

Span Diagnostics Ltd.



29th Annual Report 2008-09



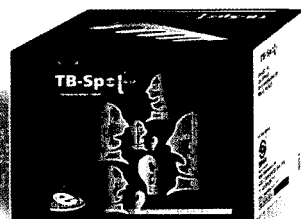
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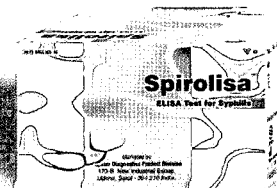


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T.B. Spot Ver. 3
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Spirolisa
ELISA



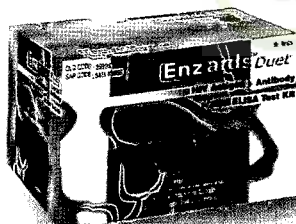
Mycowell
ELISA



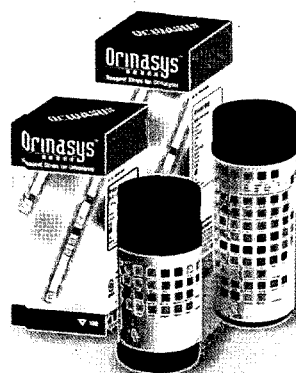
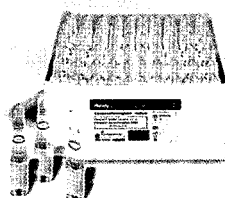
Handyspan Hb
Compact Digital Hemoglobinometer



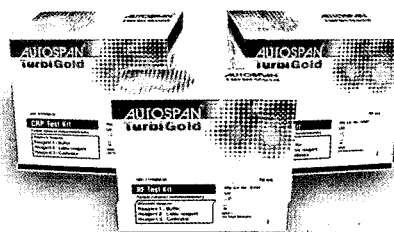
Enzaid's Duet
ELISA



Crystal MTb
Immunochromatographic Test



Orinasys
Urine Test Strips



Autospan Turbigold
Immunoturbidimetry Reagents



Signal HCV Ver. 2.0
Flow Through Test

BOARD OF DIRECTORS

Dr. Ramnik H. Parekh	Chairman
Smt. Lata P. Desai	Director
Dr. Pranav S. Desai	Director
Shri Shyamal Ghosh	Director
Shri Sarvajna G. Kazi (With effect from 28 April 2009)	Director
Shri Sanjay N. Mehta	Director
Dr. Sushil K. Shah	Director
Shri S.Sundaresan	Director
Shri Kamlesh Patel	Additional Director
Dr. Pradip K. Desai	Whole-time Director
Shri Veeral P.Desai	Managing Director
Dr. Madhukanta T. Patel	Technical Director

BANKERS

Kotak Mahindra Bank Ltd.
K.G. Point, Ghod Dod Road
Nr. Ganga Palace
Surat - 395 007

AUDITORS

M/s. Y. B. Desai & Associates
Chartered Accountants
Surat

**HEAD OFFICE &
REGISTERED OFFICE**

173-B, New Industrial Estate
Road No.6-G, Udyognagar
Udhna, Surat 394210, India

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NOTICE

To THE MEMBERS OF SPAN DIAGNOSTICS LIMITED

Notice is hereby given that the 29th Annual General Meeting of Shareholders of Span Diagnostics Limited will be held at Registered Office at Plot No 173-B, New Industrial Estate, Road No. 6-G, Udhna, Surat 394 210 on Friday, the 31st day of July, 2009 at 11.00 A.M. to transact the following business :-

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2009 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a director in place of Dr. R. H. Parekh who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a director in place of Dr. Pranav S Desai who retires by rotation and being eligible, offers himself for reappointment.
4. 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.

