

Span Diagnostics Ltd.



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SPAN

**19th Annual Report
1998-99**



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 P. R. Gandhi <i>Director</i> Shri Sanjay N. Mehta <i>Director</i> Dr. Suresh D. Desai <i>Director</i> Shri Shirish R. Mehta <i>Director</i> Shri C. R. Gandhi <i>Director</i> Dr. S. P. Amin <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, 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, (East), Mumbai-400 068. 3. 60/2, E.S.I. Hospital Road, Brindaban Garden, Sahibabad, Dist : Ghaziabad-201 005. 2. 23 Mallikarjuna Swamy Temple Road, Natkalpa Circle, Basavanagudi, Bangalore - 560 004. 4. AE-335, Salt Lake City, Sector-1, Calcutta-700064 5. No. 18, II Main Road, Kottur Gardens, Kotturpuram, Chennai - 600 85.	

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NOTICE

Notice is hereby given that the Nineteenth 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 24th day of September 1999 at 11.00 A.M. to transact the following business :-

1. To consider and adopt the audited Balance Sheet as at 31st March, 1999 and the Profit and Loss Account for the year ended on that date and the Directors' and Auditors' Report thereon.
2. To appoint Director in place of Shri.S.R.Mehta, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Director in place of Shri.S.N.Mehta, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Director in place of Mrs.L.P.Desai who retires by rotation and being eligible, offers herself for reappointment.
5. 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.
6. Special Business :

To consider and, if thought fit, to pass, with or without modification, the following resolution as an **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 Shri V.P.Desai as Executive Director for a period of 5 years w.e.f. 1.4.99 on the undermentioned terms of Remuneration.

- a) **Salary** : Rs.20,000/- per Month in the grade of Rs.20000-3000-50000.
- 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** : House Rent Allowance 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** : Shri V.P.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 Executive 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 ten months.

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

Registered Office :

173-B, New Industrial Estate, _____

Road No. 6-G, Udhna - 394 210 _____

Dated : 28th July, 1999.

By Order of the Board

(Pankaj Ajmera)

Secretary



Span Diagnostics Ltd.

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 11th September, 1999 to 24th September, 1999 both days inclusive.
- (c) An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 relating to Special business is annexed hereto.
- (d) 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 togetherwith 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.
- (e) 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.

- (f) Members are requested to notify any change in their Address to the Company.
- (g) 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 6.

The term of Shri Veeral P Desai as Executive Director expired on 31st March, 1999. The Board of Directors at their meeting held on 26th March, 1999 have approved the reappointment of Shri V.P.Desai as Executive 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.6 of the accompanying Notice sets out the remuneration and other terms and conditions applicable to Shri V.P.Desai upon his reappointment as aforesaid.

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

Registered Office :
173-B, New Industrial Estate,
Road No. 6-G, Udhna -394 210.
Dated : 28th July, 1999.

By Order of the Board
(Pankaj Ajmera)
Secretary

FINANCIAL HIGHLIGHTS

	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985
	(Rs. in lacs)														
OPERATING RESULTS															
Sales & Other Income	1907.33	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
Profit before Depreciation															
Investment Allow. Reserve	59.66	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
Depreciation	49.21	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
Investment Allw. Reserve	---	---	---	---	---	---	---	---	---	---	---	---	3.05	2.85	1.85
Tax	2.50	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
Profit/(Loss) after tax	7.95	43.55	44.84	(31.20)	48.86	42.29	35.52	13.75	20.45	16.26	17.82	9.47	5.37	4.45	1.39
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	7.95	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
SOURCES AND APPLICATION OF FUNDS															
Source of funds															
Share Capital	300.01	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
Reserves and surplus	475.91	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
Loans	556.85	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
FUNDS EMPLOYED	1332.77	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
Fixed Assets (Net)	679.39	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
Investments	0.28	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
Current Assets (Net)	653.10	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
NET ASSETS EMPLOYED	1332.77	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
Debt-Equity Ratio	0.72:1	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
AMOUNT ON FACE VALUE OF Rs.10/-															
Earnings Per Share	0.26	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
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	26	25	24	26	67 \$	36	27 #	48	39	32	22	21	17	13

* Pro-rata on Right Share Issue

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.



DIRECTOR'S REPORT

To,
The Shareholders,

Your Directors have pleasure in presenting the NINETEENTH Annual Report of the Company together with the Audited Accounts for the year ended on 31st March, 1999.

1. FINANCIAL RESULTS :

	(Rs. in lacs)	
	1998-99	1997-98
Sales and other income	1907.33	1784.11
Profit before Depreciation	65.13	100.48
Depreciation	49.21	46.93
Profit before tax & Extra ordinary Item	15.92	53.55
Extra ordinary Item-Loss on sale of Assets	5.47	---
Provision for Tax	2.50	10.00
NET PROFIT FOR THE YEAR	7.95	43.55
Balance brought forward	8.67	5.24
Tax Adjustment of earlier year	(0.56)	(1.41)
Short Provision written back	0.69	1.09
	16.75	48.47
APPROPRIATIONS		
Proposed Dividend	---	18.00
Corporate Dividend Tax	---	1.80
Transfer to General Reserve	---	20.00
Balance carried forward	16.75	8.67
	16.75	48.47

2. OPERATIONS :

The Sales and other Income for the financial year under review were Rs. 1907.33 lacs as against Rs. 1784.11 lacs in the previous year registering increase of about 7%. The Profit after tax amounted to Rs. 7.95 lacs as against Rs. 43.55 lacs in the previous year. The general economic slow down and liquidity crunch in the market affected sales growth. The Margins were also under pressure due to weakening 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. Moreover the extra burden in wage bill due to settlement with workers union as well as and inflationary rise in expenses also had adverse impact on profitability.

3. DIVIDEND :

In view of marginal profit and in order to conserve resources, the Board have thought it prudent not to recommend dividend for the year under review.

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 company expects significant growth in terms of sales from Crystal hCG One Step Assay which was launched in January 99, by offering test at competitive price and capturing significant market share which is mostly

dominated by imported products. Market potential products like HIV flow through, HCV flow through assay will be launched in second half of 1999-2000 which will give significant boost to sales and profitability.

Company has strengthened its relation with business partners like Abbott Diagnostic Division, USA by increasing sales of their products. Very shortly our company will launch Precision Q.I.D. Meters and electrodes for point of care testing of Blood Glucose which has great potential in Indian market. A i-Stat portable clinical chemistry analyser will be launched in near future which offers unique facility of performing stat test like blood gas, electrolytes at point of care mainly in ICU, ICCU. With launch of these products, growth in sales and profitability will improve.

6. CONSERVATION OF ENERGY

The particulars are as per Annexure 'A'

7. RESEARCH AND DEVELOPMENT

The particulars are as per Annexure 'B'

8. DIRECTORS

Shri. S.R. Mehta, Shri. S.N. Mehta and Smt. L.P. Desai Directors of the company retire by rotation at the ensuing General Meeting and being eligible offer themselves for reappointment. The term of Shri. V.P. Desai as Executive Director expired on 31.3.99. Directors recommend re-appointment of Shri. V.P. Desai for further period of 5 years on terms of remuneration as included in Notice of the General Meeting read with the Explanatory Statement.

9. Y2K COMPLIANCE :

The Company has an active programme of ensuring Y2K compliance in all its systems. The Company expects implementation before the end of September 1999. However the cost involved is insignificant. In view of this, the management is of the opinion that the problem of Y2K will not vitiate the assumption of going concern.

10. PERSONNEL :

The industrial relations were by and large cordial. There are no employees drawing remuneration in excess of limits specified under section 217(2A) of the Companies Act 1956, read with companies (particulars of employees) Rules 1975.

11. AUDITORS :

The members are requested to appoint auditors for the current year. M/s. Y.B. Desai and Associates, Chartered Accountants, the existing Auditors have furnished the company with their written Certificate under sub-section (1-B) of section 224 of the Companies Act, 1956 of their eligibility for reappointment.

12. ACKNOWLEDGEMENT :

Your Directors are happy to place on record their appreciation of the whole-hearted co-operation and hard work of all members of SPAN family.

The Directors would like to place on record a deep sense of gratitude to the State Bank of India, Udhna Udyog Nagar Sahakari Sangh Limited and Gujarat State Financial Corporation for their co-operation and assistance rendered to the Company.

For and on behalf of the Board

Place : Surat
Dated : 28th July, 1999.

(DR. P. K. DESAI)
Chairman