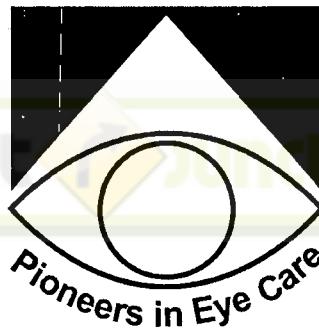


Dr. Agarwal's Eye Hospital Limited



**Fourteenth Annual Report
2007 – 2008**

14th Annual Report

Board of Directors

Dr. J. Agarwal,
Chairman cum Wholetime Director
Dr. (Mrs.) T. Agarwal, Managing 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
Mr. Prabhat Toshniwal
Dr. Adil Agarwal
Dr. Ashvin Agarwal
Dr Dipan Desai

Auditors

M/s. M. K. Dandeker & Co.
Chartered Accountants
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.
- (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 : 2814 0801-03

NOTICE TO SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the 14th Annual General Meeting of the shareholders of the company will be held on 12th August 2008 at 11.00 a.m. at 19 (Old No.13), Cathedral Road, Chennai 600 086 to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March 2008, the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare a dividend on Equity Shares.
3. To appoint a director in the place of Dr. Athiya Agarwal who retires by rotation.
4. To appoint a director in the place of Mr M R G Apparao who retires by rotation.
5. To appoint a director in the place of Dr. Adil Agarwal who retires by rotation.
6. To appoint the Auditors and to fix their remuneration. The retiring auditors, M/s M.K.Dandekar & Co., Chartered Accountants, Chennai, are eligible for reappointment.

SPECIAL BUSINESS

7. To consider and if thought fit to pass with or without modification(s), the following Resolutions as an **ORDINARY RESOLUTION**:

“RESOLVED THAT Dr. Dipan Desai be and is hereby appointed as a Director of the company liable to retire by rotation.”

8. To consider and if thought fit to pass with or without modification(s), the following Resolutions as a **SPECIAL RESOLUTION**:

“RESOLVED THAT pursuant to provisions of Section 94 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the Authorised Share Capital of the Company of Rs.5,00,00,000 (Rupees Five Crores) divided into 50,00,000 (Fifty Lakhs) equity shares of Rs.10/- (Rupees Ten) each be and is hereby increased to Rs.20,00,00,000 (Rupees Twenty Crores) divided into 2,00,00,000 (Two Crores) equity shares of Rs.10/- (Rupees Ten) each by creating additional 1,50,00,000 (One Crore and fifty lakhs) equity shares of Rs.10/- (Rupees Ten) each.”

RESOLVED FURTHER THAT the Memorandum of Association of the Company be and is hereby altered by substituting the existing Clause No.V thereof by the following Clause V:

- V. The Authorised Share Capital of the Company is Rs.20,00,00,000 (Rupees Twenty Crores only) divided into 2,00,00,000 (Two Crores only) equity shares of Rs.10/- (Rupees Ten only) each.

RESOLVED FURTHER THAT any one of the Directors of the Company be and is hereby authorized to sign and file forms and other necessary documents with the Registrar of Companies, Chennai and to all such other acts, deeds, matters and things as may be considered fit to give effect to this resolution.

9. To consider and if thought fit to pass with or without modification(s), the following Resolutions as a **SPECIAL RESOLUTION**:

“RESOLVED THAT subject to the provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and other applicable Acts, Rules and Regulations, if any, (including any statutory modification or re-enactment thereof for the time being in force) and subject to such approval, permissions and sanctions from such authorities as may be required and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, approval of the Company be and is hereby accorded to the voluntary delisting of Securities of the Company from the Madras Stock Exchange Limited “

“RESOLVED FURTHER THAT the Board of Directors of the Company (to include any Committee of Directors that may be appointed by the Board of Directors) be and is hereby authorised to agree such terms and conditions which they may consider appropriate and to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to execute all such applications, documents and writings as are considered necessary or proper for giving effect to this resolution.”

10. To consider and if thought fit to pass with or without modification(s), the following Resolutions as a **SPECIAL RESOLUTION**:

“RESOLVED THAT pursuant to the provisions of Section 81(1-A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof) and in accordance with the provisions of the Memorandum and Articles of Association of the Company and the regulations/guidelines, prescribed by the Securities and Exchange Board of India including Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, or any other relevant authority, from time to time, subject to such approvals, consents, permissions and sanctions, the Board of Directors of the Company (hereinafter referred to as “the Board”, which term shall be deemed to include any Committee including the Compensation Committee and the Compensation Sub-Committee) be and is hereby authorized on behalf of the Company to grant from time to time options under the Stock Option Scheme viz. Employee Stock Option Plan {ESOP 2008 scheme} to apply for Equity Shares and / or warrants with an option for conversion into Equity Shares/Equity linked Securities convertible into Equity Shares of the Company to or for the benefit of such person/persons who are in the permanent employment of the Company and consequently create, issue, offer and allot at any time and from time to time, Equity Shares in terms of such options, the options and the consequential issue, offer and allotment of Shares shall be at such price, in such manner, during such period, in one or more tranches and on such other terms and conditions as the Board may decide.

Provided the total number of options to be granted under ESOP shall not initially exceed 2,25,000 Equity Shares of Rs 10/-.

RESOLVED FURTHER THAT in case of any corporate action(s) such as rights issues, bonus issues, share splits, merger and sale of division and others, if any additional equity shares are issued by the Company to the Option Grantees for the purpose of making a fair and reasonable adjustment to the options granted earlier, the above ceiling of 2,25,000 Equity Shares shall be deemed to be increased to the extent of such additional Equity Shares issued.

RESOLVED FURTHER THAT in case the Equity Shares of the Company are either sub-divided or consolidated, then the number of shares to be allotted and the price of acquisition payable by the option grantees under the scheme shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of Rs.10/- per Equity Share bears to the revised face value of the Equity Shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees.

RESOLVED FURTHER THAT all acts and deeds done by the Board till date to further the objective of this resolution be and are hereby ratified and approved.

RESOLVED FURTHER THAT subject to the terms stated herein, the Equity Shares ESOP shall in all respects rank pari passu inter-se as also with the then existing Equity Shares of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to any offer or grant of options, issue or allotment of Equity Shares pursuant to the options granted, or securities or instruments representing the same, as described above, under any Employee Stock Option Scheme, the Board be and is hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable for such purpose and with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in this regard to such issue(s) or allotment(s) (including power to amend, vary, or modify any of the terms and conditions of the scheme, the grant of options, issue or allotment of Equity Shares pursuant to the options granted), without being required to seek any further consent or approval of the members, in its sole discretion as it may deem fit."

By Order of the Board
Sd/-

Dr. Amar Agarwal
Joint Managing Director

Place: Chennai
Date : 19.05.2008

NOTES:-

1. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Annual General Meeting is annexed.
2. A MEMBER OF THE COMPANY, WHO IS ENTITLED TO ATTEND AND VOTE AT THE MEETING, IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.

3. Instrument of Proxies, in order to be effective, must be received at the Company's Registered Office not later than 48 (Forty Eight) hours before the time fixed for holding the Annual General Meeting. A Form of Proxy is enclosed.
4. The Register of members and the share transfer books of the company will remain closed from 9th August 2008 to 12th August 2008. (both days inclusive)
5. Dividends will be paid to those shareholders whose names appear on the company's Register of Members on 12th August 2008.
6. 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.
7. In case the members desire that the dividend be credited to their bank account through Electronic Clearing Service (ECS). Kindly send the ECS mandate forms duly completed in all respects immediately. This has already been sent to all the shareholders.
8. Shareholders / proxy holders are requested to bring their copy of the annual report with them at meeting and to produce at the entrance the attached admission slip duly completed and signed, for admission to the meeting hall.
9. Members desirous of getting any information about the accounts and operation of the company are requested to address their query to the company at the registered office of the company well in advance so that the same may reach at least seven days before the date of meeting to enable the management to keep the required information readily available at the meeting.

Details of Directors seeking appointment and re-appointment at the forthcoming Annual general meeting of the Company. Also refer to the explanatory statement to the notice for other appointees details.

