


INVICTA MEDITEK LIMITED

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For INVICTA MEDITEK LIMITED



Whole Time Director & Compliance Officer.

16th Annual Report

INVICTA MEDITEK LIMITED**BOARD OF DIRECTORS**

Mr. M. R. SATHISH KUMAR

Mr. V.K. MURUGESAN

Mr. ABHILASH J MAYUR

Mr. HARIKUMAR J MENON

Managing Director

Whole Time Director

Independent Director

Independent Director

REGISTERED OFFICE

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

SALES OFFICE

Old No.5/2, New No.11, 5th Corss Street,
I-Main Road, Shenoy Nagar,
Chennai - 600 030.

BANKERS**ABN AMRO BANK - N V,**

No.,9, Haddows Road, Chennai - 600 006.

STATE BANK OF INDIA,

No.5 A, Sidco Industrial Estate, Ambattur, Chennai - 600 098.

THE FEDERAL BANK LIMITED, Rajaram Mehta Nagar Branch, 25, Nelson Manickam Road,

Rajaram Mehta Nagar, Chennai - 600 029.

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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FORWARD LOOKING STATEMENTS

In this annual report, the company has disclosed forward-looking information to give guidance to investors regarding the prospects of the company. This has been provided so that the investors can understand and comprehend the prospects and make informed decisions regarding their investment in the company. The company constantly looks at the forecast for the year ahead and also makes assumptions on the forward-looking business for the next three years for planning purposes. This is made by taking into account the roadmap of the products and also the timing of the launch of new products. The future performance is based on these assumptions. The company cannot guarantee the realization of the forward-looking statements although the company has made very conservative assumptions. There are various risks that may be associated with the achievement of these goals, which are not under our control, and there could be substantial changes if there are any changes in these assumptions. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

1. LETTER TO THE SHAREHOLDERS

Dear Shareholders:

It gives me great pleasure to write this letter to you at the end of the year when we have put the company on its path to a bright future. The last year has been a year of great achievements in creating the infrastructure and putting together the roadmap.

- We manufactured the prototype of the B-P Knee Replacement System in Cobalt-Chromium with indigenous technology maintaining complete compliance with the exacting specifications as per the licensed technology from Endotec Inc., USA
- We performed the first knee replacement surgery successfully at Baby Memorial Hospital, Calicut
- We became the first company in India to release an FDA approved design in Total Knee Replacement Systems.
- We successfully implemented Total Quality Management and completed the CE certification requirements
- We completed the Indian Drug Control license requirements
- We have successfully completed 31 knee replacement surgeries using our B-P High Flex Knee system by the end of our financial year.

Overall, we have been a pioneer in India by introducing an indigenously manufactured leading edge, world-class knee replacement system and are striving to put the company on the path to being a complete orthopedic solutions provider in the future. Our roadmap has a complete range of orthopedic products such as the hip, shoulder and ankle replacement systems, which we will be launching in the near future.

This past year, we have built a foundation on which we can grow and will use this coming year to establish ourselves well in South India. We will start the marketing efforts in Northern India by the end of the year and also will start the efforts of exporting our products into the countries in which we have exclusive marketing rights of the B-P range of products. We are looking at growing a whopping 300% to 400% in the next year. As we execute on our plans and achieve accelerated growth, I am confident that the investors will be able to experience the benefits of the higher valuation of the equity that they hold in the company.

Thanking You,
Yours Sincerely
Sd/-

M.R.Sathish Kumar

INVICTA MEDITEK LIMITED**2. NOTICE**

Notice is hereby given that the **16th ANNUAL GENERAL MEETING** of the shareholders of **M/S INVICTA MEDITEK LIMITED** will be held at **AIEMA TECHNOLOGY CENTER, I-Cross Road, Ambattur Industrial Estate, Ambattur, Chennai 600058**, on Friday, the 1st August 2008 at 10.30 A.M to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet of the Company as on 31st March 2008 and the Profit and Loss Account of the Company for the year ended that date together with the Directors' Report and Auditors' reports thereon.
2. To appoint a director in place of Mr. Harikumar J Menon, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a director in place of Mr. V. K. Murugesan, who retires by rotation and being eligible offers himself for reappointment
4. To appoint Statutory Auditors and fix their remuneration M/s. P.B. Vijayaraghavan & Co., Chartered Accountants, Chennai, the retiring statutory auditors of the Company who are eligible for reappointment.

Place: California
Date: 27.06.2008

On behalf of the Board
For **INVICTA MEDITEK LIMITED**
Sd/-

MANAGING DIRECTOR.

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy and proxy need not be a member.
2. The proxies should be lodged with the company not later than 48 hours before the time fixed for the commencement of the meeting
3. Members are requested to notify change of address, if any, to the company.
4. The Registrar of Members and Share Transfer Books of the Company shall remain closed from 28th July 2008 to 01st August 2008 (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 to keep 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 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 in making a nomination in respect of their shareholding in the Company, as permitted under section 109A 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. Harikumar J Menon, aged 43 years is presently occupying the position of the Directorship of the Company and also holds membership of the committees of the Directors of the Company. The particulars in respect of Mr. Harikumar J Menon, Directorship and Committee Membership in other Companies are as follows:

Directorship in other Companies
NIL

Committee Membership in other Companies
NIL

Mr. V. K. Murugesan, aged 39 years is presently occupying the position of the Directorship of the Company and also holds membership of the committees of the Directors of the Company. The particulars in respect of Mr. V. K. Murugesan, Directorship and Committee Membership in other Companies are as follows:

Directorship in other Companies
NIL

Committee Membership in other Companies
NIL

STRATEGIC REVIEW

Global Orthopedic Market

Arthritis, a disease whose greatest impact is among older individuals, is one of the most prevalent chronic conditions in the world afflicting 35.5 crore people globally. In addition, arthritis is one of the leading causes of disability and limitations in activities of daily living and its economic, psychological, and social impact is enormous as medical therapy tends to be palliative only and eventually the inflammation of the joint progresses until the joint is nonfunctional.

Some of the effects of arthritis, such as medical care costs and lost wages, are easily translated into economic terms, but others, such as the inability to play sports, a reduction in housekeeping activities, or pain, are not. Total joint arthroplasty (TJR), usually involving the hip or knee, has one of the highest quality of life (QOL) improvement scores of any medical procedure and the impact on life of being able to walk again should not be underestimated.

The global orthopedic hip and knee implant market was approximately Rs. 38,000 crores in 2006 as per data published by Credit Suisse in 2007. In terms of units, the global hip replacement market is about 4 crore implants annually generating a revenue of Rs. 20,000 crores in 2006. This revenue is estimated to grow at 7% annually. Similarly, the knee replacement market is forecast to have a unit and revenue forecast of 6% and 8% compounded annual growth respectively. The revenue for knee replacements was Rs. 18,000 crores in 2006 and is estimated to grow to Rs. 26,000 crores in 2011.

The absolute market size outside the United States is smaller, but the rate at which this market is growing is much higher. The economic constraint is the main reason that the joint replacement procedures are not rapidly embraced.

Market Potential

The growth potential of the market remains robust as the procedures are becoming well accepted socially and also the materials of the implants are of better quality and long lasting. The key factors of the market development are favorable demographics, continuing acceptance of the procedures, and innovation in design. The following are the characteristics of the market

- **Steady Growth:** The overall demand for implants is steady globally. However, in developing markets where there is economic improvement, the growth is exceptional and the current needs are far from being satisfied. The frequency of the implants being done in aged patients is improving and due to the availability of improved design and materials, the younger patients are also supportive due to the long survivorship of the implant.
- **Steady Market Share:** The surgeons using the implant are generally wedded to a specific type and hence there is not much of movement in market shares. The relationship of the sales representative to the surgeons dictates the usage of the implants and generally the movement from brand to brand is minimal. However, with the advent of new designs and better implants, the surgeons are willing to look at different brands to improve the patient benefits.

The Indian Market – Stage on Infancy

India with a population of more than 113 crores is a developing market with great potential. The economic development of India is improving the spending in the medical field. People are addressing medical issues as the affordability of the people is improving and the percentage of people with insurances is also improving. About 15% of the Indian population suffers from arthritis and a current assessment of the market indicates that at least 10 lakh people need a knee replacement. The knee replacement business started in India in the late 1990's with about 300 surgeries being done in India in 1998. In 2008, the number of surgeries done was about 50,000 and the forecast is a double-digit growth into the foreseeable future.

Product Roadmap

INVICTA Meditek introduced the BP knee replacement system in December 2007 and by the end of the year had performed about 30 knee replacement surgeries with great success. The acceptance has been excellent and the patient and the surgeons are extremely satisfied with the performance of the joint and the quality of the joint. With the goal of being a complete ortho solutions provider, INVICTA has a roadmap of having a complete range of Hip, Shoulder and Ankle replacement systems. The products will be launched in the next 18 months and our progress on that front is on track.

The Winning Strategy

The Indian market has been dependent on imports for their need of quality joint replacement products. INVICTA has introduced world-class leading edge products in association with Endotec Inc., USA. With the B-P High Flex knee, we have introduced a tried and true product to the market with more than 27 years of clinical data. With a thorough knowledge of the market, we will be able to address the needs of the surgeons regardless of location and be able to provide a cost effective, high quality implant. With outstanding service we should be able to cater to all the needs of the surgeons and also provide them with custom built devices using our R&D efforts.



5. MANAGEMENT DISCUSSION & ANALYSIS

India is proving to be an emerging economic force and with a population of more than 100 crores, the internal requirement is by itself a huge market. The absence of Indian companies manufacturing quality orthopedic implants makes it a great business opportunity to take on. The total healthcare industry is estimated to be about Rs. 2,00,000 crores by 2012. The growth rate of the orthopedic business is anticipated to be in double digits for the next several years. Healthcare tourism is a growing business in India and is forecast to grow to about 8,000 crores by 2012. Overall the entire market is poised for tremendous growth.

The Indian Orthopedic business has demonstrated a tremendous performance over the last several years and as stated earlier is forecast to grow at double digit rates for the next several years. The joint replacement procedure is an area that has shown remarkable improvement in the quality of life of the patient. It is also a procedure with relatively lower risk and hence has been well accepted by society.

Studies show that at least 15% of the Indian population suffers from Arthritis, which is a debilitating disease. The diseased joint deteriorates and ultimately renders the joint non-functional. Pain management is the only short-term solution for this and this treatment just masks the problem. With the life expectancy of people increasing, the only true solution is the replacement of the diseased joint with an artificial joint. Current estimates indicate that about 10 lakh people need a knee replacement at this point of time.

INVICTA MEDITEK, by virtue of a technical license with Endotec Inc. USA has introduced a leading edge superior knee replacement system called the B-P Hi Flex Total Knee system. This system provides for axial rotation and hence is extremely suited for the life style of Indian patients where there are lots of instances where some axial rotation is preferred such as sitting cross-legged. This design was ported to India and the products were made in Cobalt Chromium alloys. The prototype was completed during the last year and production quantities were introduced in December 2007. We performed more than 30 surgeries by the end of the year, which was a phenomenal success. The patients and the surgeons are extremely happy with the product and we are looking at increased demand in this coming year.

Over the past year, we have improved the infrastructure of the company and also satisfied the requirements for the various certifications that are required to operate the business internationally. All statutory requirements for the CE certification and the drug license of India have been audited and met. We have improved our manufacturing capacity by adding on several wire cutting EDM's, CNC Lathes and CNC 4-axis machining centers at our manufacturing facility in Chennai.

In Human Resource Management, we had many initiatives to ensure the safety and the development of employees. The employee focal review program was set up so that all the employees get a very fair evaluation of their performance and the progress is documented in their employee files. A salary survey was conducted and pay was adjusted to make it competitive in the industry.

Opportunities and Threats

There are no players in India who design and manufacture leading edge joint replacement implants, which are FDA approved. We believe that we can capture a good market share if we come up with products that are technically superior and cater to the local market. The global orthopedic business is dominated by a few large players like Stryker, Zimmer, DePuy, Smith & Nephew and Biomet to name a few. These multinational companies are also present in India. They also have a wide range of products and also have an established product and customer base. However, with superior technology and product innovation, combined with competitive pricing, we should be able to participate and establish our presence in India and then grow it across the globe.