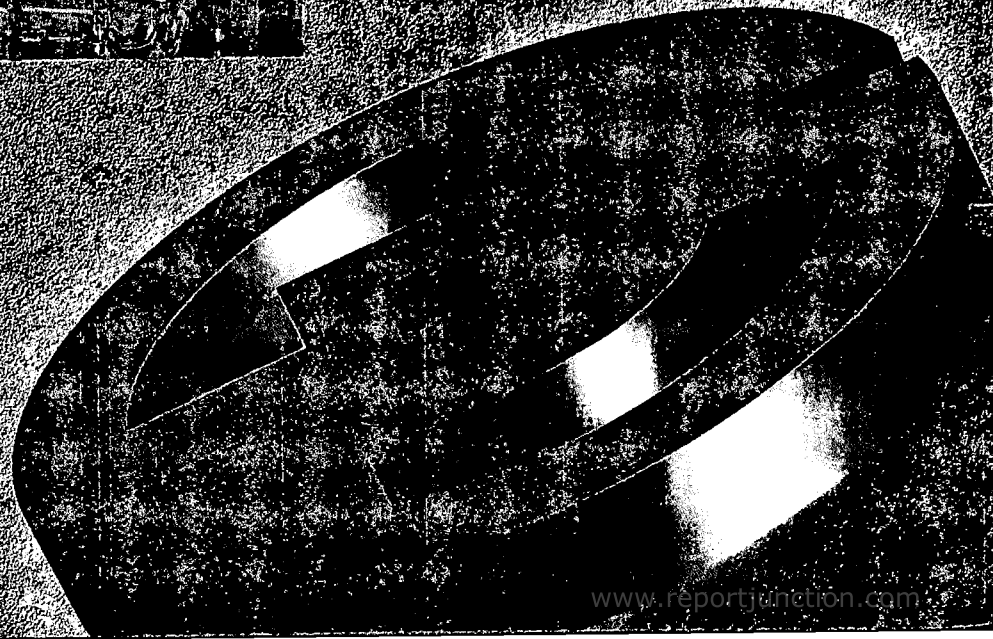
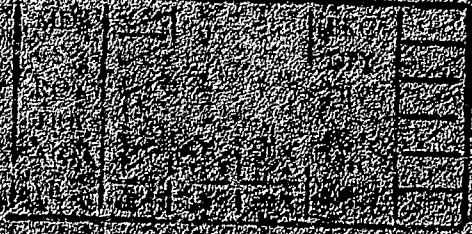
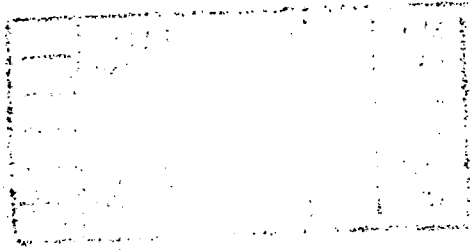


18th ANNUAL REPORT 1997-98



Span Diagnostics Ltd

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BOARD OF DIRECTORS	: Dr. Pradip K. Desai <i>Chairman & Whole-time Director</i> Shri Veeral P. Desai <i>Executive Director</i> Smt. Lata P. Desai <i>Director</i> Shri Shirish R. Mehta <i>Director</i> Shri P. R. Gandhi <i>Director</i> Dr. Suresh D. Desai <i>Director</i> Shri Sanjay N. Mehta <i>Director</i> Shri C. R. Gandhi <i>Director</i> Dr. S. P. Amlin <i>Director</i> Dr. N. S. Patel <i>Director</i> Shri. S. G. Kazi <i>Director</i>
COMPANY SECRETARY	: Mr. Pankaj Ajmera
SOLICITORS	: Roshan Desai & Co., <i>Solicitors & Advocates</i>
BANKERS	: State Bank of India Udhna Udyognagar, Udhna, Dist : Surat.
AUDITORS	: M/s. Y. B. DESAI & ASSOCIATES <i>Chartered Accountants</i> Surat.
HEAD OFFICE & REGISTERED OFFICE	: 173-B, New Industrial Estate, Road No. 6-G, Udyognagar, Udhna-394210 (Surat) India.
PLANT	: 1. Plot No. 336, 338, 340, Road No. 3, G.I.D.C., Sachin-394 230. Surat - India. 2. 173-B, New Industrial Estate, Road No. 6-G, Udyognagar, Udhna-394 210 (Surat) India.
SHARE TRANSFER AGENTS	: IIT Corporate Services Limited. IIT House, Off. M. Vasanji Road, Opp. Vazir Glass, Near J. B. Nagar, Andheri (East), Mumbai-400 059.
BRANCH OFFICES	: 1. Kohinoor Complex 'C' Wing, Near Vardhman Industrial Estate, Western Express Highway, Dahisar, Mumbai-400 068. 2. 23 Mallikarjuna Swamy Temple Road, Natkalpa Circle, Bangalore - 560 004. 3. 60/2, E.S.I. Hospital Road, Brindaban Garden, Sahibabad, Dist : Ghaziabad-201 005. 4. AE-335, Salt Lake City, Sector-1, Calcutta-700064

