

19th ANNUAL REPORT
2011 - 2012



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
206, Srinilaya Estates
Ameerpet
Hyderabad - 500073

Registered Office

6-3-652, 'Kautilya'
Somajiguda, Hyderabad - 500 082
Ph: 040-23310066, Fax: 23327464
Email: medicorp@medinovaindia.com

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Nineteenth Annual General Meeting of the Members of Medinova Diagnostic Services Limited will be held on Friday, the 28th September, 2012 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 Statement of Profit & Loss for the year ended 31st March, 2012 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 Wednesday the 26th September, 2012 to Friday the 28th September, 2012 (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 : 14th August, 2012

P K Reddy
Director

DIRECTORS' REPORT

To
The Members of
Medinova Diagnostic Services Ltd,

Your Directors have pleasure in presenting the Nineteenth Annual Report of your Company together with the audited accounts for the year ended 31st March, 2012 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	2011-2012	2010-2011
Total Income	1306.05	1329.15
Total Expenditure	1257.68	1293.75
Interest	8.97	20.94
Depreciation	58.21	56.44
Profit / (Loss) before Exceptional Items and Tax	(18.81)	(41.98)
Exceptional Items	8.48	5.12
Profit / (Loss) before Tax	(27.29)	(47.10)
Tax relating to prior years	0.00	0.24
Provision for Deferred Tax	(0.97)	(24.96)
Profit / (Loss) after Tax	(26.32)	(22.38)

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, 2012 on a 'going concern' basis.

OPERATIONS:

During the year the total turnover was Rs.1306.05 lacs and Net loss after taxes was Rs.26.32 lacs. Eventhough, there is a marginal drop in turnover when compared to the previous years' turnover, during the year, the company had put in efforts to remain competitive and managed to withstand the market pressures. The Centres were upgraded by acquiring new CT Machine, Digital X-ray & Ultrasound Scanners.

DIVIDEND:

In view of the loss, your directors have not recommended any dividend on the paid up equity share capital of the company, for the year.

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. Sri P K Reddy is the Chairman of the Audit Committee. The Committee met four times during the financial year 2011-12 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' observation on delays in making payments towards Income Tax dues, ESI and Provident Fund contributions, necessary corrective steps

have been taken to remit the amount regularly. Part of statutory dues, as observed by the Auditors, have already been cleared.

PUBLIC DEPOSITS:

During the year, the company has not accepted any deposits in the nature of public deposits.

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

Place : Hyderabad
Date : 14th August, 2012

P K Reddy
Director



ANNEXURE TO DIRECTORS' REPORT

MANAGEMENT DISCUSSION & ANALYSIS

Industry Overview:

The Diagnostic Market of India has been witnessing rapid growth on account of high prevalence of growing diseases. So far, the diagnostic sector in India has been dominated by local players; however, the Dynamics for this sector in India are now ready for a re-vamp with the entry of large foreign players and big players of India.

According to the recent study it is observed that the growth of Diagnostic Centre market in India is not very healthy one as it is more skewed towards metro and big cities; whereas the semi urban and rural area have still remained unpenetrated and that is the untapped area, which needs to be cultivated with organized efforts. The small players, who are ruling the roost in those areas have to make the way for the organized players to come in. This process is being expedited as the Government of India has also enacted the 'National Clinical Establishment Act, 2010', which makes registration and quality compliance mandatory for laboratories and diagnostic centers.

Government is also taking initiatives in boosting up the healthcare sector by entering into Public-Private-Partnership. The Private diagnostic players will find it less difficult to enter rural market by entering into Partnership with Government and expand at larger scale.

Thus the benefits of latest medical technology can help the people of the country at large.

Company's Performance:

Diagnostic Services industry has been undergoing through changes over the years. Large Centres are competing with many small centres resulting in less margin in the operation although it needs more investment to maintain quality. Your Company's approach towards the satisfaction of the patients has kept them ahead of others in terms of goodwill.

The turnover during the year 2011-12 was Rs.1306.05 lacs, which is slightly less than that of the previous year. The loss after tax was Rs.26.32 lacs during the year.

Risk Management:

Risk is always involved in any business. Diagnostic Services business is no exception to it. However, your Company with its vast experience in this field are able to evaluate and analyze the risks from time-to-time and taking appropriate measures in overcoming the same.

Future Outlook:

Diagnostic Services business in India has become matured over the years. Standalone Diagnostic Centres are now divided into two very clear categories – One will have the facilities of Radiology, Lab, Cardiology etc., and the other one is only with exclusive Laboratories. However, your company pioneered the concept of all diagnostic facilities under one roof and it will continue to be bracketed in the same category in future also.

S W O T:

1. Pan India presence; Brand image is quite strong.
2. Retention of Human Resources with less attrition rate; a strong relationship.
3. 'Quality' is the key word which is being followed by the company religiously; strong bonding with the patients.
4. New entrants with huge investment posing threats.

CORPORATE GOVERNANCE

The Company's philosophy on Code of Corporate 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 2011-12, five meetings of the Board were held. The details of Board, Audit Committee and Shareholders/Investors Grievance Committee Meetings held during the year 2011-12 are given below:

	Date of the Meeting	Total Members	Total Members Attended
1. Board Meeting			
	12.05.2011	5	4
	12.08.2011	5	4
	14.11.2011	5	4
	09.01.2012	5	4
	08.02.2012	5	3
2. Audit Committee			
	12.05.2011	3	3
	12.08.2011	3	3
	14.11.2011	3	3
	08.02.2012	3	2
3. Shareholders / Investors Grievance Committee			
	14.05.2011, 31.05.2011}		
	30.06.2011, 30.07.2011}	2	2
	18.01.2012}		



The details of the attendance of each Director at the Board Meetings and the last AGM held during the year 2011-12 are given below:

Name of the Director	Attendance at Board Meeting	AGM Yes/No
Sri A Raghava Reddy	4	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 four 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 five times during the year. There were no complaints outstanding as on 31.03.2012. Sri N Ravi Kumar, Chief Operating Officer is the compliance officer.

General Body Meeting:-

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

Year	Location	Date	Time
2008-2009	Hotel Green Park, Greenlands, Begumpet, Hyderabad	29th Sept., 2009	11.30 A.M
2009-2010	Hotel Green Park, Greenlands, Begumpet, Hyderabad	28th Sept., 2010	11.30 A.M
2010-2011	Hotel Green Park, Greenlands, Begumpet, Hyderabad	28th Sept., 2011	11.30 A.M

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. 29 in the Notes Forming Part of Financial Statements.

- 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 the Stock Exchange or SEBI or any Statutory Authority on any matter related to the Capital Markets during the last three years.

CEO/CFO Certification:

In accordance with the provisions of Clause 49(v) of the listing agreement, the Chief Operating Officer of the Company has furnished the requisite certificate to the Board of Directors, the Audit Committee and the Auditors.

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 Nineteenth Annual General Meeting will be held on Friday, the 28th September, 2012 at 11.30 a.m at HOTEL GREEN PARK, GREEN LANDS, BEGUMPET, HYDERABAD - 500 016.

Date of Book Closure:

The Company's Share Transfer Books will remain closed from Wednesday, the 26th September, 2012 to Friday, the 28th September, 2012 (both days inclusive) for purpose of Annual General Meeting for the Financial Year ended 31st March, 2012.

Listing on Stock Exchanges:

The Company's shares are presently listed on the Bombay Stock Exchange Ltd, Mumbai. The address of the Stock Exchange is given below:

Stock Code:

(In BSE)	526301
Address	
The Bombay Stock Exchange Ltd.	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.

Market Price Data : Not available

Distribution of Shareholdings as on 31.03.2012 (Including Dematerialized Shares):

No. of equity Shares held	% of share capital
upto 500	18.26
501 - 1000	2.56
1001 - 2000	1.62
2001 - 3000	0.53
3001 - 4000	0.42
4001 - 5000	0.29
5001 - 10000	1.45
10001 and above	74.87
TOTAL	100.00

**Dematerialization of Shares:**

The Company's equity shares are included in the list of Companies whose scrips have been mandated by SEBI for settlement only in dematerialized form by all investors.

Registrar and Transfer Agents:

The Company has appointed M/s XL Softech Systems Ltd. as a Common Transfer Agent for demat of shares. Address: M/s XL Softech Systems Ltd., 3 Sagar Society, Road No.2, Banjara Hills, Hyderabad-500 034.

Investor Correspondence:

Any query relating to shares and requests for transactions such as transfers, transmissions and nomination facilities, duplicate share certificates, change of address, non-receipt of dividend/ Annual Report, as also regarding dematerialization of shares may please be taken up with the Company's Registrar and Transfer Agent :

Address: XL Softech Systems Ltd. 3, Sagar Society,
Road No.2, Banjara Hills, Hyderabad - 500 034
Phone No(s): 040-23545913 / 14 / 15.
Email: xlfield@rediffmail.com.

Medinova Centres :

Hyderabad : 6-3-652, Anand Chambers,
Somajiguda, Hyderabad - 500 082
Phone Nos: 040-23311122 / 33.
Email: medinova@medinovaindia.com

Bangalore : 55, Infantry Road, Bangalore - 560 001
Phone Nos: 080-22868423 / 22860513.
Email: medinovadsc@hotmail.com

Pune : 1319, Jungle Maharaj Road, Shivajinagar,
Pune - 411 005.
Ph.Nos: 020-25534987 / 25533731
Email: medinova@pn3.vsnl.net.in

Kolkata : 1, Sarat Chatterjee Avenue, Kolkata - 700 029
Phone Nos: 033-24660780 / 24661780.
Email: medinova.kolkata@gmail.com

Auditors' Certificate on Corporate Governance:

As required by Clause 49 of the Listing Agreement, the Auditors' Certificate is given as an annexure to the Directors' Report.

DECLARATION ON CODE OF CONDUCT

This is to confirm that the Board has laid down a Code of Conduct for all Directors and Senior Management Personnel of the Company. It is further confirmed that all Directors and Senior Management Personnel of the company have affirmed compliance with the Code of Conduct of the Company for the financial year ended 31st March, 2012 as envisaged in clause 49 of the Listing Agreement with Stock Exchange.

Place : Hyderabad
Date : 15th May, 2012

P K Reddy
Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of Medinova Diagnostic Services Limited.

We have examined the compliance of conditions of Corporate Governance by Medinova Diagnostic Services Limited, for the year ended March 31, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, except for the suspension of the trading in the shares of the Company by the Bombay Stock Exchange Ltd, Mumbai due to delay in payment of listing fees, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

for **J B REDDY & CO.,**
Chartered Accountants
Firm Regn. No. 003256S

Place : Hyderabad
Date : 14th August, 2012

A V REDDY
Partner
M.No. 23983