

# **15<sup>th</sup>** ANNUAL REPORT **2007 - 2008**

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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 Fifteenth Annual General Meeting of the Members of Medinova Diagnostic Services Limited will be held on Monday, the 22nd September, 2008 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, 2008 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 P K Reddy, who retires by rotation and being eligible, offers himself for re-appointment.
03. To appoint a Director in the place of Sri D A Srinivas, who retires by rotation and being eligible, offers himself for re-appointment.
04. To appoint Auditors and fix their remuneration.

### 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 Saturday, the 20th September, 2008 to Monday the 22nd September, 2008 (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.

By order of the Board

Place : Hyderabad  
Date : 31st July, 2008

A. Raghava Reddy  
Chairman



## DIRECTORS' REPORT

To

The Members of  
Medinova Diagnostic Services Ltd,

Your Directors have pleasure in presenting the Fifteenth Annual Report of your Company together with the audited accounts for the period ended 31st March 2008 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	2007-2008	2006-2007
Total Income	1336.88	1315.93
Total Expenditure	1213.38	1130.32
Interest	29.71	32.00
Depreciation	60.20	103.49
Profit before Extraordinary/ prior period adjustments	33.59	50.12
Prior year adjustments/ extraordinary items	3.59	34.77
Profit before Tax :	30.00	15.35
Less: Provision for Current Taxes:		
-Income Tax	3.72	1.87
-Fringe Benefit Tax	2.19	1.85
-MAT Credit	(3.72)	(4.05)
Profit before Deferred Tax	27.81	15.68
Less: Provision for Deferred Tax	138.34	(12.58)
Profit / (Loss) after Tax	(110.53)	28.26

### 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 2008 on a 'going concern' basis.

### OPERATIONS:

During the year 2007-08 a total Business Income of Rs.1336.88 lacs and a net profit (before prior year's adjustments and tax) of Rs.33.59 lacs were achieved. The revenue was marginally increased. Corporate business has shown further improvement during the year. New Auto Analyzer, Cell Counter and Semi Auto Analyzer machines have been installed during the year at Pune and Hyderabad Centres.

### DIRECTORS:

Sri P K Reddy and Sri D A Srinivas, 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 five times during the financial year 2007-08 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.

As regards the auditors' observation under para no. VI of their report regarding gratuity, steps are being initiated to comply with the requirements in this regard.

With regard to the Auditors' observation on delays in making payments towards Income Tax dues, ESI and Provident Fund contributions, necessary efforts are being given to remit the amount in time. The outstanding statutory dues, as observed by the Auditors, have already been cleared.

With regard to the Auditors' observation on dues to a Scheduled Bank representing the balance amount of the liability takeover 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 the 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, 2008

A Raghava Reddy  
Chairman



## ANNEXURE TO DIRECTORS' REPORT

### MANAGEMENT DISCUSSION & ANALYSIS

#### Industry Overview :

The global Medical Industry is one of the world's fastest growing industries, absorbing over 10% of the gross domestic product of most developed nations. It constitutes of broad services offered by various hospitals, physicians, nursing homes, diagnostic laboratories, pharmacies, and ably supported by drugs, pharmaceuticals, chemicals, medical equipment manufactures and suppliers. The United States of America has one of the largest Medical & Healthcare industries in the world; however, India also will not remain behind for long as it has a robust size of population. The global medical industry is highly fragmented comprising various ancillary sectors namely medical equipment and suppliers, pharmaceuticals, healthcare services, biotechnology and alternative medicine sectors. Healthcare services industry includes various establishments dealing in different type of services like testing, outsourcing, chemical analysis etc. The growth of the healthcare industry in India has taken place many fold during last few years due to the factors like,

- i. Middle class people have become more aware of health problems.
- ii. Due to increased cost, patients from the developed countries are migrating to India.
- iii. Insurance companies (Public & Private) are increasingly entering into the medical field.

The future perspective of healthcare industry seems to be immensely bright and encouraging in terms of the expected surge in global demand and upsurge in investments.

#### Company's Performance:

Your company is alive with the changes happening in this industry. Investments are being made in acquiring new equipment to keep the centers upgraded. Necessary tie ups are being made with various corporates for pre-employment check-ups, executive health check-up and work specific check-ups. Agreements have been entered into with the various insurance companies which are increasingly becoming a major source of revenue.

With all these efforts, your company has been able to retain its position in the diagnostic field with top slots. The turnover and profit (before prior year adjustments & Tax) during the year 2007-08 were Rs.1336.88 lacs and Rs.33.59 lacs respectively.

#### Risk Management:

Risks of the company have been identified and thoroughly analyzed. Corrective measure are being taken timely to combat the various risk and uncertainties such as mushrooming growth of diagnostic centers which is resulting in under pricing of the products. However, your company is aware of this market and taking necessary steps to mitigate the same. The motto of your company is 'Quality Services' and it will not deviate from this. It is always felt that competition in this field will make your company perfect.

#### Future outlook:

Your company is trying to understand and explore the area of expansion in products range and diversification in diagnostic services related activities. In today's competitive field, newer areas have to be explored to stay ahead in the race.

#### 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 five 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 2007-08, five 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 2007-08 are given below :



Date of the Meeting	Total Members	Total Members Attended	General Body Meeting : The details of location and time of last three Annual General Meetings are given below :			
1. Board Meeting			Year	Location	Date	Time
30.04.2007, 30.06.2007 }	5	4	2004-2005	Hotel Green Park, Greenlands, Begumpet, Hyderabad.	28th Sept., 2005	11.30 A.M.
31.07.2007, 31.10.2007 }			2005-2006	Hotel Green Park, Greenlands, Begumpet, Hyderabad.	28th Sept., 2006	11.30 A.M.
31.01.2008. }			2006-2007	Hotel Green Park, Greenlands, Begumpet, Hyderabad.	28th Sept., 2007	11.30 A.M.
2. Audit Committee						
30.04.2007, 30.06.2007 }	3	3				
31.07.2007, 31.10.2007 }						
31.01.2008. }						
3. Shareholders / Investors Grievance Committee						
29.06.2007, 31.07.2007 }	2	2				
14.08.2007, 14.09.2007 }						
31.10.2007, 15.11.2007 }						
30.11.2007, 16.01.2008 }						
31.01.2008, 29.02.2008 }						

The details of the attendance of each Director at the Board Meetings and the last AGM held during the year 2007-08 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 five 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 ten times during the year. There were no complaints outstanding as on 31.03.2008. Sri N. Ravi Kumar, Chief Operating Officer is the compliance officer.

There was no special resolution put through postal ballot.

#### Disclosures :

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.

b) The details of Non-compliance by the Company :- Except for suspension of the trading in the shares of the Company by the Bombay Stock Exchange Ltd, 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 any Stock Exchange or SEBI or any Statutory Authority on any matter related to the Capital Markets during the last three years.

#### 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 Fifteenth Annual General Meeting will be held on Monday, the 22nd September, 2008 at HOTEL GREEN PARK, GREEN LANDS, BEGUMPET, HYDERABAD - 500 016.

#### Date of Book Closure :

The Company's Share Transfer Books will remain closed from Saturday, the 20th September, 2008 to Monday, the 22nd September, 2008 (both days inclusiv'e) for the purpose of Annual General Meeting for the Financial Year ended 31st March, 2008.

#### 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: