

Dr. Agarwal's Eye Hospital Limited

19 (Old No.13), Cathedral Road, Chennai - 600 086



**Tenth Annual Report
2003 - 2004**

**10th Annual Report
and
Accounts for the year ended 31.03.2004**

Board of Directors

Dr. J. Agarwal,
Chairman cum Wholetime Director
Dr. (Mrs.) T. Agarwal, Managing Director
Dr. Steve Charles (USA)
Ms. Sudha (Wholetime Director)
Dr. Amar Agarwal (Joint Managing Director)
Dr. Athiya Agarwal (Wholetime Director)
Dr. Jasvinder Singh Saroya
Dr. Sasikanth R. R.
Dr. (Ms.) Akhther Begum
Mr. M. R. G. Apparao

Auditors

M/s. M. K. Dandeker & Co.
244, Angappa Naicken Street,
Chennai 600 001.

Registered Office

19 (Old No.13), Cathedral Road,
Chennai 600 086.

Bankers

(1) State Bank of India,
Gopalapuram Branch, Chennai 600 086.
and
(2) State Bank of India,
Industrial Finance Branch,
Chennai 600 002.

Share Transfer Agents

Integrated Enterprises India Ltd.
2nd Floor, Kences Towers,
No.1, Ramakrishna Street,
North Usman Road,
T.Nagar, Chennai 600 017
Tel : 814 0801-03

NOTICE TO SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the 10th Annual General Meeting of the shareholders of the company will be held on 31st August 2004 at 10.30 a.m. at Dr. Agarwal's Eye Hospital Ltd, # 19 (Old No.13), Cathedral Road, Chennai - 600 086 to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Director's Report and Audited Profit and Loss Account for the year ended 31st March 2004 and the Balance Sheet as at 31st March 2004 and the Auditor's Report thereon.
2. To declare a dividend.
3. To appoint a director in the place of Dr. J. Agarwal, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a director in the place of Dr. (Mrs.) T. Agarwal, who retires by rotation and being eligible, offers herself for reappointment.
5. To appoint a director in the place of Mr. M. R. G. Apparao, who retires by rotation and being eligible, offers himself for reappointment.
6. To appoint Auditors and authorise the Board of Directors to fix their remuneration. M/s. M. K. Dandekar & Co., Chartered Accountants, Chennai, retire and are eligible for reappointment.

Chennai
Date : 30-06-2004

By Order of the Board
Dr. Mrs. T. Agarwal
Managing Director

NOTES:-

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE IN HIS STEAD AND THE PROXY NEED NOT BE A MEMBER.
2. The Register of members and the share transfer books of the Company will remain closed from 24th August 2004 to 31st August 2004 (both days inclusive).
3. Dividends will be paid to those shareholders whose names appear on the Company's Register of Members on 31st August 2004, or their order.
4. Members are requested to notify immediately changes in their respective addresses, if any, quoting their folio number so that the dividend warrants are correctly despatched.
5. In case the members desire that the dividend be credited to their bank account through Electronic Clearing Service (ECS), kindly send the ECS mandate form duly completed in all respects immediately. This has already been sent to all the shareholders.

Chennai
Date : 30-06-2004

By Order of the Board
Dr. Mrs. T. Agarwal
Managing Director

Details of Directors seeking appointment and re-appointment at the forthcoming Annual general meeting of the company

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange.

Name of Director	Expertise in Specific Functional Areas	Qualifications	Director-Ship in Other Public Companies	Chairman/ Member of Committee
Dr. J. Agarwal	Ophthalmology	FICS., DOMS, F.O.R.C.E.	Dr. Agarwal's Pharma Ltd.	Nil
Dr. (Mrs.) T. Agarwal	Ophthalmology	FICS., DO, F.O.R.C.E.	Dr. Agarwal's Pharma Ltd.	Nil
M. R. G. Apparao	Information Technology & Finance	B.Sc., DMIT, MBA (IIM Calcutta)	Nil	Chairman of The. Audit Committee and Member of Remuneration/ Investor Committee

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DIRECTOR'S REPORT

1. Your Directors have the pleasure in presenting the Annual Report and that of the Auditors together with the audited Balance Sheet as at 31st March 2004 and the Profit and Loss account for the year ended on that date.

