



DEVAKI HOSPITAL LIMITED



Fifteenth Annual Report 2004 - 2005



CONTENTS

1) Board of Directors	1
2) Chairman's Address to the Shareholders	2
3) Notice with Explanatory Statement	3
4) Directors' Report	7
5) Management's Discussions & Analysis	11
6) Report on Corporate Governance	14
7) Shareholders' Information	17
8) Auditors' Report	20
9) Balance Sheet	26
10) Profit & Loss Account	27
11) Schedules	28
12) Significant Accounting Policies and Notes on Accounts	33
13) Cash Flow Statement	38
14) Balance Sheet Abstract	39



BOARD OF DIRECTORS

Dr. A. RATHNASABAPATHY	- CHAIRMAN
Dr. K.C. REDDY	- EXECUTIVE DIRECTOR
Dr. C.R. SUNDARARAJAN	- DIRECTOR
Dr. C.M. THIAGARAJAN	- DIRECTOR
Dr. SALIM J. THOMAS	- DIRECTOR
Dr. C. RAMESH BABU	- DIRECTOR
Mr. S. BASKARAN	- DIRECTOR
Ms. REVATHI SRIDHARAN	- COMPANY SECRETARY

AUDITORS

M/s. VARMA & VARMA
Chartered Accountants
Chennai - 600 020.

LEGAL ADVISOR

Mr. A.K. Mylsamy
Advocate,
61, TTK Road, Chennai - 600 018.

REGISTERED OFFICE

148, Luz Church Road,
Mylapore, Chennai - 600 004.

REGISTRAR AND SHARE TRANSFER AGENTS

M/s. Cameo Corporate Services Limited
Subramaniam Building,
No.1, Club House Road,
Chennai - 600 002.

BANKERS

M/s. Indian Bank
East Abhiramapuram Branch
Luz Church Road,
Chennai - 600 004.

M/s. Dhanalakshmi Bank Limited,
Om Sakthi Towers, 1 floor,
New No.163, Anna Salai,
Chennai - 600 002.



DEVAKI HOSPITAL LIMITED

CHAIRMAN'S ADDRESS TO THE SHAREHOLDERS

Dear Shareholders,

We extend our warm greeting to you all on behalf of the Board.

We are pleased to inform you that your company has made steady progress and is working to normalcy. Many welcome changes have happened in your company.

After overcoming several legal hurdles we were able to implement the resolutions that were approved by you at the previous Extraordinary General Meeting held on 11 February 2005. Accordingly the preferential allotment of 24,00,000 equity shares were made to the promoters and others at Rs.11.50 per share and the proceeds were utilized to pay off the debts of the company primarily the statutory dues, dues to the suppliers and other creditors and 50% of the loan on CT Scan Equipment from GE Capital Services. Also the company could obtain funds from Hongkong and Shanghai Banking Corporation (HSBC), guaranteed by a Body Corporate to the extent of Rs.250 lacs. With this loan, the Company cleared the term loans, which had become NPA in the books of Punjab National Bank and the Dhanalaxmi Bank Limited. The loan from PNB being satisfied fully, that from Dhanalaxmi Bank the balance of Rs.33 lacs is to be settled by way of issue of equity shares on preferential allotment basis with your approval which we seek at this 15th Annual General Meeting.

You may be happy to note that the above mentioned changes and improved working of your company have been positively noted by the Stock Markets with the Stock of your company registering higher trading volumes and increased market price.

With your best cooperation and sincere efforts of the management and everyone associated with the functioning of the hospital, your company could make an operating profit of Rs.46.81 lacs during the year 2004-05. The net loss carried over to the balance sheet after absorbing the depreciation, provisions, impairment loss etc is only Rs.22.46 lacs.

Your management is making efforts to enhance the Shareholders' value and improve the functional performance of the hospital, which was pushed to the low due to the unhealthy conditions that prevailed a year ago. We are confident that having wiped out the long-standing liabilities, we can now concentrate on improving the efficiency and performance of the hospital.

The management would like to thank the Bankers, Customers and the loyal employees of our company without whose cooperation and support we could not have withstood the long drawn battles and all other serious problems and emerge victorious.

Last but not least, we are grateful to the shareholders for their cooperation and support which they have reposed on this new team of management.

Thank You,

Chennai - 600 004
05.08.2005

DR. A. RATHNASABAPATHY
CHAIRMAN



NOTICE

Notice is hereby given that the Fifteenth Annual General Meeting of Devaki Hospital Limited will be held on Thursday, the 29th September 2005 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 2005 and Profit & Loss Statement for the period 1st April 2004 to 31st March 2005 together with the Directors' Report and Auditors' Report thereon.

2. To reappoint Dr. C.M. THIAGARAJAN, Director who retires by rotation and being eligible offers himself for reappointment

"RESOLVED THAT Dr. C.M. THIAGARAJAN who retires by rotation be and is hereby reappointed."

3. To reappoint Dr. SALIM J. THOMAS, Director who retires by rotation and being eligible offers himself for reappointment

"RESOLVED THAT Dr. SALIM J. THOMAS, Director who retires by rotation be and is hereby reappointed."

4. To consider and if thought fit to pass the following resolution with or without modification(s) as an Ordinary Resolution:

"RESOLVED THAT the retiring auditors M/s. Varma & Varma, Chartered Accountants, Chennai 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

To consider and if thought fit to pass with or without modification(s), the following resolution as a Special Resolution:



DEVAKI HOSPITAL LIMITED

Notice (Cont....)

"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 (GOI), Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI) 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 Equity shares of Rs.10/- each upto an extent of value not exceeding Rs.33,00,000, at a 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 Dhanalakshmi Bank Ltd., Anna Salai Chennai 600 002, as set out in the explanatory statement for final settlement of the term loan liability of the company 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 the 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.

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 proceeds of the issue to settle and clear the Company's liabilities to the bank."

/BY ORDER OF THE BOARD/
For DEVAKI HOSPITAL LIMITED

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

05.08.2005

REVATHI SRIDHARAN
COMPANY SECRETARY



Notice (Cont....)

NOTES

- Ø 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.
- Ø The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the special business under item No.1 as set out above is annexed hereto.
- Ø The Register of Members and Share Transfer Books of the Company will remain closed from 26th September 2005 to 29th September 2005 (both days inclusive).
- Ø Members are requested to notify changes, if any, in their addresses to the Company's registered office immediately.
- Ø Members are requested to hand over the enclosed Attendance Slip, duly filled in and signed in accordance with their specimen signatures registered with the Company for admission to the meeting hall.
- Ø 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.
- Ø Members are requested to bring their copy of the Annual Report to the meeting.

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

The company proposes to issue equity shares of Rs.10/- each upto an extent of value not exceeding Rs. 33,00,000 at a price not lower than the price determined as per SEBI guidelines on preferential allotment basis to the following persons:

Name	Value of the shares Proposed to be offered	Pre-issue % of shareholding	Post-issue % of shareholding
M/s. Dhanalakshmi Bank Ltd, Annai Salai, Chennai 600 002.	Rs. 33,00,000/-	NIL	Depends on the offer price of the share



DEVAKI HOSPITAL LIMITED

**Registered Office: 148, Luz Church Road,
Mylapore, Chennai 04**
Phone: 24992067, 24990788, 55713270-73

SHAREHOLDING PATTERN AFTER THE OFFER OF 1,18,920 NO. OF EQUITY SHARES OF RS. 10/- EACH AT A PREMIUM OF RS.17.75 TO DHANALAKSHMI BANK LIMITED IN FULL AND FINAL SETTLEMENT OF THE TERM LOAN LIABILITY WHICH WAS FIXED AT RS. 143.00 LACS ON MUTUAL AGREEMENT BETWEEN THE COMPANY AND THE BANK ON AN ONE TIME SETTLEMENT BASIS.

Sl. No	Category	No. of Shares	% of Holding
A	PROMOTORS' HOLDINGS		
	Indian Promoters	1817240	24.33
	Foreign Promoters	48680	0.65
2	Persons acting in Concert	63600	0.85
	Sub Total	1929520	25.83
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)	118920	1.59
C	Foreign Institutional Investors	Nil	--
	Sub Total	129820	1.74
4	OTHERS		
A	Private Bodies Corporates	340072	4.55
B	Indian Public	4959831	66.41
C	NRI/OCBs	8043	0.11
D	Clearing Members	101634	1.36
	Sub Total	5409580	72.43
	GRAND TOTAL	7468920	100.00

DEVAKI HOSPITAL LIMITED

Chennai 04
29.08.05

REVATHI SRIDHARAN
COMPANY SECRETARY



Notice (Cont....)

