



Span Diagnostics Ltd.

25TH ANNUAL REPORT 2004-2005



Span Diagnostics Ltd.

FINANCIAL HIGHLIGHTS

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
(Rs. in lacs)										
OPERATING RESULTS										
Sales & Other Income	4187.60	3535.01	2731.16	2768.41	2068.56	1690.30	1907.33	1784.11	1417.44	1347.25
Profit/(Loss) before Depreciation	303.25	422.89	175.15	202.31	68.88	(30.68)	59.66	100.48	93.59	5.68
Depreciation	83.44	68.65	53.38	51.05	47.76	50.84	49.21	46.93	41.75	36.88
Tax	71.28	133.25	48.31*	49.01*	—	—	2.50	10.00	7.00	—
Profit/(Loss) after tax	148.53	221.00	73.47	102.26	21.12	(81.52)	7.96	43.55	44.84£	(31.20)
Dividend	45.00	54.00	36.00	36.00	—	—	—	18.00	15.00	15.00
Corporate Dividend Tax	6.31	6.92	4.61	—	—	—	—	1.80	1.50	—
Retained Profits	97.22	160.08	32.86	66.26	21.12	—	7.96	23.75	28.34	—
SOURCES AND APPLICATION OF FUNDS										
Source of funds										
Share Capital	300.01	300.01	300.01	300.01	300.01	300.01	300.01	300.01	300.01	300.01
Reserves and surplus	712.76	608.81	462.83	430.55	408.26	390.07	475.91	472.60	452.35	430.55
Loans	1309.41	1150.21	840.73	688.16	616.00	561.71	556.85	432.39	405.26	374.68
FUNDS EMPLOYED	2322.18	2059.03	1603.57	1418.72	1324.27	1251.79	1332.77	1205.00	1157.62	1105.24
Fixed Assets (Net)	1189.93	965.20	737.12	684.78	647.56	666.35	679.39	683.74	686.15	599.24
Investments	0.27	0.38	0.38	0.36	0.36	0.28	0.28	0.18	0.18	0.10
Current Assets (Net)	1131.98	1093.45	866.07	733.58	676.35	585.16	653.10	521.08	471.29	505.90
NET ASSETS EMPLOYED	2322.18	2059.03	1603.57	1418.72	1324.27	1251.79	1332.77	1205.00	1157.62	1105.24
Debt-Equity Ratio	1.23:1	1.18:1	1.10:1	0.93:1	0.87:1	0.81:1	0.72:1	0.56:1	0.54:1	0.51:1
AMOUNT ON FACE VALUE OF Rs.10/-										
Earnings Per Share	5.22	6.96	2.50	3.41	0.70	—	0.26	1.45	1.49	—
Dividend	1.50	1.80	1.20	1.20	—	—	—	0.60	0.50	0.50
Book Value	34	30	25	24	24	23	26	26	25	24

* Includes Deferred Tax

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

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

Span Diagnostics Ltd.

BOARD OF DIRECTORS	: Smt. Lata P. Desai	<i>Chairperson</i>
	Dr. Pradip K. Desai	<i>Whole-time Director</i>
	Shri Veeral P. Desai	<i>Managing Director</i>
	Dr. Madhukanta T. Patel	<i>Technical Director</i>
	Smt. Sujata V. Desai	<i>Executive Director</i>
	Shri Praful R. Gandhi	<i>Director</i>
	Shri Sanjay N. Mehta	<i>Director</i>
	Dr. Pranav S. Desai	<i>Director</i>
	Shri. Sarvajna G. Kazi	<i>Director</i>
	Dr. Sushil K. Shah	<i>Director</i>
	Dr. Ramnik H. Parekh	<i>Director</i>
COMPANY SECRETARY	: Mr. Pankaj Ajmera	
BANKERS	: State Bank of India Specialised Commercial Branch, Kiran Chambers, Opp. J. K. Tower, Ring Road, Surat - 395 002.	
AUDITORS	: M/s. Y. B. DESAI & ASSOCIATES <i>Chartered Accountants, Surat.</i>	
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	: MCS Limited, Shri Venkatesh Bhawan, Plot No. 27, Road No. 11, M.I.D.C. Andheri (East), Mumbai-400 093.	
BRANCH OFFICES	: 1. Town Center # 303 Andheri - Kurla Road, Marol Andheri (East) Mumbai-400 059. 2. 23 Mallikarjuna Swamy Temple Road, Natkalpa Circle, Bangalore - 560 004. 3. C-71, Shalimar Garden, Extention-II, Shahibabad, Ghaziabad-201 005. 4. 'Lake Town Complex'. Shivam Appt., Block-D 862(986/1), Jessore Road, Kolkata - 700 055.	
LISTING OF EQUITY SHARES (Listing Fees Paid)	: 1. The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers, 25th Floor, Dalal Street, Mumbai - 400 001. 2. Vadodara Stock Exchange Ltd. Fortune Towers, P. B. No. 2547 Sayajigunj, Vadodara - 390 005.	

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NOTICE

Notice is hereby given that the 25th 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 Saturday the 17th day of September 2005 at 11.00 A.M. to transact the following business:-

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2005 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint Director in place of Smt.L.P.Desai who retires by rotation and being eligible, offers herself for reappointment.
4. To appoint Director in place of Shri.S.G.Kazi who retires by rotation and being eligible, offers himself 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. The retiring Auditors M/s. Y.B.Desai and Associates, Chartered Accountants are eligible for reappointment.

Registered Office :

173-B, New Industrial Estate,
Road No. 6-G,
Udhna -394 210. (Surat)
Dated : 29th June, 2005.

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, 2005 to 17th September, 2005 both days inclusive.
- (c) In view of MCS Ltd. being appointed as the Registrar and share Transfer Agents of the Company, Shareholders are requested to address all correspondence to them at the following address.

MCS Limited
Unit : Span Diagnostics Limited
Sri Venkatesh Bhavan, Plot No.27 Road No.11, M.I.D.C. Area, Andheri (East) Mumbai 400 093
Tel. No. 022-28215235 Fax No.022-28350456
Email : mcsnum@vsnl.com

- (d) Dividend as recommended by the Directors for the year ended 31st March, 2005, if declared will be payable to those shareholders whose names appear in the Register of members as at the close of business on 17th September 2005 and the dividend warrants will be posted to them on or after the date of AGM.
- (e) Members are advised to avail of the facility for receipt of future dividends through Electronic Clearing Service (ECS). The ECS facility is available at the specified locations. Members holding shares in dematerialized mode are requested to contact their respective Depository Participants (DPs) for availing ECS facility. Members holding shares in physical form and desirous of availing ECS facility are requested to write to the Company for details.
- (f) Members who are holding shares in identical order of names in more than one account are requested to intimate to the MCS Limited, Sri Venkatesh Bhavan, Plot No.27, Road No.11 M.I.D.C. Area, Andheri (East), Mumbai 400 093. 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.
- (g) 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.
- (h) Members are requested to notify any change in their Address to the Company.
- (i) 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 to the members.
- (j) 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.
- (k) Details under clause 49 of the listing Agreement with stock exchanges in respect of Directors seeking appointment / re-appointment at the Annual General Meeting are furnished in the Report on Corporate Governance published in this Annual Report.

Registered Office :

173-B, New Industrial Estate,
Road No. 6-G,
Udhna -394 210. (Surat)
Dated : 29th June, 2005.

By Order of the Board

(Pankaj Ajmera)
Secretary



Annual Report 2004-2005

DIRECTORS' REPORT

To,
The Shareholders,

Your Directors have pleasure in presenting the 25th Annual Report of the Company together with the Audited Accounts for the year ended on 31st March, 2005.

1. FINANCIAL RESULTS

	2004-2005	(Rs. in lacs) 2003-2004
Sales and other Income	4187.60	3535.00
Profit before Depreciation	303.25	422.89
Depreciation	83.44	68.64
Profit before tax	219.81	354.25
Provision for tax - Current	62.60	122.00
- Deferred Tax	8.68	11.25
NET PROFIT FOR THE YEAR	148.53	220.99
Balance brought forward	66.02	18.03
Tax Adjustment of earlier years	5.81	(7.89)
Prior Period Adjustments	2.20	(4.19)
	<u>222.56</u>	<u>226.94</u>
APPROPRIATIONS		
Proposed Dividend	45.00	54.00
Dividend Distribution tax	6.31	6.92
Transfer to General Reserve	100.00	100.00
Balance carried forward	71.25	66.02
	<u>222.56</u>	<u>226.94</u>

2. DIVIDEND

Directors are pleased to recommend a dividend @ 15% (Rs.1.50 per share) on equity shares for the year under review. The Dividend, if approved, will be paid to eligible shareholders on 17th September 2005. The Dividend Distribution Tax borne by the company amounts to Rs.6.31 lacs.

3. MANAGEMENT DISCUSSION AND ANALYSIS

a) OPERATIONS

The sales and other income for the financial year under review were Rs.4187.60 lacs against Rs.3535.00 lacs in previous year registering a growth of about 18.46%. The turnover of manufactured diagnostic products have increased by 10.62% and growth of traded products is of about 23.54%. The key factor for this scenario was two new marketing divisions started in July 2004 and its successful operation. The profit after tax amounted to Rs. 148.53 lacs as against of Rs.220.99 lacs in previous year. The margins were under pressure due to increased competition in market place, change in product mix and strategic investment in marketing efforts whose benefit will accrue in ensuing year.

During the year, we successfully completed the major phase of expansion of manufacturing set-up by adding ultra modern clean room facility and administration block. We have relaunched our operations in Mumbai to fully tap the market potential in focused manner. This year we will be moving into new branch office at Kolkata to meet with the space requirement to match with growth in that region. Company continues to practice quality management system ISO 9001:2000 along with the implementation of Good Manufacturing Practices - (GMP) compliance as per "W H O" guidelines.

Last year we discontinued distribution of fine chemicals to concentrate more on our core business. We also discontinued distribution relationship with Abbott Diagnostics, since they decided to start their operations in India, which contributed to the extent of 10% of the total sales during last financial year. Despite discontinuing trading of some major products we could offset that loss with the timely induction of new divisions. However with the establishment of new division and induction of more sales staff, the selling cost has increased substantially. This year we also observed reduction in contribution due to more sales coming from institutional sales and trading products, where margins are lower. During



Span Diagnostics Ltd.

the year there was no major product introduced by our in-house R&D except in last quarter where we launched Malaria diagnosis test. However, in coming year we expect many of our ongoing research projects to be completed and will be launching those products.

During the year, company has sustained healthy quantity growth in existing manufactured product range in the extremely competitive scenario. In general last year was a step forward with consolidation of various business segments which will strengthen our presence in the segment of clinical diagnosis, which is presently undergoing major consolidation phase in India.

OUTLOOK

This year also we noticed the continuation of the trend observed during last year of the prices of products continuously going down and volume in terms of number of tests growing up by 20-25%. As India is gaining more and more importance due to stagnant market overseas, all major multinational companies are coming-up with more resources in terms of closed system instruments and offering long term contract to larger customers. However, due to diversity of the market in India there are sufficient growth prospects in every segment in which we have strong presence and we are increasing our penetration by innovative marketing strategies and our basic strength of R&D and indigenous state-of-the art production facility. This infrastructure is also offering us a strong foundation for growth in export market. We are going step-by-step in a structured manner towards building a global brand, which will hold key to success in future.

Assuming our role of a major Indian diagnostic manufacturer, we will continue restructuring and consolidating our position by building marketing strength every year without compromising on company's philosophy of indigenisation of products and technology and by offering various diagnostics products at affordable price to Indian Market.

b) INTERNAL CONTROL SYSTEM

The company is maintaining an adequate internal control system. The Internal Audit Department regularly conducts a review of the financial and operating controls at various places and levels in the company. Further the company has appointed audit committee which regularly reviews, external and internal audits and adequacy of internal control system. The company follows its well defined quality policy. Integrity and quality guides company's conduct towards its business partners, colleagues, shareholders and general public.

c) HUMAN RESOURCES

Your company currently employs about 506 employees comprising of well qualified persons trained in technical and managerial skills. It is company's first priority to enrich its employees by promoting learning and enhancing their knowledge by product training and arranging relevant training programmes.

The company continued to have cordial and harmonious relations with its employees and the Union.

There are no employees drawing remuneration in excess of limits specified under section 217(2A) of the Companies Act read with companies (particulars of employees) Rules 1975.

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. CONSERVATION OF ENERGY

The particulars are as per Annexure 'A'

6. RESEARCH AND DEVELOPMENT

The particulars are as per Annexure 'B'

7. New Registrar and Share Transfer Agents

The company had received intimation from M/S IIT Corporate Service Ltd. about its intention to discontinue R & T activities. After making detailed analysis of services provided by various RTAs, their experience, infrastructure facilities, the Board of Directors decided to appoint MCS Limited as the Registrar and Share Transfer Agents of the Company.

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8. DIRECTORS

Smt.L.P.Desai and Shri.S.G.Kazi, Directors of the company retire by rotation at the ensuing General Meeting and being eligible offer themselves for reappointment.

9. DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgements 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 ended 31st March 2005 and of the profit of the Company for that year;
- (iii) that the Directors had 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;
- (iv) that the Directors have prepared the annual accounts on a going concern basis.

10. CORPORATE GOVERNANCE

As a listed company, necessary measures are taken to comply with the listing agreements with Stock Exchanges. A report on Corporate Governance along with a certificate of compliance from the Auditors as per Annexure-C forms part of this Report

11. AUDITORS AND AUDITORS' REPORT

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. The Notes on accounts, referred to in the Auditor's Report, are self explanatory and therefore do not call for any further comments.

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, Government Authorities and Financial Institutions for their co-operation and assistance rendered to the Company.

For and on behalf of the Board

Place : Surat
Dated : 29th June, 2005

(L. P. Desai)
Chairperson

(Veeral P. Desai)
Managing Director



ANNEXURE 'A'

PARTICULARS PERTAINING TO CONSERVATION OF ENERGY

2004-05

2003-04

A. Power and fuel consumption

1 Electricity

a) Purchased

Unit (in '000 Kwh)

1199

1176

Total amount (Rs. in lacs)

58.15

56.37

Rate/unit (Rs.)

4.85

4.80

b) Own generation

i) Through Diesel generator

Unit (in '000 Kwh)

68

70

Unit per liter of diesel Oil

3.50

3.00

Cost/Unit (in Rs.)

7.90

7.80

ii) Through steam turbine/generator Unit

Unit per litre of fuel

Nil

Nil

Oil / Gas

Nil

Nil

Cost/Unit

2 Coal (Specify quality and where used)

Quantity (tonnes)

Nil

Nil

Total Cost

Average Rate

3 Light diesel oil Quantity (K. liters)

20,421

23,400

Total amount (Rs. in lacs)

5,677

5,478

Average Rate (Rs./K. ltr.)

27,809

23,412

4 Other/Internal generation

Total Cost

Nil

Nil

Rate / Unit

Nil

Nil

B. Consumption per unit of production

Standards (if any)

2004-2005

2003-2004

Products From the records and other books maintained
 Unit by the Company in accordance with the
 Electricity provisions of the Companies Act 1956, the
 Furnace Oil Company is not in a position to give the
 Coal information required as per this format for the
 Others current year as well as the previous year.

NOTE : Company's production activity is not energy intensive. However, regular steps are being taken to improve the energy conservation.

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ANNEXURE 'B'

Form of disclosure of particulars with respect to Absorption of Technology, Research & Development (R & D)

1. Specific areas in which R & D was carried out by the Company:

The company has In-house R & D unit which is recognised by the Department of Scientific and Industrial Research. The said R & D Unit provides significant support to the business through continuous innovation of products, processes, packaging modes and services. Full fledged R & D work is carried out in distinct new areas of development of Diagnostics products, reagent chemicals, packaging and analytical process.

2. Benefits derived as a result of the above R & D:

- Productivity and quality improvement.
- Product design and operating efficiencies
- Cost reduction.
- Import substitution of critical raw materials and Diagnostic reagents

3. Future plans:

- The R & D activity will continue to emphasise main area set out above and especially on the development of new technologies and new products and processes.

4. Expenditure on R & D

	31.03.2005 Rs.	31.03.2004 Rs.
Capital	17,923	800,153
Recurring	2,244,314	674,737
Total	2,262,237	1,474,890
Total R & D expenditure as percentage of total Turnover	0.56%	0.42%

Technology absorption, adaptation and innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation:

The processes for new formulations were adopted by modifying them to suit local equipments and raw materials specification. Innovations were made to improve the yield.

