

Dolphin

Medical Services Limited



20th ANNUAL REPORT 2011 - 2012

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
 Dr. M. LAKSHMI SUDHA
 Mr. VINAY VISHNURAJ NAYAK
 Mr. NARENDRA SEENA KARKERA
 Mr. M. HEMANTH KUMAR

Managing Director
 Director
 Independent Director
 Independent Director
 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.

20th ANNUAL GENERAL MEETING

Date : 29th September, 2012
 Time : 10.35 A.M.
 Venue : Neni Hi-tech Club
 169, Lal Bungalow
 Old Airport Road
 New Bowenpally
 SECUNDERABAD - 500 011

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NOTICE

Notice is hereby given that the 20th Annual General Meeting of the members of **M/s.DOLPHIN MEDICAL SERVICES LIMITED** will be held on Saturday, the 29th September, 2012 at 10.35 A.M at Neni Hi-tech Club, 169, Lal Bungalow, Old Airport Road, New Bowenpally, Secunderabad – 500 011 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2012 and Profit and Loss Account 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. Vinay Vishnuraj Nayak, 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.

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

Date: 15.08.2012
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 / HER SELF 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 28.09.2012 to 29.09.2012 (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.

DIRECTORS REPORT TO THE SHARE HOLDERS

Your Directors have great pleasure in presenting to you "20th Annual Report" of your Company along with the Audited Accounts for the year ended 31st March 2012.

1. FINANCIAL RESULTS:

The Financial Results for the year ended 31st March 2012 are furnished below:

(Rs. In Lakhs)

Particulars	2010-11	2011-12
Operating Income	406.49	376.20
Other Income	14.45	0.38
Profit/(Loss)before Interest & Depreciation	138.32	37.90
Depreciation	59.36	64.59
Cash Profit/(Loss)	69.47	(80.14)

During the year under review your company has suffered huge losses due to requirement of comprehensiveness of services i.e., the need to add fulfilled laboratory services and other advanced modalities, and also heavy marketing expenditure incurred disproportionate to the input the reason of which is the heavy competition in the stand alone diagnostic sector and also due to the lack of high end sophisticated diagnostic equipment along with the added problems being faced regarding the premises. The heavy interest on the bank loan and the indifferent inappropriate handling of the account by the bank also contributed substantially to the losses while bad debts to some extent also added to the situation. However the management is making efforts for solving this issue at the earliest.

2. SUBSIDIARY COMPANIES:

During the year under review the Subsidiary Companies incorporated were not able to record any progress. However the Board is exploring the possibility of utilizing them for the envisaged purpose at the earliest.

3. DIVIDEND:

The Directors have taken a decision not to recommend any dividend for the year 2011-12, as the company has suffered huge losses.

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 2012.

5. MANAGEMENT'S PERCEPTION:

PRESENT STATE OF AFFAIRS - AN OVERVIEW

During the year under review, the company has suffered huge losses due to many intrinsic & extrinsic reasons. Some of them are, requirement of comprehensiveness of services i.e., the need to add fulfilled laboratory services and other advanced modalities, and also heavy marketing expenditure incurred disproportionate to the input which is again partly due to the heavy competition in the stand alone diagnostic sector and non functioning of some of the major medical equipments. During this year there was a major repair of electronic components and the non insurable high cost tube of CT Scan equipment. While lack of sophisticatedness and advancement in the diagnostic equipment is to some extent also the cause of reduction in revenues, the prevailing competitive conditions are also not suitable for standalone diagnostic services. The establishing of inhouse diagnostic centres by many hospitals decreased the referral of patients to standalone diagnostic centres - which are forced to depend on small time practitioners and a few consultation clinics of specialists. This resulted in huge increase in marketing expenditure and the added burden of increased establishment expenses, which also led to substantial losses. The grim power supply problem in the region also contributed its part for this situation. The delay in meeting this added expenditure is costing heavily to the organization. The Digital Radiography equipment also could not be put to proper use due to mismatch between

the old X-ray unit of outdated model and the subsequently added Digital Radiography equipment. This was represented to the bank for support many a time, but in vain. Now due to the rapid change in the equipment models, newer comprehensive units with in-built compatible DR and X-ray systems need to be purchased to make this service available to the patients. Some other existing equipments also need updation to cope up with the advanced modality services. Thus on the whole there is lack of comprehensiveness in the services presently provided. Other Equipment like MRIT had a repair in its main unit – the head, which company is presently represented by a dealer outside India. Other causes like repairs of other diagnostic Equipment, condemning of old assets that are outdated and non-functioning, poorly equipped state to face the stiff competition between diagnostic centres of the region, the heavy interest burden of the bank and increase of running expenditure which is a consequence of many of the above and other causes mentioned below added to the complexity of the situation.

The uncertainty being faced on the outcome of the court cases on the existing lease hold premises is also adding to the troubles of the company. The hostile attitude and actions of the lessors of the premises are also not conducive to optimize the utilization of the premises. The necessary modifications, time and again which needed to be further made from time to time for the premises in addition to those already made, involves further investment, which could be further wasted depending on the outcome of the court case.

From the beginning and more so since 2001, the lessor has been causing more trouble than earlier to the company for the reasons best known to them and the management had to spend most of the valuable time fighting for the litigation and the company is leaving no stone unturned in fighting the litigation in respect of the lease hold at various stages. The quagmire of litigation the company was constrained to involve in respect of its leasehold due to the mischief of the CSITA and M/s Tilak Enterprises has also substantially contributed to the woes of the company. In view of the looming uncertainty due to the said litigation, the company is not able to make optimum use of the premises, as there is the fear of losing the further investment as may be made for modifications and renovations to the premises from time to time if the verdict of the Courts is going to be adverse. This is in addition to the already invested huge amounts on the premises over a period of many years on various occasions. Even though the company is somehow able to get along with in the premises, we could go only for moderate expansion and not the fullfledged updating, which is the present exigency in view of the hard core competition prevailing in the market, especially in the arena of medical diagnostic services. An attempt was made by the company in 2008 to update some of the outdated equipment but the high end models could not be installed. This is in substantial part due to bank and other factors mentioned in the earlier AGM and also the lack of cooperation by and the hostile atmosphere with the lessors – whose cooperation and consent was required for erecting the exclusive high tension transformers mandatory for such high end models. The grim power problem also could not be addressed by the company by installing high end noiseless power generators, which required a lot of additional space, which again required the consent of the already hostile lessor of the premises.

In addition to those discussed above, the bank factors mentioned earlier in the last Annual General Meeting also had a role to play. Because of these uncertainties with regard to such issues and also the problem of leasehold premises, we were not able to install the latest sophisticated diagnostic equipment and we are constrained to manage with the possible moderate expansion which could hardly withstand the present day competition which has resulted in disproportionately increased expenditure, outweighing the operational costs also. With the threat of eviction from the existing premises hovering over, we are not able to achieve the desired growth and progress. In contrast thereto, our competitors are equipped with relatively better modern equipment capturing the demand from the local doctors at the cost of our patronage, causing huge loss to our company.

The term Loan with Canara Bank has become NPA in November 2011 due to many of the reasons already mentioned above and also the reasons clearly mentioned in the last Annual Report. As a consequence of the account becoming NPA with the bank, the bank has resorted to initiating steps for auctioning the landed property of the company at a reserve price of its own in addition to launching other legal measures. The matter was represented to the DRT by the company and as of date is pending disposal.

STEPS PROPOSED BY THE BOARD FOR FUTURE BUSINESS DEVELOPMENT AND ENHANCED PROFITABILITY

Your company has already initiated steps for settling the NPA issue with Canara Bank and has submitted a OTS proposal on 05th June 2012 and the bank has placed it in the CANADALAT on 6th June 2012. But unfortunately the proposal was not accepted by Canara Bank citing that our offer was low. Your company is now taking further steps to once again propose OTS after discussions with the Canara Bank Officials and arrive at a mutually agreeable finality. New Steps and suggestions from Financial & other strategic Consultants as may be required for improvement of Business or alternative steps for solving this issue, are also being explored. The company is taking all the necessary steps for rectifications and repair of all the medical equipment and putting them to optimum use by measures outweighing the regular market factors to the extent possible. But the uncertainty pertaining to the premises is still hovering over and the management will try to explore ways & means to overcome this problem also. Recovery of other advances to possibly provide some reserves for the company is one other measure being contemplated. The company is also exploring the scope for starting new avenues of profitable business activities as earlier envisaged and also as may be decided feasible in future.

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) | : Rs.80.94 lakhs |
| 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, 2012 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:

- a) A note on Management Discussion and Analysis of Report is enclosed.
- b) 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. Vinay Vishnuraj Nayak retires by rotation. He however is eligible for reappointment. 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 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.

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 LIMITED**

Place: Hyderabad,
Date: 15.08.2012

**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.

Dolphin 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.

Dolphin 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.

Dolphin 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. VINAY VISHNURAJ NAYAK

Accordingly Mr. Vinay Vishnuraj Nayak retires by rotation at the ensuing Annual General Meeting. Mr. Vinay Vishnuraj Nayak offers himself for reappointment. The brief resume of Mr. Vinay Vishnuraj Nayak is as follows:

Mr. Vinay Vishnuraj Nayak is a Financial Consultant with rich experience in the Banking Sector. He has worked in the Reserve Bank of India (RBI) as Manager/Assistant General Manager for many years and was also a nominee director from Reserve Bank of India in a private Bank. He has also been associated with auditing of banks and providing financial consultancy services to some of the reputable companies like the Essar group of Companies.

B. BOARD MEETINGS:

During the Financial Year 2011-2012 the Board of Directors met 6 (Six) times on the following dates:

15.05.2011, 14.08.2011, 29.09.2011, 14.11.2011, 01.12.2011 and 14.02.2012

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	6	6	Yes
Dr. M. Lakshmi Sudha	6	6	Yes
Mr. Vinay Vishnuraj Nayak	6	5	No
Mr. Narendra Seena Karkera	6	5	No
Mr. Hemanth Kumar Manikyam	6	4	No

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:

Mr. Narendra Seena Karkera, Chairman of the committee, Mr. Vinay Vishnuraj Nayak and Dr. M. Lakshmi Sudha are the members of the Committee, all being directors. The Managing Director, along with Statutory Auditors and Accounts Manager are invitees to the meeting. The terms of Reference of this Committee are wide enough covering matters specified for Audit Committees under the Listing Agreement/Companies Act, 1956.

Meetings and the attendance during the year:

During the year under review, the total number of meetings held was 4 (four) on the following dates:

- | | |
|--|------------------------------------|
| 1. 15 th May, 2011 | 2. 14 th August, 2011 |
| 3. 14 th November, 2011 and | 4. 14 th February, 2012 |

The attendance of the each member of the Committee is given below:

Name of the Director	No. of Meetings held	No. of Meetings attended
Mr. Narendra Seena Karkera	4	4
Mr. Vinay Vishnuraj Nayak	4	4
Dr. M. Lakshmi Sudha	4	4

The primary objective of the audit Committee is to monitor and effectively supervise the Company's financial reporting process with a view to provide accurate, timely and proper disclosures and the integrity and quality of the financial reporting.

During the year, the Audit Committee met Four times. Executives of Accounts Department, Representative of the Statutory Auditors were invited to attend the Audit Committee Meetings.

2) Remuneration Committee

The Remuneration Committee consists of Mr. Hemanth Kumar Manikyam, Mr. Vinay Vishnuraj Nayak and Mr. Narendra Seena Karkera all being Independent non-executive directors. Remuneration Committee meeting was held on 14.08.2011 during the year.

The details of the remuneration paid to Managing Director and Whole-Time Director during the year 2011-12 are given below:

Name & Designation	All elements of remuneration packages i.e., salary benefits, bonuses, pension etc.
Dr. G.V. Mohan Prasad Managing Director	Rs.21,15,000/-
Dr. M. Lakshmi Sudha Director	Rs.10,35,000/-

The above directors did not receive any other benefits like incentives and stock options during the 2011-2012 except the remuneration package.

3) Investors / Shareholders Grievance Committee:

The Company has constituted an Investors / Shareholders Grievance Committee under the Chairmanship of Dr. M. Lakshmi Sudha. The other members of the Committee are Mr. Hemanth Kumar Manikyam and Mr. Vinay Vishnuraj Nayak. The Committee looks into the shareholders and investors complaints. The number of shares pending for transfer was NIL as on 31st March, 2012.

D. Annual General Meetings:

Particulars about the last three Annual General Meetings (AGMs) of the Company are as under:

Sl. No.	Particulars	Date	Venue
1	17 th AGM	30.09.2009	Neni Hi-tech Club, 169, Lal Bungalow, Old Airport Road, New Bowenpally, Secunderabad - 500 011
2	18 th AGM	30.09.2010	Neni Hi-tech Club, 169, Lal Bungalow, Old Airport Road, New Bowenpally, Secunderabad - 500 011
3	19 th AGM	29.09.2011	Neni Hi-tech Club, 169, Lal Bungalow, Old Airport Road, New Bowenpally, Secunderabad - 500 011

There was no Extra-ordinary General Meeting held during the year 2011 - 2012.

No resolution was passed through postal ballot during the year 2011-12.

No Special resolution is proposed through postal ballot at the ensuing Annual General Meeting.

E. Disclosures

- There is no materially significant related party transaction made by the company with its promoters, Directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.
- The Company had complied with the requirement of the Stock Exchange, SEBI and other statutory authorities on all matters relating to capital market during the last three years. No pecuniary penalties have been imposed on the company by any of the above mentioned authorities.
- The company has already put in place a system for employees to report to the management about concerns relating to unethical behavior, any fraud or violation of companies Code of