SPECIAL BUSINESS

5. To consider and, if thought fit to pass with or without modification, the following Resolution as an Ordinary Resolution. "RESOLVED THAT Mr. Sarvajna Kazi who was appointed as an Additional Director and holds office upto the date of this Annual General Meeting and in respect of whom the company has received a notice in writing from a member under the provisions of Section 157 of the Companies Act 1956 proposing his candidature for the office of a director, be and is hereby appointed as a Director liable to retire by rotation."
6. 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. Madhukanta T. Patel. as Whole-time Director designated as Technical Director for a period of 3 years w.e.f. 01-07-2009 on the under mentioned terms of Remuneration.
 - a) **Salary:** Rs.90000 per Month in the grade of Rs.90000 – 5000 – 125000 with increments effective from each year as may be decided by Board of Directors within above salary Scale.
 - b) Exgratia payment as per Rules of the Company.
 - c) **Perquisites:** Perquisites shall be restricted to an amount equal to the annual salary.
 - i. **Housing:** HRA at 10% of salary.
 - ii. **Medical Reimbursement :** Reimbursement of expenses incurred for self and family as per Rules of the Company.
 - 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.Madhukanta T. Patel shall be entitled to reimbursement of entertainment, traveling 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 be allowed to be encashed as per the rules of the Company.

Resolved further that in the event of loss or inadequacy of profits in the company Miss. Madhukanta T. Patel 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.

By Order of the Board
B V Mehta
Company Secretary

Registered Office: 173-B, New Industrial Estate
Road No. 6-G, Udhna, Surat 394 210
Date: 30th May 2009



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Notes:

- (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 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 21st July 2009 to 31st July 2009, both days inclusive.
- (c) An explanatory statement pursuant to Section 173 of the Companies Act, 1956 relating to Special Business is annexed hereto.
- (d) Link Intime India Private Limited (formerly known as Intime Spectrum Registry Limited) is the Registrar and share Transfer Agents of the Company, Shareholders are requested to make all correspondence including change of address to them at the following address.
- (e) Link Intime India Private Limited (formerly known as Intime Spectrum Registry Limited)
Unit: Span Diagnostics Limited
C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West)
MUMBAI 400 078
Phone # 022-25963838, Fax # 022-25946969
Email: isrl@intimespectrum.com
- (f) Members who are holding shares in identical order of names in more than one account are requested to intimate to Link Intime India Private Limited (formerly known as Intime Spectrum Registry Limited) at the address stated above with 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 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.

EXPLANATORY STATEMENT PURSUANT TO PROVISIONS OF SECTION 173 OF THE COMPANIES ACT 1956 AND INFORMATION PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT

Resolution at Item No. 5

The Board of Directors of the Company at its meeting held on 28th April 2009 has appointed Mr. Sarvajna Kazi as Additional Director.

Mr. Sarvajna Kazi is an Electrical Engineer and has done his masters in Computer Science. He has also done his MBA from Stanford University USA. He has wide experience in the field of management consultancy. He was on the Board until the last AGM but did not seek re-appointment at the last Annual General Meeting for the want of DIN. Since then the DIN has been allotted to him and he has conveyed his consent to join the Company's Board.

He holds 5000 (0.15%) shares in the company.

The company has received a notice in writing from a member under the provisions of section 157 of the Companies Act 1956 proposing his candidature for the office of a director.

None of the directors except Dr. P K Desai, Mrs. Lata Desai and Mr. Veeral Desai are interested in the appointment.

Resolution at Item No. 6

The term of Dr. (Ms.) Madhukanta T. Patel as Whole-time Director will expire on 30-06-2009.

At its meeting held on 30th May, 2009 the Board of Directors reappointed Dr. Madhukanta T. Patel as a Wholetime Director designated as Technical Director of the company for further period of three years with effect from 1st July, 2009. The terms and conditions of appointment are as set out in the resolution No. 6 of the accompanying notice.

Dr. Madhukanta T. Patel is by qualification M.Sc., Ph.D. from South Gujarat University. She is having vast experience of 36 years in the field of diagnostics. She is with the company since its inception. She is currently in charge of R&D, Overall production, Plant maintenance, Quality Management Systems. Her contribution to the growth of the company is immense.

This explanation with the accompanying notice is and should be treated as the abstract of the terms of appointment of Wholetime Director under Section 302 of the Companies Act, 1956.

The Board recommend approvals of the appointment of Dr. Madhukanta T. Patel as a Wholetime Director of the company.

None of the Directors of the company except Dr. M. T. Patel is anyway concerned or interested in the said resolutions.

