

12th ANNUAL REPORT **2004 - 2005**

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Medinova
Diagnostic Services Limited

Board of Directors

A Raghava Reddy - Chairman

P K Reddy

S Basu Thakur

D A Srinivas

Chief General Manager

Lt. Col. (Rtd.) Dr. K Bhaskara Reddy

Auditors

M/s. J B Reddy & Co.

Chartered Accountants

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Legal Advisor

K Krishnamoorthy

Registered Office

•6-3-652, "Kautilya"

Somajiguda, Hyderabad - 500 082.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twelfth Annual General Meeting of the Members of Medinova Diagnostic Services Limited will be held on Wednesday the 28th September, 2005 at 11.30 am at HOTEL GREEN PARK, GREEN LANDS, BEGUMPET, HYDERABAD - 500 016 to transact the following business :

ORDINARY BUSINESS:

01. To receive, consider and adopt the audited Profit and Loss Account for the period ended 31st March, 2005 and the Balance Sheet as at that date together with the Reports of the Directors and Auditors thereon.
02. To appoint a Director in the place of Shri S Basu Thakur, who retires by rotation and being eligible, offers himself for re-appointment.
03. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

04. To consider and if thought fit, to pass the following resolution, with or without any modifications, as an Ordinary Resolution.

"RESOLVED THAT subject to the provisions of Sections 198, 269, 387, 388, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 Dr K Bhaskara Reddy be and is hereby appointed as the Manager of the Company, for a period of two years with effect from 30.05.2005, upon the terms and conditions set out below and as approved by the Board of Directors of the Company.

I. Salary

Rs.10,000/- (Rupees Ten Thousand Only) per month.

II. Perquisites

1. Rent Free Resident Accommodation or House Rent Allowance, not exceeding Rs.5000/- p.m.
2. Reimbursement of expenditure on Gas, Electricity, Water and furnishings subject to a ceiling of 10% of the salary.

3. Reimbursement of Conveyance expenses upto Rs.2000/- per month.
4. Reimbursement of entertainment expenses actually and properly incurred for the purpose of the business of the Company.
5. Telephone facility at residence.

By order of the Board

Place : Hyderabad
Date : 30th July, 2005

A. Raghava Reddy
Chairman

NOTES:

01. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote on a poll in his stead and the Proxy need not be a Member. The Proxy Forms should be lodged with the Company not less than 48 hours before the time for holding the meeting.
02. The Register of Member and the Share Transfer Books of the Company will be closed from Tuesday the 26th September, 2005 to Wednesday the 28th September, 2005 (both days inclusive).
03. The members are requested to send their correspondence, if any, to M/s XL Softtech System Limited, the Registrar and Share Transfer Agent.

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956.)

ITEM NO.04

Dr K Bhaskara Reddy, a Doctor by profession, was appointed as Manager of the Company in compliance of Section 269(1) of the Companies Act, 1956 w.e.f 30.05.2003 for a period of two years. The Board of Directors vide a resolution, has renewed his appointment and re-appointed him as Manager of the Company for further period of two years w.e.f 30.05.2005. As per the provisions of the Companies Act, 1956, his appointment as Manager and the payment of remuneration, require the approval of members. Hence, the resolution.

None of the Directors is concerned or interested in the said resolution.

DIRECTORS' REPORT

To

The Members of
Medinova Diagnostic Services Ltd.

Your Directors have pleasure in presenting the Twelfth Annual Report of your Company together with the audited accounts for the period ended 31st March, 2005 and Report of the Auditors thereon.

FINANCIAL & OPERATIONAL RESULTS

A statement of the financial and operational results of your Company for the year under review, is furnished hereunder:

	(Rupees in Lakhs)	
Particulars	2004-2005	2003-2004
Total Income	1490.42	1657.04
Total Expenditure	1304.63	1418.56
Depreciation	99.10	97.93
Interest	51.42	111.41
Profit before Extraordinary/ prior period adjustments	35.27	29.14
Prior year adjustments/ extraordinary items	3.21	1700.66
Provision for Deferred Tax	(25.49)	(198.98)
Net Profit/(Loss)	57.55	(1472.54)
Add: Balance in Profit & Loss A/c Brought forward From Previous year (1063.52)	409.02	
	————(1005.97) ————	(1063.52)
Balance in Profit & Loss Account	(1005.97)	1063.52

DIRECTORS' RESPONSIBILITY STATEMENT:

Your Directors hereby confirm that

- a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures

- b) they have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- c) they have taken proper and sufficient care 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;
- d) they have prepared the accounts for the financial year ended 31st March 2005 on a 'going concern' basis.