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. Athiya Agarwal	Ophthalmology	M.D. (Path.), F.R.S.H. (Lon.), D.O.	Dr. Agarwal's Pharma Ltd	NIL
Mr M R G Apparao	Consultant	B. Sc., DMIT, PGDM (IIM Calcutta)	NIL	Chairman - Audit Committee Member - Remuneration and Shareholders/ Investors' Grievance Committee
Dr. Adil Agarwal	Ophthalmology	M B B S	NIL	NIL
Dr Dipan Desai	Ophthalmology	M.S, P.S.V.H. (Germany)	NIL	NIL

By Order of the Board
Sd/-

Place: Chennai
Date : 19.05.2008

Dr. Amar Agarwal
Joint Managing Director

ANNEXURE TO NOTICE EXPLANATORY STATEMENT

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT 1956:

Item No.7

The board inducted Dr.Dipan Desai in the board on 28/03/2008 as an additional director. Notice has been received from a member along with necessary deposits as required by section 257 of the Companies Act, 1956, proposing as a candidate for the office of Director/s. Accordingly, the Resolution under Item No.7 of the Notice is submitted for the approval of the Shareholders.

None of the Directors of the Company, except Dr. Dipan Desai, is concerned or interested in the resolution.

Item No.8

In order to cater the future requirements, it was proposed to increase the Authorised Share Capital of the Company from Rs.5 Crores to Rs.20 Crores and for that purpose, the Memorandum of Association and the Articles of Association of the Company are proposed to be suitably altered.

The provisions of the Companies Act,1956 require the Company to seek the approval of the Members for increase in the authorized share capital and for the alteration of capital clause of the Memorandum of Association and Articles of Association of the Company.

Accordingly, the Resolution under Item No.8 of the Notice is submitted for the approval of the Shareholders.

None of the Directors of the Company is, in any way, concerned or interested in the resolution.

Item No.9

It was proposed for voluntary delisting of Equity Shares of the Company from the Madras Stock Exchange as there is very negligible volume of trading in the Exchange.

Accordingly, the Resolution under Item No.9 of the Notice is submitted for the approval of the Shareholders.

None of the Directors of the Company is, in any way, concerned or interested in the resolution.

Item No.10

Dr.Agarwal's Eye Hospital Limited strongly believes that it is the EYE CARE industry with the necessary skill, sets and intellectual power, which steer the Company. Logically therefore, a mutually strong relationship between the employees and the Company is a necessity. The Stock Option Plan is one of the methodologies of strengthening the binding between the employees and the Company. Identifying, selecting and retaining the right talent in the Industry to which your Company belongs to, is one of the toughest jobs on hand for any Management. Your Company has recognized this as a serious criterion and consequently has conceptualized an Employee Stock Option Scheme with warrants, which can be converted into Equity Shares after a specified period.

The Board of Directors of the Company proposed the ESOP 2008 Scheme in the place of the earlier scheme approved by the Members during the last Annual General Meeting of the Company, as no option was offered under that Scheme.

Approval of the Members is being sought in terms of Section 81(1A) and all other applicable provisions of the Companies Act, 1956, for the grant of options and the consequential issue of Equity Shares under the ESOP 2008 Scheme.

The proposed Plan will be an ongoing process and the Company is required to commit and issue ESOPs to different personnel including new recruits.

It is also proposed that all the Stock Options be issued at the price arrived at in line with the prevailing Guidelines on the date of grant.

The Directors of the Company may be deemed to be interested or concerned in the resolution to the extent of their shareholding in the Company and to the extent they may be covered by the ESOP.

a) Gist of the Plan:

Total number of options to be granted:

The number of options to be granted pursuant to ESOP shall not exceed 5.00% of the total shares issued by the Company on the date(s) of grant of options.

b) Identification of classes of employees entitled to participate in the ESOP:

Options are offered to permanent employees of the Company, Directors including Whole-time Directors but excluding Promoter Directors or Directors holding in excess of 10% of the Equity Shares of the Company and eligible employees (including Directors whether Whole-time Directors or not) of the subsidiary and /or holding company of the Company.

c) Requirements of vesting and period of vesting:

