

INNOVATION MEDI EQUIP LIMITED

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2005 - 2006

14TH ANNUAL REPORT

BOARD OF DIRECTORS

Mr. M.R. SATHISH KUMAR

Managing Director

Mr. A. MUBARAK ALI

Director

Mrs. ANARKALI BEGUM

Director

Mr. ABILASH MAYUR

Director

REGISTERED OFFICE

No.290, SIDCO Industrial Estate,
Ambattur,
Chennai - 600 098.

BANKERS

ABN AMRO BANK
STATE BANK OF INDIA
INDIAN OVERSEAS BANK
HDFC BANK

AUDITORS

M/s. P.B. VIJAYRAGHAVAN & CO.
CHARTERED ACCOUNTANTS,
CHENNAI.

REGISTRAR & SHARE TRANSFER AGENTS

M/s. CAMEO CORPORATE SERVICES LTD.
No.1, "Subramaniam Building"
Club House Road, Chennai - 600 002.

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NOTICE

Notice is hereby given that the 14th Annual General Meeting of the shareholders of the company will be held at M/s. AIEMA TECHNOLOGY CENTRE, AMBATTUR INDUSTRIAL ESTATE, CHENNAI 58 on the 08th day September, 2006 at 10.00 A.M to transact the following business :

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Audited Balance Sheet as at 31st March 2006 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. A. Mubarak Ali, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Statutory Auditors and fix their remuneration. M/S P.B. Vijayaraghavan & CO., Chartered Accountants, Chennai the retiring Statutory Auditors of the Company are eligible for reappointment and offer themselves for reappointment.

SPECIAL BUSINESS:

1. To consider and if thought fit to pass the following resolution with or without modification as an **ORDINARY RESOLUTION:**

RESOLVED THAT Mr. Hari Kumar Menon, in respect of whom the company had received notices in writing from a member of the company proposing the name of Mr. Hari Kumar Menon, for the post of the directorship of the company along with a deposit of Rs.500/- as required under Section 257 of the Companies act, 1956 and Mr. Hari Kumar Menon, being eligible for the appointment for the said post be and is hereby appointed as a director of the company liable to retire by rotation.

2. To consider and if thought fit to pass the following resolution with or without modification as a **SPECIAL RESOLUTION:**

“RESOLVED THAT pursuant to provisions of section 21 and all other applicable provisions, if any, of Companies Act, 1956, and subject to approval of Registrar of Companies, Chennai and other statutory approvals if any, the name of the Company be and is hereby changed from **“INNOVATION MEDI EQUIP LIMITED”** to **“INVICTA MEDITEK LIMITED”**.

FURTHER RESOLVED THAT the name of the Company **“INNOVATION MEDI EQUIP LIMITED”** wherever it appears in the Memorandum and Articles of Association, letter heads, agreements, deeds, and other documents of the company be substituted by the new name **“INVICTA MEDITEK LIMITED”**.

RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolution the Board of Directors of the Company be and is hereby authorized to do all such other things as may be necessary in this connection.

BY ORDER OF THE BOARD
For **INNOVATION MEDI EQUIP LIMITED**

Place : Chennai
Date : 30.06.2006

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 07th September 2006 to 08th September 2006. (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 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.
8. Members are hereby informed that the company has its own-in-house registry and handles share transfers, transmission etc., and therefore the shareholders are requested to send their share certificates for transfer to the Registered Office of the Company.
9. 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.

**INFORMATION PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT IN RESPECT OF
PROPOSED RE-APPOINTMENT OF DIRECTORS**

Mr. A. Mubarak Ali, aged 48 years is presently occupying the position of the Directorship of the Company and also holds the membership of the committees of the Directors of the Company.

The particulars in respect of Mr. A.Mubarak Ali, Directorship and Committee Membership in other Companies are as follows:-

Directorship in other Companies	Committee Membership in other Companies
Nil	Nil
Nil	Nil

Explanatory Statement under Section 173 of the Companies Act, 1956 in respect of the Special Business as set out in the Notice dated 30-06-2006

For item No. 1 of Special Business

The Company had received notices from members of the company proposing the names of Mr. Hari Kumar Menon for the post of the directorship of the Company along with a deposit of Rs.500/- as required under the Section 257 of the Companies Act, 1956 and hence these resolutions are placed before the members for their approval. Further notices received from members of the company as stated above are available for the inspection of the members of the company at the registered office of the company on all working hours and days of the company.

None of the directors is interested or concerned in the resolution.

For item No. 2 of Special Business

The Directors of the company thought fit to rename the Company as set out in the resolution in view of the take over of the company by the present promoters by giving an open offer as required under the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997. The Registrar of Companies, Chennai has confirmed that the new name is available for registration U/S 20 of the Companies Act 1956 and subject to the resolution being passed an application will be made to the Registrar of Companies for approval to the changes of name U/S 21 of the Companies Act. The Resolution proposed is recommended for adoption.

The Directors recommend the resolution to be passed by the members of the company. None of Director is interested or concerned in the resolution.

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

Managing Director

Registered Office

NO. 290 SIDCO INDUSTRIAL ESTATE,
AMBATTUR, CHENNAI 600 098.

Dated: 30.06.2006

Account No :

No of Shares :

FORM 2B

NOMINATION FORM

(To be filled in by the Individual(s) applying singly or jointly)

I/We _____ and _____ and _____ the holders of shares _____ bearing number(s) _____ of INNOVATION MEDI EQUIP LIMITED wish to make a nomination and do hereby nominate the following person(s) in whom all rights of transfer and/or amount payable in respect of shares shall vests in the event of my or our death.

Name and Address of Nominee

Name	
Date of Birth *	

(** to be furnished in case the nominee is minor)

** The Nominee is a minor whose guardian is

Name	
Address	

(** to be deleted if not applicable)

1. Signature	
Name	
Address	
Date	

2. Signature	
Name	
Address	
Date	

3. Signature	
Name	
Address	
Date	

INNOVATION MEDI EQUIP LIMITED

Name, Address and Signature of two Witness**Name and Address****Signature with date**

1.

2.

Instruction

1. The nomination can be made by individuals only applying/ holding shares on their own behalf singly or jointly. Non-individuals including trust, society, body corporate, partnership firm, karta of Hindu Undivided Family or a Power of Attorney holder can not nominate. If the shares held jointly, all joint holders will sign the nomination form. Space is provided as a specimen, if there are more joint holders more sheets can be added for signatures of holders of shares and witness.
2. A minor can be nominated by a holder of shares and in that event, the name and address of the guardian shall be given by the holder.
3. The nominee shall not be a trust, society, body corporate, partnership firm, karta of Hindu Undivided Family or a Power of Attorney holder. A non-resident Indian can be a nominee on repatriable basis.
4. Nomination stands rescinded upon transfer of shares.
5. Transfer of shares in favour of a nominee shall be valid discharge by the Company against the legal heir.
6. The Nomination Form shall be filed in duplicate with the Registered office of the Company No. 290 SIDCO Industrial Estate, Ambattur, Chennai 600 098 which will return one copy thereof to the Shareholder.

FOR OFFICE USE ONLY**Nomination Registration Number****Date of Registration****Checked by(Name and Signature)**

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE & DEVELOPMENT

There are very few listed Corporate Companies in medical equipments manufacturing and marketing companies in the country and your Company is one among them. The business of medical equipments and marketing is carried out in organized manner by about 40% of the players whereas 60% of the developments that take place are unorganized.

Your company has been in the primary business of manufacturing and marketing of medical equipments for more than a decade. The outlook for the industry as a whole continues to be bright and we have firm plans to expand our portfolio and increase market penetration.

OPPORTUNITIES & THREATS/ RISKS & RESOURCES

The field of joint replacements is growing rapidly and the rate of total knee replacements and hip replacements are on the rise. It has exhibited double digit growth over the past few years. Your company has existing products of TKR and THR and we are focusing our efforts to improve our existing product range. However this area is dominated by the multinational companies and there would be a great challenge to be able to make inroads in this area. There are also design challenges for which large investments in design tools and resources are required. Your company is taking steps to ensure that we have the right combination of expertise and equipment to be able to carry out this initiative.

INTERNAL CONTROL SYSTEMS

The Company's systems and procedures are fully computerized and all the internal control procedures required in operating all the financial transactions are system based.

The Company's accounts have been periodically reviewed by the undersigned along with the senior management personnel and the Statutory Auditors.

DISCUSSION OF FINANCIAL PERFORMANCE

During the year under review, the Company has reported a turnover of Rs.36.94 lakhs and made a Loss after tax of Rs.83.45 lakhs.

MATERIAL DEVELOPMENT

The past year focus has been in developing the infrastructure of the company and stabilizing the operations. There was major reorganization in the internal departments and we have established good management teams for Manufacturing, Finance and Product Development. We have obtained ISO certification for the facility and are in the process to obtain CE certification. We also have established computer systems for finance and have revamped our existing equipment to ensure maximum uptime. We have established our web presence also.

Registered Office

No. 290 SIDCO Industrial Estate,
Ambattur, Chennai 600 098.

Dated: 30.06.2006

By Order of the Board
For INNOVATION MEDI EQUIP LIMITED

Managing Director

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have great pleasure in presenting the 14th Annual Report together with Audited Accounts of the Company for the year ended 31st March, 2006 and the Auditors' report thereon.

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

Details	2005 - 06	2004 - 05
Income from Operations	36.94	28.93
Profit before interest, depreciation and taxes	(78.90)	(113.32)
Less: Interest	Nil	Nil
Depreciation	4.55	4.88
Profit before tax	(83.45)	(118.20)
Less: Provision for		
Current Tax	Nil	Nil
Deferred Tax	Nil	Nil
Profit after Tax	(83.45)	(118.20)
Less: Balance Brought forward from previous year	(370.44)	(252.24)
Prior year adjustments	Nil	Nil
Available for appropriation	(453.89)	(370.44)
Balance Carried to Balance Sheet	(453.89)	(370.44)

2. BUSINESS OUTLOOK

Your Company has seen declining revenue for the past several years due to intense competition in the field of orthopedic implants. However, for the last year we have been able to formulate a business plan and have started implementing it. The revenue for 2005-2006 was Rs. 36.94 lakhs and we have improved sales 27.7% year-year. The strategic business plan is in the process of being implemented and we foresee business to improve as we move forward. There are several steps that we are taking to improve the business.

- 1) We will be launching nails in Q307 to complement the trauma implant product group.
- 2) We have process controls in place to improve the manufacturing operations so that we can improve the gross margin. We have obtained the ISO certification and are in the process of obtaining the CE certification. We continue to focus on improvements in the infrastructure and our work force.

A Series of steps has been taken towards these strategic initiatives during the year. You company is evaluating products that would improve the portfolio of products and thereby increase the revenue generating potential of the company. The management of your Company is committed to pursue these strategic initiatives to drive and fund growth and to make Innovation Medi Equip Limited, the best place to work so as to generate a good return for shareholders. All of these initiatives will result in growing market share and market leadership in both International and Domestic Markets. We are also evaluating the potential of the domestic market and are looking at ways to improve the sales channels so that there is maximum return of investment. The market strategy of the Company revolves around leveraging the experience of the product expertise of Innovation Medi Equip Limited.

Operations

During the year your Company has done a turnover of Rs.36.94 Lakhs. Your Company has been able to maintain its margins on International revenue. We have obtained the ISO Certification for the operations. Total Quality Commitment is our goal. The quality of Products of your Company has been maintained at high standards keeping in view the global market requirements and the present competition prevailing in the industry. Wastages have been brought to the minimum through increased quality awareness. All the resources of the Company are being put to optimum use. A Product Development department has been established to improve the quality of existing products and also to launch new products to expand the product portfolio.

3. FIXED DEPOSITS

The Company had duly filed the Statement in lieu of Advertisement as required under Section 58A of the Companies Act, 1956 in order to enable the company to accept the deposits from the Directors and shareholders of the company.

4. DIVIDEND

In view of the losses incurred by the company no dividend is recommended 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, particulars regarding foreign exchange earnings and expenditure appear and with regard conservation of energy or technology absorption are enclosed herewith.

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:

- i) followed in the preparation of the annual accounts, the applicable Accounting Standards and given proper explanation relating to material departure, if any;
- ii) 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;
- iii) 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
- iv) Prepared the Accounts on a going Concern basis.

8. STATEMENT PURSUANT TO LISTING AGREEMENT

The company's securities are listed with Mumbai Stock Exchange and it has paid the respective annual listing fees up-to-date and there is no arrear.

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') together with Report of the Auditors on the compliance with the said Code 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 Company's Articles of Association, Mr. A. Mubarak Ali, retires at this Annual General Meeting and being eligible, offers himself for reelection.

Further with regard to the induction of the new directors Mr. Hari Kumar Menon, the Company had received notices from member of the company under Section 257 of the Companies Act, 1956 along with a deposit of Rs.500/- proposing the name of Mr. Hari Kumar Menon, for the post of the directorship of the company at this annual general meeting of the company and necessary resolutions are placed before the members for the approval.

11.AUDITORS

The retiring auditors, M/s. P.B. VIJAYARAGHAVAN & 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.

12.AUDITORS REPORT

With regard to the remarks made by the Statutory Auditors of the Company in their report the Directors would like to reply as under: