

SECUNDERABAD HEALTH CARE LIMITED

15th ANNUAL REPORT

2005-2006

SECUNDERABAD HEALTH CARE LIMITED**BOARD OF DIRECTORS**

Mr. G. Vasudeva Reddy	Managing Director
Mr. B. Daniel Solomon	Executive Director
Mr. M.T. Srinivas Rao	Additional Director
Mr. V. Sundera Raja Bhattar	Additional Director
Mr. K. Hari Kumar	Additional Director
Mr. R. Surendra Naidu	Additional Director
Mr. M. Muni Sekhar	Additional Director

Company Secretary

M. Srirama Saran Prasad

BANKERS

Development Credit Bank (DCB)
S.R. Nagar, Hyderabad

AUDITORS

M/s. P. Murali & Co.,
Chartered Accountants,
6-3-655/2/3,
Somajiguda,
Hyderabad – 500 082.

REGISTERED OFFICE

22-A/I, Phase – II,
APIIC Colony, Jeedimetla,
Hyderabad.

SHARE TRANSFER AGENTS

M/s. AARTHI CONSULTANTS PRIVATE LIMITED
1-2-285, DOMALGUDA,
HYDERABAD – 500 029.

NOTICE

NOTICE is hereby given that the 15th Annual General Meeting of the members of Secunderabad Health Care Limited will be held on Wednesday, the 27th September 2006 at 10.00 A.M. at, Sundaraiah Vignana Kendram (Mini hall), Baghlingampally, Hyderabad to consider the following business:

I. ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2006 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. B. Daniel Solomon, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration

II. SPECIAL BUSINESS

4. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Mr. M. T. Srinivas Rao who was appointed as an Additional Director of the Company by the Board of Directors on 1st November 2005, who holds office under section 260 of the Companies Act, 1956, up to the date of ensuing Annual General Meeting and in respect of whom the Company has received notice in writing proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation "

5. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Mr. V. Sundara Raja Bhattar who was appointed as an Additional Director of the Company by the Board of Directors on 1st November 2005, who holds office under section 260 of the Companies Act, 1956, up to the date of ensuing Annual General Meeting and in respect of whom the Company has received notice in writing proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation "

6. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Mr. Hari Kumar who was appointed as an Additional Director of the Company by the Board of Directors on 23rd February 2006, who holds office under section 260 of the Companies Act, 1956, up to the date of ensuing Annual General Meeting and in respect of whom the Company has received notice in writing proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation "

- 7 To consider, and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Mr. R. Surendra Naidu who was appointed as an Additional Director of the Company by the Board of Directors on 23rd February 2006, who holds office under section 260 of the Companies Act, 1956, up to the date of ensuing Annual General Meeting and in respect of whom the Company has received notice in writing proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation "

- 8 To consider, and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Mr. M. Muni Sekhar who was appointed as an Additional Director of the Company by the Board of Directors on 26th July 2006, who holds office under section 260 of the Companies Act, 1956, up to the date of ensuing Annual General Meeting and in respect of whom the Company has received notice in writing proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

BY ORDER OF THE BOARD OF DIRECTORS
For SECUNDERABAD HEALTHCARE LIMITED

PLACE HYDERABAD
DATE: 02-09-2006

MANAGING DIRECTOR

NOTES

- a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER
- b) PROXIES IN ORDER TO BE EFFECTIVE MUST BE FILED WITH THE COMPANY NOT LATER THAN 48 HOURS BEFORE COMMENCEMENT OF THE MEETING
- c) THE RELAVANT EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS SET OUT ABOVE, AS REQUIRED BY SEC.173 (2) OF THE COMPANIES ACT, 1956 IS ANNEXED HERETO
- d) THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED FROM 25-09-2006 TO 27-09-2006 (BOTH DAYS INCLUSIVE) IN CONNECTION WITH THE ANNUAL GENERAL MEETING.
- e) THE MEMBERS ARE REQUESTED TO INTIMATE PROMPTLY ANY CHANGE IN THEIR ADDRESS TO THE SHARE TRANSFER AGENTS OF THE COMPANY M/S.AARTHI CONSULTANTS PRIVATE LIMITED 1-2-285, DOMALGUDA, HYDERABAD - 500 029
- f) MEMBERS DESIROUS OF OBTAINING ANY INFORMATION ON THE ANNUAL ACCOUNTS OF THE COMPANY ARE REQUESTED TO WRITE TO THE COMPANY AT LEAST SEVEN WORKING DAYS BEFORE THE DATE OF THE MEETING TO ENABLE THE COMPANY FOR COMPILATION OF THE REQUIRED INFORMATION. MEMBERS ARE REQUESTED TO BRING THEIR COPY OF THE ANNUAL REPORT AT THE ENSUING ANNUAL GENERAL MEETING.

