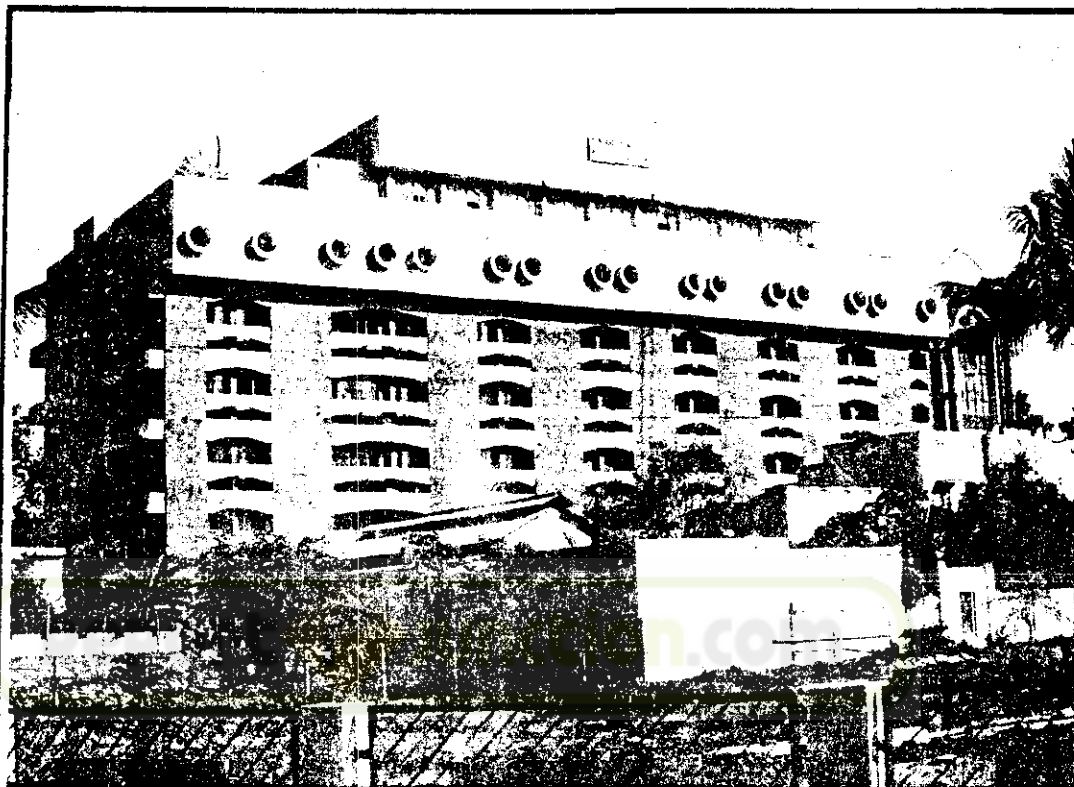


ANNUAL REPORT 1998-99



SEAHORSE HOSPITALS LIMITED

World class Medical Care within your Reach

Board of Directors

Dr. A.K.Gandhi
Managing Director

Capt.V.W.Katre
Director

Capt. S.C.Batra
Director

Capt. A.C. Batra
Director

Dr.B. Ramamurthy
Director

Dr.T.J. Cherian
Director

Shri. D.V.A. Manoharan
Nominee Director

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**SEAHORSE
HOSPITALS
LIMITED**

Financial Institutions:

The ICICI Ltd

IDBI

IFCI

SBI

Legal Advisor :

Shri R. SANKARA NARAYANAN

Auditors

M/s. Guru - Varadan

Chartered Accountants

Rosy Towers, IV Floor

8, Mahatma Gandhi Salai

Nungambakkam

Chennai - 600 034

Registered Office & Hospital Complex
6, Royal Road, Cantonment
Trichy - 620 001



NOTICE TO THE SHARE HOLDERS

Notice is hereby given that the Sixteenth Annual General Meeting of the members of Seahorse Hospitals Ltd, Tiruchirappalli-1 will be held on 18th August 1999 at 10.30 a.m. at the Regd. Office of the company at 6, Royal Road, Cantonment, Trichy 1, to transact the following business:-

1. ORDINARY BUSINESS

- 1.01. To receive, consider and adopt the audited Balance Sheet as at 31.03.99 and the Profit and Loss Account for the year ended on that date along with the Reports of the Directors and the Auditors thereon.
- 1.02. To appoint Directors in the place of Capt V W Katre, Capt. A. C. Batra and Dr. B Ramamurthy who retire by rotation. They are eligible for re-appointment.
- 1.03. To appoint auditors who will hold office till the conclusion of the next Annual General Meeting and fix their remuneration.