By order of the Board

B V Mehta
Company Secretary



DIRECTORS' REPORT

To,
The Shareholders,

We take pleasure in presenting the 29th Annual Report of the Company together with the Audited Accounts for the year ended on 31st March 2009

FINANCIAL RESULTS

The financial performance of the company for the financial year ended 31st March 2009 along with figures of previous financial year is summarized below:

	2008-09	Rs. In lacs 2007-08
Sales and other Income	6956.14	6489.78
Operating Profit :	889.60	765.24
Profit before tax, Depreciation and interest (Excluding extraordinary income and Foreign exchange Gain/Loss)		
Interest	368.34	281.39
Foreign exchange (Gain/Loss)	106.78	(45.07)
Extraordinary (Income/Loss)	-	(118.70)
Profit before Depreciation	414.48	647.62
Depreciation	182.07	144.66
Profit before tax	232.41	502.96
Provision of tax - Current	43.50	176.70
- Deferred Tax	53.83	16.28
- Fringe Benefit Tax	12.90	10.32
Prior period adjustments including provision for tax	14.88	3.29
Profit for the year	107.30	296.37
Balance brought forward	338.83	138.67
Amount available for appropriation	446.13	435.04
APPROPRIATIONS		
Proposed Dividend	Nil	63.00
Dividend Distribution tax	Nil	10.71
Transfer to General Reserve	35.00	22.50
Balance carried forward	411.13	338.83
	446.13	435.04

DIVIDEND

Despite the global economic downturn which occurred during the year under review and despite adverse effect on account of exchange rate fluctuations to the tune of Rs. 106 lacs suffered during the year, your Company has performed reasonably well with good positive result. However, in view of the Company's upcoming projects for acquisition of new technologies to boost the future growth, the board has decided to conserve the available resources. Therefore the Board after detailed deliberations has reluctantly decided not to declare dividend this year in the long term interest of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry outlook

The landscape of in-vitro Diagnostic industry is progressing towards consolidation, where quality is taking a center-stage. The major forces which are driving this change can be attributed to factors such as increasing awareness at the patient level, structured marketing by laboratories and entry of multi-national Companies in the Indian market. To maintain the lead in the segment, Companies are required to sharpen their technical and marketing skills and implement better customer account management techniques.

As a manufacturer of diagnostic reagents, it is vital to take note that India is now on the threshold of being recognized as a contract manufacturing hub and significant revenue has been generated because of the same.

The global economic downturn has had a moderate impact on the industry. Mainly the capital intensive instrument business has been affected due to tighter credit norms and lack of liquidity in banking system, whereby some difficulty has been faced by customers during second half till February 2009. Despite the slowdown the estimated market growth is more than 10%.

Operations review

Sales & Other income for the year increased to Rs. 6956.14 Lacs (Rs.6489.78 lacs in 2007-08) showing a growth of 7% over previous year. During the year, the company executed tenders aggregating to Rs. 19 crores under various domestic and international programs to fight AIDS and Malaria.

During the year the Company suffered a significant loss on account of Exchange rate fluctuations to the tune of Rs. 106.78 lacs, as against a gain of Rs. 45.07 lacs in the year 2007-08. It is observed that sudden and stupendous fluctuations in Forex rates, has affected the economy in general and many companies in particular. Though the forex loss was suffered till December 2008, the company has gained / recovered part of the loss by forex gains during Jan-March 09 quarter. In the forthcoming year the Company does not foresee such abnormal loss and is contemplating to take steps to insulate against such risks

Company has also taken significant steps in the direction of improving productivity and cost optimization by rationalization of human resources, working capital and carefully studying the process and activities. The result of these initiatives will be visible in the coming years.

Despite the loss of sale to the tune of 6.50 crores on account of discontinuation of various traded products, Company registered growth of 19% (excluding the sale of discontinued traded products) and overall growth of 7%. Still the dependency on Govt. orders through the tender process is high. Fortunately we have opened the year with orders on hand worth Rs. 11 crores to be executed during the coming financial year.

Research & Development

From the inception of the company, the philosophy is to give thrust on indigenization of product development and offering the product of international standard at an affordable price in domestic and export market. The Company has made significant investment in acquiring technologies and effectively assimilating and absorbing them.. The major focus is in the area of Immunology, Hybridoma and Instrumentation.

Internal Control system and their adequacy

Considering the size and level of activity of the company and implementation of SAP ERP, the present internal control system is becoming increasingly effective and institutionalized.. It is further supported by internal audit carried out by an independent firm of Chartered Accountants and periodic review by management and the Audit Committee.

