

DEVAKI HOSPITAL LIMITED



FOURTEENTH ANNUAL REPORT 2003 - 04



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DEVAKI HOSPITAL LIMITED

NOTICE

Notice is hereby given that the Fourteenth Annual General Meeting of Devaki Hospital Limited will be held on Thursday, the 30th September 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:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet of the company as at 31st March 2004 and Profit & Loss Statement for the period 1st April 2003 to 31st March 2004 together with the Directors' Report and Auditors' Report thereon.

2. To reappoint Dr. A. Rathnasabapathy, Director who retires by rotation and being eligible offers himself for reappointment

"RESOLVED THAT Dr. A. Rathnasabapathy, who retires by rotation be and is hereby reappointed."

3. To reappoint Dr. C.R. Sundararajan Chairman of the Board who retires by rotation and being eligible offers himself for reappointment

"RESOLVED THAT Dr. C.R. Sundararajan who retires by rotation be and is hereby reappointed."

4. 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 by the Board of Directors of the Company"

SPECIAL BUSINESS:**Item No.1**

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

"RESOLVED HEREBY THAT pursuant to Section 81(1A) and other applicable provisions, if any of the Companies Act 1956, and subject to the approval of the Government of India, Securities Exchange Board of India (SEBI), Reserve Bank of India and other statutory authorities as may be required and subject to the consent, permissions and sanctions as may be necessary from appropriate authorities, institutions, or bodies, the consent, authority and approval of the company be and is hereby accorded to issue / offer and allot 25,00,000 Equity shares of Rs.10/- each at price not lower than SEBI price on preferential allotment basis as per SEBI guidelines or other guidelines as may be applicable from time to time to those Promoters and / or their Associates as set out in the explanatory statement for cash, on such terms and conditions as may be decided by the Board including the form and terms of issue, and to accept any such conditions as GOI / SEBI / RBI or such other appropriate authorities may impose at the time of their approvals and as agreed to by the Board.

RESOLVED FURTHER that the Board be and is hereby authorized to issue and allot such number of Equity shares as may be required to be issued and allotted in accordance with the terms of offering of such shares and such shares shall rank pari passu with the existing Equity Shares of the Company in all respects as may be provided under the terms and conditions as set out in the explanatory statement.



DEVAKI HOSPITAL LIMITED

RESOLVED FURTHER that for the purposes of giving effect to this resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer, issue, allotment and utilization of the issue, proceeds of the Equity Shares to settle and clear the Company's liabilities and other corporate needs as it may deem fit."

Item No.2

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

RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII of the Act, consent of the shareholders of the company be and is hereby accorded to the appointment of Dr.K.C.Reddy as Executive Director of the company for a period of five years from 24.05.2004 to 23.05.2009 at such remuneration as may be fixed by the Remuneration Committee.

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**/BY ORDER OF THE BOARD/
for DEVAKI HOSPITAL LIMITED**

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

24.08.2004

**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 & 2 as set out above is annexed hereto.
- ✧ The Register of Members and Share Transfer Books of the Company will remain closed from 27th September 2004 to 30th September 2004
- ✧ Members are requested to notify changes, if any, in their addresses to the Company's registered office immediately.
- ✧ 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 at least 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 TO THE NOTICE PURSUANT SECTION 173 (2) OF THE COMPANIES ACT, 1956:

Item No.1

The company proposes to issue 25,00,000 equity shares of Rs.10/- each at a price not lower than the price determined as per SEBI guidelines on preferential allotment basis to the following persons:

Name	Reference Item No.	Qty. Proposed	Pre-issue % of shareholding	Post-issue % of shareholding
Dr. K.C. Reddy	1	10,00,000	0.002	13.42
Dr. C.M. Thiagarajan	1	10,00,000	NIL	13.42
Dr. Salim J. Thomas	1	5,00,000	NIL	6.71



DEVAKI HOSPITAL LIMITED

OBJECT OF THE ISSUE:

The proceeds of the issue will be utilized for the following purposes:

- To make One Time settlement of the term loan extended by the Dhanalakshmi Bank amounting to Rs.143 lacs, which has become a Non Performing Asset in the books of the bank.
- To pay statutory dues viz., Income Tax Rs.4.09 lacs, TDS around Rs.7.68 lacs, Provident Fund dues of Rs.83.5 lacs, Property Tax - Rs.25 lacs Water and Sewerage Tax Rs.9 lacs.
- Balance available shall be utilized to pay off the sundry creditors, which is around Rs. 120 lacs in the books of the company.

The preferential allotments of equity shares are to promoters and their associates only. The allottees are already holding more than 35% of the stake in the company. The proposed allotment will increase their stake by more than 5%. However, we are applying to the Takeover Panel of SEBI for the proposed allotment. **The actual allotment will be made only when SEBI accords its approval in this regard.**

The reason for such allotment is that the company's financial position demands immediate pumping of finance for the above-mentioned objectives. But considering the present market situation, bad financial position and various pending litigations, the chances of obtaining finance are not very bright. Hence the promoters have decided to bring funds through their own source.

SHAREHOLDING PATTERN BEFORE THE OFFER:

As on 20.08.2004

Sl. No	Category	No. of Shares	% of Holding
A	PROMOTER'S HOLDINGS		
1	Indian Promoters	1517240	30.99
	Foreign Promoters	51750	1.06
2	Persons acting in Concert	5500	0.11
	Sub Total	1574490	32.16
B	NON-PROMOTERS HOLDINGS		
A	Mutual Funds and UTI	10900	0.23
B	Banks, Financial Institutions ,Insurance Companies (Central /State Govt.institutions Non Govt.institutions)	—	—
C	Foreign Institutional Investors	Nil	—
	Sub Total	10900	0.23
C	OTHERS		
A	Private Bodies Corporates	276736	5.65
B	Indian Public	3028423	61.86
C	NRI/OCBs	4751	0.10
D	Any Other (Specify)	100	0.00
	Sub Total	3310010	67.61
	GRAND TOTAL	4895400	100.00

**SHAREHOLDING PATTERN AFTER THE OFFER:**

Sl. No	Category	No. of Shares	% of Holding
A	PROMOTER'S HOLDINGS		
1	Indian Promoters	4071840	54.65
	Foreign Promoters	51750	0.70
2	Persons acting in Concert	5500	0.07
	Sub Total	4129090	55.42
B	NON-PROMOTERS HOLDINGS		
A	Mutual Funds and UTI	10900	0.15
B	Banks, Financial Institutions ,Insurance Companies (Central /State Govt.institutions Non Govt.institutions)	—	—
C	Foreign Institutional Investors	Nil	—
	Sub Total	10900	0.15
C	OTHERS		
A	Private Bodies Corporates	276736	3.72
B	Indian Public	3028423	40.65
C	NRI/OCBs	4751	0.06
D	Any Other (Specify)	100	0.001
	Sub Total	3310010	44.44
	GRAND TOTAL	7450000	100.00

PROPOSED TIME LIMIT:

The Allotment is proposed to be made within 15 days from the date of passing of this resolution or 15 days from the date of obtaining exemption/approval from SEBI whichever is later and these securities as well as those which are already held by them prior to the date of allotment will be subject to LOCK-IN as per SEBI guidelines.

OTHER CONDITIONS:

The proposed shareholders may bring the funds to the extent of the share proposed to be allotted wholly or in part. In case, they bring funds in part then, the Company will be allotting shares to the extent subscribed to by them but the total shares allotted to any person stated above shall not exceed the number of shares indicated against their name. In case of shortfall if any, then the company will arrange for other modes of Finance to complete the project.

Dr. K.C. Reddy, Dr. Salim Thomas and Dr. C.M. Thiagarajan are interested in this resolution.

ITEM NO.2

Dr.K.C.Reddy, is a General Surgeon trained in Urology and holds a Degree of M S (General Surgery) from the University of Madras. He is a specialist in Renal Transplant surgery. Over two decades he has conducted around 3000 surgeries so far successfully. Also he is Managing Director of Madras Medical Care and Health Centre Private Limited, which has acquired 35% stake in this Company under Open Offer Scheme.

