Dolphin

Medical Services Limited

21st ANNUAL REPORT
2012 - 2013

Regd. Office: # 417, Sanali Heavens, Ameerpet, HYDERABAD - 500 073, A.P., India
Corp. Office: Ramachandra Rao Road, VIJAYAWADA - 520 002, A.P., India
Website : www.dolphinmedicalindia.com
E-mail ID for Investor's Grievances : dolphincomplianceofficer@gmail.com

BOARD OF DIRECTORS

Dr. G.V. MOHAN PRASAD	Managing Director
Dr. M. LAKSHMI SUDHA	Director
Mr. VINAY VISHNURAJ NAYAK	Independent Director
Mr. NARENDRA SEENA KARKERA	Independent Director
Mr. M. HEMANTH KUMAR	Independent Director

REGISTERED OFFICE
417, Sanali Heavens
Ameerpet
HYDERABAD - 500 073
Andhra Pradesh
India

CORPORATE OFFICE
Ramachandra Rao Road
Suryaraopet
VIJAYAWADA - 520 002
Krishna District
Andhra Pradesh, India

AUDITORS
M/s. PINNAMANENI & CO.
Chartered Accountants
Moghulrajpuram
VIJAYAWADA - 520 010
&
Ameerpet
HYDERABAD - 500 073

REGISTRARS & SHARE TRANSFER AGENTS
M/s. XL SOFTECH SYSTEMS LTD.
3, Sagar Society, Road No.2
Banjara Hills
HYDERABAD - 500 034.

BANKERS
Canara Bank
The Federal Bank Ltd.
HDFC Bank Ltd.
ICICI Bank Ltd.

21st ANNUAL GENERAL MEETING

Date : 30th September, 2013

Time : 10.30 A.M.

Venue : Maharaja Function Hall
1-54, Beside Andhra Bank
Warangal Highway
Uppal
HYDERARABAD - 500 039

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NOTICE

Notice is hereby given that the 21st Annual General Meeting of the members of **M/s. DOLPHIN MEDICAL SERVICES LIMITED** will be held on Monday, the 30th September, 2013 at 10.30 A.M at Maharaja Function Hall, 1-54, Beside Andhra Bank, Warangal Highway, Uppal, Hyderabad – 500 039 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2013 and the statement of Profit and Loss for the year ended on that date and the reports of Auditors and Directors report thereon.

2. To appoint a director in place of Mr. M. Hemanth Kumar, who retires by rotation and being eligible offers himself for re-appointment.

3. To appoint M/s. Pinnamaneni & Co., Chartered Accountants as Statutory Auditors of the Company, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit to pass with or without modification the following resolution as **Ordinary resolution:**

   RESOLVED that pursuant to the provisions of Section 269 read with schedule XIII and other applicable provisions, if any of the Companies Act, 1956, approval of the Members be and are hereby granted for re-appointment of **Dr. G.V. Mohan Prasad**, who fulfils the conditions specified in part I of Schedule XIII to the Companies Act, 1956 as Managing Director of the Company, for a period of five years from 11.09.2013 to 10.09.2018 without any remuneration.

5. To consider and if thought fit to pass with or without modification(s) the following resolution as a **Special Resolution:**

   RESOLVED THAT pursuant to the provisions of Section 314 (1) (a) of the Companies Act, 1956, consent of the Company be and is hereby accorded for Dr. G.V. Mohan Prasad, Managing Director of the Company, to hold the position/ office or place of profit under the Company, as a Consultant, on a consultancy fee up to an amount of Rs.2,00,000/-(Rupees Two Lakhs only) per month with effect from 01.10.2013.

   RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all such acts, deeds, matters and things as it considers necessary, desirable or expedient for the purpose of giving effect to this resolution.

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as **Special Resolution:**

   RESOLVED THAT pursuant to the provisions of Section 314(1) (a) of the Companies Act, 1956, consent of the Company be and is hereby accorded for Dr. M. Lakshmi Sudha, Director of the Company, to hold the position/office or place of profit under the Company, as a consultant, on a consultancy fee up to an amount of Rs.1,20,000/- (Rupees One lakh Twenty Thousand Only) per month with effect from 01.10.2013.

   RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all such acts, deeds, matters and things as it considers necessary, desirable or expedient for the purpose of giving effect to this resolution.

//By Order of the Board//
For DOLPHIN MEDICAL SERVICES LTD

Date: 19.08.2013
Place: Hyderabad

Sd/-
Dr. G.V. MOHAN PRASAD
MANAGING DIRECTOR

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO PPOINT A PROXY INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORMS TO BE VALID SHALL BE LODGED WITH THE OMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.

2. The Share Transfer books of the Company will be closed from 23.09.2013 to 30.09.2013 (both days inclusive).

3. All the documents referred to in the notice are open for inspection at the registered office of the company during office hours on all working days up to the date of the Annual General Meeting.

4. The register of Directors shareholding shall be open for inspection to any member of the company during the period beginning 14 days before the date of company's AGM and ending 3 days after the date of its conclusion. The said register shall also remain open and accessible during the AGM to any person having a right to attend the meeting.

5. The Ministry of Corporate Affairs ("MCA") has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by companies and has issued circulars on April 21, 2011 and April 29, 2011 inter-alia stating that a company would have complied with Section 53 of the Companies Act, 1956, if the service of document has been made through electronic mode. In that case, the company is required to obtain email addresses of its members for sending the notice / documents through email by giving an advance opportunity to every shareholder to register his email address and changes therein, if any, from time to time with the company.

   Therefore, in view of the above, the members are requested to up date your email ids with the Depository Participant, if the shares are in Demat mode and directly to the Registrars and Transfer Agents of the Company, in case the shares are in physical mode.

6. The Explanatory Statement pursuant to Sections 173 (2) of the Companies Act, 1956 which sets out the material facts concerning the special business is annexed hereto.

EXPLANATORY STATEMENT:

Pursuant to Section 173(2) of the Companies Act, 1956, an Explanatory Statement is furnished below:

Item # 4

The Board vide its Resolution dated 19.08.2013 had approved the re-appointment of Dr. G.V. Mohan Prasad as the Managing Director of the Company, to look after the day to day affairs of the Company subject to the supervision of the Board, for a period of five years with effect from 11.09.2013 till 10.09.2018 without any remuneration.

The Resolution as set out in Item No.4 is recommended for your approval.

Except Dr. G.V. Mohan Prasad and Dr. M. Lakshmi Sudha, none of the directors is concerned or interested in the above resolution

Item # 5

Dr. G.V. Mohan Prasad is a qualified doctor and has been rendering his services to the Company. The Board of Directors is of the opinion that having regard to his experience in the medical profession, its related field of activities and social relationships & business contacts, it would be beneficial for the Company to utilize his Professional services as consultant to the Company.

Dr. G.V. Mohan Prasad, being the Director of the Company, holding the position of consultant and receiving the consultancy fee from the company amounts to occupying the office or place of profit in the company. To continue such position by the director in the Company and receiving the consultancy fee in the capacity of doctor and social scientist, approval of the members in the

General Meeting by way of Special Resolution, pursuant to the provisions of Section 314(1) (a) of the Companies Act, 1956, is required. In the interest of the Company, your directors recommend the Special Resolution contained in the accompanying Notice for approval of the members.

The Resolution as set out in Item No. 5 is recommended for your approval

Except Dr. G.V. Mohan Prasad and Dr. M. Lakshmi Sudha themselves, none of the directors is concerned or interested in the above resolution.

ITEM #6

Dr. M. Lakshmi Sudha is a qualified doctor and has been rendering her services to the Company. The Board of Directors is of the opinion that having regard to her experience in the medical profession and related activities, it would be beneficial for the Company to continue her Professional services as a consultant to the Company.

Dr. M. Lakshmi Sudha, being the Director of the Company, holding the position of consultant and receiving the consultancy fee from the company amounts to occupying the office or place of profit in the company. To continue such position by the director in the Company and receiving the consultancy fee in the capacity of doctor and social scientist, approval of the members in the General Meeting by way of Special Resolution, pursuant to the provisions of Section 314(1) (a) of the Companies Act, 1956, is required. In the interest of the Company, your directors recommend the Special Resolution contained in the accompanying Notice for approval of the members.