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FINANCIAL HIGHLIGHTS

	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983
	(Rs. in lacs)															
OPERATING RESULTS																
Sales & Other Income	1784.11	1417.44	1347.25	1250.08	1006.43	811.02	624.75	521.20	424.93	322.67	268.19	208.63	180.64	144.59	100.46	64.84
Profit before Depreciation																
Investment Allow. Reserve	100.48	93.59	5.68	110.46	110.30	85.50	40.98	53.18	34.74	32.71	28.60	20.42	16.71	9.63	8.82	2.72
Depreciation	46.93	41.75	36.88	35.60	31.01	27.98	9.93	9.73	7.48	7.19	13.73	7.93	6.41	5.54	4.50	2.68
Investment Allw. Reserve	---	---	---	---	---	---	---	---	---	---	---	3.05	2.85	1.85	1.90	---
Tax	10.00	7.00	---	26.00	37.00	22.00	17.30	23.00	11.00	7.70	5.40	4.10	3.00	0.85	0.64	---
Profit/(Loss) after tax	43.55	44.84 & (31.20)	48.85	42.29	35.52	13.75	20.45	16.26	17.82	9.47	5.37	4.45	1.39	1.78	0.04	---
Dividend	18.00	15.00	15.00	22.25	7.16	5.96	3.51	3.51	3.51	3.51	3.16	2.34	1.56	0.78	---	---
Corporate Dividend Tax	1.80	1.50	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Retained Profits	23.75	28.34	---	26.61	35.13	29.56	10.24	15.94	12.75	14.31	6.31	3.03	2.89	0.61	1.78	0.04
SOURCES AND APPLICATION OF FUNDS																
Source of funds																
Share Capital	300.01	300.01	300.01	300.01	59.63	59.63	39.00	19.50	19.50	19.50	19.50	15.60	15.60	15.60	15.60	15.20
Reserves and surplus	472.60	452.35	430.55	483.25	338.04	154.07	64.75	74.04	56.60	43.81	22.65	16.35	10.10	4.36	1.90	---
Loans	432.39	405.26	374.68	331.92	377.13	329.53	137.75	116.74	106.40	86.48	67.54	70.28	59.42	42.93	39.86	30.89
FUNDS EMPLOYED	1205.00	1157.62	1105.24	1115.18	774.80	543.23	241.50	210.28	182.50	149.79	109.69	102.23	85.12	62.89	57.36	46.09
Fixed Assets (Net)	683.74	686.15	599.24	481.96	483.79	322.14	114.79	90.28	74.31	64.53	40.74	49.95	43.06	32.53	31.65	31.72
Investments	0.18	0.18	0.10	0.08	0.06	0.11	0.10	0.10	0.09	0.09	0.07	0.07	0.02	0.01	0.01	0.01
Current Assets (Net)	521.08	471.29	505.90	633.14	290.95	220.98	126.61	119.90	108.10	85.17	68.88	52.21	42.04	30.35	25.70	14.36
NET ASSETS EMPLOYED	1205.00	1157.62	1105.24	1115.18	774.80	543.23	241.50	210.28	182.50	149.79	109.69	102.23	85.12	62.89	57.36	46.09
Debt-Equity Ratio	0.56:1	0.54:1	0.51:1	0.42:1	0.95:1	1.54:1	1.33:1	1.25:1	1.40:1	1.36:1	1.60:1	2.20:1	2.29:1	2.15:1	2.28:1	2.03:1
AMOUNT ON FACE VALUE OF Rs.10/-																
Earnings Per Share	1.45	1.49	---	2.65-	7.09\$	6.0	3.5 #	10.5	8.3	9.1	4.9	3.4	2.9	0.9	1.1	---
Dividend	0.60	0.50	0.50	1.20 +	1.20\$	1.0	0.9 #	1.8	1.8	1.8	*1.8	1.5	1.0	0.5	---	---
Book Value	26	25	24	26	67 \$	36	27 #	48	39	32	22	21	17	13	13	8.7 @

* Pro-rata on Right Share Issue

@ Accumulated loss considered

On enlarged Capital after issue of Bonus shares in the ratio of 1:1

\$ on sub-divided share of Rs.10/- each.

- Annualised

+ Prorata On enlarged Capital, and after issue of Bonus shares in the ratio of 2:1

& Inclusive of Extra Ordinary item of Income of Rs. 21.14 lacs.



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GENERATION AND DISTRIBUTION OF VALUE ADDED

	1997-98		(Rs. in lacs) 1996-97	
	%	Rs.	%	Rs.
GENERATION				
Sales and other income		1784.11		1417.44
Less: Cost of Material & Service		1353.89		1031.37
Net Value Addition	100	430.22	100	386.07
DISTRIBUTION				
Employees	58	249.44	55	212.68
Income Tax	2	10.00	2	7.00
Interest	19	80.30	21	79.80
Dividends/Corporate Tax	4	19.80	4	16.50
Depreciation	11	46.93	11	41.75
Retained Earnings	6	23.75	7	28.34
	100	430.22	100	386.07

SIGNIFICANT FINANCIAL RATIOS

		1998	1997
MEASUREMENT OF INVESTMENT			
1. PBIT to Capital Employed	%	11.10	11.37
2. Earning per share *	Rs.	1.45	1.49
3. Dividend/Net Profit	%	41.33	33.45
4. Dividend Cover	Times	2.20	2.72
MEASUREMENT OF PERFORMANCE			
1. Profit/Turnover	%	3.04	3.77
2. Turnover/Net Fixed Assets	Times	2.58	2.00
3. Stock Turnover	Times	4.27	4.00
4. Debtors Turnover	Times	4.22	3.97
5. Debtors as number of day's sale	Days	86	92
6. Interest Cover	Times	1.66	1.65
MEASUREMENT OF FINANCIAL STATUS			
1. Debt Equity Ratio	Ratio	0.56:1	0.54:1
2. Current Ratio	Ratio	1.36:1	1.38:1



NOTICE

Notice is hereby given that the Eighteenth Annual General Meeting of Shareholders of SPAN DIAGNOSTICS LTD. will be held at Registered Office at Plot No 173-B, New Industrial Estate, Road No.6-G, Udhna Udyognagar, Udhna - 394 210. (Surat) on Friday, the 18th day of September 1998 at 11.00 A.M. to transact the following business :-

1. To consider and adopt the audited Balance Sheet as at 31st March, 1998 and the Profit and Loss Account for the year ended on that date and the Directors' and Auditors' Report thereon.
2. To declare a dividend.
3. To appoint Director in place of Dr. S.P.Amin, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Director in place of Shri P.R.Gandhi, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Director in place of Shri C.R.Gandhi who retires by rotation and being eligible, offers himself for reappointment.
6. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration. M/s. Y.B.Desai and Associates, Chartered Accountants are eligible for reappointment.
7. Special Business :

To consider and, if thought fit, to pass, with or without modification, the following resolution as a **Special Resolution** :

RESOLVED that in accordance with the provisions of Sections 198, 269, 309, 314 and other applicable provisions of the Companies Act 1956, the company hereby accords its consent to the reappointment of Dr. P.K.Desai as Whole-time Director for a period of 5 years w.e.f. 1.4.98 on the undermentioned terms of Remuneration.

- a) **Salary** : Rs.30,000/- per Month in the grade of Rs.30000-5000-60000.
- b) **Commission** : Subject to the ceilings stipulated in sections 198 and 309 of the Act, such percentage of the net profits of the Company or such quantum, as may be determined by the Board of Directors.
- c) **Perquisites** : Perquisites shall be restricted to an amount equal to the annual salary or Rs.4,50,000 per annum whichever is less.
 - i. **Housing** : HRA at 10% of salary.
 - ii. **Medical Reimbursement** : Reimbursement of expenses incurred for self and family subject to a ceiling of one month's salary in a year or three months salary over a period of three years.
 - iii. **Leave Travel Concession** : Leave Travel Concession for self and family, once in a year incurred in accordance with the rules of the company.

