

DEVAKI HOSPITAL LIMITED



THIRTEENTH ANNUAL REPORT 2002 - 03

**CONTENTS**

Board of Directors	01
Notice with Explanatory Statement	02
Directors' Report with Corporate Governance & Shareholders' Information	05
Auditors' Report	15
Balance Sheet	19
Profit & Loss Account	20
Schedules	21
Notes on Accounts	27
Cash Flow Statement	31
Balance Sheet abstract.	33



BOARD OF DIRECTORS

- Dr. C.R. SUNDARARAJAN - CHAIRMAN
- Dr. A. RATHNASABAPATHY - DIRECTOR
- Ms. CHITRA CHOKALINGAM - MANAGING DIRECTOR till 31.07.2003
- Dr. K. CHOCKALINGAM - DIRECTOR
- Dr. DEEPA - DIRECTOR
- Dr. C. RAMESH BABU - ADDITIONAL DIRECTOR w.e.f 21.03.2004

COMPANY SECRETARY - Ms. REVATHI SRIDHARAN

AUDITORS - M/S. VARMA & VARMA
Chartered Accountants
Chennai 600 020.

REGD. OFFICE & HOSPITAL - 148, Luz Church Road,
Mylapore,
Chennai 600 004.

BANKERS

- Indian Bank
East Abhiramapuram Branch
Luz Church Road,
Chennai - 600 004.
- Punjab National Bank
150, Luz Church Road, Mylapore,
Chennai - 600 004
- Dhanalakshmi Bank Limited,
Om Sakthi Towers, I Floor,
New No.163, Anna Salai,
Chennai - 600 002.

**NOTICE**

Notice is hereby given that the Thirteenth Annual General Meeting of Devaki Hospital Limited will be held on Friday, the 21st May 2004 at 10.30 A.M. at "Sri Venkata Auditorium", Bharatiya Vidya Bhavan, New No.18, 20, 22, East Mada Street, Mylapore, Chennai 600 004 to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet of the company as at 31st March 2003 and Profit & Loss Statement for the period 1st April 2002 to 31st March 2003 together with the Directors' Report and Auditors' Report thereon.
2. To take on record the retirement of Dr. Deepa as Director who retires by rotation. Dr. Deepa had absented herself for the latest three consecutive meetings.

"RESOLVED THAT the retirement by rotation of Dr. Deepa be and is hereby approved and taken on record."

3. To consider and if thought fit to pass the following resolution with or without modifications as an Ordinary Resolution:

"RESOLVED THAT the retiring auditors M/s. Varma & Varma, Chartered Accountants, be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting of the Company on such remuneration as may be fixed in this behalf by the Board of Directors of the Company"

SPECIAL BUSINESS:**Item No.1****APPOINTMENT OF DR. C. RAMESH BABU IN THE BOARD:**

To consider and if thought fit to pass the following resolution as ordinary resolution:

"RESOLVED THAT Dr. C. Ramesh Babu, who was appointed under Section 260 of the Companies Act, 1956, and other applicable provisions as Additional Director be appointed as Director of the Company and be liable to retire by rotation. The Company has received notice under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of Director."

Item No.2

"RESOLVED THAT Mr. S. Baskaran, be appointed as Director of the Company and be liable to retire by rotation. The Company has received notice under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of Director."

Regd. Office:
148, Luz Church road,
Mylapore,
Chennai 600 004.

BY ORDER OF THE BOARD
For DEVAKI HOSPITAL LIMITED

REVATHI SRIDHARAN
COMPANY SECRETARY

**NOTES:**

- ★ A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on poll, vote instead of him/her. A proxy need not be a member. Proxies, in order to be effective, must be received by the Company not later than forty-eight hours before the commencement of the meeting.
- ★ The Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of special business under item No. 1 and 2 as set out above is annexed hereto.
- ★ The Register of Members and Share Transfer books of the Company will remain closed from 17th May 2004 to 21st May 2004 (both days inclusive)
- ★ Members are requested to notify changes, if any, in their addresses to the Company's Registrar and Share Transfer Agents M/s. Cameo Corporate Services Limited, Chennai 600 002.
- ★ Members are requested to hand over the enclosed Attendance slip, duly signed in accordance with their specimen signatures registered with the Company for admission to the meeting hall.
- ★ Members desirous of getting any information about the accounts and operations of the Company are requested to address their queries to the Company Secretary of the Company atleast seven days in advance of the meeting so that the information required can be made readily available at the meeting.
- ★ Members are requested to bring their copy of Annual Report to the meeting.

**EXPLANATORY STATEMENT PURSUANT SECTION 173(2) OF THE COMPANIES ACT, 1956:****Item No. 1**

A Notice proposing the candidature of Dr. C. Ramesh Babu for the membership of the Board has been received from one of the shareholder.

Dr. C. Ramesh Babu has been associated with Devaki Hospital as an Orthopaedic Consultant for the past four years. He is a Director in J.R. Orthopaedic Center, which was mainly established for Joint Replacements and Arthroscopic Surgeries. He has served in various capacities in this field of medicine both in India and several foreign countries. He has shown great interest in the working of the Hospital during the crisis period. Hence the Board recommends the approval of the shareholders for the resolution.

None of the Directors are interested in the resolution.

Item No.2

A Notice proposing the candidature of Mr. S. Baskaran for the membership of the Board has been received from one of the shareholder.

Mr. S. Baskaran is a Fellow of Chartered Accountants of India and on practice since 1988 with wide clientele base. His joining the Board will help the Company in having a member on the Board with good knowledge on Finance and Accounts and thereby fulfill the obligation of having a properly constituted Audit committee in the company. He was earlier appointed as Additional Director but his term of office expired on 30th September 2003 due to non convening of the Annual General Meeting of the Company by which date it should have been held.

Hence the Board recommends the approval of the shareholders.

None of the Directors are interested in the resolution.



DIRECTORS' REPORT

The Board of Directors of Devaki Hospital Ltd have the pleasure in presenting the Thirteenth Annual Report of your Company for the year ended 31st March 2003 together with the Audited Statement of Accounts.

PERFORMANCE AT A GLANCE:

Particulars	Rs. In Lacs Year ended	
	31.03.2003	31.03.2002
Gross Income	1007.61	920.60
Profit Before Depreciation & Tax	149.02	198.41
Financial Expenses	87.56	61.69
Depreciation	62.51	62.93
Profit before Tax	(1.05)	73.79
a. Provision for Taxation	3.45	8.04
b. Deferred Tax Liability	16.06	17.58
c. Income Tax for previous years	4.57	
Net Profit / (Loss)	(25.13)	48.16
Total Amount available for Appropriations	—	48.16
Surplus carried to Balance Sheet	(25.13)	21.19

DIVIDEND

Your Directors have not recommended dividend for this year, due to the loss incurred by the company.

BUSINESS OPERATIONS:

During the year under review, the Company has achieved a turnover of Rs.1007.61 lacs and a net loss of Rs.25.13 lacs after providing for diminution in realizable value of CT Scan Machine the cost of which was Rs.44 lacs. Independent valuer who valued it at Rs.5 lacs and diminution of Rs.39 lacs.

The Company passed through a turbulent situation in the last year on account of various factors, which are enumerated below:

During the period when Ms. Chitra Chokalingam was the Managing Director of the company, she had not conducted the affairs of the company in the best interest of the company. The company could not pay the electricity charges and the salary to the staff. Due to non-payment of electricity charges, the power was disconnected to the hospital and the generator was being used for quite some time. The Board had called for information from the office for non-payment of salary to the staff and electricity bills when the hospital collections were good. It was brought to the knowledge of the Board that Ms.Chitra Chokalingam had utilized the company's funds to discharge her personal loans availed by her and she had also incurred various expenditures without the authorization of the Board. The Board at its meeting held on 31.07.2003, recorded the fact of personal liability and she had violated Section 295 of the companies Act, 1956. Consequently she had vacated her office as a Director under Section 283(1) (h) of the Companies Act, 1956. As a matter of abundant caution the Board had also passed another resolution revoking all the powers vested in her as Managing Director. The Board had appointed a Committee of Management consisting of Dr. A Rathnasa' apathy and Dr. K. Chockalingam.