The Resolution as set out in Item No. 6 is recommended for your approval

Except Dr. M. Lakshmi Sudha and Dr. G.V. Mohan Prasad themselves, none of the directors is concerned or interested in the above resolution.

//By Order of the Board//
For DOLPHIN MEDICAL SERVICES LTD

Date: 19.08.2013
Place: Hyderabad

Sd/-
Dr. G.V. MOHAN PRASAD
MANAGING DIRECTOR

DIRECTORS REPORT TO THE SHARE HOLDERS

Your Directors have great pleasure in presenting to you "21st Annual Report" of your Company along with the Audited Accounts for the year ended 31st March 2013.

1. FINANCIAL RESULTS:

The Financial Results for the year ended 31st March 2013 are furnished below:

(Rs. In Lakhs)

Particulars	2012-13	2011-12
Operating Income	114.14	376.20
Other Income	0.22	0.38
Profit/(Loss)before Int. Depreciation &Tax	(59.72)	37.90
Depreciation	64.67	64.59
Cash Profit/(Loss)	(129.92)	(80.14)

During the year under review your company has got an income of Rs.114.36 lakhs and recorded a cash loss of Rs.129.92 lakhs.

2. SUBSIDIARY COMPANIES:

M/s. Bridge Corporate Services Pvt. Ltd. and M/s. Evum Life Sciences Pvt. Ltd. are the subsidiaries of the Company. During the year under review the Subsidiary Companies incorporated were not able to record any progress due to lack of financial resources.

3. DIVIDEND:

As the Company is in financial losses, the Directors have not recommended any dividend for the year 2012-13.

4. PUBLIC DEPOSITS:

During the year under review the company has not accepted any 'public deposit' as in defined in provision of Section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposits) Rules 1975 as amended from time to time. There are no outstanding unclaimed deposits as on 31st March 2013.

5. MANAGEMENT DISCUSSION AND ANALYSIS:

Industry Structure and developments in the Company:

As per industry experts the Diagnostics Market in India is witnessing around 13 to 15% growth but mostly in specific segments only. Looking at segment-wise growth, Infectious disease and life style related diseases diagnosis are still the growth driver. Also Molecular diagnostics and Tissue diagnostics segment is growing at an impressive rate. Dolphin Medical Services Ltd., is one of the players in Diagnostics Industry in India, operating mainly in infectious diseases and Clinical Chemistry segment. The growth can be attributed to the factors such as increasing scope and awareness about diagnostics, improved diagnostics tools, etc.

Further High prevalence of life style related diseases such as Diabetes, Cancer, Cardiac disease and incidences of communicable and infectious diseases like HIV/AIDS, Malaria, Typhoid are still cause of concern. Thus, the scope of growth for the Indian diagnostic sector is still bright. The future prospect of Diagnostics Industry looks promising and Dolphin Medical Services Ltd., being one of the leaders in this segment is bound to benefit from it.

However, with the advent of low cost diagnostic kits and equipment and lack of proper regulatory systems in place, every small nursing home in the country is starting a diagnostic set up of its own in its own premises akin to the inhouse pharmacy units set up. This is creating a dent in the

marketing potential of the standalone diagnostic centres, which are hitherto depending mostly on individual nursing homes and clinics of the respective regions.

The huge interest burden of the bank loans along with other facts affected your company very much causing severe financial strain on the company and also adversely affected the functioning of the company. However the company is making every effort to resolve the issues to the company's advantage.

Opportunities and threats:

As a strategic decision, Dolphin Medical Services Ltd., is exploring expanding to selected high growth markets and even the product development is aligned with the potential of such segment representing high growth prospects. However, the unethical competition especially in the standalone segment is a major risk factor and we are trying to find out ways and means of overcoming this risk and also other inherent & associated risk factors.

Outlook:

Diagnostic Services business in India has become matured over the years. Standalone Diagnostic Centres are now divided into two very clear categories – One will have the facilities of Radiology, Lab and related modalities etc., and the other one is only with exclusive Laboratories. However, your company pioneered the concept of all diagnostic facilities under one roof and it will continue to be bracketed in the same category in future also.

Risks and concerns:

There is vast expansion of huge corporate hospitals with inhouse comprehensive diagnsotic set up all over the country which is indirectly affecting the potential of the standalone diagnostic centres.