- iv. **Entertainment Expenses** : Dr. P.K.Desai shall be entitled to reimbursement of entertainment, travelling and other expenses incurred in the course of legitimate business of the company.
- v. **Personal Accident Insurance** : Personal Accident Insurance of an amount, the annual premium of which shall not exceed Rs.4,000/-.
- vi. **Club Fees** : Subject to a maximum of two clubs. This will not include admission and life membership fees.
- vii. **Company's Contribution** : Company's Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- viii. **Gratuity** as per the rules of the Company but shall not exceed half month's salary for each completed year of service.
- ix. **Car for use on Company's business** and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the company to the Whole-time Director.
- x. **Earned Leave** : On full pay and allowances as per the rules of the company, but not exceeding one month's leave for every eleven months of service, subject to the further condition that leave accumulated but not availed of will not be allowed to be encashed beyond eight months.

Resolved further that in the event of loss or inadequacy of profits in the company, Dr. P.K.Desai shall be entitled to remuneration by way of salary and perquisite not exceeding the limits specified in schedule XIII to the Companies Act, 1956

Resolved further that the Board of Directors be and are hereby authorised to take such steps as may be necessary, expedient or desirable to give effect to this resolution.

8. To consider and, if thought fit, to pass, with or without modification, the following resolution as a **Special Resolution** :

RESOLVED THAT pursuant to Section 314(1) of the Companies Act 1956, and all other applicable provisions if any, of the said Act, and subject of approval of Central Government, if any, the Company do hereby accord consent and approves terms of appointment of Shri Praful R. Gandhi Director of the Company as Management Consultant on a fees not exceeding Rs. 25,000 per month plus actual out of pocket expenses for rendering Service in respect of Finance and Business Management in his capacity as Management Consultant with effect from 01-10-1998 for a period of 3 years.

9. To consider and, if thought fit, to pass, with or without modification, the following resolution as a **Special Resolution** :

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RESOLVED THAT in accordance with the provisions of Section 81 and all other applicable provisions, if any, of the Companies Act, 1956, and enabling provisions in the Memorandum and Articles of Association of the Company and Listing Agreement(s), entered into by the Company with the Stock Exchange(s) where the shares of the Company are listed and subject to the approval of the Securities & Exchange Board of India (SEBI), Reserve Bank of India (RBI) and all other concerned authorities and departments, if and to the extent necessary and such other approvals, permissions and sanctions, as may be required and subject to such conditions and modifications as may be prescribed or imposed by any of them in granting such approvals, permissions and sanctions, and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any duly authorised committee thereof for the time being exercising the powers conferred on the Board by this resolution), the consent of the Company be and is hereby accorded to the Board to offer/issue/allot in accordance with applicable guidelines/regulations, as may be permissible in law, now or at any time hereafter, Debentures, whether secured or unsecured, with option to convert or otherwise as the Board in its sole discretion may at any time hereafter decide, to domestic any/or foreign investors including Foreign Institutional Investors (FIIS), Non-resident Indians (NRIs), Overseas Corporate Bodies (OCBs), Mutual Funds (domestic and foreign), Indian Financial Institutions, employees of the Company or any other company and/or any other persons, as the Board may decide, whether members of the Company or not through public issue, and/or right issue and/or private placement or preferential allotment and/or otherwise and in one or more tranches and on such terms and conditions, at such price or prices, rate of interest (whether payable in India rupees or in foreign currencies) such security, date of redemption, right of conversion into equity shares and such other terms and conditions as may be decided by the Board in accordance with applicable guidelines/regulations, if any, and in such manner as the Board may in its sole discretion think fit upto a maximum limit of Rs.300 lacs (Rupees Three hundred lacs only) in terms of face value.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do, perform and execute all such acts, Debenture Trust deeds, matters and things, appointment of Debenture Trustees as it may in its absolute discretion deem necessary, proper or desirable and to settle any questions, difficulties or doubt that may arise in regard to the offer, issue, allotment and utilisation of the issue proceeds of Debentures as it may deem fit.

