

16th Annual Report 2005-2006



DEVAKI HOSPITAL LIMITED

148, Luz Church Road, Mylapore Chennai.



CONTENTS

1)	Board Of Directors	...	...	...	...	1
2)	Chairman's Address to the Shareholders.	...	...	...	...	2
3)	Notice with Explanatory Statement	...	...	...	...	3
4)	Directors' Report	...	...	...	...	5
5)	Management's Discussions and Analysis	...	...	...	...	9
6)	Report on Corporate Governance	...	...	...	...	11
7)	Shareholders' Information	...	...	...	...	15
8)	Auditors' Report	...	...	...	...	20
9)	Balance Sheet	...	...	...	...	25
10)	Profit & Loss Account	...	...	...	...	26
11)	Schedules	...	...	...	...	27
12)	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. K.N. GOPALAN	- ADDITIONAL DIRECTOR
Mr. VIJAY AGARWAL	- ADDITIONAL DIRECTOR

COMPANY SECRETARY	- Mrs. REVATHI SRIDHARAN
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AUDITORS	-M/S. VARMA & VARMA
	Chartered Accountants
	Chennai - 600 020

LEGAL ADVISORS	Mr. A.K. MYLSAMY
	Advocate,
	61, TTK Road, Chennai - 600 018

REGISTERED OFFICE	148, Luz Church Road, Mylapore, Chennai - 600 004
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BANKERS	Indian Bank
	East Abhiramapuram Branch
	Luz Church Road,
	Chennai – 600 004



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 is making slow but steady progress. However, due to persistent legal problems, the company could not do much on expansion. It may be recalled that the company obtained your approval for issue of 63,20,000 equity share warrants to strategic investors including the present promoters at a premium of Rs.12.25 per warrant which would be convertible within 18 months from the date of allotment. The aim of the issue was to expand and modernize the hospital. But due to an application filed against the proposal in the court of law by one of the shareholders, the same was not pursued.

We hereby inform you that one of the buildings occupied by the hospital, owned by the founder promoters' family was sold by the former Managing Director Ms. Chitra Chockalingam to Mr. A.N. Radhakrishnan. Having bought the building, he wished to take over the hospital and expand it in a big way. Your present Board felt that it is in the interest of the hospital, employees, and above all the shareholders of the company that the company be taken over by him.

The management is grateful to our Consultants, clients, and our loyal employees who stood by us at all turbulent times in the history of the company without which it would not have been possible to bring back the company to life and make it progress.

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

Thank You,

DR.A. RATHNASABAPATHY
CHAIRMAN



NOTICE

Notice is hereby given that the Sixteenth Annual General Meeting of Devaki Hospital Limited will be held on Wednesday, the 27th day of December 2006 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 2006 and Profit & Loss Statement for the period 1st April 2005 to 31st March 2006 together with the Directors' Report and Auditors' Report thereon.

2. To record the retirement of **Dr. C. R. SUNDARARAJAN**, Director who retires by rotation.

"RESOLVED THAT Dr. C. R. SUNDARARAJAN, Director who retires by rotation be and is hereby recorded."

3. To record the retirement of **Dr. C.RAMESH BABU**, Director who retires by rotation.

"RESOLVED THAT Dr. C.RAMESH BABU, who retires by rotation be and is hereby recorded."

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, 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 modifications, the following resolution as ORDINARY RESOLUTION:

"RESOLVED THAT, Mr. K.N. GOPALAN, who was appointed under Section 260 of the 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

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

"RESOLVED THAT, Mr. VIJAY AGARWAL, who was appointed under Section 260 of the 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."

/BY ORDER OF THE BOARD/

For DEVAKI HOSPITAL LIMITED

**Regd. Office:
148, Luz Church Road,
Mylapore,
Chennai 600 004.
17.11.2006**

**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, to 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 23rd December 2006 to 27th December 2006** (both days inclusive).
- 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 filled in & 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

Mr. K. N. Gopalan, FCS, is a Company Secretary by profession. He retired from M/s. Ashok Leyland Limited, in the year 1991 after serving the organization for about 20 years. Presently he holds directorship in a few other private limited companies. His knowledge and experience would be of immense advantage to the company, in due adherence to the Rules and Regulations prescribed under law and maintaining good Corporate Governance in the interest of the shareholders. He will be an independent director of the company and was nominated as Chairman of the Audit committee of the company earlier.

None of the directors except Mr. Gopalan is interested in the resolution.

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

**Item No.2**

Mr. Vijay Agarwal, M.com., FCA, is a practicing Chartered Accountant and Corporate Advisory and Tax Advisory. He also holds directorship in many other companies besides Chairmanship of Audit Committee of a few companies in which he is a member of the Board. His knowledge and experience will be an asset to the company besides being complying with the regulations with regard to the Independent Directors in the constitution of the Board and the Audit Committee.

None of the directors except the Mr.Vijay Agarwal is interested in the resolution.

The directors recommend this resolution for the approval of the shareholders

DIRECTORS' REPORT

The Board of Directors of Devaki Hospital Limited has the pleasure in presenting the Sixteenth Annual Report of your Company for the year ended 31st March 2006 together with the Audited Statement of Accounts.

Operations:

Your company is functioning well and progressing slowly and steadily. We are happy to inform you that the company could wipe out the loss to the extent of Rs. 2 crores as on March 2004 within a period of 2 years. This is apart from settling most of the liabilities including term loan taken from the Banks by the previous management.

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

Particulars	Year ended 31.03.2006	Year ended 31.03.2005
Gross Income	877.35	620.95
Profit/(Loss) before Interest, Depreciation & Tax	196.15	46.81
Financial Expenses	38.13	59.61
Depreciation	49.51	63.06
Impairment Loss	—	25.82
Profit/(Loss) before Tax	108.51	(101.69)
Provision for Taxation		
a. For Taxes	5.96	—
b. Deferred Tax	+4.41	+79.21
Net Profit / (Loss)	106.96	(22.48)

The Directors have not recommended dividend for the year under review as the accumulated loss is yet to be set off.



BUSINESS OPERATIONS:

The performance of the company during the year under review was very encouraging even though there is still a long way to go. The Company made a net profit of Rs.107 lacs. This had been made possible only by the constant efforts of the management and concerted action of all associated. But in order to progress further, the company has to go in for major expansion by adding Cardiology and Cardio Thoracic Departments. This requires setting up Cathlab facility and also upgradation of medical equipments, Echo cardiogram, Colour Doppler 64 slice CT etc.,

With the said aim, your management identified a few strategic investors including the present promoters to infuse funds in the form of Share warrants convertible into equity shares within 18 months from the date of allotment to the tune of Rs.14 crores. In order to get the approval of the shareholders for the preferential allotment of mentioned warrants and also to raise the Authorised Share Capital of the company from the then existed Rs. 10 Crores to 15 Crores, your management convened an Extraordinary General Meeting of the company on June 14, 2006. Your approvals were obtained but the company did not go through with the expansion plans as one of the shareholders, filed an application against the preferential issue of shares in the City Civil Court due to which your management preferred to abstain from going through the preferential allotment.

You are hereby informed that the present promoters, with the knowledge and approval of the Board of Directors have entered into the Share Purchase Agreement with the acquirers, Mr. A.N. Radhakrishnan and persons acting in concert with him to sell their present stake in the company to them. The Acquirers are proposing to take over the company by going through the legal process of Open Offer Scheme as prescribed by the Securities Exchange Board of India under SAST Rules,1997 and made public announcement of their intentions in this regard on September 11, 2006 in the newspapers.

INCREASE IN CAPITAL

During the year, the company had obtained the approval of the shareholders at the Extra-ordinary General Meeting held on June 14,2006 for increasing the Authorised Share Capital from Rs. 10 Crores to Rs.15 Crores. The increase was made to enable the company to issue and allot share warrants at Rs. 22.25 per warrant which are convertible into equity shares of Rs. 10/- each within 18 months from the date of allotment, on preferential basis to promoters and a few other investors to the extent of 63,20,000 equity shares. The proposal was dropped for the reason mentioned earlier.

CORPORATE GOVERNANCE:

Your company complies with all the requirements pertaining to Corporate Governance, in terms of Clause 49 of the Listing Agreement with the Stock Exchanges, including the non-mandatory requirement to the possible extent. A detailed report on the Corporate Governance of the company has been included in this report along with the certificate from the auditors of the company regarding compliance of conditions of Corporate Governance.

DIRECTORS:

Dr. C.R. Sundararajan and Dr. C. Ramesh Babu retire by rotation at this Annual General meeting. Both of them are not willing to seek reappointment. The additional directors Mr. K.N. Gopalan and Mr. Vijay Agarwal, independent directors, vacate their office of directors at this meeting and the company has received notice under section 257 of the Companies Act, 1956 nominating them to the Board. The company seeks the approval of the shareholders for their appointment to the Board as Independent Directors.



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 had 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 2006 and of the profit/ Loss for the year ended on that date.
- c) Proper and sufficient care has been taken 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 Annual Accounts have been prepared on a going concern basis.

PUBLIC DEPOSITS:

During the year, your Company has accepted deposits from the public, a sum of Rs. 43.41 lacs and the company has unclaimed deposits of Rs 42,000/-. There are no deposits which have fallen due, claimed but not paid.

EXPLANATION TO AUDITORS' COMMENTS:

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

1. The management carries out physical verification of assets periodically on its own as well as through the Internal Auditors

Refer f (i) : The recoverability of the loan is subject to the decision of the Honorable High Court of Madras wherein the case is pending.

Refer f(ii): The Company is in the process of obtaining confirmation from the sundry creditors and other lenders.

Refer f(iii): The matter is subjudice and dues cannot be ascertained till the final disposal of the case by the Company Law Board.

Refer f(iv): The internal Auditors physically verify the stocks periodically and ascertain the value.

Point No.4 of the Annexure to the Audit Report:

The value of the difference in pharmacy stocks being negligible considering the volume of sales, the management chose to ignore the same. As for the sale of fixed assets, sale of good and other



services are concerned, the management is of opinion that the system followed is fine. However, if further improvement is required, the advise of the internal auditors will be put to the Audit committee and their recommendations will be implemented by the Company.

Point No.11 of the Annexure to the Audit Report:

As for the terms and conditions pertaining to the secured loan from GE Capital Services, we hereby state that the said loan is the effect of rescheduling of the previous loan.

HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION:

Your Company has substantially complied with all applicable Environmental Laws and Labour Laws. Though there were violation/non compliance of personnel laws in the past, the present management is in the process of rectifying all the flaws by reinstating the wrongfully terminated employees, payment of provident fund liabilities as prescribed under the Act and has also taken all reasonable measures to protect the environment, safety and health of the workers.

PERSONNEL:

During the period under review, there was no employee who came under the purview of Sec217 (2A) of the Companies Act, 1956.

AUDITORS:

M/s. Varma & Varma, Chartered Accountants, Chennai 600 020, the Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for reappointment

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

Statement of Particulars of Conservation of Energy, Technology absorption, Foreign Exchange earnings and outgo pursuant to Section 217 (1) (e) read with Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1988.

a. Conversation of Energy / Technology Absorption

Your company has no activity relating to conservation of energy or technology absorption.

b. Foreign Exchange Earnings & Outgo

	As on 31.03.06	As on 31.03.05
A). Foreign Exchange Earnings	39803.00	28966.00
B) Foreign Exchange Outgo:		
Travel & Related Expenditure	NIL	NIL

ACKNOWLEDGEMENTS:

We are thankful to our Bankers for the cooperation and assistance extended by them. The Board place on record their thanks to the shareholders and patient – public for the confidence reposed by them in the Company and their appreciation for the services and untiring efforts of the employees at all levels, which has helped the Company to achieve better results.

ON BEHALF OF THE BOARD

Place: Chennai - 4
Date : 17.11.2006

DR. A. RATHNASABAPATHY
CHAIRMAN