2. FINANCIAL PERFORMANCE

The financial results for the year ended 31st March 2004 are as under:

	Rs. (In thousands)	
	31.03.2004	31.03.2003
Profits before depreciation and interest	23,192.08	23,310.82
Depreciation	9,776.72	10,751.59
Interest	1,064.06	1,059.75
Profit before Tax	12,351.11	11,499.48
Provision for taxation	3,800.00	3,965.00
Provision for Dividend	3,900.00	3,900.00
Tax on proposed Dividend	500.00	500.00
Surplus carried to Balance Sheet	9,845.07	6,819.00

3. DIVIDEND

The Directors recommend a dividend of 12% per annum.

4. YEAR IN RETROSPECT

Dr. Agarwal's Eye Hospital Ltd. has recently started its branch at Jaipur.

Your Hospital has opened a Medical Enclave at Nungambakkam, Chennai and a Franchisee Centre at Thiruvannmyur, Chennai as Referral Centres of the Hospital.

After the success of "Dr. Agarwal's Vasans Eye Hospital" Trichy, your Hospital has also tied up with the same group for a center at Salem. Your company earns technical know how fees on a regular basis from both Trichy and Salem centers.

This year also your Directors Dr. Amar Agarwal and Dr. Athiya Agarwal were given the honour of conducting instruction courses at the American Society of Cataract & Refractive Surgery held in United States.

Your Hospital has successfully carried out eye transplant operations on two Pakistani children. All the departments in your hospital are performing well, thanks to the tireless service of all our staff. Patient's satisfaction is always considered to be the main motto and we are happy with the feed back received from our patients.

5. DIRECTORS

Dr. J. Agarwal, Dr. (Mrs.) T. Agarwal and Mr. M. R. G. Apparao, retire by rotation and being eligible, offer themselves for re-appointment.

6. AUDITORS

The auditors of the Company M/s. M. K. Dandeker & Co., Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

7. PERSONNEL (PARTICULARS OF EMPLOYEES)

There are no employees coming under the perview of Section 217 (2A) of the Companies Act, 1956.

8. INFORMATION UNDER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956:**A. CONSERVATION OF ENERGY**

Necessary steps are being taken to conserve energy at all levels.

B. TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

Not Applicable

C. RESEARCH AND DEVELOPMENT

The Research wing is very active.

D. FOREIGN EXCHANGE EARNING AND OUTGO

Foreign Exchange Earnings - Rs. 13,200/-

Foreign Exchange Outgo - Rs. 33,80,050.98/-

9. DIRECTORS' RESPONSIBILITY STATEMENT :

Directors hereby declare that

- i) that in the preparation of the annual accounts, the applicable accounting standards had 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 and of the profit or loss of the company for that period ;
- iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) that the directors had prepared the annual accounts on a going concern basis.

10. CORPORATE GOVERNANCE :

As per the Listing Agreement with the Stock Exchanges the Directors are pleased to annex the following reports.

- (1) Management Discussion and Analysis Report. (Annexure - A)
- (2) A Report on Corporate Governance. (Annexure - B)
- (3) Auditors Certificate regarding Compliance of all conditions of corporate governance. (Annexure - B)

11. LISTING OF SHARES:

The company is listed in Madras and Bombay Stock Exchanges.

The company has already paid the listing fees for the financial year 2004-2005.

12. REGISTRAR AND SHARE TRANSFER AGENTS:

The company carries on the share transfer work at :

INTEGRATED ENTERPRISES (INDIA) LTD.

2ND FLOOR, KENCES TOWERS NO.1, RAMAKRISHNA STREET

OFF: NORTH USMAN ROAD, T.NAGAR CHENNAI - 600 017.

13. DEMATERIALISATION OF SHARES:

The equity shares of the company are required to be compulsorily traded and settled only in the dematerialised form. The company has been prompting investors to convert their physical holding into demat form. The company also gives an option to the new shareholders; to have the shares dematerialised. For this an option letter is sent to equity shareholders, immediately after approval of transfer, for sending the Demat Request Form through the Depository Participant to enable conversion of the shares into electronic form.

However, SEBI vide circular no. SEBI/MRD/CIR-10/2004 dated February 10, 2004 have advised the stock exchanges to withdraw the facility of transfer-cum-demat and hence from the year 2004 the facility of transfer-cum-demat will not be extended to the shareholders and the shareholders should approach the concerned depository participants to dematerialise their shareholding.

14. PAYMENT OF DIVIDEND THROUGH ELECTRONIC CLEARING SERVICE (ECS)

Your company has already sent a letter to all the shareholders requesting them to avail the ECS facility, The ECS has the following advantages.

- Timely credit of dividend amount to your bank account at no extra cost.
- No scope for theft / fraudulent encashment of dividend warrant.
- No chance of loss / damage of dividend warrant in transit.
- No need to visit bank for depositing dividend warrant.
- No need of writing to the company for revalidation of dividend warrant.

In case you desire that the dividend be credited to your bank account through ECS, kindly send the ECS Mandate Form duly completed in all respects immediately.

15. UNCLAIMED DIVIDEND:

Dividend declared at the Annual General Meeting held on 17th September 1997, which remain unpaid or unclaimed for a period of seven years from the date of such transfer to unpaid Dividend Account of the Company shall be transferred by the company to investor education and protection fund after the expiry of the said seven years vide section 205-A (5) of Companies Act, 1956. During the year under review the company has credited dividends declared at the Annual General Meeting held on 25th September 1996 and which remained unclaimed and unpaid, to the Investor Education and Protection Fund pursuant to Section 205C of the Companies Act, 1956 and the Investor Education and Protection Fund (Awareness and Protection of Investor) Rules, 2001.

16. ACKNOWLEDGEMENTS

Your Directors would like to place on record their deep sense of appreciation of the services by the Executives, Staff, Workers of the Company, and also the Bankers and Registrar and Share Transfer Agents for its success.

For and on behalf of the Board

Dr. Mrs. T. Agarwal
Managing Director

Chennai
Date : 30-06-2004

Dr. J. Agarwal
Chairman

ADDENDUM TO THE DIRECTOR'S REPORT

Auditors have expressed their opinion in the Auditor's Report and in Annexure to Auditor's Report, the Board of Directors place before the members of the company its reply on the opinion of Auditors, which is as follows:-

1. Necessary steps have been taken by the Company to obtain confirmation of the balances from certain Creditors and Bank Accounts. (Point VI of Auditor's Report).
2. Necessary steps have been taken by the Company to maintain proper records showing full particulars including Quantitative details and situation of fixed assets. The records are also being updated and improved (Point 1a of Annexure to Auditors' Report).
3. Necessary steps have been taken to physically verify the fixed assets and verification system and process is being introduced by the Company (Point 1b of Annexure to Auditors' Report).
4. The company has made purchases of IOL lenses for the hospital from a firm in which certain directors are interested at prices lower than the market prices. The necessary approvals from department of company affairs has already been obtained vide their letter no. 2/M-7187/96 dated 24th October 2002 (Point 5(b) of Annexure to the Auditor's Report).
5. The Company is continuously engaged in the process of strengthening and improving the Internal Audit System of the company (Point 7-of annexure to the Auditor's Report).

For and on behalf of the Board
Dr. Mrs. T. Agarwal
Managing Director

Chennai
Date : 30-06-2004

Dr. J. Agarwal
Chairman

Annexure-A to the Directors' Report

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. OVERALL REVIEW

India's Health care has made impressive strides in recent years. It has transformed to a US \$ 17 billion industry and is surging ahead on an annual growth rate of 13% per year.

In India, the industry is worth about Rs.1,00,000/- crore and accounts for nearly five percent of GDP. According to the last financial forecast, the industry is expected to register a 17 percent growth and reach a size of more than Rs.2,25,000/- crore by 2005 to 2006. The GDP growth in the short term is expected to hover around 6-7%, but for the short-to medium term, the projections are at a 7-8% mark making India one amongst the fastest growing countries.

Since health care is dependent on the people served, India's huge population of a billion people represents a big opportunity. The middle-income group in this vast base is also as large as 250 million.

There are various gaps in the Indian healthcare Market which also presents a vast opportunity. Good health care is in extreme short supply in India and it is this gap that the corporates are looking to invest.

India has a very low density of doctors. The country has only 43 doctors for every 10000 people compared to the US which has 2340 doctors per 10000.

With the demand for healthcare far exceeding the supply India's health care industry is far expected to grow by around 13% a year for the next 6 years.

The private healthcare segment has grown in to a formidable industry estimated to be around Rs.86,000/- crores. Using the latest technical equipment and the services of highly skilled medical professionals these hospitals are in a position to provide a variety of general as well as specialized services. These services are available at extremely competitive prices, encouraging patients not only from developing countries but even from a number of developed ones to come to India for specialized treatment.

2. EYE CARE PROSPECT IN INDIA

Eye problems are very common and there is an increasing incidence due to the increasing population of the elderly. Also, ophthalmic problems linked to diabetes, blood pressure and kidney ailments are increasing. Lopez and Murrery have estimated the load of blindness as 23 million for the world and 9 million for India which comprises of three major disorders- cataract, glaucoma and trachoma.

3. DR. AGARWAL EYE HOSPITAL: A SHORT PROFILE

The institution may also be referred as the most advanced eye care centre of the country--since it has a perfect blend of the state-of-art equipment, dedicated and experienced surgeons and efficient management systems to integrate all the Hospital functions resulting in smooth service delivery. The hospital since its inception has introduced most advanced equipment & trained professional to run them.

The institute is known for several ophthalmologic advancements, which include:

Procedure for reducing high eye power using laser. This is one of the few hospitals equipped with the ZYOPTIX-100 (advanced form of lasik) laser machine.

Phacoemulsification is another regular procedure carried out at this institute, to remove cataract. Dr. Amar Agarwal has pioneered the procedure of PHAKONIT (removal of cataract through 0.9 mm opening) at this institute.

The latest feather in its cap is the achievement of ISO quality certification to ensure that service delivery process adheres to international standards.

The hospital is a one-stop point for all kinds of ophthalmic problems; a clinical laboratory at the hospital carries out all the required tests. An optical shop in the premises facilitates ready availability of prescription glasses; the hospital also runs a pharmacy to make it easier for the patient to obtain the prescribed medicines.

4. ACADEMIC COMMITMENTS:

The doctors of the hospital have authored the following textbooks in ophthalmology, which have created immense interest in the aspiring ophthalmologists across the world.

1. "PHACOEMULSIFICATION LASER CATARACT SURGERY & FOLDABLE IOLS". I & II Edition
2. "REFRACTIVE SURGERY"
3. LASIK & BEYOND LASIK
4. PHAKO, PHAKONIT & LASER PHAKO
5. PRESBYOPIA
6. TEXT BOOK OF OPHTHALMOLOGY
7. "CARE OF EYES" - a book for public education on eye diseases.
8. WAVEFRONT ANALYSIS, ABERROMETER & CORNEAL TOPOGRAPHY
9. PHACOEMULSIFICATION - III Edition

The hospital is an advanced training institute as well. Postgraduate training is conducted every year. Special training is also imparted in Phacoemulsification and lasik laser. The hospital conducts periodical conferences at the fully equipped auditorium to facilitate a wider sharing of ophthalmic knowledge among the world's best ophthalmologist.

5. RISKS AND CONCERNS

Taking into account the applicability of Accounting Standard 28 on impairment of Assets along with the Rapid Technological obsolescence with regard to Medical Equipments, the Board of Directors will be reviewing the Depreciation policy of the Company. This will also take into account the impact of Accounting Standard 22 on Deferred taxation. These decision along with acute competition from other Eye Hospitals could significantly affect the working result for the forth coming year.