Registered Office :
173-B, New Industrial Estate,
Road No. 6-G, Udhna -394 210.
Dated : 24th July, 1998.

By Order of the Board
(Pankaj Ajmera)
Secretary

Note:

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY DULY COMPLETED MUST BE RETURNED SO AS TO REACH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE AFORESAID MEETING.
- (b) The Register of Members and the share transfer books of the company will remain closed from 7th September, 1998 to 18th September, 1998 both days inclusive.
- (c) An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 relating to Special business is annexed hereto.
- (d) Dividend as recommended by the Directors for the year ended 31st March, 1998, if declared will be payable to those shareholders whose names appear in the Register of members as at the close of business on 18th September, 1998 and the dividend warrants will be posted to them on or after the date of AGM.
- (e) Members who are holding shares in identical order of names in more than one account are requested to intimate to the IIT Corporate Services Limited, IIT House, Off. M.Vasanji Road, Opp. Vazir Glass, Near J.B. Nagar, Andheri (East), Bombay-400 059, the ledger folio of such accounts together with the Share Certificates to enable the Company to consolidate all the holdings into one account. The share certificates will be returned to the members after making the necessary endorsement in due course.
- (f) Members are requested to bring their copy of the Annual Report to the Annual General Meeting. As a measure of economy no extra copies of the Annual Report will be supplied at the meeting.
- (g) Members are requested to notify any change in their Address to the Company.
- (h) With a view to preventing fraudulent encashment of dividend warrants, members are advised to furnish to the company particulars of their bank account with a request to incorporate the same in the dividend warrant. A recommended format is enclosed for use of the members.
- (i) Members seeking further information on the Accounts or any other matter contained in the notice, are requested to write to the Company at least 7 days before the meeting so that relevant information can be kept ready at the meeting.

ANNEXURE TO THE NOTICE UNDER SECTION 173 OF THE COMPANIES ACT 1956.

Resolution at Item 7.

The term of Dr. Pradip K Desai as Whole-time-Director expired on 31st March, 1998. The Board of Directors at their meeting held on 14th March, 1998 have approved the reappointment of Dr. P.K.Desai as Whole-time Director for a further period of 5 years on the terms and conditions contained in draft agreement, subject to the approval of shareholders.



The Agreement referred to in the resolution at Item No.7 of the accompanying Notice sets out the remuneration and other terms and conditions applicable to Dr. P.K.Desai upon his re-appointment as aforesaid.

The Director Recommend the resolution for approval of members. None of the other Directors except Smt. L.P.Desai, Shri V.P.Desai and Shri S.G.Kazi of the company are concerned or interested in the resolution.

Resolution at Item 8.

Shri Praful R.Gandhi is a Director of the company. He is by qualification Cost Accountant and having 35 years experience in the field of Finance & Business Management and Administration etc. He recently retired from service of a reputed business house. It would be in the interest of the company to avail of his expert knowledge and experience by appointing him as Management Consultant and to compensate him suitably @ not exceeding Rs.25,000 per month plus actual out of pocket expenses incurred by him in connection with the performance of his duties as consultant and on the terms & conditions contained in draft agreement. Under the provision of Section 314 of the Companies Act 1956, the professional fees payable to Director as Management consultant would amount to holding office or place of profit which will require a special resolution u/s 314 and prior permission of Central Government.

The Director Recommend the resolution for approval of members. None of the other Directors except Shri C.R.Gandhi of the company are concerned or interested in the resolution.

Resolution at Item 9.

To augment its long term capital requirements, in order to finance the growing volume of business, your Company is contemplating raising of moneys by issue of Debentures upto Rs.3 crore in terms of face value. The resolution proposes to enable the Company to offer/issue/allot the Debenture in accordance with applicable guidelines/rules at such time and in such manner on such terms and conditions as the Board may in its absolute discretion think fit.

The resolution also gives adequate flexibility and discretion to the Board to issue Debentures share in such tranche or tranches at such time or times and on such terms and conditions as the Board may in its absolute discretion deem fit.

None of the Director (except to the extent of their shareholding in the Company) is in any way, concerned or interested in the above resolution.

Registered Office :

173-B, New Industrial Estate,
Road No. 6-G, Udhna -394 210.

Dated : 24th July, 1998.

By Order of the Board

(Pankaj Ajmera)

Secretary

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DIRECTOR'S REPORT

To,
The Shareholders,

Your Directors have pleasure in presenting the **EIGHTEENTH** Annual Report of the Company together with the Audited Accounts for the year ended on 31st March, 1998.

1. FINANCIAL RESULTS :

	(Rs. in lacs)	
	1997-98	1996-97
Sales and other income	1784.11	1396.29
Profit before Depreciation	100.48	72.44
Depreciation	46.93	41.75
Profit before tax	53.55	30.69
Provision for Tax	10.00	7.00
NET PROFIT FOR THE YEAR	43.55	23.69
Balance brought forward	5.24	-
Extra ordinary item and		
Tax Adjustment of earlier year	(1.41)	15.32
Short Provision written back	1.09	2.73
	48.47	41.74
APPROPRIATIONS		
Proposed Dividend	18.00	15.00
Corporate Dividend Tax	1.80	1.50
Transfer to General Reserve	20.00	20.00
Balance carried forward	8.67	5.24
	48.47	41.74

2. OPERATIONS :

The Sales and other Income for the financial year under review were Rs.1784.11 lacs as against Rs.1396.29 lacs in the previous year registering increase of 28%. The Profit after tax amounted to Rs.43.55 lacs as against Rs.23.69 lacs in the previous year. The company's turnover continued to grow. The volume and value achievement were due to strategic marketing planning and alliances, focus on better product-mix, increased availability of Products in markets. The impressive growth in sales of 'MUREX' products and Instruments contributed to higher sales Income. During the year all the major product groups registered significant growth. However the margins were under pressure due to gradual devaluation of rupee during the year under review. The intense competition in market place also did not permit any price revision to pass on the resultant cost escalation.

3. DIVIDEND

Your Directors recommend a payment of dividend at 6% on equity shares of the company to the members, whose name appear on the Register of Members as on 18th September, 1998.

4. FIXED DEPOSITS

At the close of the year there were no fixed deposits due for payment which remained either unclaimed or unpaid. There were no claims as against the deposits outstanding as at the close of the year and the Company had complied with all the requirements of the Companies (Acceptance of Deposits) Rules, 1975.

5. OUTLOOK FOR THE CURRENT YEAR

During the current year also company expects to maintain the tempo of growth in its turnover. Company plans to launch several new products developed by its R & D Center such as One step Lateral Chromatography Based Assay for monitoring of Pregnancy and Hepatitis to be marketed under the brand name of CRYSTAL as well as HIV Flow Through. The Continuation distributorship arrangement with Murex Biotech U.K. Ltd. which is now subsidiary of Abbott Diagnostics USA will also generate substantial business from the niche market of the Blood Bank Segment.

Barring unforeseen circumstances, your company expects to perform better both in terms of sales growth and profitability.

6. NEW PRODUCTS

For the ensuing year, company proposes to launch HIV-1 RT test which will help consulting clinician to monitor administration of drugs for the AIDS patient. HLA typing test will be introduced for selecting matching donor for organ transplant.

Your company is in the process of obtaining technology transfer for production of stained suspension. This in vivo staining technology will improve on specificity as well as sensitivity of product. With this technology SPAN will initially launch salmonella stained suspension for diagnosis of Typhoid.

Your company has initiated process of upgrading its manufacturing facility at Sachin for manufacture of CRYSTAL range of products. For this project your company has applied for financial assistance to ICICI under PACT-CRH Programme.

7. CONSERVATION OF ENERGY

The particulars are as per Annexure 'A'

8. RESEARCH AND DEVELOPMENT

The particulars are as per Annexure 'B'

9. DIRECTORS

Dr. S.P.Amin, Shri P.R.Gandhi and Shri C.R.Gandhi Directors of the company retire by rotation at the ensuing General Meeting and being eligible offer themselves for reappointment. The term of Dr. P.K.Desai as Whole-time-Director expired on 31.3.98. Directors recommend re-appointment of Dr. P.K.Desai for further period of 5 years on terms of remuneration as included in Notice of the General Meeting read with the Explanatory Statement.

10. AUDITORS QUALIFICATION

The Auditors observation regarding non provision of gratuity liability has been adequately explained in Note No.4 to Schedule 17 to Accounts and is self explanatory.

11. PERSONNEL

The industrial relations were by and large cordial. The annexure regarding particulars of employees under section 217(2A) of the Companies Act 1956, is enclosed.