Also it is worth mentioning here that he is working as Executive Director without any salary or perquisite from the Company in view of its bad financial position.

The directors interested in this resolution are, Dr.K.C. Reddy, Dr. Salim Thomas and Dr.C.M.Thiagarajan who are all directors in the Board of Madras Medical Care and Health Centre Private Limited.

The directors recommend this resolution for the approval of the shareholders.



DEVAKI HOSPITAL LIMITED

DIRECTORS' REPORT

The Board of Directors of Devaki Hospital Limited have the pleasure in presenting the Fourteenth Annual Report of your Company for the year ended 31st March 2004 together with the Audited Statement of Accounts.

PERFORMANCE AT A GLANCE:**Rs. In Lacs**

Particulars	Year ended 31.03.2004	Year ended 31.03.2003
Gross Income	628.41	1007.61
Profit/(Loss) Before Depreciation & Tax	(50.65)	149.02
Financial Expenses	79.69	87.56
Depreciation	63.23	62.51
Profit/(Loss) before Tax	(193.57)	(1.05)
Provision for Taxation		
a. Current Tax	-	3.45
b. Deferred Tax Liability	7.89	16.06
c. Income Tax for previous years	-	4.57
Net Profit / (Loss)	(201.46)	(25.13)
Total Amount available for Appropriations	-	-
Loss carried to Balance Sheet	(201.46)	(25.13)

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.628.41 lacs and suffered a net loss of Rs.201.46 Lacs.

As mentioned in the earlier annual report, the Company had to undergo various problems due to the mismanagement by the former Managing Director Ms.Chitra Chokalingam. The mismanagement by the former Managing Director came to the knowledge of the Board members only in June 2003 when the company's power supply was cut off for non-payment of electricity charges and salary for the employees could not be paid. The Board called for the records from the Company, which revealed that Ms. Chitra Chokalingam was taking cash from the company under IOUs for repayment of several loans from the private financiers including her personal loans and payment of her personal expenses. This amounted to violation of Section 295 of the Companies Act, 1956 and consequently she had vacated her office as a Director under Section 283 (1) (h) of the Act. Therefore the Board recorded the violation and recorded the vacation of office of the Managing Director at its meeting held on 31.07.2003. Simultaneously as a matter of abundant caution the Board had revoked all the powers vested in her as Managing Director.

The Company had filed C.S.No.562 of 2003 on the file of the High Court of Madras for a declaration that Ms.Chitra Chockalingam had ceased to be a Director/Managing Director and consequently had sought for an injunction restraining her from functioning as a Director / Managing Director. The High Court has passed an order on 29.04.2004 in O.A 675 of 2003 in C.S.562 of 2003 restraining Ms.Chitra Chokalingam from acting as Director/ Managing Director till the final disposal of the case. She had filed an appeal and the same is pending on the file of the High Court, Madras. At the last Annual General Meeting held on 21st May 2004, five new Directors have been

**DIRECTOR'S REPORT (Cont....)**

appointed. The erstwhile Managing Director, without the authority of the Board surrendered the renal license and hence the Hospital could not carry on any renal transplantation surgery, which contributed nearly 40% of the income of the hospital. The Company has applied for the license and the same is pending. Once the license is obtained, the income of the Hospital is expected to increase.

Also it is worth mentioning here that the present management has added new department on Alternate medicines and therapy by opening Ozone Therapy, Acupuncture, Reiki and Pranic Healing, Homeopathy and Naturopathy treatment centers. By this way, the management has opened up the hospital for more avenues of treatments and widen the clientele base which in turn aids in the popularity of the hospital.

The Management is very optimistic and confident that in a very short period, it will be able to wipe out the losses, earn profit and likely to pay dividend to the shareholders who are so tolerant.

The company is in the process of filing a criminal prosecution application in the Metropolitan Magistrate Court against the former Managing Director for misappropriation and breach of trust.