OBJECT OF THE ISSUE

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

It has been mutually agreed by the Company and the Dhanalakshmi Bank Ltd., to pay Rs.143 lacs in order to settle the Term Loan of the Company fully, which had become NPA in the books of the bank, on an One Time Settlement basis (OTS). As per the agreement, the company has already paid Rs.110 lacs by cash and the balance of Rs.33 lacs is to be settled by way of issue of equity shares of the company for that value.

By issuing these shares, the company will be settling the liability to the bank in full and the property of the company at No.147, Luz Church Road, Mylapore, Chennai 600 004 and the leasehold rights of the company on property at No.148, Luz Church Road, Mylapore, Chennai 600 004 will get released on which the bank had invoked SARFESI ACT. Also the bank had attached the moveable properties of the company to a large extent. All these properties shall become free with the settlement of the term loan account.

SHAREHOLDING PATTERN BEFORE THE OFFER:

As on 05.08.2005

Sl. No	Category	No. of Shares	% of Holding
A	PROMOTERS' HOLDINGS		
a	Indian Promoters	1817240	24.72
	Foreign Promoters	48680	0.66
b	Persons acting in Concert	63600	0.87
	Sub Total	1929520	26.25
B	NON-PROMOTERS' HOLDINGS		
a	Mutual Funds and UTI	10900	0.15
b	Banks, Financial Institutions, Insurance Companies (Central / State Govt. institutions and Non Govt. institutions)	—	—
c	Foreign Institutional Investors	Nil	—
	Sub Total	10900	0.15
C	OTHERS		
a	Private Bodies Corporate	340072	4.63
b	Indian Public	4959831	67.48
c	NRI/OCBs	8043	0.11
d	Clearing Member	101634	1.38
	Sub Total	5409580	73.60
	GRAND TOTAL	7350000	100.00

SHAREHOLDING PATTERN AFTER THE OFFER:

Depends upon the price at which the shares will be offered and hence the shareholding pattern after the offer cannot be provided here. However, the same is being enclosed herewith as a separate sheet.

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, if any required from SEBI whichever is later and these securities as well as those which are already held by them if any, prior to the date of allotment will be subject to LOCK-IN as per SEBI guidelines.

OTHER CONDITIONS:

None of the directors are interested in this resolution.

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



DIRECTORS' REPORT

Your Directors have pleasure in presenting the Fifteenth Annual Report of your Company for the year ended 31st March 2005 together with the Audited Statement of Accounts.

FINANCIAL RESULTS:

The results for the year ended 31st March 2005 are summarized below:

Particulars	RS. IN LACS	
	Year ended 31.03.2005	Year ended 31.03.2004
Gross Income	620.95	628.41
Profit/(Loss) Before Depreciation & Tax	46.81	(50.65)
Financial Expenses	59.61	79.69
Depreciation	63.06	63.23
Impairment Loss	25.82	-
Profit / (Loss) before Tax	(101.69)	(193.57)
Provision for Taxation		
a. Current Tax	-	-
b. Deferred Tax Liability (net)	+ 79.21	7.89
c. Income Tax for previous years	-	-
Net Profit / (Loss)	(22.48)	(201.46)
Loss carried to Balance Sheet	(22.48)	(201.46)

FINANCIAL REVIEW:

During the year under review, the Company has achieved a turnover of Rs.620.95 lacs, which is less than the previous year by Rs.7.46 lacs. Yet, the company could make an operating profit of Rs.46.81 lacs and reduce the loss after depreciation and other provisions to Rs.22.48 lacs from Rs.201.46 lacs in the previous year.

REVIEW OF OPERATIONS

Your company is gradually recovering from the trauma, it had undergone since July 2003. The Occupancy rate is being stabilized. Your management is trying hard to improve the performance of the hospital. We have recommissioned the CT Scan equipment since May 2005 after renegotiating a settlement with GE Capital Services and by purchasing a new camera.

We are also happy to inform you that your company has cleared majority of outstanding dues to the statutory authorities banks, suppliers and other creditors, from the funds raised through preferential issue of shares.

The company has filed a criminal prosecution application in the Court of Metropolitan Magistrate against Ms. Chitra Chokalingam the former Managing Director for prosecution under Section 295 (4) of the Companies Act, 1956. It has also filed an application for attaching the properties of Ms. Chitra Chockalingam before judgment under Section 295 of the Companies Act, 1956 and the same is pending in the Hon'ble High Court of Madras.

We are happy to inform you that the company has on 6th December 2004 received back the renal licence, which was surrendered by the former Managing Director. This will enable the company to carryout renal transplants, leading to improved revenues in the current year.