2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.

Cost reduction was achieved due to replacement of imported raw materials with indigenous raw materials developed by R&D.

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished.

	(i)	(ii)	(iii)
(a) Technology imported	For manufacture of Diagnostics Reagents for Hematology analyzers.	For manufacture of HCV Recombinant Antigen.	For manufacture of diagnostics kit for detection of Cholera
(b) Year of Import	2000	2003	2004
(c) Has the technology been fully absorbed	Yes	Yes	Yes
(d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.	Not Applicable	Not Applicable	Not Applicable

4. FOREIGN EXCHANGE EARNINGS AND OUTGO

	Rs. in Lacs
1. Total Foreign Exchange Earned	390.85
2. Total Foreign Exchange Outgo	1,331.58

For and on behalf of the Board

Place : Surat
Dated : 29th June, 2005

(L. P. Desai)
Chairperson

(Veeral P. Desai)
Managing Director



Annexure C
REPORT ON CORPORATE GOVERNANCE
FOR THE YEAR ENDED 31ST MARCH, 2005

The business objective of SPAN DIAGNOSTICS LTD. (SPAN) and that of its management and employee is to manufacture and market the Company's products in such a way so as to create value that can be sustained over the longer term for consumers, shareholders, employees, business partners and the national economy. SPAN is conscious of the fact that the success of a corporation is a reflection of the professionalism, conduct and ethical values of its management and employees. In addition to compliance with regulatory requirements, SPAN endeavours to ensure that highest standard of ethical conduct are met throughout the organization. Different environmental need specific solution to meet demand of legal compliances and regulations. However, there is a single thread which wears through tapestry of governance that the affairs of a company be controlled and regulated in a manner which is transparent, ethical and accountable.

BOARD OF DIRECTORS

Composition, Attendance at the Board Meetings and the last Annual General Meeting, Outside Directorship and other Board Committees.

Above information as on 31st March, 2005 or for the year 2004-05, as applicable is tabulated hereunder:

Director	No. of Board Meetings attended	Attendance at previous AGM on 21/08/2004	No. of outside Directorship held	No. of membership / chairmanship in other Board Committees	Executive, Non- Executive / Independent
Dr. P. K. Desai	6	Present	2	Nil	Executive
Mr. V. P. Desai	7	Present	1	1	Executive
Dr.M.T.Patel	6	Present	Nil	1	Executive
Mrs. S.V.Desai	6	Not Present	Nil	1	Executive
Mrs. L. P. Desai	7	Not Present	1	N.A.	Non Executive
Mr. P.R. Gandhi	3	Not Present	1	2	Non Executive & Independent
Mr. S. N. Mehta	6	Present	3	3	-do-
Mr. C. R. Gandhi@	1	Not Present	Nil		-do-
Dr. P. S. Desai	7	Present	Nil	-	Non Executive & Independent
Dr. N. S. Patel@@	1	Not Present	Nil	-	Non Executive & Independent
Mr. S. G. Kazi	-	Not Present	Nil	-	Non Executive & Independent
Dr.S.K.Shah	2	Not Present	1	1	Non Executive & Independent
Dr. R.H.Parekh#	3	Not Present	3	2	Non Executive & Independent

@ Shri.C.R.Gandhi. resigned as Director w.e.f. 05/05/2004.

@ @ Dr.N.S.Patel resigned as Director w.e.f. 01/05/2004.

Dr. R.H.Parekh was appointed as a Director w.e.f. 19/06/2004.

- 1) Shri S. N. Mehta, F.C.A. - Non-executive Director is a partner of M/s. Akkad Mehta & Co., Chartered Accountants who were paid professional fees of Rs.2.25 lacs for services rendered to the company during the year.
- 2) Shri P. R. Gandhi - Non-executive Director professionally qualified as practicing Cost Accountant, was paid professional fees of Rs.1.62 lacs for services rendered the company during the year.
- 3) Shri C. R. Gandhi - Non-executive Director professionally qualified as practicing Lawyer, was paid professional fees of Rs..0.25 lacs for services rendered the company during the year.