

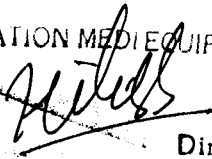
12th Annual Report

2003 - 2004

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For INNOVATION MEDIEQUIP LTD.


Director

Innovation Medi Equip Limited

BOARD OF DIRECTORS	
C K KOTHARI	Managing Director
HITESH C KOTHARI	Director
HASHMUKH M THAKKAR	Director
MAHENDRA D GANATRA	Director
<u>REGISTERED OFFICE</u>	
No. 290, SIDCO Industrial Estate, Ambattur, Chennai 600 098	
<u>BANKERS</u>	
ABN AMRO BANK UNION BANK OF INDIA INDIAN OVERSEAS BANK HDFC BANK	
<u>AUDITORS</u>	
VENKATESH & CO., CHARTERED ACCOUNTANTS, CHENNAI.	
<u>REGISTRAR & SHARE TRANSFER AGENTS</u>	
CAMEO CORPORATE SERVICES LIMITED, No. 1, "Subramaniam Building" Club House Road, Chennai 600 002	

NOTICE

NOTICE is hereby given that the 12th Annual General Meeting of the shareholders of the Company will be held at the Registered office of the Company at No.290, SIDCO Industrial Estate, Ambattur, Chennai 600 098, on the 15th day of September, 2004 at 9.30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Audited Balance Sheet as at 31st March 2004 and the Profit & Loss Account for the year ended on that date and the reports of the Directors, and Auditors thereon.
2. To appoint a Director in place of Mr. HASMUKH M THAKKAR, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Statutory Auditors and fix their remuneration. M/s VENKATESH & Co., Chartered Accountants the retiring Statutory Auditors of the Company are eligible for reappointment and offer themselves for reappointment.

**By Order of the Board
For INNOVATION MEDI EQUIP LIMITED**

**C. K. KOTHARI
Managing Director**

Place : Chennai
Date : 10/08/2004

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and a proxy need not be a member.
2. Proxy to be valid must be deposited at the registered office of the Company, not later than 48 hours before the commencement of the meeting.
3. Members are requested to notify change in address, if any, to the Company.
4. The Register of Members and Share Transfer Books of the Company shall remain closed from 13th September, 2004 to 14th September, 2004 (Both days Inclusive)
5. Members desiring to have any clarification on account are requested to write to the Company at an early date so as to enable the company keep the information ready.
6. Members/ proxies should bring the attendance slip duly filled in for attending the meeting.
7. Members are requested to notify change in address, if any, to the Company.
8. Members are requested to inform the company their Income Tax Permanent Account Number (PAN) / General Index Register Number (GIR), if any allotted to them by the Income Tax Department and the particulars of their bank account, in case the same have not been sent earlier.

9. Consequent to the amendment to Section 205A read with Section 205C of the Companies Act, 1956, dividend declared for the year ended 31-03-1996 have been transferred to Investors Education and Protection Fund.
10. Members holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company , as permitted under section 109A of the Companies Act, 1956 , are requested to submit to the registered office of the company the prescribed Form 2B , which is attached for this purpose.
11. Your Company has appointed CAMEO CORPORATE SERVICES LIMITED, having office at No.1, Club House Road, Chennai 600 002 as its Common Agency for handling the share registry work both for physical and electronic transfer. Members are advised to write to them for any queries with regard to shares related issues.
12. Equity shares of the Company are in the Depository, set up by the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The shares of the Company are in the compulsory dematerialization list specified by the SEBI and are traded in the demat mode and the shareholders are requested to get their holdings dematerialized as early as possible, in their own interest.
13. Information pursuant to clause 49 of the listing agreement in respect of proposed re-appointment of directors is given below:

Mr. HASMUKH M THAKKAR, aged around 36 years has wide and varied experience in the field of administration. He was co-opted as a Director by the Board on 28-09-2002.

Currently he is a Director on the Board of M/s ISL Consulting Limited, at Chennai. He is also Member of the Audit Committee and Shareholders/investors Grievance Committee of the Board of M/s ISL Consulting Limited.



**By Order of the Board
For INNOVATION MEDI EQUIP LIMITED**

**C. K. KOTHARI
Managing Director**

Place : Chennai
Date : 10/08/2004

DIRECTORS' REPORT TO THE MEMBER

Your Directors have great pleasure in presenting the 12th Annual Report together with Audited Accounts of the Company for the year ended 31st March, 2004 and the Auditors' report thereon.

1. FINANCIAL RESULTS**(Amount in Rs. Lacs)**

Particulars	2003-2004	2002-2003
Gross Profit/ (Loss) before Depreciation	4.92	11.11
Less : Depreciation	6.03	5.92
Profit/ (Loss) for the year	(1.10)	5.19
Balance Brought Forward	(252.18)	(255.50)
Balance Carried Forward to Balance Sheet	(252.24)	(252.18)

2. BUSINESS OUTLOOK

Your company could achieve an export sale of Rs.43.35 lakhs when compared with Rs.30.44 lakhs, in the previous year, ending with a marginal loss of Rs.0.06 lakhs when compared with a profit of Rs.3.33 lacs. The company is looking to the future with great optimism as the medical equipment market in general has become quite upbeat although the company, as usual will adopt a cautious approach.