Human resources and industrial relations

The company has 533 employees comprising of trained technical and managerial personnel. The focus of the company is to enrich its employees by promoting learning and enhancing their knowledge by product training and arranging relevant training programs.

The Company continues to have cordial and harmonious relations with its employees and the union.

The particulars about the employees drawing remuneration in excess of limits specified in section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 are as per Annexure 'A'.

SUBSIDIARIES AND JOINT VENTURES

Span Biotronics Private Limited (SBPL)

Span Biotronics Pvt Ltd (SBPL) is a 95% subsidiary of Span Diagnostics Ltd (SDL) working on analysis, design, development, prototyping, testing and validation of lab automation need of SDL and is also engaged in new product development independently. A multidisciplinary team of engineers and scientists are jointly making efforts to launch indigenous technologies which will be used as modules and commercialized in many products. SBPL is engaged in development of the various R&D projects and which are likely to be released to Manufacturing in the 2nd quarter of the current year.

SBPL will continue to grow and offer more capabilities to SDL and other companies in new product development also as part of contract research.

Revenue for SBPL is generated primarily from:

- I. Consultancy for design, development, validation, technical support etc
- II. Royalty on completed projects
- III. Technology transfer fees
- IV. Licensing IP rights

It is a matter of great pleasure to report that SBPL has received recognition from DSIR (DEPARTMENT OF SCIENTIFIC & INDUSTRIAL RESEARCH).

SBPL has closed its books of accounts as at 31st March 2009 with a Profit After Tax (PAT) of Rs. 19.51 Lacs.

Span Diagnostics S.A.R.L. (France) (SARL)

A joint venture company in the name of Span Diagnostics SARL was formed in November'2005, in the city of Compiègne, FRANCE with the main objectives highlighted below:

- 1) Develop it as a technology sourcing hub mainly for off patent technologies
- 2) Acquisition of technology for the production of Blood Grouping sera.
- 3) Carry out Research and Development in new as well as in existing products.
- 4) Sourcing as well as in-house development of high-tech products, which includes Clones, Antigens and antibodies.

The current stake of SPAN – India in this joint venture company is 20% and the company is registered as a YOUNG INNOVATIVE COMPANY. A team of scientists are presently working on manufacturing and purification of various recombinant proteins, Monoclonal antibodies and other such intermediate materials, which will be used as input materials at Span Diagnostics Ltd., for manufacturing final IVD products.

**Span Diagnostics F.Z.C., Sharjah (FZC)**

A joint venture company in the name of Span Diagnostics FZC started its operations from May'2008, in the city of Sharjah, UAE, with the main objectives highlighted below:

- 1) To address the logistic problems related to covering the African and Latin / Central American countries.
- 2) Provide the marketing support to local distributors in the entire Middle East.
- 3) Effective and focused services to distributors and end-users.

The current stake of SPAN – India in this joint venture company is of 40%.

Span Nihon Kohden Diagnostics Private Limited (SNKD)

A joint venture company between Nihon Kohden Corporation, Japan and Span Diagnostics Ltd., India, started its operation from December 2008 and started manufacturing high quality reagents for Hematology Analysers for distribution and sale in India under license agreement with Nihon Kohden Corporation, Japan. With commencement of the new plant the production capacity has been increased by three folds to meet the increased demand from the customers.

Since the operation started in December, the impact on your company's financial will be visible during next year.

CORPORATE GOVERNANCE

A report on Corporate Governance as stipulated under clause 49 of the Listing Agreement forms part of the Annual Report.

The certificate from the Auditors of the company M/s Y. B. Desai & Associates confirming compliance with the conditions of Corporate Governance is attached to this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have 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 ended 31st March 2009 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 accounts on a going concern basis.

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.

CONSERVATION OF ENERGY

The particulars are as per Annexure 'B'

TECHNOLOGY ABSORPTION, RESEARCH & DEVELOPMENT AND FOREIGN EXCHANGE EARNING & OUTGO

The particulars are as per Annexure 'C'

DIRECTORS

Dr. Ramnik Parekh and Dr. Pranav Desai, Directors of the company retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Mr. Sarvajna Kazi was appointed as an additional Director of the Company. He will hold the office of director upto the date of ensuing Annual General Meeting.