**Directors' Report (Cont...)**

In spite of the said resolution of the Board, Ms. Chitra Chokalingam ignored the same and started giving instructions to the staff, contrary to the decision of the Board and had taken unilateral actions by surrendering the Renal License and releasing advertisements in the newspapers which are detrimental to the interest of the hospital. The Board of Directors, at their meeting held on 6th August 2003, decided to institute and authorised Dr. A. Rathnasabapathy to file a suit on the file of High Court, Madras that Ms. Chitra Chokalingam had ceased to be a Director since she has violated section 295 of the Companies Act 1956. Apart from that, the Board also at the same meeting had co-opted the following persons as Directors to broad base the Board:

'Mr. S. Baskaran	- Chartered Accountant
Dr. D. Divakar	- Nephrologist
Mr. K.T. Rama Varma	- Business

Also M/s. V. Chandrasekaran & Associates, Chartered Accountants were appointed by the Board to conduct a special audit to find out whether Ms. Chitra Chokalingam has misused the company's funds. The Special Auditor vide their report dated 14th August 2003 stated that Ms. Chitra Chokalingam was liable to pay and account for a sum of Rs. 1,73,47,917/- to the Company. Based on the the same, the company filed C.S. No. 227 of 2004 on the file of the High court, Madras to recover the said amount from Ms.Chitra Chokalingam and the said civil suit is also pending on the file of the High court, Madras.

The Company had filed C.S.562 of 2003 on the file of the High Court for a declaration that Ms. Chitra-Chokalingam had ceased to be a Director and consequently sought for injunction restraining her from functioning or exercising any powers as Managing Director / Director of the company. The Original Application 675 of 2003 in C.S. 562 of 2003 was dismissed by the Learned Single Judge of the Madras High Court on 19th September 2003. The company had filed O.S.A. No. 342 of 2003 against the order of the Learned Single Judge. The Division Bench of Madras High Court by its Order dated 17.12.2003 set aside the Learned Single Judge's order and remanded the case for fresh disposal by the Learned Single Judge. The Division Bench had also appointed Mr. N.R. Suresh, Chartered Accountant, independently to verify the books and records of the Company to find out whether Section 295 of the Companies Act 1956, had been violated by Ms. Chitra Chokalingam and directed the said Auditor to file a report before the Learned Single Judge. Mr. N. R. Suresh had filed his report in the High Court on 27.02.2004. The said report reveals that Ms. Chitra Chokalingam and Dr. K.Chokalingam had violated Section 295 of the Companies Act 1956.

After the remand, the O.A. No.675 of 2003 in C.S. 562 of 2003 is part heard by Learned Single Judge. While so, the Learned Single Judge had passed interim order restraining Ms. Chitra Chokalingam not to enter the hospital and had given necessary directions for the interim management of the hospital.

Further, two of the shareholders have filed C.P. No. 34 of 2003 on 14th August 2003 before the Company Law Board Bench, Southern Region, Chennai under Section 397 and 398 of the companies Act 1956 for oppression and mismanagement of affairs of the Company by Ms. Chitra Chokalingam and other members of the Board. The said petition on the file of the Company Law Board, Southern Region, Chennai is pending.

FINANCE

Consequent to the mismanagement of funds by the Managing Director, the Company's finance position has become the casualty. The Company could not pay the statutory dues like Provident Fund of the employees, Income Tax deducted at source, property tax, interest on term loans granted by Punjab National Bank and The Dhanalakshmi Bank Limited.

**Directors' Report (Cont...)**

As far Provident Fund is concerned, the authorities had inspected the records and fixed the liability at Rs.81.30 lakhs up to August 2003 apart from the current liability and ordered freezing the Bank accounts of the company. The Present Committee of Management headed by Dr. C.R. Sundararajan had taken necessary steps and after negotiation had the ban on the account lifted, with the assurance that hereafter all the dues will be paid duly.

The Dhanalakshmi Bank Ltd, had invoked the provision of Securitisation Act and had taken symbolic possession of the Company's building at No.147 & 148 Luz Church Road. The new management on being elected by the shareholders shall hold talks for restructuring the loan and take back the possession of the company's properties.

INCREASE IN CAPITAL

During the year there is no change in the capital structure of the Company. However, one shareholder namely The Madras Medical Care and Health Center Private Limited, run by a team of doctors who continue their consultation at Devaki Hospital purchased to the extent of 33.65% from the open market through the Open Offer Scheme by going through the procedure prescribed by the SEBI (Substantial Acquisition and Takeover) Regulations 1997.

