

14th ANNUAL REPORT **2006 - 2007**

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Medinova
Diagnostic Services Limited

Board of Directors

A Raghava Reddy - Chairman

P K Reddy

S Basu Thakur

D A Srinivas

A Sailaja

Chief Operating Officer

N Ravi Kumar

Auditors

M/s. J B Reddy & Co.

Chartered Accountants

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 Fourteenth Annual General Meeting of the Members of Medinova Diagnostic Services Limited will be held on Friday 28th September, 2007 at 11.30 A.M at Hotel Green Park, Greenlands, Begumpet, Hyderabad - 500 016 to transact the following business:

ORDINARY BUSINESS:

01. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2007 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 Sri S Basu Thakur, who retires by rotation and being eligible, offers himself for re-appointment.
03. To appoint a Director in the place of Smt. A Sailaja, who retires by rotation and being eligible, offers herself for re-appointment.
04. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

05. To consider and if thought fit, to pass the following resolution, with or without any modification(s) 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 Sri N Ravi Kumar be and is hereby appointed as the Manager of the Company, for a period of two years with effect from 30.05.2007, upon the terms and conditions set out below and as approved by the Board of Directors of the Company.

SALARY:

Rs. 11,000/- (Rupees Eleven Thousand only) per month

PERQUISITES:

- i. Rent Free Residential Accommodation or House Rent Allowance, not exceeding Rs.4,500/-per month. Expenditure on Gas, Electricity, Water and Furnishings will be borne by the Company and the same will be valued as per the Income Tax Rules, 1962, however, subject to a ceiling of 10% of the salary.
- ii. Reimbursement of Medical expenditure for self and his family subject to a ceiling of one month's salary per annum.
- iii. Leave Travel Concession for self and his family once in a year in accordance with the rules of the Company.
- iv. Personal Accident Insurance and/or such other Medical/ Healthcare Insurance(s) at a premium not exceeding

Rs.4,000/- per annum.

- v. Company's contribution to the PF, and Superannuation Fund, if any, will be allowed as per the Rules of the Company and to the extent not taxable under the Income Tax Act/Rules.
- vi. Gratuity as per the Rules of the Company not exceeding half a month salary for each completed year of service.
- vii. Reimbursement of Fuel, Maintainance and other expenses for the use of Car for official purposes.
- viii. Reimbursement of Entertainment expenses actually and properly incurred for the purpose of the Business of the Company.
- ix. Reimbursement of expenses incurred on account of Telephone facilities at residence and Mobile for official purpose.
- x. Encashment of leave at the end of the year as per the leave rules of the Company."

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 Members and the Share Transfer Books of the Company will be closed from Thursday the 27th September, 2007 to Friday the 28th September, 2007 (both days inclusive).
03. The Members are requested to send their correspondence, if any, to M/s. XL Softech Systems Limited, the Registrar and Share Transfer Agent.

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)
ITEM NO.05

Sri N Ravi Kumar, an MBA(Finance) with adequate experience, was appointed as Manager of the Company in compliance of Section 269(1) of the Companies Act, 1956 w.e.f 30.05.2007 for a period of two years by the Board of Directors vide a resolution, dated 30th April, 2007. 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.

By order of the Board

Place : Hyderabad
Date : 31st July, 2007

A. Raghava Reddy
Chairman



DIRECTORS' REPORT

To

The Members of
Medinova Diagnostic Services Ltd,

Your Directors have pleasure in presenting the Fourteenth Annual Report of your Company together with the audited accounts for the period ended 31st March 2007 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	2006-2007	2005-2006
Total Income	1315.93	1450.74
Total Expenditure	1130.32	1241.91
Interest	32.00	14.36
Depreciation	103.49	100.66
Profit before Extraordinary/ prior period adjustments	50.12	93.81
Prior year adjustments/ extraordinary items	34.77	67.83
Provision for Tax:		
Current Tax	1.87	2.19
Fringe Benefit Tax	1.85	1.70
Deferred Tax	(12.58)	20.69
MAT Credit	(4.05)	0.00
Net Profit	28.26	1.40
Add: Balance in Profit & Loss A/c Brought forward From Previous year (1004.57)	(976.31)	(1005.97)
Balance in Profit & Loss Account	(976.31)	(1004.57)

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 judgements 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 2007 on a 'going concern' basis.