CAUTIONARY STATEMENT

Statements in this Report, particularly those which relate to Management Discussion and Analysis and the Corporate Governance Report, describing the Company's objectives, projections, estimates and expectations may constitute "forward looking statement" within the meaning of applicable laws and regulations. Actual results may differ materially from those either expressed or implied in the statement depending on the circumstances.

AUDITORS AND AUDITORS' REPORT

M/s Y. B. Desai & Associates, Chartered Accountants, the auditors of the company are eligible for their re-appointment. The directors recommend their re-appointment for the current year.

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

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 Kotak Mahindra Bank Limited, State Bank of India and Government Authorities for their co-operation and assistance rendered to the Company.

For and on behalf of the Board

Place : Surat

Dated : 30th May 2009

Dr. Ramnik Parekh
Chairman

Veeral Desai
Managing Director

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ANNEXURE 'A'**Particulars of Employees pursuant to Section 217(2A) of the Companies Act, 1956**

Name	Designation & Nature of Duties	Remuneration Received Rs.	Qualification & Experience (in years)	Date of Employment	Age (Years)	Previous Employment Held
Employed throughout the period ended 31-03-2009 and in receipt of remuneration aggregating to Rs. 24,00,000/-						
1. Dr. Pradip K Desai	Whole-time Director	64,62,200	MD (Path)	Founder director	69	None
2. Mr. Veeral P Desai	Managing Director	40,44,500	B. Pharm	11/8/1991	41	None

Notes :

- Both the above appointments are contractual.
- Remuneration received includes salary, commission, allowance, medical expenses, leave travel assistance, taxable value of perquisites etc. and Company's contribution to provident fund, gratuity and superannuation funds.
- The employee mentioned in Sr. no 2 is son of the employee mentioned in Sr. No. 1.

ANNEXURE 'B'**PARTICULARS PERTAINING TO CONSERVATION OF ENERGY**

	Particulars	2008-09	2007-08
A.	Power and fuel consumption		
1.	Electricity		
a)	Purchased		
	Unit (in '000 Kwh)	1,915	1,929
	Total amount (Rs. in lacs)	106.75	91.37
	Rate/unit (Rs.)	5.58	4.74
b)	Own generation		
(i)	Through diesel generator		
	Unit (in '000 Kwh)	70	32
	Unit per liter of diesel Oil	1.87	2.25
	Cost/Unit (in Rs.)	18.50	14.35
(ii)	Through steam turbine/generator	N.A.	N.A.
	Unit (in '000 Kwh)		
	Unit per liter of fuel		
	Cost/Unit (in Rs.)		
2.	Coal (Specify quality and where used)	N.A.	N.A.
	Quantity (tones)		
	Total Cost		
	Average Rate		
3.	Light Diesel Oil		
	Quantity (K. Liter)	44,849	18,381
	Total Amount (Rs. In lacs)	17.07	7.27
	Average Rate (Rs./K. Liter)	38.06	39.57
4.	Other/Internal generation		
	Total Cost	Nil	Nil
	Rate/Unit	Nil	Nil



B.	Consumption per unit of production	Standards if any
	Products, Units, Electricity Furnace Oil, Coal Other	Considering the number of products being manufactured by the company and production activity not being energy sensitive, the Company is not in a position to give the information required as per this format for the current year as well as the previous year. Regular steps are being taken to improve the energy conservation.

ANNEXURE 'C'

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 recognized 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 for development of diagnostics products, reagent chemicals, packaging and analytical process. Currently, the company is focusing on

- Modification of existing Flow Through test for infectious diseases
- Manufacture of recombinant antigens for Treponema, Leishmania and filaria
- Manufacture of Lateral flow test for Tuberculosis antigen/ antibody

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 the main areas set out above and especially on the development of new technologies, new products and processes.

Expenditure on R & D

Sr. No.	Description	Year ended 31 March 09 (Rs.)	Year ended 31 March 08 (Rs.)
a.	Capital	21,61,920	9,24,766
b.	Recurring	81,92,410	71,49,086
c.	Total	103,54,330	80,73,852
d.	Total R & D expenditure as percentage of total Turnover	1.52%	1.28%

4. Technology absorption, adaptation and innovation

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.