Explanatory Statement

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

Item # 4:

Sri M. T. Srinivas Rao was appointed by the Board of Directors as an additional Director with effect from 01-11-2005. Under section 260 of the Companies Act, 1956, Sri M. T. Srinivas Rao holds office only upto the date of this Annual General Meeting. The company has received a notice in writing under section 257 of the Companies Act, 1956, along with a deposit of Rs. 500/- from a member signifying his intention to propose the name of Sri M. T. Srinivas Rao as a candidature for the office of Director.

The Board recommends the Resolution for the members' approval in the Annual General Meeting.

Item # 5:

Sri V. Sundera Raja Bhattar was appointed by the Board of Directors as an additional Director with effect from 01-11-2005. Under section 260 of the Companies Act, 1956, Sri V. Sundera Raja Bhattar holds office only upto the date of this Annual General Meeting. The company has received a notice in writing under section 257 of the Companies Act, 1956, along with a deposit of Rs. 500/- from a member signifying his intention to propose the name of Sri V. Sundera Raja Bhattar as a candidature for the office of Director.

The Board recommends the Resolution for the members' approval in the Annual General Meeting.

Item # 6:

Sri K. Hari Kumar was appointed by the Board of Directors as an additional Director with effect from 23-02-2006. Under section 260 of the Companies Act, 1956, Sri K. Hari Kumar holds office only upto the date of this Annual General Meeting. The company has received a notice in writing under section 257 of the Companies Act, 1956, along with a deposit of Rs. 500/- from a member signifying his intention to propose the name of Sri K. Hari Kumar as a candidature for the office of Director.

The Board recommends the Resolution for the members' approval in the Annual General Meeting.

Item # 7:

Sri R. Surendra Naidu was appointed by the Board of Directors as an additional Director with effect from 23-02-2006. Under section 260 of the Companies Act, 1956, Sri R. Surendra Naidu holds office only upto the date of this Annual General Meeting. The company has received a notice in writing under section 257 of the Companies Act, 1956, along with a deposit of Rs. 500/- from a member signifying his intention to propose the name of Sri R. Surendra Naidu as a candidature for the office of Director.

The Board recommends the Resolution for the members' approval in the Annual General Meeting.

Item # 8:

Sri M Muni Sekhar was appointed by the Board of Directors as an additional Director with effect from 26-07-2006 Under section 260 of the Companies Act, 1956, Sri M. Muni Sekhar holds office only upto the date of this Annual General Meeting. The company has received a notice in writing under section 257 of the Companies Act, 1956, along with a deposit of Rs. 500/- from a member signifying his intention to propose the name of Sri M Muni Sekhar as a candidature for the office of Director.

The Board recommends the Resolution for the members' approval in the Annual General Meeting.

ADDITIONAL INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT:

As required under the Listing Agreement, the particulars of Directors who are proposed to be appointed/re-appointed are given below:

- | | | | |
|---|--|--------------------------------------|---|
| 1 | Name
Age
Qualifications
Expertise

Other Directorships | :

 | Sri. B. Daniel Solomon
48 Years
Diploma in Bio- Medical Engineering
20 years as Business Executive & Manager (Corporate Affairs) in super specialty hospital
1 |
| 2 | Name
Age
Qualifications
Expertise
Other Directorships | :

 | Sri. M.T. Srinivas Rao
60 Years
B.Com, FCA
33 years in Finance & Accounts
1 |
| 3 | Name
Age
Qualifications
Expertise
Other Directorships | :

 | Sri. V. Sundera Raja Bhattar
43 Years
B Com, J D C
20 years in Banking Sector
NIL |
| 4 | Name
Age
Qualifications
Expertise

Other Directorships | :

 | Sri. K. Hari Kumar
47 Years
B E
20 years as Engineer and working for last 6 years as President of Delta Pharma Private Limited
NIL |

SECUNDERABAD HEALTHCARE LIMITED

5. **Name** : **Sri. R. Surendra Naidu**
Age : 42 Years
Qualifications : Technical Engineer, Radar Systems
Expertise : Working for 15 years in Indian Air Force and
Director of Spyder King Network Mkt
Other Directorships : 1
6. **Name** : **Sri. M. Muni Sekhar**
Age : 42 Years
Qualifications : MBA
Expertise : 17 years experience in the areas of Finance
Administration, Marketing, Legal and
Procurements.
Other Directorships : 1

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DIRECTORS' REPORT

To
The Members of
M/s. SECUNDERABAD HEALTH CARE LIMITED

The Directors have pleasure in presenting the 15th Annual Report of the company together with the Audited Accounts for the year ended 31st March 2006.

FINANCIAL RESULTS

	Year Ended 31.03.2006 (Rs. in Lakhs)	Year Ended 31.03.2005 (Rs. in Lakhs)
Turnover	60.97	195.27
Profit (+) / Loss (-) (before Tax)	4.62	(41.17)
Balance Brought Forward	(185.36)	(65.77)
Balance Carried Forward	(169.99)	(185.36)

OPERATIONS

The hospital operations were effected due to problems connected with premises for the Hospital. Due to extra ordinary increase in property prices, taking premises on lease is affecting the business. Changes in the external environments have been considered and management has decided to change its focus from health diagnostics to health care and nutraceuticals supply from better future and growth.