OPERATIONS:

During the year 2004-05 a total Business Income of Rs.1490.42 lacs and a Net Profit of Rs.57.55 lacs were achieved. During the year, MRI machines at Hyderabad and Bangalore were down for a considerable period which affected the revenue income. However, both the machines were rectified and put back into the operation subsequently. A new cell counter machine for Haematology department has been installed during the year.

DIRECTORS:

Shri S Basu Thakur, Director retires by rotation and being eligible offers himself re-appointment.


AUDIT COMMITTEE:

The Audit Committee consisted of Sri A Raghava Reddy, Sri P K Reddy and Sri S Basu Thakur. The Committee met three times during the financial year 2004-05 and reviewed the financial results and statements, internal control procedures, accounting procedures etc.

AUDITORS:

M/s. J B Reddy & Co., Auditors of your Company, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

With regard to the Auditors observations on Provident Fund, necessary corrective steps have been taken to remit the amount regularly.



Part of the Income Tax dues, as observed by the Auditors, have already been cleared and necessary steps are being taken to pay off the balance dues.

Dues to a scheduled bank as observed by the auditors, representing the balance amount of the liability taken over by the Company from M/s Standard Medical & Pharmaceuticals Limited is outstanding pending clearance of the one time settlement proposal submitted to the Bank as per RBI Guidelines.

PARTICULARS OF EMPLOYEES

None of the Employees is in receipt of remuneration exceeding the limits as prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

PARTICULARS RELATING TO CONSERVATION OF ENERGY ETC.

The particulars of conservation of energy and technology absorption as required to be furnished under Sec.217(1)(e) of the Companies Act, 1956 read with relevant rules thereunder, are not applicable to your Company.

The Company has not earned any foreign exchange during the year. Also, during the year, there was no foreign exchange used.

CORPORATE GOVERNANCE:

A report on the Corporate Governance together with the Management discussion & Analysis and the Auditor's Certificate on compliance with the conditions of Corporate Governance under clause 49 of listing agreement, is given in the Annexure.

ACKNOWLEDGMENTS:

Your Directors express their gratitude to all the Banks, various Government Agencies and the Investors of the Company, for their support and cooperation. Your Directors also place on record appreciation for all the employees of your Company for their contribution.

for and on behalf of the Board

Hyderabad
30th July, 2005

A Raghava Reddy
Chairman

ANNEXURE TO DIRECTORS' REPORT

MANAGEMENT DISCUSSION & ANALYSIS

Industry Overview :

The Health Care Industry particularly Diagnostic Centers and Hospitals in India have reached to a height from where it can announce its solid presence to the World. Earlier patients flow was one way i.e; from India to more developed Countries. Slowly the reversal has started taking place. Patient flow have begun from even developed Countries to India. This trend will increase enough business scope for the Indian Health Care Companies. While it is a good news for the Indian Health Care Companies, mushrooming growth of Diagnostic Centers and Hospitals without proper back-up and adequate infrastructure and facilities is creating a bit disturbing environment in this sphere. However, potential in this field is enormous and it can further flourish with the introduction of more and more viable Medical Insurance Schemes. The positive point is many Private Sector Insurance Companies have already started Medical Insurance business in India. Overall, it can be said that in India, Health Care Service Industry has already crossed its infancy stage and it is much more matured today. Now it can challenge the same Industries of the other developed Countries in terms of quality of the services and affordability in the prices.

Company's Performance :

With the introduction of the new players in the Diagnostic Services field, it has become very competitive in terms of quality and the pricing of the services. Your Company has been striving very hard to remain leader in this field. With many more Insurance Companies hitting the Market the scope of new business from that sector has increased. The management of the Company is putting in its efforts to encash this new area of the business. The Corporate business, is quite significant today and your Company is trying to take the full opportunities from that sector as well. However, the turnover and net profit during the year was Rs.1490.42 lacs and Rs.57.55 lacs respectively.

Risk Management:

Risk of Company has been identified and thoroughly analyzed. It is a continuous practice of the Company to scan the environment internal as well as external to deal with various risks and uncertainties, coming up of small Diagnostic Services and Corporate Hospitals attached to in-house Diagnostic Centers. In the competitive market, price realisation is a big factor and your Company is able to take timely measures to mitigate them. The main goal of your Company is to retain the top slot in the Diagnostic field. In order to achieve the said goal the management of the Company has been exploring the various market segment like Corporate business, Insurance Companies' business etc.

Apart from the above, your Company has been trying to create more awareness to the common people, so that in turn they remain friendly customers to the Company.

Future outlook:

Efforts will be put to improve the quality of services to meet the demands and needs of various segments of our Customers in order to maintain our position in the present competitive market. Your Company has plans to explore the business opportunities in the corporate customers segments with new strategies.

S W O T:

1. Efficient infrastructure with upgraded technology in Diagnostic Services under one roof.
2. Suitable health schemes under different packages are being designed to suit the people of different categories and segments.
3. The threat to the business of the Company is that the many more Diagnostic Centers and the Hospitals attached with Diagnostic Services are coming up. However, the Company is having its own plans and strategies to combat the same.

CORPORATE GOVERNANCE

The Company philosophy on Code of Governance :-

The Company believes in fair business and Corporate Practices while dealing with all the stakeholders, customers and others. The Company believes in discharging its statutory obligations and duties to its best ability.

Board of Directors :

The Board of the Company consists of 4 Directors. Composition of Directors is as follows :-

Sri A Raghava Reddy	: Chairman
Sri P K Reddy	: Director
Sri S Basu Thakur	: Director
Sri D A Srinivas	: Director

Board Procedure :

During the Financial Year 2004-05, 4 meetings of the Board were held. The maximum time gap between any two meetings was not more than three months. The details of Board, Audit Committee and Share Transfer Committee Meetings held during the year 2004-05 are given below:

	Date of the Meeting	Total Members	Total Members Attended
1. Board Meeting	30.06.2004 }	4	3
	31.07.2004 }	4	3
	30.10.2004 }	4	3
	31.01.2005 }	4	3

2. Audit Committee	30.06.2004 }	3	2
	30.10.2004 }	3	2
	20.01.2005 }	3	2

General Body Meeting :

The details of location and time of last 3 Annual General Meetings are given below :

3. Share Transfer	13.04.2004 }		
	26.04.2004 }		
	06.05.2004 }		
	17.05.2004 }		
	25.05.2004 }		
	14.06.2004 }	2	2
	25.06.2004 }		
	12.07.2004 }		
	26.07.2004 }		
	26.08.2004 }		
	29.09.2004 }		
	15.10.2004 }		
	25.11.2004 }		
	15.12.2004 }		
	31.01.2005 }		
	22.03.2005 }		

Year	Location	Date	Time
2001-2002	Hotel Green Park, Greenlands, Begumpet, Hyderabad.	25th Sept., 2002	11.30 A.M.
2002-2003	Hotel Green Park, Greenlands, Begumpet, Hyderabad.	25th Sept., 2003	11.30 A.M.
2003-2004	Hotel Green Park, Greenlands, Begumpet, Hyderabad.	29th Sept., 2004	11.30 A.M.

There was no special resolution put through postal ballot.

The details of the attendance of each Director at the Board Meetings and the last AGM held during the year 2004-05 are given below :

Name of the Director	Attendance at Board Meeting	AGM Yes/No
A Raghava Reddy	4	Yes
P K Reddy	4	Yes
S Basu Thakur	4	Yes
D A Srinivas	0	No

Disclosures :

- No transaction of material nature has been entered into by the Company with its promoters, Directors or the Management, their successors, relatives etc., that may have potential conflict with the interest of the Company at large. For the details of other transactions and past transactions with deemed related parties, the members attention is invited to note No.8 in the notes on accounts.
- The details of Non-compliance by the Company :- Except for suspension of the trading in the shares of the Company by the Stock Exchange, Mumbai due to delay in payment of Annual Listing Fees, there were no instances of Non-compliance or penalty, strictures passed on the Company by the Stock Exchange or SEBI or any Statutory Authority on any matter related to the Capital Markets during the last 3 years.

Audit Committee :

The Committee consisted of Sri A Raghava Reddy, Chairman, Sri P K Reddy, Director and Sri S Basu Thakur, Director. Sri P K Reddy is the Chairman of the Committee.

The Audit Committee met three times during the year.

Remuneration Committee :

No separate remuneration committee was formed. None of the Directors is paid any remuneration other than sitting fees for the Board meetings attended.

Share Transfer Committee :

The Share Transfer Committee consists of Sri A Raghava Reddy, Chairman and Sri S Basu Thakur, Director. The Committee met 16 number of times during the year. There are no complaints outstanding as on 31.03.2005. Lt. Col. (Retd.) Dr. K.Bhaskara Reddy, Chief General Manager is the compliance officer.

Share Transfer System :

The Share transfer Committee attends to share transfer formalities once in a 15/20 days.

Means of Communication :

The quarterly and six months results of the Company were published during the Financial Year under review in the News Papers namely Business Standard & Andhra Bhoomi.

General Shareholders Information :

The Twelfth Annual General Meeting will be held on Wednesday the 28th September, 2005 at HOTEL GREEN PARK, GREEN LANDS, BEGUMPET, HYDERABAD - 500 016.

Date of Book Closure :

The Company's Transfer Books will remain closed from Tuesday, the 27th September, 2005 to Wednesday, the 28th September, 2005 (both days inclusive) for purpose of Annual General Meeting for the Financial Year ended 31st March, 2005.