2. SPECIAL BUSINESS

- 2.01. TO CONSIDER AND IF THOUGHT FIT TO PASS THE FOLLOWING RESOLUTIONS AS SPECIAL RESOLUTIONS WITH OR WITHOUT MODIFICATION.

"Resolved that pursuant to the provisions of section 81(1-A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment to or re-enactment thereof). Articles of Association of the Company and subject to applicable and necessary approvals, permissions and/or sanctions and/or guidelines prescribed by the Government of India and Securities Exchange Board of India and subject also to such terms, conditions and modifications as may be necessary or prescribed in such approvals or guidelines, the Board of Directors of the company (hereunder called the Board) which term includes the committee thereof for the time being exercising powers conferred on the Board by this Resolution be and is hereby Authorised to issue and allot from time to time, on private placement and/or on preferential allotment basis, the shares detailed hereunder or any part thereof to the persons/bodies/institutions stated against the concerned items.

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Sl.No.	No. & Type of shares	Value per share	Total amt.	Name of the persons / bodies / institutions
01	1,20,00,000 Equity Shares	Rs.10/-	Rs.12 crores	M/s. Phoenix Flame Development Consultants Limited

"Resolved further that while making the issue of shares as above, the Board may settle the other terms of the issue including the amount payable on application and allotment and the calls thereof and time of such payment and other relevant matters."

2.02. TO CONSIDER AND IF THOUGHT FIT TO PASS THE FOLLOWING RESOLUTION WITH OR WITHOUT MODIFICATION AS A SPECIAL RESOLUTION.

"Resolved that under section 269 and other applicable provisions of the Companies Act 1956, and subject to such sanction as may be necessary, DR. A.K. Gandhi be and is hereby re-appointed as the Managing Director of the company for a period of five years with effect from 26.08.99 on the terms and conditions as to remuneration and perks as set out by the Board and placed before the meeting with liberty to the Board to alter and vary such remuneration and perks so as not to exceed the limits specified in Part- II of Schedule XIII to the Companies Act, 1956 or any amendments thereto as may be agreed to between the Board and Dr. A.K. Gandhi.

2.03. TO CONSIDER AND IF THOUGHT FIT TO PASS THE FOLLOWING RESOLUTION AS SPECIAL RESOLUTION:

"Resolved that the Registered Office of the Company be shifted from Trichy to Chennai."

For Seahorse Hospitals Ltd.

Place : Chennai

Date : 22.05.99

(Dr. A.K. Gandhi)
Managing Director

**NOTES:**

I. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and such proxy need not be a member of the company. Proxies in order to be valid must be lodged with the company at its Registered Office atleast 48 hours before the meeting.

II. The Register of members of the company will be closed from 17.08.99 to 20.08.99 (both days inclusive)

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2)
OF THE COMPANIES ACT, 1956.**

ITEM NO:2.01

The Company is holding discussions with Financial Institutions and exploring the possibilities of discharging all the loans raised from them and for which purpose the Company desires to raise funds inter-alia by issuing further shares. to the Individuals/Bodies/Institutions stated in the resolution. As per section 81(1-A) of the Companies Act, 1956 further issue of shares on preferential allotment basis could be done only if it is approved by a special resolution passed by the share holders and hence the subject (agenda item no:2.01) is placed before this meeting.

With reference to Regulations 3(1)(c) and the proviso thereunder of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 the following disclosures are made:

- a. M/s.Phoenix Flame Development Consultants Limited is a Company incorporated in UK.
- b. The average market price of the equity shares of the Company as calculated with reference to the above said Regulations is only Rs.2/- per share while it is proposed to allot the shares at par value i.e. Rs.10/-
- c. The present share holding of the company and change in pattern of share holding with the proposed issue of 1.2 Crores shares are as follows:

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Particulars	Present Pattern	Future Pattern
	(in percentage to total holding) (Fractions rounded off)	
Public Financial Institutions	10	5
Mutual Funds	1	-
NRIs	9	5
Directors & their relatives	1	-
Body Corporates	15	8
Other Top fifty Shareholders	12	6
Others	52	27
Phoenix Flame Development Consultants Limited	-	49
	<u>100</u>	<u>100</u>

- d. In the event of the proposed alternate to go through, M/s. Phoenix Flame Development Consultants Limited is expected to nominate two Directors to the Board of the Company. The proposed allottees intend to join the company as a Co-promoter along with the Seahorse Group who are presently in control of the company. No other change is expected in the control over the affairs of the Company.

None of the Directors is interested in the resolution.