3. FIXED DEPOSITS

Your Company has not accepted any fixed deposits during the year under review.

4. DIVIDEND

In view of loss incurred by the company during the year under review, your directors do not recommend any dividend during the year under review.

5. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Pursuant to Section 217 (1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988, Your directors state that the Company has installed machines, which are power conservative in nature. The Company has no activities relating to technology absorption.

Foreign Exchange earning	:	(INR 4439604)
Foreign Exchange outgo	:	(INR 41105)

6. INTERNAL CONTROLS AND THEIR ADEQUACY:

The internal control systems are commensurate to the size of the operation of the Company. Whenever it is required, the systems and procedures are upgraded to suit the changing business needs.

7. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement u/s 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement your Directors confirm that they had:

1. followed in the preparation of the annual accounts, the applicable Accounting Standards and given proper explanation relating to material departure, if any;
2. selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period;
3. taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act so as to safeguard the assets of the Company and to prevent and detect fraud and other irregularities; and
4. Prepared the Accounts on a going Concern basis.

8. STATEMENT PURSUANT TO LISTING AGREEMENT

The company's securities are listed Mumbai Stock Exchanges and it has paid the respective annual listing fees up-to-date and there is no arrears. As already approved by the shareholders of the company at the annual general meeting of the shareholders of the company, your Directors had already initiated steps to delist the shares from Ahmedabad, Madras Stock Exchanges and the same is pending.

9. CODE OF CORPORATE GOVERNANCE

A detailed report on Corporate Governance as updated with the particulars of this Financial year, as per the directions from SEBI is annexed to this report (Annexure A') and a report of Management discussion and Analysis is also annexed separately.

10. DIRECTORATE

In compliance with the provisions of the Companies Act, 1956 in accordance with the Articles of the Company's Articles of Association, Mr. Hashmukh M Thakkar, retires at this Annual General Meeting and being eligible, offers himself for reappointment.

11. AUDITORS AND AUDITORS REPORT

The retiring auditors, M/s. Venkatesh & Co., Chartered Accountants have expressed willingness to continue in office, if appointed. They have furnished to the Company a certificate of their eligibility for appointment as auditors, pursuant to section 224 (1B) of the Companies Act, 1956. The Board of Directors recommend to the members to appoint them as auditors and fix their remuneration.

The Auditors Report to the Members contains qualification and adverse remarks. Your Directors like to reply as under:-

1. The Company's usual accounting policy provides that the retirement benefits are accountable on cash basis.
2. On continuous follow up to recover the loans from Directors the same has reduced from the previous years figure to the current level signifying some collection from them.

3. In absence of notification by central government U/S 441 A the company has not provided the sum as per said section.
4. The company's investment philosophy is long term and the Balance sheet of said Company was subsequently produced.
5. The notes to the accounts referred to in the Auditors report are self-explanatory and therefore do no call for any further comment.

12.EMPLOYEES

The Board of Directors wishes to express its appreciation to all the employees of the Company for their outstanding contribution to the operations of the Company during the year. During the year under review, there were no employees covered under Section 217(2A) of the Companies Act, 1956.

13.ACKNOWLEDGEMENT

Your Directors place on the record their appreciation of the dedicated service of the employees of the Company at all level for the growth of the company. Your Directors express their sincere gratitude to the consultants, bankers and shareholders for their continuous patronage and co-operation.

**For and on behalf of the Board
For INNOVATION MEDI EQUIP LIMITED**

**C. K. KOTHARI
Chairman**

Place : Chennai
Date : 10/08/2004

ANNEXURE TO DIRECTORS REPORT

Management Discussion and Analysis

1. Industry Structure and developments

With the Indian economy already showing good signs of recovery and improvement and presently the investor confidence towards the Indian economy is also better and the investment climate is conducive for development. With the exports a market showing bright signs of revival and opportunity the company is taking all possible efforts to increase the exports of the products of the company.

2. Outlook on Opportunities, threats, Risk and Concerns:

A right marketing strategy and good logistics should see this business opportunity to be exploited. Further the company's products are well accepted by the Overseas customers where the opportunity are plenty and the chances of making a good marketing of the products of the company seems to be good and fine. Further the company continues to explore the local markets too.

3. Segment-wise or product-wise performance

The company is having only one segment ie. Manufacturing and export of the Orthopaedic equipment.

4. Outlook

The latest surveys conducted by various agencies including WHO indicates that the money spent on the health care is bound to go up and with the increasing awareness of the mass media the company's products are sure to be hit in the longer run.

5. Risks and Concerns:

With the rate wars amongst the competitors being the main concern the company need to adopt the strategy cautiously.

6. Internal control Systems and their adequacy:

The company has adequate internal control procedures commensurate with its size and nature of the business. These business control procedures ensure efficient use and protection of the resources and compliance with the policies, procedures and statutes. The internal control system provides for well-documented policies, guidelines, authorizations and approval procedures.

7. Discussion on financial performance with respect to operational performance:

Your company could achieve an export sale of Rs.43.35 lakhs when compared with Rs.30.44 lakhs, in the previous year, ending with a marginal loss of Rs.0.06 lakhs when compared with a profit of Rs.3.33 lacs. The company is looking to the future with great optimism as the medical equipment market in general has become quite upbeat although the company, as usual will adopt a cautious approach.

8. Material developments in Human Resources / Industrial Relations front, including number of people employed.

The company regards its human resources amongst its most valuable assets and proactively reviews and evolves policies and processes to attract and retain requisite skill-sets covering technical and managerial functions through a work environment that encourage initiative, provides challenges and opportunities and recognizes the performance and potential of its people.

**FOR AND ON BEHALF OF THE BOARD OF DIRECTORS
INNOVATION MEDI EQUIP LIMITED**

**C. K. KOTHARI
CHAIRMAN**

Place : Chennai
Date : 10/08/2004

REPORT ON CORPORATE GOVERNANCE**1. Introduction**

The Company is complying with the mandatory requirements of the code of Corporate Governance introduced by the SEBI and incorporated in Clause 49 of the Listing Agreement in all material respects.

2. Company's Philosophy on Code of Corporate Governance

The Basic philosophy of the company towards Corporate Governance is to protect and enhance the long-term value of all the stakeholders – shareholders, clients, creditors and employees. The Company is committed to achieve these objectives within regulatory framework through transparency in dealings.

3. Board of Directors

The Company is managed by Board of Director and it meets at regular intervals. Policy formulation, evaluation of performance and control functions vest with Board. During the period ended 31st March, 2004, Ten (10) Board Meetings were held on, 28-04-2003, 28-07-2003, 03-09-2003, 19-09-2003, 08-10-2003, 28-10-2003, 15-12-2003, 28-01-2004, 04-02-2004 and 31-03-2004. The last Annual General meeting was held on 30th day of September, 2003. The Composition of Board, attendance of each Director at the Board Meetings held during the year under review as well as in the last Annual General Meeting and number of other Directorship / Committee memberships held by them is as follows -

Name(s) of Director(s)	Designation and Category	No. of Board Meetings in The Year		Attendance Last AGM	No. of Outside Directorships	Number of Board Committee memberships Held in other companies
		Held	Attended			
C.K.KOTHARI	Managing Director Executive	10	10	YES	3	Nil
HASMUKH M THAKKAR	Director Independent	10	10	YES	1	Nil
HITESH C KOTHARI	Director Independent	10	10	YES	2	Nil
MAHENDRA D GANATRA	Director Independent	10	10	Yes.	-	Nil

Further the Board of Directors would like to inform the members that none of the directors of the company are disqualified to act as directors of this company or any other public company under section 274(1) (g) and all other applicable provisions of the Companies Act, 1956.

Information about the Directors proposed to be appointed/ re-appointed required to be furnished pursuant to Clause 49 of the listing agreement with the Stock Exchanges is forming part of the notice of the Annual General Meeting to the shareholders of the Company.

Committees of the Board

1. Audit Committee

Terms of reference

Your company has an independent audit committee. The composition procedures, powers and role/functions of the audit committee constituted by the company comply with the requirements of Clause 49 of the Listing Agreement. The terms of reference of the Audit Committee included the following:

- a) Overseeing the company's financial reporting process and the disclosure of its financial information.
- b) Recommending appointment and removal of the external auditor, fixing of audit fees and approving payments for any other service.
- c) Reviewing with management the quarterly, half yearly and annual financial statement with primary focus on accounting policies and practices, compliance with accounting standards and stock exchange and legal requirements concerning financial statements.
- d) Reviewing adequacy of internal control systems in order to have the effective use and safeguard of resources and compliance with statutes policies and procedures and ensure compliance of internal control systems and reviewing the company's financial and risk management policies.
- e) Reviewing reports furnished by the Statutory Auditors and ensuring suitable follow up thereon.

Composition and Attendance

The Company has an Audit Committee of the Board consisting of three "Non-Executive Directors", who are also Independent Directors, who met during the year under review as cited below:-

Name of Directors	Status	No. of Meetings held	No. of Meetings attended
HASMUKH M THAKKAR	Chairman	05	05
HITESH KOTHARI	Member	05	05
MAHENDRA D GANATRA	Member	05	05

The quorum shall be either 2 members or one third of the members of the Audit Committee, whichever is higher and there shall be a minimum of two independent directors. Head of Finance and Representatives of Statutory Auditors are also invited to attend the meeting.

2. Remuneration Committee

The Company has constituted a Remuneration Committee and the composition and the attendance of the said committee are as follows:

Name of Directors	Status	No. of Meetings held	No. of Meetings attended
HASMUKH M THAKKAR	Chairman	01	01
HITESH C KOTHARI	Member	01	01
MAHENDRA D GANATRA	Member	01	01