OPERATIONS:

During the year 2006-07 a total Business Income of Rs. 1315.93 lacs and a profit (before prior year's adjustments and tax) of Rs. 50.12 lacs were achieved. The revenue was affected due to stiff competition in the market. However, Corporate business has shown improvement during the year. New Ultrasound Machine has been installed during the year at Kolkata centre.

DIRECTORS:

Sri S Basu Thakur and Smt. A Sailaja, Directors retire by rotation and being eligible offer themselves for re-appointment.

AUDIT COMMITTEE:

The Audit Committee consists of Sri A Raghava Reddy, Sri P K Reddy and Smt. A. Sailaja. The Committee met 5 times during the financial year 2006-07 and reviewed the financial results and statements, internal control procedures, accounting procedures etc. Sri P K Reddy is the Chairman of the Audit Committee.

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' observation on delays in making payments towards Incomes Tax dues and Provident Fund contributions, necessary efforts are given 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.

With regard to the Auditors' observation on dues to a Scheduled Bank representing the balance amount of the liability taken over by the company from M/s. Standard Medical & Pharmaceuticals Ltd., a one time settlement proposal is pending for clearance with the said Bank.

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
31st July, 2007

A Raghava Reddy
Chairman



ANNEXURE TO DIRECTORS' REPORT

MANAGEMENT DISCUSSION & ANALYSIS

Industry Overview :

The Healthcare Industry in India is expanding even as it is being transformed by the growing demand for quality healthcare from the increasingly affluent middleclass, the entry of large private groups, the use of the advanced technology and equipment and the availability of insurance.

Increasing participation by the Private Sector in healthcare services is bringing change in the Indian Healthcare Industry. The clinical Diagnostic Industry is experiencing rapid technological developments. New test parameters are being introduced to diagnose the problems more accurately. It is observed from the operation of Diagnostic Laboratories in India that they have low profitability as most of them are restricted to routine laboratory tests due to the low level of automation. Therefore, laboratories are trying to differentiate themselves by offering specialised tests such as drug services, therapeutic drug monitoring etc.

According to the report on Indian Medical Industry, India's overall expenditure on healthcare is comparable to most developing Countries. India's per capita healthcare expenditure is low due to its large billion plus population and low per capita income. This scenario is not likely to improve because of rising healthcare costs and India's ever growing population. However, there is ongoing government and private support to develop basic health Infrastructure.

Company's Performance :

To benefit from the growing market, your company has put in its best efforts to keep pace with the changed market scenario and in the process tapped corporates by providing healthcare services to their employees in terms of the Executive health check up, pre – employment check up etc. As Insurance Companies have entered into this area in a big way, your company has also tied up with various Insurance Companies to render their services to their customers. With all the above activities, your company is still regarded as one of the leading service provider in this field. The turnover and profit (before prior year's adjustments and tax) during the year was Rs. 1315.93 lacs and Rs. 50.12 lacs respectively.

Risk Management:

Risk of the Company has been identified and thoroughly analyzed. Continuous efforts are being put in to analyze and then take corrective measures to combat the various risks and uncertainties, such as coming up of small Diagnostic Centres

without any proper background. Underpricing is a big factor in this field and your company is able to take proper measure to mitigate them without compromising the quality of services. The main objective of your company is to remain in the top slot in the diagnostic field and this can be achieved only through quality services and offering the same at affordable price.