The huge devaluation of the rupee also is increasing the cost of import of sophisticated medical equipment and diagnostic kits & consumbales, which further suffocates the margins involved in the business, making the expansion plan suffer.

6. CONSERVATION OF ENERGY, TECHNOLOGY, ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUT GO:

The required information as per Sec.217 (1) (e) of the Companies Act 1956 is provided hereunder:

A. CONSERVATION OF ENERGY:

The Company has taken necessary steps to conserve the energy utilization during the year under review.

B. TECHNOLOGY ABSORPTION:

1. Research and Development (R&D)	:	NIL
2. Technology absorption, adoption and innovation	:	NIL

C. FOREIGN EXCHANGE EARNINGS AND OUT GO:

Foreign Exchange Earnings	:	NIL
Foreign Exchange Outgo	:	NIL

7. INTERNAL CONTROL AND ITS ADEQUACY:

The Board is committed to ensure that the Company's 'internal control' system remains effective and efficient in areas such as operations and Security. For this purpose proper planning and effective conduct of the 'internal audit' is given top-most attention.

8. DIRECTORS' RESPONSIBILITY:

To best of their knowledge and belief and on the basis of information furnished to them the Directors make following statement, which is required to be made in terms of Section 217 (2AA) of the Companies Act, 1956:

(i) While preparing Annual Accounts, the applicable accounting standards have been followed along with proper explanations

(ii) Appropriate accounting policies have been selected and applied consistently and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at March 31, 2013 and of the losses of the company for the year ended on that date.

(iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

(iv) The Annual Accounts of the Company have been prepared on basis of a 'going concern'.

9. CORPORATE GOVERNANCE:

As per clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on Corporate Governance Practices followed by the Company together with a certificate obtained from the auditors of the Company is set out in Annexure, forming part of this report.

10. PARTICULARS OF EMPLOYEES:

During the year under review, no employee of the company was in receipt of remuneration for the whole year which in the aggregate was Rs.60,00,000/- or more per annum nor was any employee in receipt of remuneration Rs.5,00,000/- or more per month for the any part of the year in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended..

During the year under review, industrial relations of the company continued to be cordial and peaceful.

11. DIRECTORS:

In accordance with requirements of the Companies Act, 1956 and Articles of Association of the Company, Mr. M. Hemanth Kumar, retires by rotation. He however is eligible for re-appointment. The board has therefore recommended his reappointment.

12. AUDITORS:

M/S. Pinnamaneni & Co, Chartered Accountants, the Company's auditors term office will conclude with this Annual General Meeting. They have expressed willingness to accept the assignment for a further period on one more year. They have also confirmed their eligibility for such an appointment under Section 224(1B) of the Companies Act, 1956.The Board recommends the firms re-appointment as Company's auditors.

13. LISTING AT STOCK EXCHANGES:

The Equity Shares of the Company are listed on Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 and the Company has paid the listing fee for the year 2013-14.

14. ACKNOWLEDGEMENTS:

Your Directors thank and appreciate all the executives, staff, Bankers, Customers and Workers of the Company for their dedicated services.

//By Order of the Board//

For DOLPHIN MEDICAL SERVICES LTD

Date: 19.08.2013
Place: Hyderabad

Sd/-
Dr. G.V. MOHAN PRASAD
MANAGING DIRECTOR

Sd/-
Dr. M. LAKSHMI SUDHA
WHOLE TIME DIRECTOR

CORPORATE GOVERNANCE REPORT

Corporate Governance is the system by which business corporations are directed and controlled. Corporate Governance Structure specifies the relationship, distribution of Rights and responsibilities among different participants in the Organization, such as the Board, Managers and shareholders, spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the Company objectives are set and the means of attaining these objectives and monitoring the performance.

The essence of Corporate Governance revolves around three basic interrelated segments. Integrity and fairness, transparency and disclosures, accountability and responsibility. It is about commitment to values and ethical business conduct, voluntary practices and compliance with laws and regulations leading to effective control and management of the organization in achieving the objectives.

DMSL believes that good corporate governance brings about sustained corporate growth and long term benefits for share holders. The Company's core values are based on integrity, respect for statutory/regulatory requirements and complaints thereof, emphasis on product quality, effective strategic planning and processes, growth and development of human resources, which entails converting opportunities into achievements.

DMSL respects the rights of its share holders to information on the performance of the Company and focus on the Trusteeship role of the Board in increasing the wealth and long term shareholders' value creation over a sustained period of time.

DMSL continues to focus its resources strengths and strategies to achieve highest standards of corporate governance and endeavors to implement the code of corporate governance in its true spirit.

In accordance with clause 49 of the Listing Agreement with Indian Stock Exchanges on corporate governance a report on the practices and compliances by the company is as follows:

This Report provides the structure through which the company objectives are set and the means of attaining the overall business objectives and goals.

A. BOARD OF DIRECTORS:

Composition:

The Board of Directors consists of Professionals drawn from diverse fields. All the Directors on the Board consist of Executive and Non-Executive Directors and three of them being independent.

None of the Directors on the Board is a member in more than 10 committees or Chairman of more than 5 Committees (as specified in Clause 49 of the Listing Agreement with Stock Exchanges). The Directors have made the necessary disclosures regarding Committee memberships.

Sl. No.	Name & Category of the Directors	No.of Directorships held in other Public Companies	No.of Memberships/ Chairmanships held in Committees of other Companies
1.	Dr. G.V. Mohan Prasad [Promoter & Executive Director]	2	—
2.	Dr. M. Lakshmi Sudha [Promoter & Executive Director]	2	—
3.	Mr. Vinay Vishnuraj Nayak [Independent Director]	—	—
4.	Mr. Narendra Seena Karkera [Independent Director]	—	—
5.	Mr. Hemanth Kumar Manikyam [Independent Director]	—	—

A BRIEF RESUME OF DIRECTOR RETIRING BY ROTATION

Mr. M. Hemanth Kumar

Mr. M. Hemanth Kumar retires by rotation at the ensuing Annual General Meeting and he offers himself for reappointment. The brief resume of Mr. M. Hemanth Kumar is as follows:

He has completed Post Graduation in Bio Chemistry from Periyar University, Salem, Tamilnadu. He is having reasonably good experience in Life Science Division both Technical and Marketing aspects. He worked as an Assistant Professor and Entrepreneur Development Cell Manager for Audisankara Engineering College, Nellore in Biotechnology Division. He is well trained as an Entrepreneur Development Faculty from National Institute of Small Scale Industrial Extension Training, Hyderabad. He has done research works in the area of Ethnopharmacology specially on anticancer, antiviral, antidiabetic, Drug Isolation and their studies in association with well reputed organisations. Later he worked as an Application Specialist in Biochemistry Clinical Division for Biosystems Private Limited, Bangalore.

B. BOARD MEETINGS: During the Financial Year 2012-2013 the Board of Directors met 5 (Five) times on the following dates:

15.05.2012, 15.08.2012, 29.09.2012, 15.11.2012 and 15.02.2013

The Attendance of Directors at these Board Meetings and at the previous Annual General Meeting was under:

Name of the Director	No.of Board Meetings held during the tenure of the Director	No.of Meetings attended by the Director	Whether Present at the previous AGM
Dr. G.V. Mohan Prasad	5	5	Yes
Dr. M. Lakshmi Sudha	5	5	Yes
Mr. Vinay Vishnuraj Nayak	5	4	No
Mr. Narendra Seena Karkera	5	4	No
Mr. Hemanth Kumar Manikyam	5	3	Yes

C. COMMITTEES OF THE BOARD:

In order to ensure that the functions of the Board are discharged effectively, information disclosed in the financial statements are in order and no material information is left undisclosed, besides ensuring the stricter implementation of the Corporate Governance, the Board has formed the following three committees.

1. Audit Committee
2. Remuneration Committee
3. Investors/Share holders Grievances Committee

The scope of the said Committees, memberships and the powers delegated is enumerated hereunder:

1) Audit Committee:

Terms of Reference of Composition, Name of the Members and Chairman:

The Board has constituted an Audit Committee in accordance with Clause 49 of the listing Agreement as well as Section 292A of the Companies Act, 1956. The Audit Committee comprises of 3 directors, 2 of them being non-executive directors. The composition of Audit Committee is as follows: