applicable for Term Loan	Cash Credit / Export Packing Credit	200.00	10.50% / 6.50%	Nil
	Post Shipment Export Finance under LCs/ POs	100.00	RBI mandated rate	Nil
TOTAL		300.00		Nil

There are no defaults in meeting any statutory/bank/institutional dues.

OTHER GROUP COMPANIES/VENTURES OF PROMOTERS:**V.V.S. PHARMACEUTICALS & CHEMICALS PRIVATE LIMITED (VVS Pharmaceuticals)**

The Company was incorporated under the Companies Act, 1956 on March 31, 2000 with an object to manufacture pharmaceutical formulations. The Company has its Registered Office and Factory at D-125 & 128 Phase III Jeedimetla Industrial Area, Jeedimetla, Hyderabad.

Shareholding pattern:

Name of the shareholder	No. of Shares	% Holding
Dr. Manohar Rao Varalwar	367,000	25.03
Smt. Vittabai Varalwar	440,000	30.00
Mr. Santosh Varalwar	293,000	19.98
Mr. Sandeep Varalwar	366,520	24.99
Total	1,466,520	100.00

The Board of Director comprises of Dr. Manohar Rao Varalwar, Mr. Sandeep Varalwar and Smt. Vittabai Varalwar.

The Company has availed the following facilities from State Bank of Hyderabad:

Nature of facility	Limit (Rs. In Lacs)
Cash credit	93.79
Term loan	190.43
Vehicle finance	17.47
Total	301.69

Brief Financial Performance:

Rs. in lacs

Particulars	For the Financial Year ended March 31		
	2002	2003	2004
Total Income	629.53	683.84	877.98
PAT	21.96	17.91	31.23
Share Capital	59.04	59.04	146.65
Reserves & Surplus	26.99	34.03	165.27*
Share Application Money	-	6.51	-
Networth	96.60	110.22	323.17
NAV per Share (Rs.)	16.37	18.64	22.04*
EPS per Share (Rs.)	3.72	3.03	2.13

*: Includes revaluation reserves of Rs. 100 lacs.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company.

There are no pending litigations, defaults, etc against above Companies, its promoters and/or its directors.

None of the above concerns have become sick Company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding up.

There are no Companies/ firms / entities from which promoters have disassociated themselves during last 3 years.

7. THE PROMOTERS & THEIR BACKGROUND:



MR. SANTOSH VARALWAR - CHAIRMAN & MANAGING DIRECTOR

Mr. Santosh Varalwar, aged 42 years, (Voters ID Card No. – N. A., Driving License No. DLDAP00990852003) is a Management Graduate from Osmania University, Hyderabad. He has worked with the Shipping Corporation of India (SCI) as a Chief Officer, where he was responsible for developing different business lines and evolving strategies for reinforcing the maritime trade. His endeavor helped to establish linkages of SCI with the overseas markets, mainly in the Middle East and North America.

In 1985 he left SCI to join his family's pharmaceutical business viz. VVS Pharmaceuticals & Chemicals Limited, where he was actively involved in the overall development of the business. In 1989 he acquired Emgi Pharmaceuticals and Chemicals Limited and commenced manufacturing of Bulk Drugs in 1991. The name was later changed to Vivimed Labs Limited during 1997. He heads the marketing department is mainly responsible for developing new markets for the Company's products. The experience he gained in the international markets during his tenure with SCI is now being put to use for developing and strategizing 'trade and research' in the new markets all over the world, with a focus on North America.

Apart from Marketing, identifying and developing in-house innovations for niche molecules and bringing them within the reach of the customers, an essential part of his role has been to create a sense of leadership towards extending the goals of the Company, worldwide.

His experience in pharmaceutical Industry is more than decade in different capacities and has steered Vivimed to decent levels of performance and profitability.



MR. SUBHASH VARALWAR: VICE-CHAIRMAN

Mr. Subhash Varalwar, aged 55 years, (Voters ID Card No. – N. A., Driving License No. RDL No: 1274/03/BOR) is a Post Graduate in Chemical Engineering and a Management Graduate from Leeds University, U.K. After his post graduation he joined The Fertilizer Corporation of India (FCI) in 1974 as Asst. Project Engineer (Chemical). He held various positions in FCI and worked on various areas like designing & commissioning of fertilizer plant, production etc. He resigned from FCI in 1989 to join Vivimed. Mr. Subhash brings along with him an exposure to various aspects of Industrial Management, including production, planning & commissioning, gained from 15 years of his career span with FCI.

Mr. Subhash is responsible for Technology & New Product Development in the chemical segment of the Company. He also heads Production, Quality control and R&D function at Vivimed. Vivimed has developed products viz. Triclosan, Avis, CaGP, Cosvat etc. under his leadership and the same has been found successful in the domestic as well as overseas market. The Company has got certification under US EPA as well as ISO under his leadership. He has also been involved in Liaisoning with all the government departments for various regulatory compliances.

We confirm that the PAN, Bank Account details and Passport Number of the Promoters has been submitted to the Stock Exchanges on which shares are proposed to be listed, at the time of filing the Draft Prospectus with them.

8. KEY MANAGERIAL PERSONNEL

S. No.	Name	Designation	Age	Qualification	Date of Joining	Exp Yrs.	Functional Responsibility	Previously Employed	Present Annual Compensation (Rs. in lacs)
1.	Mr. S. Venkata Rao	General Manager (Finance) & Company Secretary	38	B. Com., LLB, FCA, FCS.	05.10.03	18	Project Financing, Corporate financing, Auditing, Budgeting, Costing & Taxation.	Madaus Pharmaceuticals Pvt. Ltd.	3.60
2	Mr. R. Sripathi	Vice President (Marketing)	33	B.Com., MBA (Marketing)	17.05.04	9	Liasoning with the international customers and Business development	Venkat Pharmaceuticals	3.00
3.	Mr. S. Raghunandan	General Manager (Production)	42	M. Sc.	02.11.90	20	Production Planning , Plant Coordination, Process Development.	Chandra Pharmaceuticals Limited.	3.00
4.	Mr. K. Manohar	Production Manager	42	B. Sc.	08.08.90	15	Planning & production	VVS Chemicals & Pharmaceuticals	2.16
5.	Mr. C. G. Giridhar	General Manager (Commercial)	54	Science Graduate	02.12.03	32	Sourcing and procurement of materials, Logistics, Commercial Negotiations.	Aurobindo Pharma Limited.	3.00
6.	Mr. Ravi Kiran	Manager Factory Administration	41	M. Sc	06.05.97	15	Factory Administration.	A.P. Diary Corporation. Kamareddy	2.16
7.	Mr. Satish Chandra	Sr. Manager – R & D	47	M. Sc	12.05.97	20	Research and Process Development	New Land Labs Limited	2.28
8.	Mr. Yogesh Chandra Behra	Manager – Projects	57	B. Sc., Chemical Engineering	01.06.2004	32	New Projects Management	Fertilisers Corporation of India	2.40

Brief Profile of Key Managerial Personnel:

Finance:

1. **Mr. S. Venkata Rao**, General Manager (Finance) & Company Secretary, is a Fellow member of the Institute of Chartered Accountants of India (ICAI) and also an Fellow member of the Institute of Company Secretaries of India (ICSI) besides being a Law Graduate. He heads the Finance Department of the Company. He is also the Company Secretary and Compliance officer for the Company. He has more than 18 years of experience to his credit. He was working with Madaus Pharmaceuticals Pvt. Ltd. before joining Vivimed. His functions include Project Financing, Corporate financing, Auditing, Budgeting, Costing & Taxation. He is also the “Compliance Officer” of the Company.

Marketing:

2. **Mr. R. Sripathi**, Vice President (Marketing), is a Commerce Graduate and has done his management with specialization in marketing. He has about 9 years of experience in Marketing. His Job responsibilities primarily involve Corporate Communications, Customer Support, Market Intelligence and Business Development. He also looks after Regulatory Affairs and Compliance Support.

Production:

3. **Mr. S. Raghunandan**, General Manager (Production) is a Post Graduate in Science. He has, to his credit, more than 20 years of experience in different areas of Production Planning, administration etc. His Job, *inter alia*, includes Production Planning, Plant Co-ordination, Process development etc.
4. **Mr. K. Manohar**, Production Manager, is a Science Graduate having more than 15 years of experience in Production, Execution and Plant Operational Activities. He looks after Production Planning, Production and Plant Management of the Company.

Administration:

5. **Mr. C. G. Giridhar**, General Manager (Commercial), is a Science Graduate. He facilitates the R&D, Processing and Production Function by making available the necessary inputs required for the Organization. His Job involves sourcing and procurement of materials, Logistics function, Commercial Negotiations for procurement of materials etc. He has an experience of more than 32 years in this field. He held senior positions in Aurobindo Pharma, Natco Pharmaceuticals & SOL in the past.
6. **Mr. Ravi Kiran**, Manager-Factory Administration, is a Post Graduate in Science having about 15 years of experience. He was working with A. P. Dairy Corporation before joining Vivimed. His Job functions at Vivimed include, *inter alia*, Factory Administration, Liaisoning and Man Management at factory.

Research & Development:

7. **Mr. Satish Chandra**, Senior Manager, Research and Development Division of the Company. He is a Post Graduate in Science having a experience of more than 20 years in this field. He was with NEU Land Labs Limited prior to this assignment as Senior Manager of R&D. He heads a team of competent and enthusiastic scientists, which is responsible for developing innovative and new products and processes, which are instrumental in the growth of the Company.

New Projects:

8. **Mr. Yogesh Chandra Behra**, Manager - Projects, is a science graduate and a chemical engineer with specialization in manufacturing process and energy conversation from REC, Rourkela, Orissa. He joined Fertiliser Corporation of India (FCI) in 1972 as a junior executive trainee and retired in 2003 as General Manager and Head of Talcher unit of FCI. He has an overall experience of 32 years in erection, testing, commissioning, troubleshooting, etc of various projects. He is responsible for the smooth functioning of execution of proposed expansion project of the Company and obtain necessary regulatory approvals.

All the above employees are on the rolls of the Company as permanent employees.

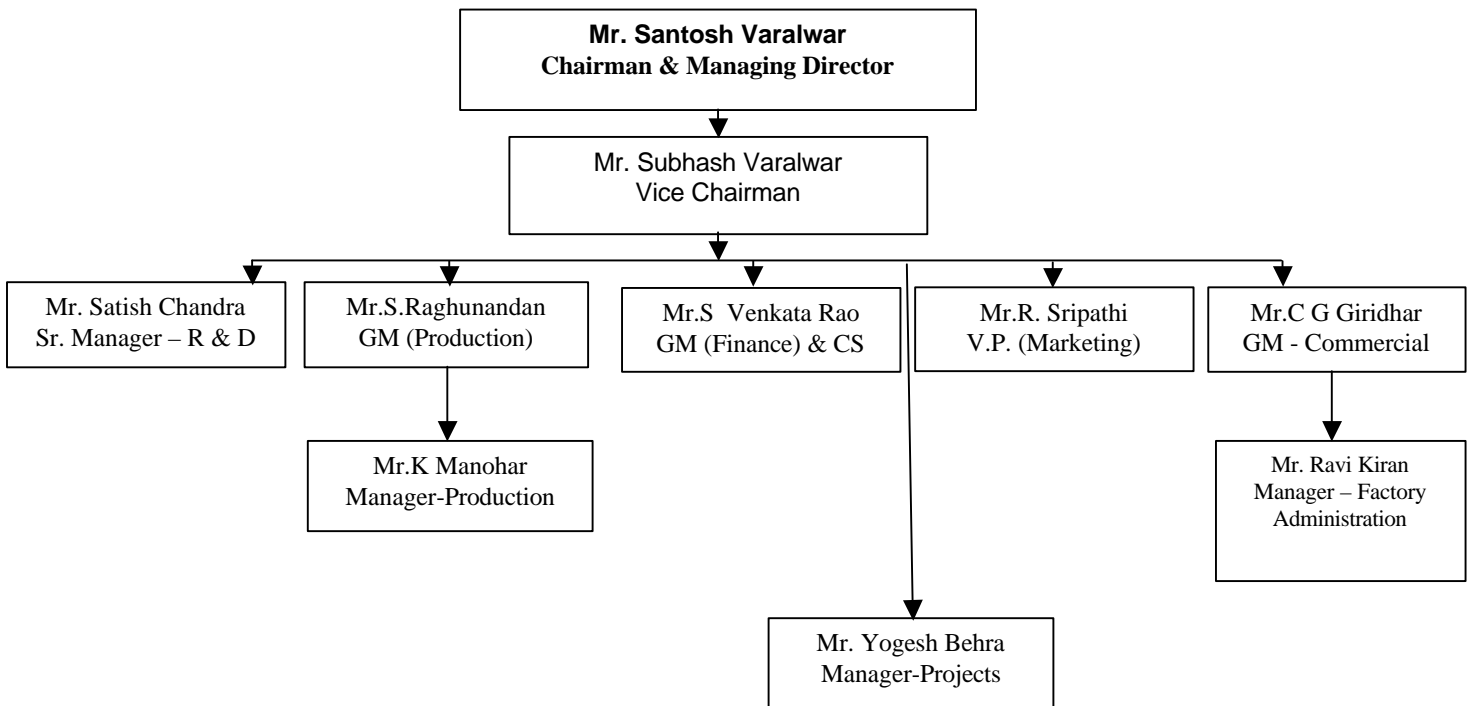
Shareholding of Key Managerial Personnel

Name	Number of Shares	% of Paid up Share Capital
S. Raghunandan	30,000	0.63%

Changes in Key Managerial Personnel during last 3 years

Name	Appointed/ Resigned	Date of Change	Reason
Mr. Suresh Deshpande	Appointed	01.06.2003	Appointed to oversee operations
Mr. S. Venkata Rao	Appointed	05.10.2003	Appointed to look after Finance & Legal
Mr. C. G. Giridhar	Appointed	02.12.2003	Appointed to manage Purchases etc.
Mr. R. Sripathi	Appointed	17.05.2004	Appointed to look after marketing activities
Mr. Ashok Arora	Resigned	31.12.2002	Personal
Mr. Suresh Deshpande	Resigned	31.03.2004	Personal

ORGANISATION CHART



BOARD OF DIRECTORS

Name, Address , Age and Occupation	Other Directorships
<p>Mr. Santosh Varalwar S/o Dr. V. Manohar Rao Address: Plot No. 3, Nagarjuna Nagar, Tarnaka, Secunderabad</p> <p>Age : 42 years Designation : Chairman cum Managing Director</p>	--
<p>Mr. Subhash Varalwar S/o Late V. Gunavantha Rao Address: 401, Chegor Apartments, Lingampally, Hyderabad.</p> <p>Age : 55 years Designation : Vice-Chairman</p>	--
<p>Dr. V. Manohar Rao S/o Late V. Gunavantha Rao Address: H.No.2-2-1105/26/3, Tilak Nagar, New Nallakunta, Hyderabad</p> <p>Age: 66 years Designation: Director</p>	VVS Pharmaceuticals and Chemicals Private Limited
<p>Dr. R. N. Dhar S/o Late Sri. N. N. Dhar Address:H.No.G3, Amrutha Villa, Road No.12, Banjara Hills, Hyderabad -34</p> <p>Age : 74 years Designation: Director</p>	--
<p>Dr. Raj Barathur S/o Late Capt. B N Ramaswamy, Address: 3910 Stonebridge Lane, Rancho Santa Fe, CA 92091, USA.</p> <p>Age : 55 years Designation: Director</p>	--
<p>Mr. Sanjay Kothari S/o Shri Chandratan Kothari Address: D/4 & 5, Ram Kutir, Bangur Nagar, Goregaon (West), Mumbai – 400 090.</p> <p>Age : 41 years Designation: Director</p>	Fortune Financial Services (India) Limited Virendra Holdings Pvt. Ltd. Rekha Holdings Pvt. Ltd. Shivan Holdings Pvt. Ltd. Sound Capital Market Ltd.
<p>Prof. M. Bhagvanth Rao S/o M. Laxman Rao Address: 1-9-295/32/5/C, Vidyanagar, Hyderabad – 500 044</p> <p>Age : 60 years Designation: Director</p>	--

The brief profile of the Board members, other than promoters, is given below:

Dr V. Manohar Rao, Director

Sri V. Manohar Rao, aged 66 years, (Voters ID Card No. – N. A., Driving License No. 62990/HYC/1969) is a post-graduate in Veterinary Biological Sciences from U.K. He has more than 30 years experience in the manufacture, toxicology and control of bio-veterinary drugs.

He has worked with Department of Animal Husbandry, Government of Andhra Pradesh for about 3 decades and retired as Joint Director. During his tenure with Department of Animal Husbandry, he was involved in administration and production of various vaccines for livestock and poultry. He also worked as a special officer for Meat and Poultry Department Corporation Andhra Pradesh Government Enterprises.

He has been associated with VVS Pharmaceuticals and Chemicals Pvt. Ltd. (VVS), one of the group Companies of Vivimed, since its inception in early 80's. He is mainly responsible for developing a Sophisticated & well-equipped in-house Quality Control and introduced various cost control systems in production process. His expertise, knowledge and vision helped VVS to transform from a Biological Processing Unit into a Pharmaceutical Manufacturing Unit for manufacturing of Liquid Orals, Antibiotics, Tablets, Capsules, Ointments etc.

Dr. R. N. Dhar, Director

Dr. Dhar, aged 74 Years, is a B. Sc. and B. Pharm. from Punjab University. He has done Ph. D. (Pharm. Chemistry) from London University (Faculty Medicine). He has an overall experience of more than 45 years in Pharma industry, mainly in Research and Development of Formulations. He has worked with Indian Drugs & Pharmaceuticals Ltd., Hyderabad as well as Gurgaon in Formulations Division for more than 20 years. He has also worked with private corporate viz. M/s. ESSJEE Pharmaceuticals Ltd, M/s. Kanosika Labs and M/s. Normosal Medicants Ltd. as an advisor and Technical Director.

Dr. Raj Barathur, Director

Dr. Raj Barathur, aged 55 Years, is a Ph. D. in Genetics from Kansas State University, USA. He has done MS in Genetics from GB Pant University, India and BS in Genetics from University of Agricultural Sciences, India. He has almost 25 years experience in Technology Development, Strategic Planning, Management, Sales & Marketing and Business Development. He has held senior executive positions in specialized clinical laboratories, diagnostic and bio pharmaceutical Companies like Hoffmann-La Roche, Specialty Laboratories, Clincyte, Gencyte (Israel), Cymbiotics and Burstein Technologies. His experience includes managing established large network laboratories and start up Companies, developing strategies for business expansion, network establishment and set up of international laboratories and businesses. He has Co-authored the Black Book on Genetics in 1995.

Prof. M. Bhagvanth Rao, Director

Prof. M. Bhagvanth Rao aged 60 Years, is a PhD in chemical engineering from the Indian Institute of Sciences, Bangalore and has done his post doctoral studies at the Tokyo Institute of Technology, Japan. He has memberships to various professional associations including Fellowships in the Indian Institute of Chemical Engineers and A.P. Academy of Sciences, Life Membership in the Indian Society for Technical Education, etc. He has over 30 years of experience in research and teaching in the fields of chemical reaction engineering, catalysis, thermodynamics and bio chemical engineering. He has been involved with the Osmania University, Hyderabad in various positions including the Dean of Development and UGC Affairs, Director of Regional Centre for Urban and Environmental Studies and Director of Physical Education. He has various research publications to his credit some of which include articles in the Canadian Journal of Chemical Engineering, Industrial Engineering and Chemistry Fundamentals (USA), Journal of Polymer Sciences (USA), etc. He also acts as a research consultant to various laboratories like IICT, BHEL R&D NFC, etc.

Mr. Sanjay Kothari, Director

Mr. Kothari, aged 41 years, is a Member of the Institute of Chartered Accountants of India and is also a qualified Cost Accountant and Company Secretary. He has an overall experience of more than two decades in Corporate Finance and Financial consultancy. He has worked in different capacities in Finance division of several manufacturing Companies. The Company is expected to gain from his presence on Board due to his varied experience in Finance & Consultancy. He will also be a key participant in the corporate governance of the Company.

Shareholding of Directors:

Name of the Director	Number of Shares	% of Paid up Share Capital
Santosh Varalwar	10,52,455	22.13
Subhash Varalwar	2,70,000	5.68
Dr. V. Manohar Rao	3,40,000	7.15

CORPORATE GOVERNANCE

The provisions of the listing agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to the Company immediately upon the listing of our Equity Shares on the Stock Exchanges. Vivimed intends to comply with such provisions, including with respect to the appointment of independent Directors in the Board and the constitution of the following Board committees: the Audit Committee; the Remuneration Committee; and the Investors Grievances Committee. Vivimed undertakes to adopt the Corporate Governance Code as per Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges prior to the Listing.

The Company has complied with SEBI guidelines in respect of Corporate Governance specially with respect to broad basing of Board, constituting of committees such as shareholding/ investor grievance committee, etc.

The details of these committees are as follows:

Composition of Board of Directors:

The Board of Directors of the Company has an optimum combination of executive and non-executive Directors as envisaged in Clause 49 of the Listing Agreement. Accordingly not less than 50% of the Board of Directors comprises of non-executive as well as independent Directors.

Board Structure:

Sl. No.	Name of the Director	Designation	Nature of Directorship	Date of Expiry of Terms
1	Mr. Santosh Varalwar	Chairman & Managing Director	Executive & Promoter Director	31.12.2009
2	Mr. Subhash Varalwar	Vice-Chairman	Executive & Promoter Director	31.12.2009
3	Dr. V. Manohar Rao	Director	Executive & Promoter Group Director	31.12.2009
4	Dr. R.N. Dhar	Director	Non-Executive & Independent Director	Retire by rotation at AGM
5	Dr. Raj Barathur	Director	Non-Executive & Independent Director	Retire by rotation at AGM
6	Mr. Sanjay Kothari	Director	Non-Executive & Independent Director	Retire by rotation at AGM
7	Prof. M. Bhagvanth Rao	Director	Non-Executive & Independent Director	Retire by rotation at AGM

Audit Committees

The terms of reference of Audit Committee complies with the requirements of Clause 49 of the listing agreement to be entered into with the Stock Exchanges. The committee consists of all non-executive as well as Independent Directors.

Composition of Audit Committee:

S. No.	Name of the Director	Designation	Nature of Directorship
1	Mr. Sanjay Kothari	Chairman	Non-Executive & Independent Director
2	Dr. R.N. Dhar	Member	Non-Executive & Independent Director
3	Prof. M. Bhagvanth Rao	Member	Non-Executive & Independent Director

Brief role of Audit Committee

The Audit Committee provides directions to and reviews functions of the Audit Department. The Committee evaluates internal audit policies, plans, procedures and performance and reviews the other functions through various internal audit reports and other year-end certificates issued by the statutory auditors. Quarterly and Annual Accounts are placed before the Audit Committee, prior to being presented to the Board along with the recommendations of the Audit Committee. The Audit Committee currently comprises of Mr. Sanjay Kothari as the Chairman and Dr. R.N. Dhar and Prof. M. Bhagvanth Rao as members.

Remuneration Committee

The Remuneration Committee consists of all Non-Executive Directors. The Chairman and all other members of the Committee are independent directors. The Committee currently comprises Dr. R.N. Dhar as the Chairman, Dr. Raj Barathur and Mr. Sanjay Kothari as members. The Committee performs the functions of Remuneration Committee as recommended in the Listing Agreement to be entered into with the Stock Exchanges. It will determine the Company's policy on specific packages for Executive Directors.

Investors Grievances Committee

The Investors Grievances Committee looks into redressal of shareholder and investor complaints, issue of duplicate/split/consolidated share certificates, allotment and listing of shares and review of cases for refusal of transfer/transmission of shares and debentures and reference to statutory and regulatory authorities. The Investors Grievances Committee currently comprises of Mr. Santosh Varalwar as the Chairman, Dr. R.N. Dhar and Mr. Sanjay Kothari as members.

9. DESCRIPTION OF INDUSTRY AND BUSINESS:**Industry Analysis**

Since Vivimed Labs is primarily a supplier of anti-microbial agents falling within the range of specialty raw materials to various cosmetics, personal care Companies, etc. and Triclosan, which accounts for over 60% of Vivimed's sales, is an Personal Care Ingredient (PCI), Vivimed Labs would form part of the Pharmaceutical Industry. However, since Vivimed Labs supplies to Personal care and cosmetics Companies, a brief background of the Cosmetics and Toiletries industry is also given. The industry data has been collated from various research publications and from the information available on the internet.

PHARMACEUTICAL INDUSTRY – GLOBAL SCENARIO

As per IMS Retail Drug Monitor, sales through pharmacies in thirteen leading markets for the year to August 2003 grew at 7% to \$298.7 Billion. According to the IMS World Review, in 2002, global audited sales of pharmaceuticals rose 8% (at a constant dollar rate) to reach US \$400.6 billion. IMS World Review tracks actual sales of approximately 90% of all prescription drugs and certain over-the-counter (OTC) products in more than 70 countries. Using proprietary data projection methodologies to estimate total global pharmaceutical sales, which grew to US \$430.3 billion in 2002.

Despite economic challenges in the worlds leading markets and a lower-than-normal number of new product introductions, the global pharmaceutical industry experienced good growth in 2002.

Following is the region wise global pharmaceutical sales for 2002:

Region	2002 Sales (in bn. \$)	% Global Sales
North America	203.6	51%
European Union	90.6	22%
Rest of Europe	11.3	3%
Japan	46.9	12%
Asia, Africa and Australia	31.6	8%
Latin America	16.6	4%
Total	400.6	100%

(Source: IMS World Review 2003)

As seen from the above table, global pharmaceutical sales are highly stratified by region, with North America, the European Union and Japan accounting for 85% of global pharmaceutical sales in 2002.

Of the above, a small number of large pharmaceutical firms account for the bulk of the new drug development and pharmaceutical sales. In 1994, the top 10 firms accounted for 34% of sales. Between 1963-1999 the top 4 firms accounted for almost 20% of the new chemical entities (NCE) approved in the USA and only 20 firms accounted for close to 60% of NCEs invented world wide.

PHARMACEUTICAL INDUSTRY – DOMESTIC SCENARIO

The Indian Pharmaceutical Industry today is in the front rank of India's science-based industries with wide ranging capabilities in the complex field of drug manufacture and technology. The Indian Pharmaceutical Industry is estimated to be worth US \$ 4.5 billion, growing at a CAGR of over 15% annually. It ranks very high in the third world, in terms of technology, quality and range of medicines manufactured.

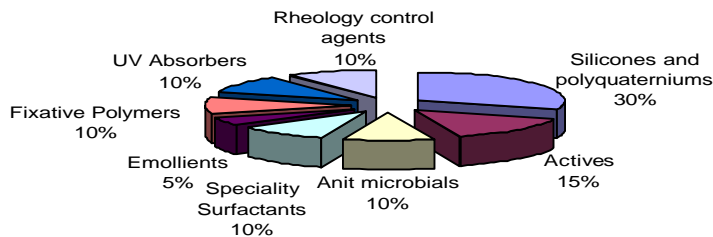
Playing a key role in promoting and sustaining development in the vital field of medicines, the Indian Pharmaceutical Industry boasts of quality producers and many units approved by regulatory authorities in USA and UK. International Companies associated with this sector have stimulated, assisted and spearheaded this dynamic development in the past 53 years and helped to put India on the pharmaceutical map of the world.

The Indian Pharmaceutical sector has more than 20,000 registered units. It has expanded drastically in the last two decades. The leading 250 pharmaceutical Companies control 70% of the market.

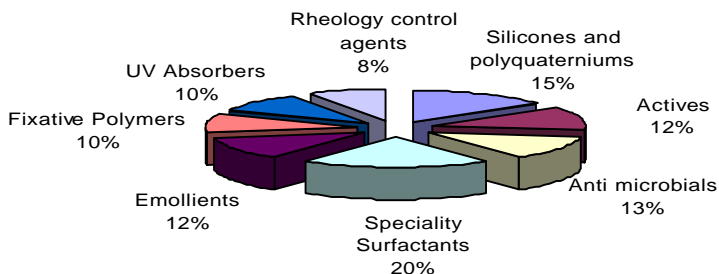
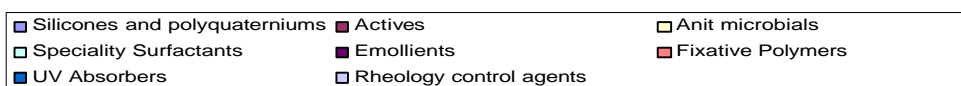
The pharmaceutical industry in India meets around 70% of the country's demand for bulk drugs, drug intermediates, pharmaceutical formulations, chemicals, tablets, capsules, orals and injectibles. There are about 250 large units and about 8000 Small Scale Units, which form the core of the pharmaceutical industry in India (including 5 Central Public Sector Units). These units produce the complete range of pharmaceutical formulations, i.e., medicines ready for consumption by patients and about 350 bulk drugs, i.e., chemicals having therapeutic value and used for production of pharmaceutical formulations.

GLOBAL COSMETICS AND TOILETRIES INDUSTRY – PRESENT SCENARIO OF SPECIALITY RAW MATERIALS

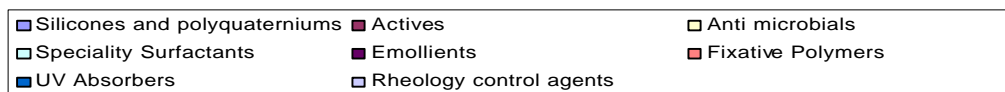
The present market size of raw materials of the U.S. and Western European markets, as per Kline estimates are given below:



Total market size (U.S.) \$970Mn. - 1,000Mn.



Total market size (West European market) \$980Mn. - 1,050Mn.



As observed from the above charts, 10% and 13% of the specialty raw material market in the U.S. and Western Europe amounting to \$100 Mn. and 130 Mn. pertain to microbial which is the domain of Vivimed Labs. Similarly, about 10% of the market in the U.S. and the Western Europe markets is constituted by UV Absorbers, which is also supplied by the Company.

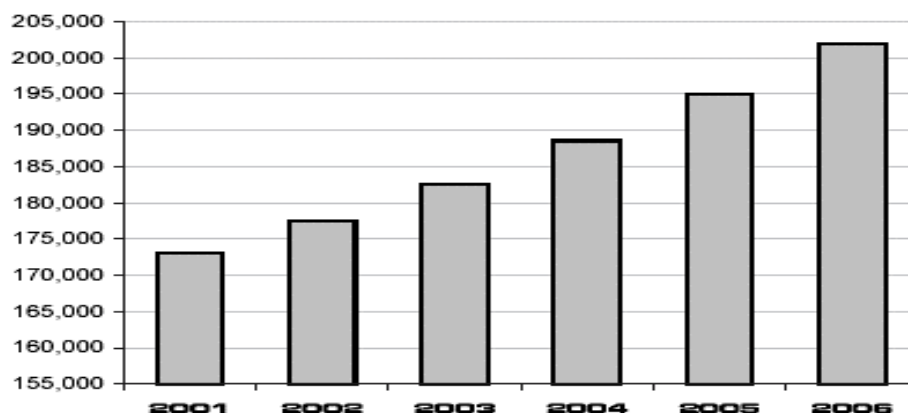
GLOBAL COSMETICS AND TOILETRIES INDUSTRY - FUTURE OUTLOOK

As per Euromonitor, the global market for cosmetics and toiletries is expected to enjoy strong growth over 2001-2006, with sales expected to rise by US\$28.9 billion by 2006. Despite core maturity in the core developed markets such as US, ongoing demand for premium products particularly cosmeceuticals, is expected to sustain growth in other developed markets, such as Japan and Western Europe and expenditure levels on cosmetics and toiletries are expected to remain high in the more affluent nations.

Increasingly, however, growth will be concentrated in the less saturated of national markets, where household penetration of cosmetics and toiletries is lower and expenditure is rising, given the growing cultural influence of the US on a global level. Highest value gains will stem from increasingly significant economic powers such as South Korea and China, with further dynamic growth stemming from the vast, untapped potential of highly populated countries such as Russia and India. Minor, comparatively under-established niches such as depilatories and sun care are expected to contribute the highest growth,

although in terms of actual value increment, core categories such as hair care and skin care will dominate value gains, particularly as product availability and usage increases in major developing markets.

The global sales value of cosmetics and toiletries for the period 2001-2006 (Source: Euromonitor) is given below:



COSMETICS AND TOILETRIES INDUSTRY - DOMESTIC SCENARIO

As per Euromonitor estimates, the cosmetics and toiletries market in India was worth just over Rs. 141 billion in 2002, representing an increase of almost 6% in current value terms on 2001. This was lower than the 7% increase recorded in 2001, due primarily to heavy price discounts applied on various necessity items like talcum powder and bar soap. Value sales witnessed a slowdown in 2001 and 2002 due to the sluggish demand amidst an overall slowdown in the FMCG industry arising from poor agricultural returns, irregularities in monsoons and global uncertainty. With the stagnancy of the agricultural sector since 2000, rural demand slows down as well. Consumer spending also decreases due to the lack of confidence in the economy and a general feeling of instability.

10. STOCK MARKET DATA

This being the first public issue by the Company, no stock market data is available.

11. MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF THE OPERATIONS AS REFLECTED IN THE FINANCIAL STATEMENTS

The Directors confirm that there have been no events or circumstances since the date of the last financial statements, which materially and adversely affect or are likely to affect the profitability of the Company or the value of its assets or its ability to pay its liabilities within the next twelve months.

The Company has integrated versatile manufacturing facilities to handle any type of reaction. The range of the products manufactured by the Company is expanding year after year because of its Research and Development department, which is constantly endeavoring to achieve Research improvements and Cost Efficiencies by way of cheap raw material substitution and recoveries of solvents and chemicals.

The Company has its manufacturing facilities at Bidar, Karnataka with installed capacity to manufacture its existing products. i.e. Triclosan and its Intermediates

The flagship product of the Company "Triclosan" was first launched in the year 1995 and since then has exhibited a phenomenal growth rate especially by its being accepted by the multinational Uni-Lever group for their toothpaste brand (Pepsodent and Pepsodent Plus). This product has also become a part of their worldwide sourcing. Triclosan has gained entry into both European and North American markets and is shown steady acceptance in the Far East.

The Company manufactures 11 products, which are exported to 19 countries. The Company has order books for about 360 tons of Triclosan for FY05. Special care is being taken to ensure total adherence to

quality and environment. The Company has also obtained clearance from the US Environmental Agency in this regard.

For the Period ended September 30, 2004

The Product wise Quantity Value of Major Products for the period ended September 30, 2004:

S. No.	Product	Quantity (MT)	Value (Rs. in Lacs)
1	Triclosan	176	1,816
2	CAGP	60	293
4	COSVAT	2	25
5	Other specialty chemicals	NA	187

The Company has achieved a Turnover of Rs. 2,322 lacs during the six months period ended September 30, 2004 and profit before tax is Rs. 333 lacs for the same period. The annualized growth rate in turnover is 15% and that in PBT is 24%.

The Company is expanding its presence in all the segments of Personal Care & Cosmetic Industry. Accordingly the Company has introduced new products during the year and has found out new uses for its existing products. Further the Company has doubled its capacity for Triclosan production due to higher order book position, the results of which will be witnessed in next year.

FINANCIALS

Comparison of the significant items of income and expenditure between financial statement for the FY 2004 over the previous FY2003 and for the FY2003 over the previous FY2002.

Particulars	Year ended March 31, Year 2002	Year ended March 31, Year 2003	Year ended March 31, Year 2004	Period ended 30.09.2004
Export	639	962	1,839	1,335
Domestic	1,484	2,004	2,204	987
Total Sales	2,123	2,966	4,043	2,322
% Increase		39.70%	36.31%	#
Other Income	15	2	7	2
Increase/(Decrease) in stock	132	127	66	267
Total Income	2,270	3,095	4,116	2,591
Expenditure				
Material Consumed	1,279	1,736	2,160	1,515
% to sales	60.24	58.53	53.43	65.25
Manufacturing expenses	223	446	646	336
% Sales	10.50	15.04	15.98	14.47
Salaries and wages	74	96	124	87
% to sales	3.49	3.24	3.07	3.75
Admin & Selling expenses	311	294	415	182
% to sales	14.65	9.91	10.26	7.84
Financial charges	93	125	160	90
% to sales	4.38	4.21	3.96	3.88

Particulars	Year ended March 31, Year 2002	Year ended March 31, Year 2003	Year ended March 31, Year 2004	Period ended 30.09.2004
Depreciation	35	50	75	48
% to sales	1.65	1.69	1.86	2.07
Profit Before tax	255	348	536	333
Current taxation	-	-	43	50
Deferred taxation	-	-	93	34
Profit for the year	255	348	400	249
% Increase		36.47	54.02	#
Extraordinary items	-	-	-	-
Prior period items	127	-	-	-
Net profit after Extraordinary & prior period items	128	348	400	249
% Increase		171.88	14.94	#

#: Ratio not computed since the periods are not comparable

(a) Comparison of Performance and Analysis of Developments for Financial year ended 31st March 2003 vis-à-vis 31st March 2002

The Product wise quantity and value of major Products for the Year 2002-03 is given below:

S. No.	Product	Quantity (MT)	Value (Rs. in Lacs)
1	Triclosan	127	1,601
2	AVIS	5	67
3	COSVAT	7	102
4	CAGP	36	216
5	Other specialty chemicals	NA	980

During the financial year ended 31st March, 2003 the sales and opening income stood at Rs. 2,966 lacs as against 2,123 lacs in the previous year. The net profit before tax stood at Rs. 348 lacs as against Rs. 255 lacs in the previous year registering an increase of 36%.

The Company has also attained distinction of being registered with US EPA (United States Environmental Protection Agency), which has not only enhanced its global image but also has provided access to the newer markets. A notable event during the year is synthesis of NDGA (Anti Cancer/Antioxidant).

(b) Comparison of Performance and Analysis of Developments for Financial year ended 31st March 2004 vis-à-vis 31st March 2003

The Product wise Quantity Value of Major Products for the Year 2003-04:

S. No.	Product	Quantity (MT)	Value (Rs. in Lacs)
1	Triclosan	233	2,657
2	AVIS	17	202
3	COSVAT	11	147
4	CAGP	96	552
5	Other specialty chemicals	NA	485

During the financial year ended 31st March, 2004 the sales and opening income stood at Rs. 4,043 lacs as against 2,966 lacs in the previous year at a growth rate of 36%. The net profit before tax stood at Rs. 536 lacs as against Rs. 348 lacs in the previous year registering an increase of 54%. The Company's growth has been mainly spurred by accelerated sales.

The Company, in line with its growth strategy, increased capacity of Triclosan from 225 MT to 480 MT in March 2004. The Company has developed A123 for Hindustan Lever and the same is under approval stage.

Expenditure:

The Company has been able to keep its financial expenditure within the limits year over year because of better financial management and better management of working capital. The financial expenses of the Company during the last 3 years have been as under.

Rs. in lacs			
Particulars	2002	2003	2004
Financial expenses	94	125	160

The details of other expenditure are as under:

Rs. in lacs			
Particulars	2002	2003	2004
Salaries and wages	74	96	124
Manufacturing expenses	223	446	646
Admin & Selling exp	311	294	415

- Salaries and wages have grown at about 29% in FY2003 and FY2004. Besides, increasing the manpower, the Company revises its employee remuneration on 31st March each year. Salaries and Wages as a % to sales have remained in the range of about 3% to 3.5% of sales in all the above financial years.
- Manufacturing expenses are 10.5% of Sales during FY2002, 15% during FY2003 and 15.98% during FY2004
- Administrative & Selling Expenses are 14.65% of sales turnover during FY2002, 9.91% during FY2003 and 10.26% during FY2004. The decline in admin. & selling expenses is due to continuous increase in turnover.

Taxation/Deferred tax:

The tax expense for the year, comprising current and deferred tax is included, to determine the net profit/(loss) for the year. The provision for current tax liability is computed in accordance with relevant tax rates and tax laws.

The Company would continue to enjoy income tax concession under Section 80HHC of the Income Tax Act, 1961, albeit on a decreasing basis till FY2005. The Company's income tax out-go is expected to increase over the next few years as the benefit of deduction available under the concession is proposed to be reduced and phased-out.

These concessions are available by way of a deduction from the total income chargeable to tax and are tabulated below:

Financial Year	% deduction allowed from Export income
2004	30%
2005 onwards	Nil

Provision for taxation – Reason for no tax incidence in the past years

The brief details of the status of profits and deductions thereon are given in the table below:

Particulars	Rs. in lacs	
	Year ended March 31, 2003	Year ended March 31, 2002
Book Profits	348.19	255.20
Major Adjustments:		
Deduction u/s 80 HHC	35.94	--
Depreciation Unabsorbed brought forward depreciation	284.86	161.64
Current year depreciation	191.78	123.22
Taxable Profit	Nil	Nil
Tax liability	Nil	Nil

As seen from the above table, the major difference between the taxable profits and the book profits is due to the unabsorbed brought forward depreciation and allowable depreciation for the year. Consequently, there is no incidence of taxation up till the year ended March 31, 2003.

The Company changed the accounting policy for accounting for deferred taxes during the year ended March 31, 2004 to comply with the provisions of Accounting Standard 22 on Deferred taxes. Consequently, the accumulated deferred tax liability as on April 1, 2003 of Rs. 8.46 lacs has been adjusted against the Balance in Profit and loss account as on April 1, 2003.

Provision for diminution in value quoted investments:

The Company does not have any investments.

Information required as per clause 6.8 of the SEBI Guidelines:**a. Unusual or infrequent events or transactions:**

There have been no unusual or infrequent transactions that have taken place.

b. Significant Economic changes that materially affected or are likely to affect income from continuing operations:

Volatility in foreign exchange rates may have an inflationary effect on cost of imports. However, as the Company derives 50% of its turnover from exports, any inflationary effect on imports will be more than offset by higher realization on exports.

As per the WTO agreement product patent will be applicable in India from 2005 to the Pharmaceutical Companies.

Except the above, there are no significant economics changes that materially affect or likely to affect income from continuing operations.

c. Known trends or uncertainties

Apart from the risks as disclosed in this prospectus, there are no other known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income form continuing operations.

d. Future relationship between costs and revenue

1. **Raw Material:** The expansion of the current operations would enable the Company to procure raw materials in bulk locally as well as imported from the direct manufacturers. This would in turn result in negotiating for competitive prices and help the Company to achieve economies of scale.

2. **Interest costs reduction:** The Company is planning to convert its Rupee working capital loan into a PCFC (Foreign Currency) Loan, which will reduce the interest costs by approximately 500 basis points.

e. Seasonality of business

None of the Company's products sold are seasonal in nature.

f. **Over dependence on Single supplier/Customer**

The Company sources its raw materials from a number of suppliers and is not under threat from excessive dependence on any single supplier.

About 24% of the sales in FY03 of the Company is made to Hindustan Liver Ltd & Associates. The Company has started its business in specialty chemicals i.e. Triclosan in the Year 1995 with mainly catering to HLL & Associates and Harmet International (USA). Subsequently, the Company has diversified its product range and found new applications and it is also supplying to other International Companies like Groupe Arnaud (France), Pharmed (Bangalore), Collaborative Group (USA), Farma Trade S R L (Argentina), Kreglinger (Europe), Sanitized AG, Switzerland, SDL Ltd., Tanzania .

g. **Total turn over of the Industry**

Please refer to the Para on "Industry Data" referred on page ___ of this Draft Prospectus.

h. **Competitive conditions**

The Company has been strengthening its position in the product lines in which it is operating. Further through R & D, it has identified new products as well as new applications for the existing products. The Company also has been expanding its markets and customer base in the local as well as international market. All these things have been helping the Company to stand against the competition.

i. **New Products introduced during 2004.**

The Company has introduced new products viz. VINTOX and DANTUFF during 2004. The details of the same are given on page _____ of this Draft Prospectus.

DETAILS OF ANY ENCUMBRANCES OVER THE PROPERTY OF THE COMPANY AND GUARANTEES GIVEN BY THE COMPANY TO ANY OTHER PARTY:

There are no other encumbrances over the property of the Company, except the following:

- First charge by Lending Bank's vide hypothecation of the current assets and Plant and machinery and other Fixed Assets purchased out of the term loan,
- Equitable mortgage on specified factory plot at Bidar, Karnataka, and
- Second charge on existing/future fixed assets.

DETAILS OF MATERIAL DEVELOPMENTS AFTER THE DATE OF LAST BALANCE SHEET:

There have been no material developments after the date of last audited balance sheet i.e. September 30, 2004.

12. FINANCIAL INFORMATION OF GROUP COMPANIES

The information for the last 3 years based on the audited statements in respect of all the Companies, firms, ventures, etc. promoted by the promoters irrespective of whether these are covered under section 370 (1)(B) of the Companies Act, 1956 are given in the offer document under "**OTHER GROUP COMPANIES/VENTURES OF PROMOTERS**" section.

There are no transactions of Sales or Purchases between Promoters Group in the last 3 years.

13. PARTICULARS REGARDING COMPANIES UNDER THE SAME MANAGEMENT AND PREVIOUS PUBLIC ISSUES

PARTICULARS IN REGARD TO THE COMPANY AND OTHER LISTED COMPANIES UNDER THE SAME MANAGEMENT WITHIN THE MEANING OF SECTION 370 (1)(B) OF THE COMPANIES ACT, 1956, WHICH MADE ANY CAPITAL ISSUE DURING THE LAST THREE YEARS

There are no listed Companies under the same management within the meaning section 370 (1) (B) of the Companies Act, 1956, which made any capital issue during the last three years.

PROMISE VIS-À-VIS PERFORMANCE

Vivimed has not made any public issue of shares since its incorporation. There is no group Company, which has made any public issues.

LISTED VENTURES OF PROMOTERS (IF ANY) - PROMISE VIS-À-VIS PERFORMANCE

There are no listed ventures of Promoters.

14. BASIS FOR ISSUE PRICE

Qualitative Factors:

1. Vivimed Labs Limited is a continuously profit making Company for the last 6 years.
2. The Company holds a process patent for Triclosan from the Indian Patent Office.
3. The Company has certification for Bio-Terrorism preparedness from US-FDA which is a prerequisite for exports to certain countries.
4. The Company has ISO 9001: 2000 QMS certification for its Production facility at Bidar, Karnataka.
5. The Company has Environmental Protection Agency (EPA) registration for VIV-20 (Triclosan) from USA.

Quantitative Factors

1. Adjusted weighted earning per share (EPS)

Year	EPS	Weightage
2001-2002	5.37	1
2002-2003	7.32	2
2003-2004	8.42	3
Weighted average	7.55	-

2. Price Earning ratio (PE ratio) in relation to the issue Price of Rs. 70 per share:

a. Based on 2003-2004 EPS	8.31
b. Based on weighted average EPS	9.27
d. Pharmaceutical (Indian - Bulk Drugs) Industry P/E *	
i) Highest	47.70
ii) Lowest	3.80
iii) Average	19.80

*Source: Capital Market Volume XIX/18, November 8-21, 2004.

There are no listed Companies of the similar size in the same product line as that of Vivimed.

3. Return on "year – end" Net worth

Year	RONW (%)	Weightage
2001-2002	29.83	1
2002-2003	28.93	2
2003-2004	25.03	3
Weighted Average	27.13	

Minimum return on total Net worth (after the issue) needed to maintain pre issue EPS:

EPS of 31.03.2004 Rs. 8.42	16.97%
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4. Net Asset Value (NAV) per share (Rs.)

a.	As on March 31, 2004	33.62
b.	After issue	49.61
c.	Issue Price	70.00

5. The issue price of Rs. 70 is 7 times of the face value of the shares of the Company.

The Lead Manager believes that the Issue Price of Rs.70/- per share is justified in view of the above qualitative and quantitative parameters. The Investors may also want to peruse the risk factors and the financials of the Company as set out in the Auditors Report in Part II of the Prospectus to have a more informed view about the investment proposition.

15. OUTSTANDING LITIGATIONS OR DEFAULTS

There are no litigations in which the promoters are involved, defaults to the financial institutions/banks and non-payment of statutory dues and dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares by the Promoters and the Companies/Firms promoted by the promoters.

There are no such cases of pending litigations, defaults, etc. in respect of Companies / firms / ventures with which the promoters were associated in the past but are no longer associated, and their names continue to be associated with particular litigation.

There are no litigations against the Promoter or Director, involving violation of statutory regulations or criminal offence.

There are no pending proceedings initiated for economic offences against the directors, the promoters, Companies and firms promoted by the promoters.

There are no cases against the Company or its Promoters of economic offences in which penalties were imposed by the concerned authorities.

There are no outstanding litigations, defaults, etc., pertaining to matters likely to affect operations and finances of the Company including disputed tax liabilities, prosecution under any enactment in respect of Schedule XIII to the Companies Act, 1956 (1 of 1956) except as stated below:

Income Tax Dispute by VIVIMED LABS LIMITED:

There is a Block Assessment done for the period A.Y. 1991-92 to A.Y. 2001-02, where in there was an addition of Rs.153.75 lacs and Tax demand of Rs.107.94 lacs.

Presently the appeal is in Income Tax Appellate Tribunal, Hyderabad Bench. The Company has already paid Rs.35 lacs and balance amount payable is Rs.72.94 lacs.

16. RISK ENVISAGED BY MANAGEMENT & MANAGEMENT PROPOSALS (MP) THEREOF

Investors should consider carefully the following risk factors, together with the other information contained in this Prospectus, before they decide to buy the Company's Equity Shares. If any of the following risks actually occur, the Company's business, financial condition and results of operations could suffer, the trading price of the Company's Equity Shares could decline and you may lose all or part of your investment.

Note: Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implication of any risks mentioned herein under:

1. The Company is promoted by first generation entrepreneurs and the investors will be subjected to all consequential risk associated with such ventures.

MP: Mr. Santosh Varalwar and Mr. Subhash Varalwar have been managing the Company successfully for over a decade. Further the Company has professionals in key areas of Production, Research & Development, marketing, logistics and Finance. The turnover and PAT of the Company has increased from Rs. 751.85 lacs and Rs 15.26 lacs in FY 1999 respectively to Rs. 4,042.55 lacs and Rs.400.28 lacs respectively in FY2004.

2. About 66% of Vivimed's revenues in FY04 are derived from the sale of Triclosan. The Company is thus highly susceptible to volatility of prices of Triclosan and from potential substitutes and competitive products.

MP: The Company is experiencing continuous increase in demand for Triclosan and accordingly the Company has increased its production capacity from 225 M.T. to 480 M.T. in March 2004. The Company has taken various measures to reduce the raw material cost and increase the input output ratio to be cost competitive in the manufacture of Triclosan. Simultaneously the Company is continuously engaged in identifying new uses of Triclosan for existing and new customers. Also, the

Company has been constantly introducing new products thereby reducing the dependence on Triclosan as evidenced by its reducing contribution to Turnover from 76.88% in FY01 to 65.73% in FY04.

3. About 30% of the sales of the Company in FY 2004 are made to Hindustan Lever Ltd ('HLL') & Associates.

MP: The Company started its business in Specialty Chemicals i.e. Triclosan in the Year 1995 mainly catering to HLL & Associates and Harmet International (USA). Subsequently, the Company has diversified its product range and found new applications and it is also supplying to other International Companies like Groupe Arnaud (France), Pharmed (Bangalore), Collaborative Group (USA).

4. There is a Block Assessment done for the period A.Y. 1991-92 to A.Y. 2001-02, where in there was an addition to the Income of Rs.153.75 lacs and Tax demand of Rs.107.94 lacs.

MP: Presently the appeal is in Income Tax Appellate Tribunal, Hyderabad Bench. The Company has already paid Rs.35 lacs and balance amount payable is Rs.72.94 lacs.

5. The Company has not yet placed orders for the Plant & machinery and electrical installation equipment required for proposed expansion project for which an amount aggregating Rs.1,647.17 lacs has been included in the cost of project.

MP: The Company has already received quotations from the proposed suppliers and the orders shall be placed after the completion of construction of building for the expansion project.

6. VVS Pharmaceuticals & Chemicals Pvt. Ltd., a Company promoted by relatives of the promoters, is in the business of manufacturing formulations, which may create a conflict of business interest.

MP: VVS Pharmaceuticals is engaged in the manufacture of pharmaceutical formulations and produces tablets, capsules, syrups and suspensions and injectibles. VVS Pharmaceuticals primarily does job work for government Companies. As against these activities, Vivimed Labs is engaged in the manufacture of ingredients used in the personal care industry. Both the Companies have separate management with only one common director, Dr. V. Manohar Rao. There have been no transactions between these Companies till date. Hence, there is a clear differentiation in the activities of these Companies, the Management and focus areas and there is no scope for any conflict of interest.

7. The Company's sustained growth depends on its ability to attract and retain skilled manpower as research and development is a key component of Company's business model. Failure on part of the Company to attract and retain skilled manpower could adversely affect the Company's growth strategy.

MP: The Company has retained its key personnel in the areas of production, process improvements and development of new products in the past. The Company is in the process of recruiting requisite professionals for its expansion program.

8. The Company imports certain raw materials. Since the cost of these raw materials is denominated in US Dollars, any adverse fluctuations with respect to the exchange rate of US Dollars for Indian Rupee is likely to affect Company's input cost. Therefore the Company is exposed to losses due to currency fluctuations.

MP: During FY2004 the Company's Export sales amounted to Rs. 1839 lacs and Imported raw material consumption amounted to Rs.157 lacs. Since the exports are significantly higher compared to imports, any foreign exchange losses would be offset by foreign exchange earnings from exports.

9. The Company has not provided for the following contingent liabilities as on 30.09.2004

• Letter of credit	Rs. 286.80 lacs
• Bank guarantees	Rs. 4.14 lacs
• Claims against the Company not acknowledged as debts	Rs. 167.80 lacs

MP: The above Contingent Liabilities are in the normal course of business, hence no provision is required.

10. The Company is yet to obtain the following permissions for the expansion project:

Approval / Consent	Agency	Status
Pollution Clearance for the Expansion project	Andhra Pradesh Pollution Control Board, Hyderabad	Application made in October 2004
License under Factories Act	Director of Factories, Government of Andhra Pradesh	Application will be made after receiving NOC from APPCB
Power sanction for 1000 K.V.A	Andhra Pradesh State Electricity Board	Application will be made after receiving NOC from APPCB
Consent for drilling Bore wells	Andhra Pradesh Irrigation Department, Hyderabad	Application will be made at appropriate time

11. Pending utilization in the project, the proceeds of the issue will be invested in Govt. Securities and/or Bank Deposits in short and medium term. This deployment may not result in adequate returns for the Company.

C. EXTERNAL AND BEYOND THE CONTROL OF THE COMPANY

1. The Company operates in a globally competitive business environment. Growing competition may force the Company to reduce the prices of its products and services, which may reduce its revenues and margins and/or decrease its market share, either of which could have a materially adverse effect on its business, financial condition and results of operations.

MP: The Company aims to keep abreast with the dynamic business scenario and has broad-based its product mix. The Company, as part of its continuous R&D activities, has been achieving developments in areas of better process technology, improved process yield, sourcing of raw material at competitive price and development of new products/processes.

2. WTO compliance recognizes product patent and will thus require Indian pharmaceutical Companies to adhere to product patents and not produce products by merely changing the process of manufacture of an existing product.

MP: The products manufactured by the Company are already off patent and as such they would not be violating WTO requirements.

3. Any change in regulatory environment in relation to manufacturing in the country or for marketing its products within and outside the country will significantly impact the business of the Company.

MP: The Company keeps itself abreast of the various developments in relation to the regulatory environment and gears itself in order to comply with such regulatory changes. Further, the Company is ISO 9001:2000 certified and has already obtained US EPA registration.

4. Any change in policies by the countries, in terms of tariff and non-tariff barriers, from which the Company imports its raw material and/or exports its products to, will have an impact on the Company's profitability.

MP: The Company's exports and imports are spread across various countries. Whenever such policy changes affect the Company's business, the Company would work towards complying with or reckoning the policy changes and adopt appropriate strategies to sustain its business.

5. The Company currently benefits from various income tax exemptions and deductions, which are applicable for Companies having export income. The Government of India has announced the gradual elimination of some of the income tax exemptions that are available to the Indian exporters. Non-availability of these tax exemptions will increase the Company's future tax liabilities and reduce the profits of the Company in future.

6. If any Government Statute makes it compulsory for the Company to follow GMP, EU & US-FDA norms, the Company may not be in a position to follow these norms.

MP: The Company is in the process of creating sufficient infrastructure to meet the GMP requirements and would take necessary steps for obtaining requisite approvals to cater to the regulated markets.

7. The Company's performance is linked to the stability of policies and political situation in India as well as the countries with which we have business relations.

8. If the Company fails to comply with environmental laws and regulations or face environmental litigation, its results of operation may be adversely affected.

MP: The Company has been complying with current environmental laws and regulations and has also obtained necessary approvals from regulatory bodies. Further it has also obtained US EPA registration.

Notes:

1. Pre-issue Net worth of the Company as on March 31, 2004 is Rs. 1,599.11 Lacs and as on September 30, 2004 is Rs. 1,850.15 lacs.
2. Size of the Present issue - Public issue of 25,00,000 equity shares of Rs.10/- each for cash at premium of Rs.60/- per share aggregating Rs. 1,750 Lacs.
3. The average cost of acquisition of Equity Shares of the Promoters is Rs.11.68 per share.
4. Book value of the Equity Shares of the Company as on March 31, 2004 and as on September 30, 2004 is Rs. 33.62 and Rs. 39.60 respectively.
5. Investors are advised to refer to the paragraph on "Basis for Issue Price" on page no._____ before making an investment in this Issue.
6. Investors may please note that in the event of over-subscription, allotment shall be made on a proportionate basis in consultation with National Stock Exchange of India Ltd. (NSE) (the Designated Stock Exchange).
7. Investors may contact the Lead Manager or the Compliance Officer for any complaint/ clarification/ information pertaining to the Issue, who will be obliged to attend to the same.
8. Related party transactions are given below:

Rs. In Lacs						
Name of the Party	Nature of relationship	Nature of transaction	March 31, 2002	March 31, 2003	March 31, 2004	Sept. 30, 2004
Mr. Santosh Varalwar	Chairman & Managing Director	Remuneration	3.00	3.00	6.00	7.50
Mr. Subhash Varalwar	Vice-Chairman	Remuneration	3.00	3.00	5.25	6.00
Mr. V. Manohar Rao	Director	Remuneration	-	-	-	3.00

9. All information shall be made available by the Lead Manager and the Company to the Public or Investors at large and no selective or additional information would be available for a section of the Investors in any manner whatsoever.

17. DISCLOSURE ON INVESTOR GRIEVANCES AND REDRESSAL SYSTEM

The Company has appointed the Registrar to the Issue, to handle the investor grievances in coordination with Compliance officer of the Company. All grievances relating to the Present issue may be addressed to the Registrar with a copy to the Compliance officer, giving full details such as name, address of the applicant, number of equity shares applied for, amount paid on application and bank and Branch. The Company would monitor the work of the Registrar to ensure that the investor grievances are settled expeditiously and satisfactorily.

Investors' grievances redressal mechanism

The Registrar to the Issue namely M/s. Aarthi Consultants Private Limited will handle investors' grievances pertaining to this issue. A fortnightly status report of the complaints received and redressed by them would be forwarded to the Company. The Company would also be coordinating with the Registrar to the issue in attending to the grievances of the investors. The Company assures that the Board of Directors in respect of the complaints, if any, to be received, shall adhere to the following schedules-

	Nature of the Complaint	Time Taken
1	Non-receipt of the refund	Within 7 days of receipt of complaint, subject to production of satisfactory evidence.
2.	Change of Address notification	Within 7 days of receipt of information
3.	Any other complaint in relation to Public Issue	Within 7 days of receipt of complaint with all relevant details.

The Company has appointed Mr. S. Venkat Rao as Compliance Officer who would directly deal with SEBI officer with respect to implementation/ compliance of various laws, rules, regulations and other directives issued by SEBI and matters related to investor complaints. The investors may contact the compliance officer in case of any pre issue/post issue related problems. The Compliance officer will be available at the Registered Office of the Company

PART II

A. GENERAL INFORMATION

CONSENTS:

The written consents of Directors, Company Secretary, Auditors, Legal Advisors, Lead Manager to the Issue, Underwriters to the Issue, Registrar to the Issue, Bankers to the Company and Bankers to the Issue to act in their respective capacities, have been obtained and filed along with a copy of the Prospectus with the Registrar of Companies, Karnataka, Bangalore as required under Section 60 of the Act and such consents have not been withdrawn up to the time of delivery of the Prospectus for registration.

M/s. P. Murali & Co., Chartered Accountants, Auditors of the Company have also given their consent to the inclusion of their report as appearing hereinafter in the form and context in which it appears in this Draft Prospectus and also of the tax-benefits accruing to the Company and to the members of the Company and such consent and report have not been withdrawn up to the time of delivery of a copy of this Draft Prospectus for Registration with the Registrar of Companies, Karnataka at Bangalore.

EXPERT OPINION

The Company has not obtained any expert opinions related to the present issue, except the opinion of the Company's auditors, M/s P. Murali & Co., Chartered Accountants on the benefits available to the investors.

CHANGES IN THE BOARD OF DIRECTORS DURING THE LAST THREE YEARS

Name	Date of appointment	Date of cessation	Reason
Mr. M. Ravinder	05.03.2001	29.11.2003	Due to pre-occupation
Mr. M. Radhika	05.03.2001	29.11.2003	Due to pre-Occupation
Mr. M. Kishore Kumar	05.03.2001	29.11.2003	Due to pre-occupation
Mr. C. Ramakrishna	30.09.1997	15.12.2003	Due to pre-occupation
Dr. R. N. Dhar	15.12.2003	--	Inducted as Independent Director
Dr. Raj Barathur	15.12.2003	--	Inducted as Independent Director
Prof. M. Bhagvanth Rao	15.12.2003	--	Inducted as Independent Director
Mr. Sanjay Kothari	09.04.2004	--	Inducted as Independent Director

CHANGES IN AUDITORS DURING THE LAST THREE YEARS AND REASONS THEREOF

There has been no change in auditors of the Company during the last 3 years except that in 2003-04 M/s Kamlesh Kumar & Co., Chartered Accountants, Auditors of the Company have resigned w.e.f. 15.12.2003 due to their preoccupations and in their place M/s P. Murali & Co., Chartered Accountants, have been appointed as Auditors of the Company.

AUTHORITY FOR THE PRESENT ISSUE

Pursuant to Section 81(1A) of the Companies Act, 1956, present issue of equity shares has been authorized vide Special Resolution passed at the Extra Ordinary General Meeting of the Company held on 27.01.2004 and the resolution passed by the Board of Directors in its meeting held on 26.12.2003.

INTEREST ON EXCESS APPLICATION MONEY

Payment of interest at rate of 15% per annum on the excess application money, after adjusting the amount due on allotment and unpaid calls will be made to the applicants, if the refund orders are not dispatched within 30 days from the date of closure of the subscription list as per the Guidelines issued by the Government of India, Ministry of Finance vide their letter No.F-8/6/SE/79 dated July 21, 1983 and as

amended vide their letter No. F/14/SE/85 dated September 27, 1985 addressed to the Stock Exchanges and as further modified by SEBI's circular SMD/RCG/33/1819/96 dated May 15, 1996.

APPLICATION OF SECTION 269SS OF THE INCOME TAX ACT, 1961.

In respect of the provisions of Section 269SS of the Income Tax Act, 1961, the subscription against the equity shares should be effected only by an account payee cheque or an account payee draft /stock invest, if the amount payable is Rs.20,000/- or more. In case the payment is made in contravention of this provision, the application money will be refunded and no interest will be paid.

DENOMINATION OF SHARE CERTIFICATES

As the trading of the Company's shares will be undertaken in dematerialized form only, the Company shall issue the shares to all applicants who provide their demat account details in dematerialized form only. However an investor will have an option to hold the shares in Physical form or demat form. The Registrar to the Issue will issue to the said Allottee a single certificate for all the shares allotted to the said applicant in case an investor requests for rematerialization of his shares. This will save dematerialization costs for the applicant.

ISSUE MANAGEMENT TEAM

<p>LEAD MANAGER TO THE ISSUE</p> <p>UTI Securities Ltd. SEBI Regn. No. INM000007458 MAPIN No. UIN 100000489 4th Floor, Merchant Chamber, 41, Sir Vithaldas Thackersey Marg, New Marine Lines, Mumbai – 400 020. Tel: (+91-22) 5633 1545 / 5633 1546 Fax: (+91-22) 2203 0165</p>	<p>REGISTRAR TO THE ISSUE</p> <p>Aarathi Consultants Pvt. Ltd. SEBI Regn. No. INR0000000379 MAPIN No. UIN 100021535 1-2-285, Domalguda Hyderabad – 500 029 Tel: 91-40-27642217, 27634445 Fax:91-40-27632184 E-mail:aarcons@hd2.dot.net.in</p>
<p>AUDITORS</p> <p>M/s P. Murali & Co., Chartered Accountants 6-3-655/2/3, Somajiguda, Hyderabad.500 082</p>	<p>LEGAL ADVISOR TO THE ISSUE</p> <p>Mr. Subrahmanyam Kurella Advocate & Corporate Legal Consultant Flat No: 105 & 201 Lakshmi Balakrishna Nivas Barkatpura Hyderabad-500 027.</p>
<p>BANKERS TO THE COMPANY</p> <p>State Bank of Hyderabad Overseas Branch Somajiguda, Hyderabad</p> <p>HDFC Bank Sandoz House, Worli, Mumbai.</p> <p>Citibank G. Pulla Reddy Building Begumpet, Hyderabad</p>	<p>BANKERS TO THE ISSUE</p>

COMPLIANCE OFFICER FROM THE ISSUER COMPANY

Mr. S. Venkata Rao

General Manager (Finance) & Company Secretary,

Vivimed Labs Limited

2nd and 4th Floor, Veerang Towers,

Habsiguda, Hyderabad-500 007

Tel.: +91-040-27176005

Fax : +91-040-27172242

e-mail : venkat@vivimedlabs.com

The Investors are requested to contact the above-mentioned Compliance Officer in case of any pre-issue /post-issue problems such as non-receipt of refund orders / demat credits not made etc.

BROKERS TO THE ISSUE

All members of the recognised Stock Exchanges would be eligible to act as Brokers to the Issue.

B. FINANCIAL INFORMATION

Auditors Report

The Board of Directors
Vivimed Labs Limited,
2nd Floor, Verang Towers,
Habsiguda, Hyderabad – 500 007

We have examined and found correct the Audited Accounts of M/s Vivimed Labs Limited for the past five financial years ended on 31st March 2000, 2001, 2002, 2003, 2004 and the period ended September 30, 2004 being the last date up to which the accounts of the Company have been made up and audited by us. At the date of signing this report, we are not aware of any material adjustment which would affect the result shown by these accounts drawn up in accordance with the requirements of Part II of Schedule II to the Companies Act, 1956.

In accordance with the requirements of Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 (the Act), and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (SEBI Guidelines) for the purpose of the Offering Memorandum as aforesaid, we report that:

- a. The restated profits of the Company for the financial years ended 31st March 2000, 2001, 2002, 2003, 2004 and for the six months ended September 30, 2004 are as set out in Annexure I to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustment and regroupings as in our opinion are appropriate and more fully described in the Significant Accounting Policies and Notes on Account appearing in Annexure III and IV respectively to this report.
- b. The restated assets and liabilities of the Company as at 31st March 2000, 2001, 2002, 2003, 2004 and as at September 30, 2004 are as set out in Annexure II to this report after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the Notes on Accounts appearing in Annexure IV to this report.
- c. We have examined the cash flow statement relating to the Company for the year ended 31st March 2004 and the period ended September 30, 2004 appearing in Annexure V to this report.
- d. The rates of dividends paid by the Company in respect of the financial years ended 31st March 2000, 2001, 2002, 2003 and 2004 are as shown in Annexure VI to this report.
- e. We have examined the following financial information relating to the Company and as approved by the Board of Directors for the purpose of inclusion in the Offer document:
 1. Performance Ratios as appearing in Annexure VII to this report
 2. Capitalization Statement as at 30th September 2004 as appearing in Annexure VIII to this report
 3. Statement of tax shelters as appearing in Annexure IX to this report
 4. Details of other income as appearing in Annexure X to this report
 5. Details of sundry debtors as appearing in Annexure XI to this report
 6. Details of loans and advances made to persons or Companies in whom/in which directors are interested as appearing in Annexure XII to this report
 7. Details of unsecured loans as appearing in Annexure XIII to this report
 8. Details of secured loans as appearing in Annexure XIV to this report
 9. Details of transactions with related parties as appearing in Annexure XV to this report
 10. Details of aggregate value and market value of quoted as appearing in Annexure XVI to this report
 11. Details of qualifications appearing in the financial statements as given in Annexure XVII to this report
 12. Details of changes in Significant Accounting Policies as given in Annexure XVIII to this report

In our opinion the above financial information of the Company read with Significant Accounting Policies and Notes on Account attached in Annexure III & IV respectively to this report, after making adjustments and regroupings as considered appropriate has been prepared in accordance with Part II of Schedule II of the Act and the SEBI Guidelines.

This report is intended solely for your information and for inclusion in the Offer document in connection with the specific Public Offer of equity shares of the Company and is not to be used, referred to or distributed for any other purpose without our written consent.

For P. MURALI & Co.
Chartered Accountants

P. MURALI MOHANA RAO
Partner
Membership No.23412
Date: October 20, 2004
Place: Hyderabad

Annexure - I

Statement of Profit & Loss Account

Particulars	For the year ended March 31					Rs. In lacs
	2000	2001	2002	2003	2004	Period ended Sept. 30, 2004
Income						
Sales	1,004.04	1,501.01	2,122.57	2,966.31	4,042.55	2,322.60
Other income	1.54	0.86	15.22	1.77	6.99	1.61
Increase/(decrease) of stock	68.77	126.22	131.97	127.33	66.18	266.74
Total	1,074.35	1,628.09	2,269.76	3,095.41	4,115.72	2,590.95
Expenditure						
Consumption of Raw Material	633.93	865.33	1,278.89	1,736.26	2,159.54	1,514.88
Manufacturing Expenses	130.67	179.98	223.39	445.47	645.76	335.64
Salaries and Allowances	39.36	51.27	73.45	96.27	123.93	87.43
Administrative Expenses	114.49	289.55	310.81	294.39	415.13	182.24
Interest & Financial Charges	101.66	67.38	93.35	124.88	159.74	89.82
Depreciation	32.70	33.70	34.66	49.95	75.23	48.00
Total	1,052.81	1,487.21	2,014.55	2,747.22	3,579.33	2,258.01
Net Profit Before Tax	21.54	140.88	255.20	348.19	536.39	332.94
Taxation – current	-	-	-	-	43.28	50.00
– deferred	-	-	-	-	92.83	33.70
Net Profit after taxation	21.54	140.88	255.20	348.19	400.28	249.24
Prior Period Adjustments	-	-	126.71	-	-	-
Adjusted Net Profit after taxation	21.54	140.88	128.49	348.19	400.28	249.24

Annexure – II

Statement of Assets and Liabilities*Rs. In lacs*

Particulars	As at March 31					As at Sept. 30, 2004
	2000	2001	2002	2003	2004	
Fixed Assets:						
Gross Block	804.11	814.04	956.87	1,105.66	1,865.44	1959.93
Less: Depreciation	155.70	189.40	224.07	274.02	345.01	393.01
Net Block (A)	648.41	624.64	732.80	831.64	1,520.43	1566.91
Capital work in process (B)	193.76	124.20	124.20	124.20	-	100.57
Current Assets, Loans & Advances						
Inventories	186.63	332.12	509.74	645.19	702.93	1008.89
Sundry Debtors	322.08	392.38	517.29	884.85	895.23	538.42
Cash & Bank Balances	1.21	4.64	4.17	3.80	2.25	19.29
Loans & Advances	81.78	82.34	80.91	91.07	119.98	155.54
Total (C)	591.70	811.48	1,112.11	1,624.91	1,720.39	1722.14
Current Liabilities & Provisions						
Secured loans	614.17	477.44	379.54	544.56	734.47	821.77
Unsecured loans	38.96	139.00	231.51	239.39	2.90	-
Current Liabilities & Provisions	194.64	216.90	502.58	593.12	803.05	582.71
Total (D)	847.77	833.34	1,113.63	1,377.07	1,540.42	1404.48
Deferred tax liability (E)	-	-	-	-	101.29	134.99
NET Worth (A+B+C-D-E)	586.10	726.98	855.48	1,203.68	1,599.11	1850.15
Share capital	475.67	475.67	475.67	475.67	475.67	475.67
Share premium	54.71	54.71	54.71	54.71	54.71	54.71
Central Subsidy	24.99	24.99	24.99	24.99	24.99	24.99
Profit & Loss A/c	66.75	207.63	336.13	684.33	1,076.15	1325.39
Less: Preliminary expenses to the extent not written off	36.02	36.02	36.02	36.02	32.42	30.61
NET WORTH	586.10	726.98	855.48	1,203.68	1,599.11	1850.15

Annexure - III

Significant Accounting Policies:

General:

- (i) These accounts are prepared on the historical cost basis and on the accounting principles of a going concern.
- (ii) Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.

Revenue Recognition:

- (i) The Company follows the mercantile system of Accounting and recognises income and expenditure on accrual basis.
- (ii) Revenue in respect of liquidated damages and delayed payments are not recognised on grounds of prudence, until realised, as recovery of the amounts are not certain.

Foreign Exchange Transactions:

- (i) Realised gains & loss in foreign exchange transactions are recognised in Profit & Loss Account.
- (ii) Transactions in foreign currency will be recorded at the rates of exchange prevailing on the date of the transaction. Current assets and liabilities denominated in foreign currency will be translated at the rate of exchange as at Balance Sheet date. Any gains or loss on account of foreign Exchange fluctuation in exchange rate is treated as income or expenditure during the year.

Investments:

- (i) Investments are stated at cost i.e. cost of acquisition, inclusive of expenses incidental to acquisition wherever applicable or fair market value whichever is lower.

Fixed Assets:

- (i) Fixed assets are stated at cost less accumulated depreciation. Cost of acquisition of fixed assets is inclusive of freight, duties, taxes and incidental expenses thereto.

Depreciation and Amortisation:

- (i) Depreciation is provided on straight-line method on pro-rata basis and at the rates and manner specified in the Schedule XIV of the Companies Act, 1956.
- (ii) Preliminary Expenses are amortised over the period of 10 years.

Inventories:

Inventories are valued as under:

- (i) Raw materials, consumables, packing materials and other materials are stated at cost;
- (ii) Work in process is carried at cost including proportionate share of factory overheads.
- (iii) Finished goods are stated at cost including share of factory overheads or realizable value, whichever is lower.

Taxation:

- (i) The current charge for income tax is calculated in accordance with the relevant tax regulations applicable to the Company. Deferred tax asset and liability is recognised for future tax consequences attributable to the timing differences that result between the profit offered for income tax and the profit as per the financial statements. Deferred tax asset & liability are measured as per the tax rates/laws that have been enacted or substantively enacted by the Balance Sheet date.

Earning Per Share:

- (i) The earning considered in ascertaining the Companies earning per share comprise net profit after tax. The number of shares used in computing basic earning per share is the weighed average number of shares outstanding during the year.

Gratuity:

- (i) The Company has provided for Gratuity and Leave Encashment on accrual basis

ANNEXURE - IV**Notes on Account:**

1. Particulars of Employees in accordance with Sub-section (2A) of Section 217 of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

NIL

2. Director's Remuneration:

Rs. in lacs

Particulars	For the period ended Sept. 30, 2004	For the year ended March 31, 2004
Remuneration	16.50	10.12*
Sitting fees	0.18	-
Total	16.68	10.12

* Indicates net amount, after transfer of Rs. 2.63 lacs to R&D expenses

3. Auditor's Remuneration:

Rs. in lacs

Particulars	For the period ended Sept. 30, 2004	For the year ended March 31, 2004
Audit fees	0.25	0.50
Taxation matters	-	0.10
Total	0.25	0.60

4. There are no dues to SSI Units outstanding for more than 30 days.
5. The deferred tax provision for the six-month period ended September 30, 2004 amounts to Rs.33.70 Lacs. The entire amount of deferred tax has arisen due to timing difference between depreciation as computed in accordance with the provisions of Schedule XIV of the Companies Act, 1956 and depreciation as computed in accordance with Section 32 of the Income Tax Act, 1961.

6. Related party disclosure:

As per Accounting Standard 18, issued by Institute of Chartered Accountants of India, the disclosure of transactions with the related parties as defined in the Accounting Standard are given below:

(I) List of Related Parties		
Sr. No.	Name of the Related Party	Relationship
1	V. V. S. Pharmaceuticals Pvt. Ltd.	Sister Concern
2	Santosh Varalwar	Key Managerial Personnel
3	Subhash Varalwar	Key Managerial Personnel

4	V. Manohar Rao	Key Managerial Personnel
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(II) Transactions during the year with related parties				
				Rs. in lacs
Sr. No.	Name of party	Nature of Transaction	2003-2004	2002-2003
1	Santosh Varalwar	Remuneration	6.00	3.00
2	Subhash Varalwar	Remuneration & sitting fees	5.25	3.00

7. Term Loan is secured by First Charge on the entire Assets of the Company and against the personal guarantee of the Directors.
8. Contingent Liabilities:

Particulars	Rs. in lacs	
	For the period ended Sept. 30, 2004	For the year ended March 31, 2004
Letter of credit	286.80	91.96
Bank guarantee	4.14	4.14

The Income Tax Demand has been raised by the Assessing officer for an amount of Rs. 167.80 lacs towards Block Assessment and Regular Assessment year since 1996-97 and the Company has filed appeals before the various authorities and pending for its disposal.

9. Previous years' figures have been regrouped wherever necessary.
10. The figures have been rounded off to the nearest rupee.

ANNEXURE – V

Cash Flow Statement:

Rs. in lacs

Particulars	September 30, 2004	March 31, 2004
	(6 months)	(12 months)
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Net Profit Before Tax after exceptional items	332.94	536.39
Adjustments for:		
Depreciation	48.00	75.23
Interest Expenses	89.82	159.74
Interest and other income	(1.61)	(6.99)
Preliminary expenses written off	1.80	3.60
Loss on sale of fixed assets	-	11.38
Operating profits before working capital changes	470.95	779.35
Adjustments for:		
Inventories	(305.96)	(57.74)
Sundry debtors	356.80	(10.38)
Loans and advances	(35.56)	(28.91)
Current liabilities	(270.35)	166.64
Cash generated from operations	215.88	848.96
Interest Paid	(89.82)	(159.74)
Interest and other income	1.61	6.99
Net cash from Operating Activities (A)	127.67	696.21
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>		
Purchase of fixed assets (net)	(195.02)	(651.19)
Net cash from Investing Activities (B)	(195.02)	(651.19)
<u>CASH FLOW FROM FINANCING ACTIVITIES</u>		
Proceeds of working capital loans	107.41	228.15
Repayment of unsecured loans	(2.90)	(236.49)
Repayment of term loans	(20.11)	(38.24)
Net cash from Financing Activities (C)	84.40	(46.58)
Net Increase in cash and Cash equivalents (A+B+C)	17.05	(1.56)
Cash and Cash equivalents at beginning of the year	2.24	3.80
Cash and Cash equivalents at end of the year	19.29	2.24

Note: Figures in () denotes cash outflow

ANNEXURE – VI

Statement of dividend paid:

The Company has not paid any dividend for the last five financial years.

ANNEXURE – VII

Performance Ratios:

Particulars	March 31, 2000	March 31, 2001	March 31, 2002	March 31, 2003	March 31, 2004	Sept. 30, 2004 (6 months)
Earnings per share (Rs.)	0.45	2.96	5.37	7.32	8.42	5.24*
Return On Net Worth (%)	3.68	19.38	29.83	28.93	25.03	13.47*
Net Asset Value/Book value Per share (Rs.)	12.32	15.28	17.98	25.30	33.62	38.89

* Not Annualized, ratios for six months period

1. Earnings per share (Rs.) = Profit available to equity shareholders/No. of equity shares
2. Return on Net worth (%) = Profit after taxation/Net worth * 100
3. Net asset value/Book value per share (Rs.) = Net worth /No. of equity shares

ANNEXURE - VIII

Capitalization Statement:

Rs. in Lacs

Particulars	Pre Issue		Post issue
	As at March 31, 2004	As at Sept. 30, 2004	
Total Debt:			
Short Term Debt	588.18	692.69	692.69
Long Term Debt	149.19	129.08	1029.08
Shareholders Funds:			
Share Capital	475.67	475.67	725.67
Reserves & surplus	1,155.85	1,405.09	2,905.09
Less: Misc. expenditure	(32.41)	(30.61)	(30.61)
Total Shareholders Funds	1,599.11	1,850.15	3,600.15
Long Term Debt/ Shareholders funds	0.09	0.07	0.29

Annexure – IX

Statement of Tax Shelters

Particulars	As at March 31, 2000	As at March 31, 2001	As at March 31, 2002	As at March 31, 2003	As at March 31, 2004	As at Sept. 30, 2004
Profit before current and deferred taxes, as restated (A)	21.54	140.88	255.20	348.19	536.39	332.94
Tax rate, % (E)	38.50%	39.55%	35.70%	36.75%	35.875%	36.5925%
Tax impact	8.29	55.72	91.11	127.96	192.43	121.83
Adjustments						
Permanent differences						
Deduction u/s 80HHC of the Income Tax Act	-	-	-	35.94	37.90	-
Others	-	-	-	(23.90)	-	-
Total (B)	-	-	-	12.04	37.90	-
Temporary differences						
Difference between book depreciation and tax depreciation	-	-	-	(141.83)	(258.72)	(93.93)
Unabsorbed depreciation	21.54	140.88	255.20	194.33	216.89	-
Total (C)	21.54	140.88	255.20	52.50	(41.83)	(93.93)
Net Adjustment (B+C)	21.54	140.88	255.20	64.54	(3.93)	(93.93)
Tax saving thereon	8.29	55.72	91.11	23.72	-	-
Profit/(loss) as per income tax returns (D=A-B-C)	-	-	-	283.66	540.32	426.87
MAT Rate including surcharge	10.50%	8.25%	7.65%	7.88%	7.675%	7.84125%
Taxable income as per MAT	-	77.15	255.20	336.16	498.49	332.94
Tax on book profits u/s 115JA and tax as per return	-	11.62	19.52	26.47	38.26	26.11

Notes:

1. The figures in the above statement for the period ended on September 30, 2004 are provisional and would be finalized at the year-end.
2. The figures of all the other years are as per the Returns of Income filed.

Annexure – X**Details of Other income**

Rs. In Lacs

	Year ended					Period ended Sept 30, 2004
	March 31, 2000	March 31, 2001	March 31, 2002	March 31, 2003	March 31, 2004	
Sale of scrap	-	0.03	0.80	1.69	0.94	1.29
Interest income	1.54	0.73	0.82	0.08	4.90	0.32
Insurance claims recd.	-	-	13.60	-	-	-
Foreign exchange gain (net)	-	0.10	-	-	1.15	-
Total	1.54	0.86	15.22	1.77	6.99	1.61

Annexure – XI**Sundry Debtors:**

Rs. in Lacs

Particulars	As at					As at Sept. 30, 2004
	March 31, 2000	March 31, 2001	March 31, 2002	March 31, 2003	March 31, 2004	
Debtors outstanding for a period exceeding six months	28.94	65.97	87.53	104.84	13.87	43.03
Others	293.11	326.41	429.76	780.01	881.36	495.39
Total	322.08	392.38	517.29	884.85	895.23	538.42

Annexure – XII**Loans & Advances:**

There are no loans to Companies in which Directors are interested.

ANNEXURE – XIII**Unsecured Loans:**

Rs. In lacs

Particulars	As at					As at Sept. 30, 2004
	March 31, 2000	March 31, 2001	March 31, 2002	March 31, 2003	March 31, 2004	
Loans from promoters/directors	-	-	-	-	-	-
Loans from others	38.96	139.00	231.51	239.40	2.90	-
Total	38.96	139.00	231.51	239.40	2.90	-

ANNEXURE – XIV

Secured Loans:

Rs. In Lacs

Particulars	As at					As at Sep . 30, 2004
	Marcl 31, 2003	Marcl 31, 2004	Marcl 31, 2003	Marcl 31, 2004	Marcl 31, 2004	
Working capital	213. 1	222. 5	341. 1	405. 9	585. 9	692. 9
Term loan	393. 3	247. 0	27. 2	180. 0	133. 0	114. 0
Vehicle loan	6. 2	7. 9	10. 1	6. 3	16. 9	15. 8
Total	614. 7	477. 4	379. 4	593. 2	734. 7	821. 7

Principal Terms of Sanctioned Loans and Assets Charged as Security

Rs. In Lacs

Sr. No.	Lender & Type of Facility / Sanction letter no. and date	Amount sanctioned / Rate of Interest	Amt. Outstanding as on Sept. 30, 2004	Security and Terms of repayment
1	Working capital: - Fund based - Non fund based State Bank of Hyderabad, Overseas Branch, Somajiguda, Hyderabad F/OSBH/ADVANCE/ ADV/VIV/5134, Dtd. 10.08.2004.	900.00 467.50 11.00%	692.69	Primary security First charge on pari passu basis over present and future stocks, book debts and receivables, etc. Collateral security - Personal guarantee of directors and relatives - Equitable mortgage of land and buildings of directors - First charge on fixed assets (present and future) on pari passu basis - Equitable mortgage of factory land and buildings (present and proposed)
2	Term Loan State Bank of Hyderabad, Overseas Branch, Somajiguda, Hyderabad F/OSBH/ADVANCE/ ADV/VIV/5134, Dtd. 10.08.2004.	583.00 11.00%	114.00	Security is same as above Repayable in 16 quarterly installments of Rs. 28.13 lacs commencing from quarter ending June 2005.
3	Vehicle loan	Various	15.08	Hypothecation of the respective vehicles

ANNEXURE – XV**Related Party Transactions:**

(I) List of Related Parties		
Sr. No.	Name of the Related Party	Relationship
Key Managerial Personnel		
1	Santosh Varalwar	Chairman & Managing Director
2	Subhash Varalwar	Vice-Chairman
3	V. Manohar Rao	Director
Associate concern		
1	V.V.S. Pharmaceuticals Pvt. Ltd.	Director interested

Rs. in Lacs

Name of related party	Nature of Transaction	March 31, 2000	March 31, 2001	March 31, 2002	March 31, 2003	March 31, 2004	Sept. 30, 2004
Santosh Varalwar	Remuneration & sitting fees	1.44	1.44	3.00	3.00	6.00	7.50
Subhash Varalwar	Remuneration & sitting fees	1.20	1.20	3.00	3.00	5.25	6.00
V. Manohar Rao	Remuneration & sitting fees	-	-	-	-	-	3.00

ANNEXURE – XVI**Investments:**

The Company does not hold any quoted investments.

Annexure – XVII

There have been no qualifications in the financial statements for the preceding five years.

ANNEXURE - XVIII

Changes in the Significant Accounting Policies

For the year ended March 31, 2004

The Company has changed the accounting policy of amortization of miscellaneous expenditure during the year ended March 31, 2004. Hitherto, the Company was following a policy of carrying the preliminary expenditure at cost. The Company has, from the current year, commenced amortizing the miscellaneous expenditure over a period of next 10 years. Consequent to the change in accounting policy, the profits of the year ended March 31, 2004 and Reserves and Surplus as at March 31, 2003 are lower by Rs. 3.60 lacs, and the balance in Miscellaneous expenditure lower by the aforesaid amount.

**For P.MURALI & Co
Chartered Accountants**

P. MURALI MOHANA RAO
Partner
Membership No.23412

Date: October 20, 2004
Place: Hyderabad

C. STATUTORY AND OTHER INFORMATION

MINIMUM SUBSCRIPTION:

"If the Company does not receive the minimum subscription of 90% of the net offer to public including devolvement of Underwriters within 60 days from the date of closure of the Issue, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to pay the amount, the Company shall pay interest prescribed under Section 73 of the Companies Act 1956."

EXPENSES OF THE ISSUE

The expenses of the Issue payable by Vivimed Labs Limited inclusive of brokerage, fees payable to the Lead Manager to the Issue, Registrar to the Issue, Legal Advisors & Tax Consultants, Underwriting Commission, stamp duty, printing, publication, advertising and distribution expenses, bank charges, listing fees and other miscellaneous expenses will not exceed Rs. 150 Lakhs, and will be met out of the proceeds of the present issue.

FEES PAYABLE TO THE LEAD MANAGER

The total fees payable to the Lead Manager will be as per the Memorandum of Understanding signed with the Lead Manager, copies of which are available for inspection at the Registered Office of the Company.

FEES PAYABLE TO THE REGISTRAR TO THE ISSUE

The fees payable to the Registrar to the Issue will be as set out in Memorandum of Understanding entered into with them kept open for inspection at the Registered Office of Vivimed Labs Limited.

The Registrar will be reimbursed with all relevant out-of-pocket expenses such as cost of stationery, postage, stamp duty, communication expenses, etc. Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders/ letter(s) of allotment/share certificate(s) by registered post.

UNDERWRITING COMMISSION

An underwriting commission not exceeding 1.50 % of the total amount underwritten is payable to the underwriters on the offer price of the Equity Shares offered by this Prospectus to the public (including reservation portion, if any) for subscription and underwritten in the manner mentioned in this Prospectus.

BROKERAGE

Brokerage for the issue @ 1.25 % of the issue price of the Equity Shares would be paid by Vivimed Labs Ltd. on the basis of the allotments made against the applications bearing the stamp of a member of any recognized Stock Exchange in India in the 'Broker' column. Brokerage at the same rate will also be payable to the Bankers to the Issue in respect of the allotments made against applications procured by them provided the respective forms of application bear their respective stamp in the Broker column. In case of tampering or over-stamping of Brokers'/ Agents' codes on the application form, the Company's decision to pay brokerage in this respect will be final and no further correspondence will be entertained in this matter.

INTEREST OF PROMOTERS AND DIRECTORS

All the directors of Vivimed may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or committee thereof as well as to the extent of other remuneration and/or reimbursement of expenses payable to them under the Articles.

The Directors may also be regarded as interested in the shares, if any, held by or that may be subscribed by and allotted/transferred to the Companies, firms and trust, in which they are interested as Directors, Members, partners and or trustees. All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by VIVIMED with any Company in which they hold Directorships or any partnership firm in which they are partners as declared in their respective declarations.

The Chairman & Managing Director and Vice-Chairman are interested to the extent of remuneration paid to them for services rendered to the Company. Further, the Directors are interested to the extent of equity shares that they are holding and or allotted to them out of the present Issue, if any, in terms of the Draft Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Except as stated otherwise in this Prospectus, the Company has not entered into any Contract, Agreements or arrangements during the preceding two years from the date of the Draft Prospectus in which the Directors are directly or indirectly interested and no payments have been made to them in respect of these Contracts, Agreements or arrangements which are proposed to be made to them.

PREVIOUS PUBLIC OR RIGHTS ISSUES (During the last five years)

This is the first public issue of the Company. The Company has not made any public issue previously.

COMMISSION OR BROKERAGE ON PREVIOUS ISSUES

Vivimed Labs Limited has not made any public or rights Issue since its inception and has not paid any commission or brokerage.

ISSUE OF SHARES OTHERWISE THAN FOR CASH

Vivimed Labs Limited has not issued any equity shares for consideration other than cash.

ISSUE OF DEBENTURES, REDEEMABLE PREFERENCE SHARES AND OTHER INSTRUMENTS

Vivimed Labs Limited has not made any public or rights Issue of Debentures, Redeemable Preference Shares or any other instruments.

OPTION TO SUBSCRIBE

As on the date of this document, there are no pending options to subscribe to equity shares or convertible instruments pending conversion into equity shares of any kind.

PURCHASE OF PROPERTY

Except as stated in "Objects of the Issue" in this Draft Prospectus and save in respect of the property purchased or acquired or to be purchased or acquired in connection with the business or activities contemplated by the objects of the Issue, there is no property which the Company has purchased or acquired or proposes to purchase or acquire which is to be paid for wholly or partly out of the proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of this Draft Prospectus, other than property in respect of which:

- The contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or
- The amount of the purchase money is not material. The Company has not purchased any property in which any of its promoters and/or Directors, have any direct or indirect interest in any payment made thereof.

APPOINTMENT AND REMUNERATION OF CHAIRMAN CUM MANAGING DIRECTOR

Mr. Santosh Varalwar is appointed as Chairman & Managing Director of the Company for the period of 5 (Five Years) with effect from 01-01-2004 on the remuneration as detailed below:

- a. Salary of Rs. 1,25,000/- per month. This includes dearness allowance and all other allowances not otherwise specified herein.
- b. In addition, the Chairman & Managing Director will be entitled to the following:

- i. Commission: Such percentage of commission (in addition to salary and perquisites hereafter stated) calculated with reference to the net profit of the Company in accordance with Section 349 and Section 350 of the Companies Act 1956 for each financial year as may be fixed by the Board of Directors which together with salary and monetary value of perquisites shall not exceed the ceiling laid down under section 309 of the Companies Act 1956.
- ii. Perquisites as under:
 1. Housing: Rent-free accommodation will be provided to the appointee for whom 10 per cent of the appointee's salary shall be recovered. In case no accommodation is provided by the Company, house rent allowance at 60% of the salary shall be paid. In addition, the appointee shall be allowed free use of the Company owned furniture and other consumable durables if required.
 2. The expenditure incurred by the Appointee on gas, electricity, water and furnishings shall be reimbursed by the Company.
 3. All medical expenses incurred by the appointee for self and family shall be reimbursed.
 4. Leave travel concession for the appointee and his family will be allowed once in a year as may be decided by the Board.
 5. Fees of clubs subject to maximum of two clubs this will not include the admission and life membership fees.
 6. Personal Accident insurance, the premium of which shall not exceed Rs.10000/- per annum.
 7. Contribution to the Provident fund, Superannuation fund, Annuity fund to the extent the same are not taxable under the Income Tax Act.
 8. Provision of Car with driver for use of the Company's Business and telephone at the residence.

APPOINTMENT AND REMUNERATION OF VICE CHAIRMAN

Mr. Subhash Varalwar is appointed as Vice Chairman of the Company for the period of 5 (Five Years) with effect from 01-01-2004 on the remuneration as detailed below:

- c. Salary of Rs. 1,00,000/- per month. This includes dearness allowance and all other allowances not otherwise specified herein.
- d. In addition, the Vice-Chairman will be entitled to the following:
 - i. Commission: Such percentage of commission (in addition to salary and perquisites hereafter stated) calculated with reference to the net profit of the Company in accordance with Section 349 and Section 350 of the Companies Act 1956 for each financial year as may be fixed by the Board of Directors which together with salary and monetary value of perquisites shall not exceed the ceiling laid down under section 309 of the Companies Act 1956.
 - ii. Perquisites as under:
 1. Housing: Rent-free accommodation will be provided to the appointee for whom 10 per cent of the appointee's salary shall be recovered. In case no accommodation is provided by the Company, house rent allowance at 60% of the salary shall be paid. In addition, the appointee shall be allowed free use of the Company owned furniture and other consumable durables if required.
 2. The expenditure incurred by the Appointee on gas, electricity, water and furnishings shall be reimbursed by the Company.
 3. All medical expenses incurred by the appointee for self and family shall be reimbursed.

4. Leave travel concession for the appointee and his family will be allowed once in a year as may be decided by the Board.
5. Fees of clubs subject to maximum of two clubs this will not include the admission and life membership fees.
6. Personal Accident insurance, the premium of which shall not exceed Rs.10000/- per annum.
7. Contribution to the Provident fund, Superannuation fund, Annuity fund to the extent the same are not taxable under the Income Tax Act.
8. Provision of Car with driver for use of the Company's Business and telephone at the residence.

D. MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

The Articles of Association of the Company, inter alia, includes following clauses:

Power to issue shares of different classes

7. Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares in the Company may be issued with such preferred, or other special rights or such restrictions whether in regard to dividend, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine.

Power of General Meeting to offer shares to such persons as the Company may resolve.

8. In addition to and without derogating from the powers for that purpose conferred on the Board under Article 6, the Company, by a special resolution in General Meeting, may determine that any shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether members or holders of debentures of the Company or not) in such proportions and on such terms and conditions and either at a premium, or at par or (subject to compliance with the provision of Section 79 of the Act) at a discount, as such General Meeting shall determine, and shall have full power to give any persons (whether members or holders of debentures of the Company or not) the option to call for or be allotted shares of any class of the Company either at a premium or at par, or (subject to compliance with the provisions of Section 79 of the Act) at a discount, such option being exercisable at such times and for consideration as may be directed by such General Meeting, or the Company in General Meeting may make any other provisions whatsoever for the issue, allotment or disposal of any shares.

SHARE AND DEBENTURE CERTIFICATES

Rights of certificates

17. 1) Every person whose name is entered as a member in the register shall be entitled to receive without payment:
 - a) One certificate for all his shares; or
 - b) Where the shares so allotted at any one time exceed the number of shares fixed as market lot in accordance with the usages of the Stock Exchange, at the request of the shareholder several Certificates on each per marketable lot and one for the balance.
- 2) The Company shall, within two months after the allotments of any of its shares, debentures and within the month after the application for the registration of the transfer of any such shares or debentures complete and after the certificate of all shares or debentures so allotted or transferred unless the conditions of issue of shares or debentures otherwise provide. The expression "Transfer" for the purposes of this sub-clause, means a transfer duly stamped and

otherwise valid, and does not include any transfer which the Company is for any reason entitled to refuse to register and does not register.

Certificate to be under seal

18. Every Certificate shall be under the seal of the Company and shall specify the shares or debentures to which it relate and the amount paid-up thereon.

Certificate for joint holders

19. In respect of any share or shares held jointly several persons, the Company shall not be bound to issue more than one Certificate for the same issuance of Share Certificate to the first joint holder shall, be sufficient delivery to all such holders; subject as aforesaid, where more than one share is so held, the joint holders shall be entitled to apply jointly for the issue of several Certificates in accordance with Article 17 above.

Endorsement of transfer

20. In respect of any transfer of shares registered in accordance with the provisions of these Articles, the Board may at their discretion, direct an endorsement of the transfer and name of the transferee and other particulars on the existing share Certificate and authorise any Director or Officer of the Company to authenticate such endorsement on behalf of the Company or direct the issue of a fresh share certificate, lieu of and in cancellation of the existing Certificate, in the name of the transferee, where there is no further space on the back thereof for making endorsement of transfer.

Renewal of Certificate

21. If a Certificate be worn out, defaced, destroyed, or lost or if there is no further space on the back thereof for endorsements of transfer, it shall, if required, be replaced by a new certificate provided however that such new certificate shall not be granted except upon delivery of the worn out or defaced or used up certificate, for the purpose advertisement and indemnity and the payment of out-of-pocket expenses as the Board may require in the case of the certificate having been defaced, destroyed or lost, provided further that no fee shall be charged for replacement of those which are old, decrepit, worn out or where the cages on the reverse for recording transfers have been fully utilised. Any renewed certificates shall be marked as such.

Splitting and consolidating of share certificate

22. Any registered holder of the shares being in possession of any Share Certificate or Share Certificates for the time being may surrender such Share Certificate or Certificates to the Company and apply to the Company for the issue of two or more fresh share certificates comprising the same bearing the same distinctive numbers as were comprised in the said certificates and in such separate lots as he may desire, in lieu of and in cancellation of such Share Certificate so surrendered, or for the consolidation of the shares comprised in such surrendered Certificates into one certificate and the directors may, in lieu of and in cancellation of Certificates so surrendered, issue one or more such share certificates as the case may be in the name of the person or persons in whose name the original certificates stood and the new Certificates so issued shall be delivered to the person who surrendered the original Certificates or to his order. No fee shall be charged for sub-division or consolidation of share certificates into market lots and where share certificates are issued for either more or less than market lots, sub-division and/or consolidation should be done free of charge.

Issue of Certificates

23. Every Certificate of title to the share or shares shall be issued only in accordance with the provisions of Companies (Issue of Share Certificates) Rules, 1960, or any amendment thereof or any provision of law applicable thereto, for the time being in force.

CALLS ON SHARES

Calls

24. Subject to the provisions of Section 91 of the Act the Board may, from time to time, make such calls as they think fit upon the members in respect of all money unpaid on the shares held by them respectively whether on account of the nominal value of the shares or by way of premium and not by the conditions of allotment thereof made payable at fixed times, and the members shall pay the amount of every call so made on them to the person and at the time and place appointed by the Board.

Length of Notice of Call

25. Not less than Thirty days notice of any call shall be given specifying the time and place of payment and the person to whom such payment shall be made provided that before the time for payment of such call and Board may, by notice in writing to the members, extend the time for payment thereof.

Sums payable in fixed installments to be deemed calls

26. If by the terms of issue of any share or otherwise any amount is made payable at any fixed time or by installments at fixed times whether on account of the nominal value of the share or by way of premium, every such amount or installment shall be payable as if it were a call duly made by the Board, of which due notice had been given, and all the provisions herein contained in respect of calls shall relate and apply to such amount or installment accordingly.

When installment on calls payable

27. If a sum called in respect of the shares is not paid on or before the day appointed for payment thereof, the person from whom the sum is due shall pay interest upon the sum at such rate of interest as the board may decide from the day appointed for payment thereof to the time of the actual payment, but the Board shall be at liberty to waive payment of that interest wholly or in part.

Interest on sums payable at fixed time

28. The provisions of these Articles as to payment of interest shall apply in case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal amount of the share or by way of premium, as if the same had become payable by virtue of a call duly made and notified.

Payment of call in advance

29. The Board may, if they think fit, receive from any member willing to advance all or any part of the moneys uncalled and unpaid upon any shares held by him and upon all or any part of the moneys so advanced may (until the same would, but for such advance become presently payable) pay interest at such rate as the Board may decide, but shall not in respect of such advances confer a right to the dividend or to participate in profits or to any voting rights.

Partial payment not to preclude forfeiture

30. Neither a judgment nor a decree in favour of the Company for call or other moneys due in respect of any share, nor any part payment or satisfaction there under, nor the receipt by Company of a portion of any money which shall from time to time be due from any member in respect of any share either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money shall preclude the Company from thereafter proceeding to enforce a forfeiture of such share as hereinafter provided.

Persons by whom installments are payable

31. If, by the conditions of allotment of any share, the whole or part of the amount or issue price thereof shall be payable by installments, every such installment shall, when due, be paid to the Company by the person who for the time being and from time to time shall be the registered holder of the share or his legal representatives, if any.

Liability of joint holders of shares

32. The joint holders of a share or shares shall be severally as well as jointly liable for the payment of all installments and calls, interest and expenses, if any due in respect of such share or shares.

LIEN

The Company shall have a first and paramount lien upon all the shares (other than fully paid up shares) registered in the name of each member (Whether solely or jointly with others) and upon the proceeds of sale there of for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares and no equitable interest in any shares shall be created except upon the footing and condition that Article 20 hereof will have full effect. Unless otherwise agreed, the registration of a transfer shall operate as a waiver of the Company's lien if any on such shares. The Directors may at any time declare any shares wholly or in part to be exempt from the provision of this Article.

Enforcing of lien by sale

34. For the purpose of enforcing such lien, the Board may sell the shares subject thereto in such manner as they think fit, but no sale shall be made until the expiration of fourteen days after a notice in writing stating and demanding payable has been given to the registered holder of the shares for the time being or to the person entitled to the shares by reason of the death or insolvency of the registered holder.

Authority to transfer

35. To give effect to such sale, the Board may authorise any person to transfer the shares sold to the purchaser there of and the purchaser shall be registered as the holder of the shares comprised in any such transfer. The purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

Application of proceeds of sale

36. The net proceeds of any such sale shall be applied towards satisfaction of the said moneys due from the member and the balance, if any, shall be paid to him or the person, if any entitled by transmission to the shares on the date of the sale.

FORFEITURE OF SHARES

If call or installment not paid, notice may be given

37. If a member fails to pay any call or installment of a call on the day appointed for the payment thereof, the Board may, at any time thereafter and during such time as any part of such call or installment remains unpaid, serve a notice on him requiring payment of so much of the call or interest as is unpaid, together with any interest, which may have accrued.

Form of Notice

38. The Notice aforesaid shall name a further day (not earlier than the expiry of fourteen days from the date of service of the notice), on or before which the payment required by the notice is to be made and shall state that, in the event of non-payment on or before the day appointed, the shares in respect of which the call was made will be liable to be forfeited.

If notice not complied with, shares may be forfeited

39. If requirements of any such notice as aforementioned are not complied with, any share in respect of which the notice has been given may, at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.

Surrender of Shares

40. The Board may accept in the name and for the benefit of the Company and upon such terms and conditions as may be agreed upon, the surrender of any share liable to forfeiture and so far as the law permits of any other shares.

Boards rights to disposal of forfeited shares or cancellation of forfeiture

41. A forfeited or surrendered share may be sold or otherwise disposed of on such terms and in such manner as the Board may think fit and at any time before such sale or disposal, the forfeiture or surrender may be canceled on such terms as the Board may think fit.

Liability after forfeiture

42. A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares; but shall, notwithstanding the forfeiture, remain liable to pay and shall forthwith pay to the Company all moneys, which at the date of forfeiture were presently payable by him to the Company in respect of the shares, whether such claim be barred by limitation on the date of the forfeiture or not, but his liability shall cease if and when the Company received payment in full of all such moneys in respect of the Shares.

Declaration of forfeiture

43. A duly verified declaration in writing that the declaration is a Director of the Company and that a share in the Company has been fully forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares, and that declaration and the receipt of the Company for the consideration, if any, given for the share on the sale or disposal thereof, shall continue and good title to the share and the person to whom the share is sold or disposed of shall be registered as the holder of the share and shall not be bound to see to the application of the purchase money (if any), nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.

Non-payment of sums payable at fixed times

44. The provisions of these regulations as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of; issue of a share, becomes payable at a fixed time, whether on account of the nominal amount of the share or by way of premium or otherwise, as if the same had been payable by virtue of a call duly made and notified.

Transfer of Shares

45. (1) Shares in the Company shall be transferred by an instrument in writing in the form prescribed under Section 108 of the Act.
- (2) The instrument of transfer of any shares in the Company shall be executed both by or on behalf of the transferor and the transferee and the transferor shall be deemed to remain holder of the shares until the name of the transferee is entered in the Register in respect thereof. The Instrument of transfer shall be in respect of only once class of shares.
- (3) The Board shall not register any transfer of shares unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and then transferee has been delivered to the Company along with the Certificate of share to which it relates and such other evidence as the Company may require to prove the title of the transferor or his right to transfer the shares.
- (4) An application for the registration of the transfer of any share or shares may be made either by the transferee or the transferee; provided that where such application is made by the transferor, no registration shall in the case of partly paid shares be effected unless the Company gives notice of the application to the transferee. The Company shall, unless objection is made by the transferee within two weeks from the date of receipt of the notice, enter in the Register the name of the transferee in the same manner and subject to the same conditions as if the application for registration was made by the transferee.

- (5) For the purpose of clause (4) notice to the transferee shall be deemed to have been duly given if despatched by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been delivered in the time at which it would have been delivered in the ordinary of post.
- (6) Nothing in clause (3) shall prejudice any power of the Board to register as a share holder any person to whom the right to any share has been transmitted by operation of law.
- (7) Nothing in this article shall prejudice the power of the Board to refuse to register the transfer of any shares to a transferee, whether a member or not.

Transfer to infants, insolvents and persons of unsound mind

46. No share shall in any circumstances be transferred to an infant, insolvent or person of unsound mind.

Board's right to refuse to register.

- 47. (1) The Board may at any time in their absolute discretion and without assigning any reason decline to register any transfer of shares, whether fully paid-up or not and whether the transferee is a member of the Company or not and may also decline to register any transfer of shares on which the Company has a lien.
- (2) If the Board refuses to register any transfer or transmission of right, they shall, within two months from the date on which the instrument of transfer or the intimation of such transmission was delivered to the Company send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission as the case may be.
- (3) In case of such refusal by the Board, the decision of the Board shall be subject the right of appeal conferred by Section 111 of the Act and Section 22A of Securities Contracts (Regulation) Act, 1956.
- (4) Provided that the registration of any transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except a lien on the shares.
- (5) The provisions of this clause shall apply to transfers of stock also.

Endorsement of transfer and issue of Certificate

48. (1) Every endorsement upon the certificate of any share in favour of any transferee shall be signed by the Secretary or by some other person for the time being duly authorised by the Board in that behalf. In case any transferee of a share shall apply for a new certificate in lieu of the old or existing certificate, he shall be entitled to receive a new certificate on payment of a sum of Rupee One for every such certificate of shares to which the said transfer relates and upon delivering up to be cancelled every old, or existing certificate which is to be replaced by a new one.

Provided that no fee shall be charged for issuing new certificate in replacement of those which are decrepit or worn out certificates or where cages on the reverse for recording transfers have been fully utilised.

- (2) No fee shall be charged for transfer or transmission of shares or for registration of any Power of Attorney, Probate, letters of administration or other similar documents.

Particulars of transfer to be entered in the register of Member

49. The particulars of every transfer or transmission of any shares and all other particulars of shares shall be entered in the register of Members as required by the Act.

Custody of Transfer Deeds

50. The instrument of transfer shall, after registration, remain in the custody of the Company. The Board may cause to be destroyed all transfer deeds lying with the Company for a period of twelve years or more.

Closure of Register of Members and Register of Debenture holders

51. The Board may after giving not less than Seven days previous notice by advertisement in some newspaper circulating in the District in which the Registered Office of the Company is situated, close the Register of Members or the Register of Debenture holders for any period or periods not exceeding in aggregate forty five days in each year but not exceeding thirty days at any one time.

Transmission of Shares

52. (1) The executors or administrators of a deceased member (not being one of several joint holder) or the holder of a succession certificate empowered thereby to receive dividends on and to negotiate any shares belonging to a deceased member, shall be the only persons recognised by the Company, as having any title to the shares registered in the name of such member. Provided that should the member be a member of a joint Hindu family, the Board on being satisfied to the effect and on being satisfied that the share standing in his name if fact belonged to the joint family may recognise the survivors or the Kartha thereof as having title to the shares registered in the name of such member; provided further that in any case it shall be lawful for the Board in their absolute discretion to dispense with the production of probate or letters of administration or other legal representation upon such terms as to indemnity or otherwise, as to the Board may seem just.

(2) On the death of one or more joint holders of any shares, the survivors/survivor alone shall be the only persons recognised by the Company as having any title to or interest in such shares. In the event of the death of any sole holder or of the last surviving holder the executors or administrators of such or other persons legally entitled to the share of the deceased.

Provided that on production of such evidence as to title and on such indemnity or other terms as the Board may deem sufficient, any person may be recognised as having title to the shares as heir or legal representative of the deceased shareholder.

Provided further that if the deceased shareholder was a member of a joint Hindu family, the Board on being satisfied that the shares standing in his name in fact belonged to the joint family, may recognise the survivors of the Kartha thereof as having title to the shares registered in the name of such member.

Provided also that in any case it shall be lawful for the Board in their absolute discretion to dispense with the production of probate or letters of administration or other legal representation, upon such evidence and such terms as to indemnity or otherwise as to the Board may seem just.

(3) Nothing in clause (1) shall release the estate of a deceased joint holder from any liability in respect of any shares which were jointly held by him with other persons.

Rights and liabilities of legal representatives

53. (1) Any person becoming entitled to a share in consequence of the death or insolvency of a member may, upon such evidence being produced as may from time to time be required by the Board, and subject as hereinafter provided, elect either:

(a) To be registered himself as holder of the share:

Or

(b) To make such transfer of the shares as the deceased or insolvent member could have made.

- (2) The Board shall, in either case, have the same right to decline or to suspend registration as it would have had, if the deceased or insolvent member had transferred the share before his death or insolvency.

REGISTER OF MEMBERS

Register of Members and Debenture Holders

58. The Company shall keep at its registered office in one or more books a register of its members and debenture holders commencing from the date of the registration of the Company and an index of members and debenture holders and enter therein the particulars prescribed in Section 150, 151 and 152 of the Act and the Companies (Issued of Share Certificate) Rules 1960 or any modification thereof for the time being in force.

Inspection of Registers

59. The Register of Members and the index or Members, Index of Debenture holders and copies of annual returns prepared under Section 159 of the Act shall be open to the inspection of any member without payment of any fee and to the inspection of any other persons on payment of one Rupee for each inspection and copies of extracts from such register may be furnished in accordance with the provisions of section 163 of the Act.

SHARE WARRANTS

Issue of share warrants

65. (1) The Company may issue share warrants subject to and in accordance with the provisions of Section 114 and 115 of the Act and accordingly the Board may in their discretion with respect to any share which is fully paid up on application in writing signed by the person registered as holder of the share and authenticated by such evidence, if any, as the Board may from time to time require as to identity of the person signing the application, and on receiving the Certificate if any, of the share, and the amount of the stamp duty required for the warrant and such fee as the Board may from time to time require, issue a share warrant and may provide by coupons or otherwise for the payments of the future dividends on the shares specified in the share warrant.
- (2) A share warrant shall entitle the bearer thereof to the shares included in it and the shares shall be transferred by the delivery of the share warrant and the provisions of the Articles of the Company with respect to transmission of shares shall not apply thereto.
- (3) The bearer of a share warrant shall, on surrender of the warrant to the Company for cancellation and on payment of such fee as the Board may from time to time prescribe be entitled to have his name entered as a member in the Register of Members in respect of the shares included in the warrant.

ALTERATION OF CAPITAL

Alteration of capital

69. (1) The Company in General Meeting may from time to time by Ordinary Resolution alter the conditions of its Memorandum of Association as follows, that is to say, it may:-
- (a) Increase its share capital by such amount as it thinks expedient by creating new shares;
 - (b) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
 - (c) Convert all or any of its fully paid up shares into stock and reconvert that stock into fully paid up shares of any denomination;

- (d) Sub-divide its shares, or any of them into shares of smaller amount than is fixed by the Memorandum, so, however, that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;
 - (e) Cancel any shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so canceled.
- (2) The resolution whereby any share is sub-divided may determine that, as between the holder of the share resulting from such sub-division one or more of such shares shall have some preference of special advantage as regards dividend, capital or otherwise over or as compared with the others.