The continuation of the employee in the service of the Company shall be a primary requirement of the vesting. The Compensation Committee shall formulate the other criteria of vesting, which may inter alia include performance related issues. The vesting period shall commence on the expiry of one (1) year from the date of grant of the option and will extend as may be thought fit by the Compensation Committee.

d) Maximum period within which the options shall be vested:

The Maximum period within which the options shall be vested is upon the completion of ten years from the date of grant of option.

e) Exercise price or pricing formula:

Options under the ESOP would be issued at a price not less than 75% of the market price of Equity Shares on the date of grant or average of the daily high and low of the closing prices of the related shares, quoted on the stock exchanges, during the month preceding the month on which the options are granted whichever is lower.

f) Exercise Period and Procedure for Exercise:

The exercise period shall commence from the date of vesting and expire not later twelve months from the date of such vesting and can be further extended to a period of twelve months from the vesting date upon a specific request from the associate concerned, however such an extension may be granted by the Compensation Committee only under special circumstances. The mode or process of exercise of the option will be framed by the Compensation Committee.

g) The appraisal process for determining the eligibility of employees to the ESOP:

The eligibility criteria for the employees under ESOP will be determined by the Compensation Committee based qualification, past and present performance, experience, technical knowledge, professionalism, designation, responsibility, other qualities or such other basis as the Committee may deem fit.

h) Maximum number of options to be issued per employee and in aggregate:

The maximum number of options granted to any one employee in a year will not exceed 1% of the issued Equity Share Capital of the Company at the time of granting of option.

i) Power to amend, vary or modify the Scheme:

The Board shall have powers to amend, vary, or modify any of the terms and conditions of the ESOP pertaining to the grant of options, pricing of options, issue or allotment of Equity Shares or warrants pursuant to the options, without being required to seek any further consent or approval of the Members. The powers granted by the Members pursuant to this resolution will include powers to withdraw, recall, accept surrender or cancel options issued/ to be issued pursuant to this resolution or any other earlier approval accorded by the Members in this behalf, and to issue fresh options in lieu thereof at such price, in such manner, during such period, in one or more tranches and on such other terms and conditions as the Board may decide.

j) Accounting policies:

The Company shall comply with the disclosure and accounting policies prescribed by SEBI and any other appropriate authority in this regard.

The resolution set out in the Notice is recommended for the approval of the shareholders. The Directors of your Company may be deemed to be concerned or interested in this resolution.

By Order of the Board
Sd/-

Dr. Amar Agarwal
Joint Managing Director

Place: Chennai
Date : 19.05.2008

DIRECTORS' REPORT

Your Directors have the pleasure in presenting the FOURTEENTH ANNUAL REPORT and that of the Auditors together with the audited Balance Sheet as at 31st March 2008 and the Profit and Loss account for the year ended on that date.

PERFORMANCE

The financial results for the year ended 31st March 2008 are as under:

	Rs. (In Lacs)	
	31.03.2007	31.03.2008
Income	2209.28	4139.79
Profits before depreciation and interest	421.01	525.63
Depreciation	165.16	330.36
Interest	16.90	139.20
Profit before Tax	238.95	56.07
Provision for taxation	115.71	40.63
Provision for Deferred Tax	Nil	Nil
Profit After Tax	123.24	15.44
Add surplus from previous year	129.55	126.79
Provision for Dividend	67.50	67.50
Tax on proposed Dividend	11.47	11.47
Transfer to general Reserve	10.00	5.00
Surplus carried to Balance Sheet	126.78	58.26

COURSE OF BUSINESS AND OUTLOOK

During the year progress has continued in the company's performance. Your company had achieved a turnover of Rs.41.40 crores as compared to the turnover of Rs.22.09 crores. The profit before tax was Rs 56.07 lacs as compared to Rs.238.95 lacs in the previous year. The reduction in profit was mainly due to higher depreciation and set up cost incurred for 14 new hospitals started during the year in various parts of Chennai city and Tamilnadu and Andhra Pradesh. The board of directors have planned for further expansion for the current year which will increase the turnover of the company substantially and in turn will improve profitability of the company as well.

However, there are great challenges ahead not only for your company but for the industry as a whole. With the continued confidence of all our associates, we will aggressively meet those challenges with renewed faith in our company and the future that we all share.