CORPORATE GOVERNANCE:

Due to the serious problems encountered by the Company even in the day-to-day management, the company could not implement the Corporate Governance prescribed by the Stock Exchanges under the Listing Agreement. The Company did not, as well as could not have a Chartered Accountant or a person with finance and accounts background on the Board. In view of the same, the Board is recommending the appointment of Mr. S. Baskaran a Practising Chartered Accountant into the Board to fulfill the requirement of Companies Act 1956. Also during this turmoil, the company did not have a qualified Company Secretary to take care of various statutory compliances.

However, the Board assures the shareholders that with new management taking control of affairs of the company, it is coming back to life and with the cooperation of the shareholders, the company shall rise to new heights at the earliest.

DIRECTORS:

During the period under review, Ms. Chitra Chokalingam had ceased to be a Director and the Board of Directors at their meeting held on 31.07.2003 had recorded the fact of violation of Section 295 by Ms. Chitra Chokalingam. The High Court of Madras has vide its order dated 7th April 2004 restrained her from entering the Hospital or interfering in the affairs of the Company.

Also the report of Mr. N.R. Suresh Auditors appointed by the Division Bench of the High Court, found that there exists a debit balance in the personal account of Dr. K. Chockalingam to the extent of Rs.20,14,480/- as on 31.03.02 and an amount of Rs. 21,93,292/- is due from Mrs. Chitra Chokalingam as on 31.07.2003

The Concluding Report of Mr. N.R. Suresh is being reproduced here for the information of the shareholders:

19.0 CONCLUSIONS**19.1 MRS. CHITRA CHOKALINGAM**

**Directors' Report (Cont...)**

19.1.1. The ledger account produced to us shows amount of Rs.1,74,82,918 due from Mrs. Chitra-Chokalingam. After eliminating the credits and debits which are not relatable to Mrs. Chitra-Chokalingam based on the audit findings, the amount due from her is Rs.21,93,292/-.

19.1.2 The statement of account as it should appear.....she owes money to the company during the period 26.12.01 to 30.11.02 and again on 31.07.03

19.1.3 Therefore, there is, violation of Section 295, as the Managing Director has been lent monies without the previous approval of the Central Government.

19.2 Dr. K. CHOCKALINGAM

19.2.1 Dr. K. Chockalingam Account is showing a Debit balance from 1st April 2001 to date and the account as appearing in the ledger in which no adjustment is called for is given in the annexure 7.

19.2.4 Balance of Rs. 20,14,480/- as on 31.03.2002 has been transferred to the account of Mrs. Chitra Chockalingam, to get over the violation of the provisions Section 295, as Mrs. Chitra Chokalingam account had credit balance as per books of account at that point of time.

20. I, therefore conclude that provisions of Section 295 have been contravened on account of

- (a) Mrs. Chitra Chokalingam owes money to company during the period mentioned above and as on 31.07.03 and
- (b) Dr. K. Chockalingam relative of Mrs. Chitra Chokalingam owes a sum of Rs. 20,14,480/- and both the accounts have been dealt with, without the prior approval of the Central Government.

/sd/

N.R.SURESH F.C.A

Dr. Deepa retires by rotation and she has not given the willingness to be reappointed. It may be pointed out here that Dr. Deepa as a Director did not attend three consecutive meetings of the Board and she did not seek leave of absence from the Board.

At the meeting of the Board held on 6th August 2003 Mr. S. Baskaran, Mr. K.T. Rama Varma and Dr. Divakar were appointed as Additional Directors. But their appointment had elapsed on the date on which the Annual General Meeting of the company ought to have been held i.e., on 30.09.2003.

Dues to SSI

During the year under review, there are no outstanding dues amounting to or exceeding Rs. 1,00,000 to any Small Scale Industrial Unit by the Company.

DIRECTORS' RESPONSIBILITY STATEMENT:

As required under the Companies Act, 1956, your Directors wish to state:

- a) That in the preparation of the annual accounts, the applicable accounting standards have been followed and that there is no material deviation therefrom:
- b) Reasonable and prudent accounting policies have been applied in the preparation of the financial statements. that they have been consistently applied and that reasonable and prudent judgement and estimates have been made in respect of items not concluded by the year end, so as to give a true and fair view of the state of affairs of the Company as at 31st March 2003 and of the profit for the year ended on that date.