Application of provision to new shares

70. The new shares shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transmission, forfeiture and otherwise as the share in the original share capital.

Reduction of capital etc.

71. The Company may by special resolution reduce in any manner and with, and subject to any incident authorised and consent required by law:

- (a) its share capital;
- (b) any Capital Redemption Reserve Account; or
- (c) any Share Premium Account.

71A. Dematerialisation of Securities

Definitions : ---- A for the purpose of this Article:

1) "Beneficial **Owner**" means a person whose name(s) is recorded as such with a Depository.

"Depository" means a Company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration under sub-section (1A) of Section 12 of the Securities and Exchange Board of India Act, 1992.

"Security" means such security as may be specified by the SEBI from time to time.

Dematerialization of Securities

2) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities in a dematerialised form pursuant to the Depositories Act, 1996.

Options for Investors

3) Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by the law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required Certificates of Securities.

If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

Securities in depositories to be in fungible form

- 4) All securities held by a depository shall be dematerialized and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

Rights of Depositories and Beneficial Owners

- 5) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.

Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.

Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.

Service of documents

- 6) Notwithstanding anything in the Act, or these articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.

Transfer of Securities

- 7) Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.

Allotment of Securities dealt with in a depository

- 8) Notwithstanding anything in the Act, or these articles, where securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

Distinctive numbers of Securities held in a depository

- 9) Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.

Register and Index of beneficial owners

- 10) The Register and Index of beneficial owners maintained by a depository under Depositories Act, 1996, shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles

Nomination of Shares

- 11) Every holder of shares in, or holder of debenture of, the Company, may at anytime, subject to the provision of the Section 109A of the Companies Act, 1956 nominate in the manner by the board of directors, a person in whom shares or debentures of the Company shall vest in the event of his death.

Any person who become a nominee by virtue of the provision of Section 109A may upon the production of such Evidence and no such application may be required by the board and subject to the provision of Section 109B of the Companies Act, 1956, elect, either-to be registered himself as holder of share or debenture, as the case may be or to make

such transfer of the share or debenture, as the case may be, as the deceased shareholder or debenture holder, as the case may be, could have made.

Issue of Sweat Equity Shares/Employees Stock Option Schemes:

- 12) Subject to the provision of these Articles and in accordance with the provisions of Section 79A of the Companies Act, 1956 and of various other laws governing the issue, the Board may issue and allot Sweat Equity Shares under Employees Stock Option Schemes to the person entitled thereto".

DIRECTORS

Number of Directors

101. Until otherwise determined by a General Meeting and subject to the Section 252 of the Act, the number of Directors shall be not less than Three and not more than Twelve including all kinds of Directors.

Remuneration of Directors

103. Every Director (including the ex-officio Director) other than the Managing Director and the whole-time Director shall be paid a sitting fee not exceeding such sum as may be prescribed by the Act or the Central Government from time to time for each meeting of the Board of Directors or any Committee thereof attended by him and shall be paid in addition thereto all traveling, hotel and other expenses properly incurred by him in attending and returning from the meetings of the Board of Directors or any Committee thereof or General Meeting of the Company or in connection with the business of the Company to and from any place.

Special remuneration of Directors performing extra services and reimbursement of expenses

104.(1) If any Director be called upon to perform extra services or special exertions of efforts (which expression shall include work done by a Director as a Member of any Committee formed by the Directors) the Board may arrange with such Director for such special remuneration for extra services or special exertions or efforts either by a fixed sum or otherwise as may be determined by the Board with the sanction of the Company in General Meeting and with the consent, if any required, of the Central Government and such remuneration may be either addition to or in substitution for his remuneration above provided.

(2) The Board may allow any pay to any Director who is not a bonafide resident of the place where the meeting of the Board is held and who shall come to such place for the purpose of attending a meeting, such sum as the Board may consider fair compensation for travelling, boarding, lodging and other expenses, in addition to his fee for attending such meeting as above specified; and if any Director be called upon to go or reside out of the ordinary place of his residence on the Company's business, he shall be entitled to be paid and reimbursed any travelling with the business of the Company.

Qualification of Directors

105. A Director shall require no share qualification.

Additional Director

106. The Directors shall have power at any time and for time to time to appoint any other person as a Director as an addition to the Board but so that the total number of Directors shall not at any time exceed the maximum number fixed. Any Directors so appointed shall hold office only until the conclusion of the next following Annual General Meeting of the Company and shall be eligible for re-election at such meeting.

Casual Vacancy

107. Any Casual Vacancy occurring in the Board of Directors may be filled up by the Directors, and the person so appointed shall hold office up to the date on which the director in whose place he is appointed would have held office if it had not been vacated.

Alternate Directors

108.(1) The Board of Directors of the Company may appoint Alternate Director for a Director (hereinafter called in this Clause "The Original Director") during his absence for a period of not less than three months from the State of Andhra Pradesh.

(2) An Alternate Director appointed under subclause (1) shall not hold office as such as for a period longer than that permissible to the original Director in whose place he has been appointed and shall vacate office if and when the Original Director returns to the State of Andhra Pradesh.

(3) If the term of office of the Original Director is determined before he so returns to the State of Andhra Pradesh any provision for the automatic re-appointment or rearing Directors in default of another appointment shall apply to the Original Director and not to the Alternate Director.

Continuing Directors may act

109. The continuing Directors may act notwithstanding any vacancy in their body, but so that if the number falls below the minimum above fixed, the directors shall not except for the purpose of filling up vacancies, act so long as the number is below the minimum.

Vacation of office by Directors

110.(1) The office of a Director shall be vacated if:

- (a) He is found to be of unsound mind by a Court of competent jurisdiction;
- (b) He applies to be adjudicated an insolvent;
- (c) He is adjudged an insolvent;
- (d) He is convicted by a Court of any offense involving turpitude and sentenced in respect thereof to imprisonment for not less than six months;
- (e) He fails to pay any call in respect of shares of the Company held by him, whether alone or jointly with others, within six months from the last date fixed for the payment of the call unless the Central Government has by notification in the official gazette, removed the disqualification incurred by such failure;
- (f) He absents himself from three consecutive meetings of the Board or from all meetings of the Board for a continuous period of three months, whichever is longer, without obtaining leave of absence from the Board;
- (g) He (whether by himself or by any person for his benefit or on his account) or any firm in which he is a partner or any private Company of which he is a director accepts a loan, or any guarantee or security for a loan from the Company in contravention of Section 295 of the Act;
- (h) He acts in contravention of Section 299 of the Act;
- (i) He becomes disqualified by an order of Court under Section 203 of the Act;
- (j) He is removed in pursuance of Section 284 of the Act;
- (k) Having been appointed a Director by virtue of his holding any office or other employment in the Company, he ceases to hold such office or other employment in the Company

- (2) Notwithstanding anything in sub-clauses (c), (d) and (i) aforesaid, the disqualification referred to in those clauses shall not take effect;
- (a) For thirty days from the date of the adjudication, sentence or order;
 - (b) Where any appeal or petition is preferred within the thirty days aforesaid against the adjudication, sentence or conviction, resulting in the sentence, or order, until the expiry or seven days, from the date on which such appeal or petition is disposed of; or
 - (c) Where within the seven days aforesaid, any further appeal or petition is preferred in respect of the adjudication, sentence, conviction, or order, and the appeal or petition, if allowed, would result in the removal of the disqualification, until such further appeal or petition is disposed of.

Director may contract with Company

- 111.(1) Subject to the provisions of the Act, the Directors shall not be disqualified by reason of their office as such from contracting with the Company either as vendor, purchaser, lender, agent, broker or otherwise, nor shall any such contract or arrangement entered into by or on behalf of the Company with any Director or with any Company or partnership of or in which any Director so contracting or being such member or so interested be liable to account to the Company for any profit realised by such contract or arrangement by reason only of such Director holding the Office or of the fiduciary relation thereby established; but the nature of the interest must be disclosed by him or them at the meeting of the Board at which the contract or arrangement is determined, or if the interest then exists or in any other case at the meeting of the Board after the acquisition of the interest.

Provided nevertheless that no Director shall taken part in the discussion or vote as a Director in respect of any contract or arrangement in which he is so interest as aforesaid and if he does so, his vote shall not present at the meeting during the transaction of the business in relation to which he is precluded from voting although he shall not be counted for the purpose of ascertaining whether there is quorum of Directors present. This provision shall not apply to any contract by or on behalf of the Company, to give the Directors or any of them any security by way of indemnity against any loss which they or any of them suffer by becoming or being sureties for the Company or to any contract or arrangement entered into or to be entered into with a Public Company, or a Private Company which is a subsidiary of a Public Company, in which the interest of the Director aforesaid consists solely in his being a Director of such Company and the holder of not more than shares of such number or value therein as is requisite to qualify him for appointment as a Director thereof, he having been nominated as such Director by the Company.

- (2) A general notice that any Director is a Director or a member of any specified Company or is member of any specified firm and is to be regarded as concerned or interested in any subsequent transaction with such Company or firm shall, as regards any such transaction be sufficient disclosure of the concern or interest under this Article and after such general notice it shall not be necessary to give any special notice relating to any particular transaction with such Company or firm.
- (3) A Director may be, or become, a Director or member of any Company promoted by this Company or in which this Company may be interested as vendor, shareholder or otherwise and no such Director shall be accountable to the Company for any benefits received as a Director or member of such Company.

Rights of Directors

- 112.Except as otherwise provided by these Articles, all the Directors of the Company shall have in all matters equal rights and privileges and be subject to equal obligations and duties in respect of the affairs of the Company.

RETIREMENT OF DIRECTORS

Rotation and retirement of Directors

- 113.(1) At the First Annual General Meeting after the adoption of these Articles all the Directors except the Ex-officio Directors, if any, shall retire from office and at the Annual General Meeting of the Company in every subsequent year, one-third of Directors who are liable to retire by rotation of the time being or, if their number is not three or a multiple of three, then the number nearest to one-third shall retire from office.
- (2) Ex-Office Directors shall not be liable for retirement by rotation
- (3) The term Ex-Officio Directors means any Technical, Special or Debenture Director appointed under Article 138 below.

Retiring Director eligible fore re-election

- 114.A retiring Director shall be eligible for re-election and the Company at the General Meeting, at which a Director retires in the manner aforesaid, may fill up the vacancy by appointing the retiring Director or some other person there-to.

Which Directors to retire

- 115.The Directors to retire in every year shall be those who have been longest in office since their last election; but, as between persons who became Directors on the same day, those to retire shall, unless they otherwise agree among themselves, be determined by lot.

Retiring Directors to remain in office till successors appointment

- 116.If at any General Meeting at which an election of Directors ought to take place, the place of any retiring Director is not filled up, and the meeting has not expressly resolved not to fill the vacancy the meeting shall stand adjourned to the same day in the next week at the same time and place, or if that day is a public holiday, till the next succeeding day which is not public holiday, at the same time and place, and if at the adjourned meeting also the place of the retiring Director is not filled up and that meeting also has not expressly resolved not to fill the vacancy then the retiring Director whose place has not been so filled up shall be deemed to have been re-elected at the adjourned meeting, subject to the provision of section 256 of the Act.

Power of General Meeting to increase or reduce number of Directors

- 117.Subject to the provisions of Section 252, 255 and 259 of the Act the Company in General Meeting may increase or reduce the number of Director and may also determine in what rotation the increased or reduced number is to retire.

Powers to remove Directors by ordinary resolution

- 118.Subject to the provisions of Section 284 of the Act the Company may, by on ordinary resolution, remove any Director before the expiry of his period of office and by an ordinary resolution appoint another person in his stead; the person so appointed shall be subject to retirement at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was last elected as Director.

Right of persons other than retiring Directors to stand for Directorship

- 119.A person not being a retiring Director shall be eligible for appointment to the Office of a Director at any General Meeting if he or some other member intending to propose him as a Director has, not less than 14 days before the meeting, left at the Registered Office of the Company a notice in writing under his hand signifying his candidature for the office of the Director, or the intention of such member to propose him as a candidate for that office of the Director, as the case may be, provided such person by himself or by his agent authorised in writing has signed and filed with the Registrar a consent in writing to act as such Director.

PROCEEDINGS OF DIRECTORS

Meeting of the Board

- 120.(1) The Board may meet for the despatch of business, adjourn and otherwise regulate the meetings, as they think fit, provided that a meeting of the Board shall be held at least once in every three calendar months subject to the provisions of Section 285 of the Act.
- (2) The Secretary may as and when necessary, and shall on the requisition of a Director at any time summon a meeting of the Board.

E. MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts not being contracts entered in the ordinary course of business carried on by Vivimed Labs Limited which are or may be deemed material contracts have been attached to the copy of this Prospectus delivered to the Registrar of Companies, Karnataka, for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of Vivimed Labs Limited at Plot No.78-A, Kolhar Industrial Area, Bidar - 585 403 (Karnataka) India between 11.00 a.m. to 5.00 p.m. on any working day from the date of the Prospectus to until the date of closing of the issue.

i. MATERIAL CONTRACTS

1. Memorandum of Understanding dated March 24, 2004 with UTI Securities Limited, appointing them as Lead Manager to the issue.
2. Memorandum of Understanding dated February 18, 2004 signed with Aarhi Consultants Pvt. Limited, appointing them as Registrar to the issue.
3. Tripartite Agreement dated June 09, 2004 between the Company, Aarhi Consultants Private Limited and NSDL.
4. Tripartite Agreement dated ----- between the Company, Aarhi Consultants Private Limited and CDSL.
5. Copy of Deed of Sale dated January 29, 2004 between the Company and The Karnataka Industrial Areas Development Board for the Plot No. 78(A) in Kolhar Industrial Area, Bidar, Karnataka for the factory premises of the Company.
6. Copy of the Lease deeds dated April 9, 2004 between the Company and Smt. V Thulasamma, Mr. V. Ramesh, Mr. V Venkata Ramana for the corporate office of the Company at Habsiguda, Hyderabad.
7. Copies of Underwriting Agreements dated _____.

ii. DOCUMENTS FOR INSPECTION

1. Memorandum and Articles of Association of Vivimed Labs Limited.
2. Certificate of Incorporation of the Company dated 22nd September, 1988.
3. Resolution passed under Section 81(1A) of the Act, at the AGM of the Company held on January 27, 2004.
4. Resolution Passed by the Board of Directors at their meeting held on December 15, 2003 for the proposed Public Issue.
5. Consent from the Directors, Compliance Officer, Auditor, Lead Manager, Registrar to the issue, Bankers to the issue, Bankers to the Company, and Legal Advisor to the Company to act in their respective capacities.
6. Tax Benefit Certificate dated October 20, 2004 from M/s. P. Murali & Co., Auditors of the Company.
7. Auditor's report dated October 20, 2004 included in the Prospectus and copies of the Balance Sheet referred in the said report.

8. Copy of the Auditors Certificate dated October 20, 2004 regarding the Sources and Deployment of Funds as on October 15, 2004.
9. Copies of Initial Listing Application made to the National Stock Exchange (NSE) and The Stock Exchange, Mumbai (BSE).
10. Copies of in-principal approvals dated _____ and _____ received from NSE & BSE respectively.
11. Copies of the Resolution dated January 27, 2004 appointing Shri Santosh Varalwar as Chairman & Managing Director.
12. Copies of the Resolution dated January 27, 2004 appointing Shri Subhash Varalwar as Vice Chairman.
13. SEBI Letter dated _____
14. Project Appraisal Report prepared by UTI Securities Limited dated October 20, 2004.

PART III

DECLARATION

All the relevant provisions of the Companies Act, 1956 and the guidelines issued by the government or the guidelines issued by the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this prospectus is contrary to the provisions of the Companies Act, 1956 or the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be.

We, the directors of Vivimed Labs Limited, hereby declare and confirm that no information / material likely to have a bearing on the decision of the investors in respect of the equity shares issued in terms of the Prospectus has been suppressed / withheld and / or incorporated in the manner that would amount to misstatement / misrepresentation.

SIGNED BY THE DIRECTORS

Mr. Santosh Varalwar

Mr. Subhash Varalwar

Dr. V. Manohar Rao

Dr. R. N. Dhar

Dr. Raj Barathur

Prof. M. Bhagvanth Rao

Mr. Sanjay Kothari

Place :

Date: _____, 2004