INCREASE IN CAPITAL

Reissue of forfeited shares:

54,600 Equity Shares of Rs.10/- each which were subscribed and issued and forfeited due to non payment of allotment money in the year 1994 were reissued to the promoter's relatives namely Ms. Ranjani Reddy and Ms. Nandhini Reddy 30,000 and 24,600 shares at Rs.10/- each respectively at the Board Meeting held on 24.08.2004. The shares are already listed in the exchanges.

During the year there is no change in the capital structure of the Company. However, the Board is considering the Preferential issue of 25,00,000 equity shares of Rs. 10/- each to Dr.K.C.Reddy, Executive Director, Dr.C.M.Thiagarajan and Dr.Salim J.Thomas Directors, present Directors of the company. It may be noted here that the above shares will be issued to the mentioned shareholders subject to the approval of the shareholders and only if the Takeover Panel of SEBI accord its approval for exempting the allottees going through the Open Offer Scheme. The main reason for the promoters for subscribing to the equity is that at this juncture when the need for finance is grave for setting right financial position of the company and clear the long overdue liabilities including the statutory ones, finance is not forthcoming. Unless reasonable amounts of funds are pumped in, the very survival of the company will become questionable. Considering the above, the SEBI is being requested to exempt the promoters and other investors from the provisions of clause 7(1) of the SEBI (Substantial Acquisition and Takeover) Regulations 1997.

The Board recommends the approval of the shareholders in this connection in the interest of the company.

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 till May 2004. But subsequent to the last AGM held on 21st May 2004, the new board took over the management of the company. A separate report on the Corporate Governance and complying with Clause 49 of the Listing Agreement in this regard, of the company forms part of the Annual Report.

DIRECTORS:

Dr.C.R.Sundararajan and Dr.A.Rathnasabapathy retire by rotation and are eligible to be reappointed. The Board recommends the approval of the shareholders in this regard.

None of the Directors except the retiring directors are interested in the resolution.

**DIRECTOR'S REPORT (Cont....)****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 judgment 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 2004 and of the loss for the year ended on that date.
- c) 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.
- d) The financial statements have been prepared on a going concern basis.

PUBLIC DEPOSITS:

Your Company has accepted public deposits from the public during the year to the tune of Rs.17,65,000/- and there are no public deposits as on 31.03.2004 fallen due for payment.

EXPLANATION TO AUDITORS' COMMENTS:

Reply to qualification given by the Auditors in the Annexure to the Auditors' Report:

Loans and Advances from Directors (vi a-c): As mentioned in the previous annual report, legal actions have been initiated on the former Managing Director on these grounds: a) to declare that she has vacated office for violation of section 295 of the companies Act, 1956, b) civil suit for recovery of dues, c) in the process of filing criminal prosecution d) suit for breach of trust.

Minutes book of the meeting of the Board of directors; (vi) (d)

The Minutes book which has to be in the custody of the company has been taken by the former Managing Director. An application has been filed in the High Court of Madras for getting back all the statutory records which are in the possession of the former Managing Director.

Remuneration to Dr.K.Chockalingam: (vi) (g)

Dr.K.Chockalingam was appointed as Executive Director in the month of July 2003 when the powers of Ms.Chitra Chockalingam was revoked for mismanagement of the affairs of the company. Since the company could not convene any meeting then, subsequent approval of the shareholders could not be obtained. However, remuneration was paid only for two months and subsequently stopped when Ms.Chitra Chockalingam came back defying the orders of the Board.

With regard to the comments of the auditors annexed to their report the company clarifies as follows:

As far the loans to directors, the company has already taken legal steps and the matter is subjudice

As far the verification of stocks are concerned, the internal auditors have been appointed in April 2004, who shall verify the physical stocks periodically.

Due to the mismanagement of funds by the former managing director, the term loans extended by the banks have become NPA in the books of the banks. This is one of the reason for raising funds through preferential offer of equity shares of the company. The company is trying to settle the term loan of Dhanalakshmi Bank by one time settlement (OTS), and regularize the payment to the Punjab National Bank.