ITEM NO:2.02

Dr. A.K. Gandhi was appointed as Managing Director of the Company for a period of five years with effect from 26.8.94, by the share holders at the Annual General Meeting held on 23.12.94 and his term expires on 25.8.99. His services are found to be essential for the purposes of the Company and he is eligible for re- appointment. The re-appointment and the terms of such re- appointment require the approval of the share holders. The terms and conditions of re-appointment as decided by the Board and kept at the Registered office of the Company are open for inspection during office hours on any working day upto the date of the AGM.

Dr. A.K. Gandhi is deemed to be interested in the resolution.

**ITEM NO:2.03**

The company has a very large base of shareholders spread all over the country. The shares of the company are listed on Chennai and Mumbai Stock exchanges. Many of the regulatory authorities like Registrar of Companies, SEBI., Appellate Income Tax Commissionerate, Directorate of Health Services etc. are located in Chennai and the company has to deal with them very regularly. It has been realized over last five years that affairs of the company can be run far more efficiently from Chennai than from Tiruchirappalli. Hence the Management is proposing to shift the Registered Office of the Company from Trichy to Chennai. The change of Registered Office outside the city limits of the present Registered Office requires the approval of the members pursuant to section 146 of the Companies Act, 1956.

None of the Directors is interested in the resolution.

By order of the Board.
For Seahorse Hospitals Ltd,

Place : Chennai
Date : 22.05.99

(Dr. A.K. Gandhi)
Managing Director

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DIRECTORS' REPORT

The Board of Directors of your company have pleasure in presenting the Sixteenth Annual Report of the company together with the audited statements of account for the year ended 31.03.99

FINANCIAL RESULTS FOR THE YEAR:

Financial results for the year are as under.

	Amount in Lakhs of Rupees	
	1998-99	1997-98
Operating Income	607.00	576.00
Other Income	7.00	9.00
Total Income	<u>614.00</u>	<u>585.00</u>
Operating and Administrative Expenses	468.00	482.00
Financial expenses	801.00	552.00
Prior period expenses	0.00	2.00
Depreciation	111.00	109.00
	<u>1380.00</u>	<u>1145.00</u>
Net Profit (Loss)	(766.00)	(560.00)

As can be seen from the above results, the operating income of your company has increased by 5% over last year, while the expenses have been reduced by 3% during the same period. This has been achieved during one of the most difficult period for Indian Economy in recent times. This has been achieved without any compromise in the quality of service and care rendered to the patients.

As evident, financial expenses constitute the major part of total expenses. For the period under review, they constitute 58% of the total expenses. Since the backlog of interest attracts further interest, the debt burden of the company is increasing at a rapid pace year after year. In view of the losses made, the Directors regret their inability to declare any dividend.

In order to achieve a significant reduction in the financial cost, the management, as part of financial restructuring has proposed a one-time settlement with the Financial Institutions, which is under consideration by



them. In the event this being accepted by them, the management proposes to fund it by a preferential allotment of fresh equity by the Company.

In order to enable the company to issue equity on preferential basis the Members are required to pass a specific resolution to satisfy the requirements of section 81 (1A) of the Companies Act, 1956. The details of the resolution as well as the explanatory note are part of the agenda papers sent to the Members along with the notice of this Annual General Meeting.

The management is also alive to its commitment to the society and is quite keen on its motto of "World class health care at affordable price" to all the patients. It is a matter of deep satisfaction that the reputation of the Company is gaining every year after new management took over in the year 1994. In the month of April this year, the Company has declared to make available certain number of hospital beds free of cost to the needy patients. These beds were dedicated in a ceremony presided over by Shri. Rangarajan Kumaramangalam, Honourable Union Minister for Energy and Parliamentary affairs, who also is the Member of Parliament from Trichy constituency where the hospital is located.

Directors

Padmashri S.V.S.Raghavan, Chairman of the company for last five years expressed a desire to step down and the Board of Directors have accepted his resignation in deference to his wishes. The Management wishes to place on record the deep appreciation of salutary services of Shri Raghavan during the difficult period of rehabilitation of the company over last five years. His guidance was extremely valuable to the management. Until such time a new Chairman is appointed, Capt.V.W.Katre, Director of the company, is acting in that capacity.

The term of the Managing Director, Dr.A.K.Gandhi, comes to an end on 25.08.99. His services have been invaluable to the company and he is also eligible for re-appointment. The terms and conditions, on which such reappointment can be done, requires approval of the Members.

Capt.V.W.Katre, Capt.A.C.Batra and Dr.B.Ramamoorthy, directors of the company retire by rotation and are eligible for reappointment.

Change of Registered Office

The company has a very large base of shareholders spread all over the country. The shares of the company are listed on Chennai and Mumbai Stock exchanges. Many of the regulatory authorities like Registrar of Companies, SEBI,