In the month of July 2006, Mr. Munisekhar has acquired the shareholding to the extent of 24% in the paid up capital of the company through open offer. Mr. Munisekhar was inducted in the Board as additional director. He is having experience in the areas of health care products. The experience and his presence in the company will help for further expansion of business of operations and develop the company in all the ways.

The Company is planning to source and procure medicines and nutraceuticals for new generation pharmacies in India. The Company is using its contacts in US for sourcing good quality products at competitive rates for Indian pharmacies. First lot of trial shipment is expected to reach India by 1st week of December 2006, after that it will be regular shipments of larger quantities on monthly basis with custom labeling.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

Pursuant to Clause 49 of the Listing Agreement, a Management Analysis Report is given below:

A. INDUSTRY BACKGROUND

Hyderabad has become a major hub for the medical and health care facilities in India. At the same time this has made medical and health care industry very competitive with many new persons/ companies entering the field with huge investments. Increase wealth and income levels enabling population to spend more on health care and nutraceuticals. This has opened up new area in health care.

B. INDUSTRY OUTLOOK

It is expected that with changing life styles and rising treatment costs will cause spending on health care delivery in India at higher level. The entry of private insurance agencies and third party administrators has enabled the hospital to provide medical care needs by means of cash less transaction. The increased awareness of health care & rising medical treatment costs is forcing people towards health care products and nutraceuticals as preventive measures. This will give double-digit growth to industry.

C. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company has adequate internal control system and MIS system that define roles and responsibilities of people across various levels of the organization. These systems facilitate effective checks and controls as well as tight monitoring on a continuous basis.

D. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS:

The company has taken care of changes in requirement of middle management and staff. By taking in to consideration of proposed changes in business model i.e. from health diagnostics to supply of health care and nutraceuticals company has appointed required staff. New staff has undergone required training and orientation to handle present and future business.

ADDITIONAL INFORMATION AS REQUIRED U/S 217(1)(e) OF THE COMPANIES ACT, 1956

- (a) Conservation of Energy: The Company is monitoring the consumption of energy and is identifying measures for conservation of energy.
- (b) (i) Technology Absorption, adaptation and innovation:- No technology either indigenous or Foreign is involved
- (ii) Research and Development (R & D): No Research and Development has been carried out.
- (c) Foreign exchange earnings: NIL
Foreign exchange out go: NIL

PARTICULARS OF EMPLOYEES

In pursuance of the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, the Directors are to report that no employee was in receipt of remuneration of Rs.24, 00,000/- or more per annum or Rs. 2,00,000/- or more per month where employed for a part of the year.

DIRECTORS

During the year, Sri Arivind Kumar Lingala, Sri Rajendra Macha, Sri N. Prakash Rao, Sri G. Venkata Krishna Prasad, Sri N. Ramana Rao and Sri Tarun Kumar Vasantha were resigned as Directors. The Board placed appreciation for their valuable services rendered during their tenure on the Board.

Sri M.T. Srinivas Rao, Sri V. Sundera Raja Bhattar, Sri K. Hari Kumar, Sri R. Surendra Naidu and Sri M. Muni Sekhar were appointed as Additional Directors as per the provisions of the Section 260 of the Companies Act, 1956.

Sri. B. Daniel Solomon retires by rotation at the ensuing Annual General Meeting and being eligible offer himself for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT UNDER SECTION 217(2AA)

- i) that in the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are 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 Loss of the company for the period;
- iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the Directors had prepared the annual accounts on a going concern basis

STATEMENT PURSUANT TO CLAUSE 38 OF LISTING AGREEMENT

Presently the company's Equity shares are listed on The Hyderabad Stock Exchange Limited (HSE) and Bombay Stock Exchange Limited (BSE) and the company has paid the Annual Listing Fees for the year 2006-07.

CORPORATE GOVERNANCE

In order to bring more transparency in the conduct of business, the Stock Exchanges have amended the listing agreement incorporating the code of corporate governance to listed companies. Your Company has always been committed to the best practices in the governance of its affairs. Your company had taken steps and complied with most of the recommendations during the year. For the year under review, the Compliance Report is provided in the Corporate Governance section in this Report. The Auditors' Certificate on compliance with the mandatory requirements of Corporate Governance is given in "Annexure "A" to this Report."

AUDITORS:

M/s P. Murali & Co Chartered Accountants, Statutory Auditors of the company hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The company has received letters from the Auditors to the effect that their re-appointment, if made, would be within the prescribed limits under section 224 (1B) of the Companies Act, 1956 and that they are not disqualified for such re-appointment within the meaning of section 226 of the said Act.

The notes on accounts referred to in the auditors' Report are self-explanatory and therefore do not call for any further comments