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, experienced man power 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 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's philosophy on Code of Governance :-

The Company believes in fair business and Corporate Practices while dealing with all the shareholders, 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 5 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
Smt. A Sailaja	: Director

Board Procedure :

During the Financial Year 2006-07, 5 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 Shareholders/Investors Grievance Committee Meetings held during the year 2006-07 are given below :



	Date of the Meeting	Total Members	Total Members Attended	General Body Meeting :																
				The details of location and time of last 3 Annual General Meetings are given below :																
1. Board Meeting				<table><tr><th>Year</th><th>Location</th><th>Date</th><th>Time</th></tr><tr><td>2003-2004</td><td>Hotel Green Park, Greenlands, Begumpet, Hyderabad.</td><td>29th Sept., 2004</td><td>11.30 A.M.</td></tr><tr><td>2004-2005</td><td>Hotel Green Park, Greenlands, Begumpet, Hyderabad.</td><td>28th Sept., 2005</td><td>11.30 A.M.</td></tr><tr><td>2005-2006</td><td>Hotel Green Park, Greenlands, Begumpet, Hyderabad.</td><td>28th Sept., 2006</td><td>11.30 A.M.</td></tr></table>	Year	Location	Date	Time	2003-2004	Hotel Green Park, Greenlands, Begumpet, Hyderabad.	29th Sept., 2004	11.30 A.M.	2004-2005	Hotel Green Park, Greenlands, Begumpet, Hyderabad.	28th Sept., 2005	11.30 A.M.	2005-2006	Hotel Green Park, Greenlands, Begumpet, Hyderabad.	28th Sept., 2006	11.30 A.M.
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2. Audit Committee																				
	29.04.2006, 30.06.2006 } 31.07.2006, 31.10.2006 } 31.01.2007. }	5 3	4 3																	
3. Shareholders / Investors Grievance Committee																				
	24.05.2006, 05.06.2006 } 30.06.2006, 10.08.2006 } 31.08.2006, 15.09.2006 } 31.10.2006, 15.11.2006 } 15.12.2006, 30.12.2006 } 16.01.2007, 28.02.2007 } 15.03.2007, 31.03.2007 }	2	2	<p>There was no special resolution put through postal ballot.</p> <p>Disclosures :</p> <p>a) 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.</p>																

The details of the attendance of each Director at the Board Meetings and the last AGM held during the year 2006-07 are given below :

Name of the Director	Attendance at Board Meeting	AGM Yes/No
Sri A Raghava Reddy	5	Yes
Sri P K Reddy	5	Yes
Sri S Basu Thakur	5	Yes
Sri D A Srinivas	Nil	No
Smt. A Sailaja	5	No

Audit Committee :

The Committee consists of Sri A Raghava Reddy, Director, Sri P K Reddy, Director and Smt. A Sailaja, Director. Sri P K Reddy is the chairman of the Committee.

The Audit Committee met 5 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.

Shareholders/ Investors Grievance Committee :

The Shareholders/ Investors Grievance Committee consists of Sri A Raghava Reddy, Chairman and Sri S Basu Thakur, Director. The Committee met 14 number of times during the year. There are no complaints outstanding as on 31.03.2007. Sri N. Ravi Kumar, Chief Operating Officer is the compliance officer.

Means of Communication :

The quarterly and half yearly results of the Company were published during the Financial Year under review in the News Papers namely, Financial Express & Andhra Prabha.

General Shareholders Information :

The Fourteenth Annual General Meeting will be held on Friday, the 28th September, 2007 at HOTEL GREEN PARK, GREEN LANDS, BEGUMPET, HYDERABAD - 500 016.

Date of Book Closure :

The Company's Transfer Books will remain closed from Thursday, the 27th September, 2007 to Friday, the 28th September, 2007 (both days inclusive) for the purpose of Annual General Meeting for the Financial Year ended 31st March, 2007.

Listing on Stock Exchanges :-

The Company's shares are presently listed on the Stock Exchanges at Mumbai and Hyderabad. The members approved the resolution for delisting of securities from The Hyderabad Stock Exchange Ltd. and the application is still under process and the management of the Company is expecting to complete it in this year. The addresses of the Stock Exchanges are given below: