

## LETTER OF OFFER

### THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Letter of Offer (LOO) is sent to you as shareholder(s) of Devaki Hospital Limited. If you require any clarifications about the action to be taken, you may consult your Stock Broker or Investment Consultant or Merchant Banker (Indbank Merchant Banking Services Limited) or Registrar (Cameo Corporate Services Limited) to the Offer. In case you have recently sold your shares of Devaki Hospital Limited, please hand over this Letter of Offer and the accompanying Form of Acceptance-cum-Acknowledgement, Form of Withdrawal and Transfer Deed to the Member of Stock Exchange through whom the said sale was affected.

#### Mr. A N Radhakrishnan (as the Acquirer)

residing at No. 931, 69<sup>th</sup> Street, 11<sup>th</sup> Sector, K K Nagar, Chennai - 78 Tel : (044)24802422 Fax No : (044)24726303

along with

#### Mrs. R Gomathi

residing at No. 931, 69<sup>th</sup> Street, 11<sup>th</sup> Sector,  
K K Nagar, Chennai -78  
Tel no: (044) 24802422 Fax No. (044)24726303

#### Mrs. D Meenakshi Ammal

residing at No. 931, 69<sup>th</sup> Street, 11<sup>th</sup> Sector,  
K K Nagar, Chennai -78  
Tel No : (044)24802422 Fax No (044)24726303

#### As Persons Acting in Concert (PACs)

#### MAKES A CASH OFFER AT Rs. 19.00 PER EQUITY SHARE TO ACQUIRE

up to 14,94,000 fully paid up Equity Shares representing 20% of the Share and Voting Capital of the Target Company

#### DEVAKI HOSPITAL LIMITED

Regd. Office: No. 148, Luz Church Road, Mylapore, Chennai- 600 004  
Tel No: (044 ) 2499 0788 Fax No.: (044) 2499 3282 E-mail : devakihospital@vsnl.net.in

#### Notes:

- The Offer is being made pursuant to, and in compliance with, among others, Regulation 10 & 12 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, and subsequent amendments thereof.
- It is an unconditional offer.
- It is not a competitive bid
- No statutory approval is required to complete the Offer except the approval from the Reserve Bank of India ("RBI") under Foreign Exchange Management Act, 1999 ("FEMA") to acquire the shares from non-resident shareholders. As on the date hereof there are no other statutory approvals required to implement this offer.
- Shareholders who accept the Offer by tendering the requisite documents, in terms of the Public Announcement / Letter of Offer, can withdraw the same up to 3 (three) working days prior to the date of closure of the Offer (i.e. March 14, 2007, Wednesday)
- The Acquirer can revise the Offer Price upwards up to 7 (seven) working days prior to the date of closure of the Offer (i.e. March 08, 2007, Thursday). If there is any upward revision in the Offer Price by the Acquirer or if the Offer is withdrawn, the same would be communicated by a public announcement in the same newspapers where the original Public Announcement appeared. The Acquirer would pay such revised price for all the Shares validly tendered any time during the Offer and accepted under the Offer.
- **If there is a competitive bid(s):**
  - (i) the public offers under all the subsisting bids shall close on the same date;
  - (ii) as the Offer Price cannot be revised during 7 (seven) working days prior to the closing date of the offers/bids, it would, therefore, be in the interest of Shareholders to wait till the commencement of that period to know the final offer price of each bid and tender their acceptance accordingly.
- **There has been no competitive bid.**
- A copy of the Public Announcement and the Letter of Offer (including the Form of Acceptance cum Acknowledgment and Form of Withdrawal) is available on SEBI's website ([www.sebi.gov.in](http://www.sebi.gov.in)).

#### Merchant Banker to the Offer



**Indbank**

Merchant Banking Services Ltd

(A Subsidiary of Indian Bank)

1st Floor, Khivraj Complex I

480, Anna Salai, Nandanam, Chennai 600 035

Ph. No.: (044) 24313094 - 97 Fax No.: (044) 224313093

e mail : [dhloffer@indbankonline.com](mailto:dhloffer@indbankonline.com)

SEBI Regn. No: INM 00000 1394

Contact Person : Mr. Sanjay Varghese, Vice President



#### Registrar to the Offer

CAMEO CORPORATE SERVICES LIMITED

"Subramanian Building"

No: 1, Club House Road

Chennai 600 002

Ph. No.: (044) 28461989, 28460390

Fax No : (044) 2846 0129

e mail : [cameo@cameoindia.com](mailto:cameo@cameoindia.com)

SEBI Regn. No: INR 00000 3753

Mr. R D Ramasamy, Vice President

A schedule of some of the major activities pertaining to the offer is given below:

Activity	Date & Day
Public Announcement (PA) Date	September 11, 2006, Monday
Specified Date	September 29, 2006, Friday
Last date for a competitive bid, if any	October 2, 2006, Monday
Date by which Letter of Offer will be dispatched to the shareholders of the Target Company	February 21, 2007, Wednesday
<b>Offer Opens on</b>	<b>March 01, 2007, Thursday</b>
Last date for revising the Offer Price / Offer Size	March 08, 2007, Thursday
Last Date for Withdrawal of acceptance by the shareholders	March 14, 2007, Wednesday
<b>Offer Closes on</b>	<b>March 20, 2007, Tuesday</b>
Last date for communicating rejection/ acceptance (in part or full) and mailing of consideration for applications accepted	April 4, 2007, Wednesday

## Risk Factors relating to the transaction, the proposed Offer and probable risks involved in associating with the Acquirer

1. The Acquirer has only limited experience in hospital management, the main activity carried out by the Target Company.
2. The Acquirer proposes to take control of the Target Company. The likely change in the management / taking control by the Acquirer shall be subject to successful completion of the Open Offer formalities, including dispatch of consideration for the Shares accepted. Pending completion of the Open Offer formalities, the Acquirer having deposited 100% of the consideration in the Escrow Account, is permitted under Regulation 22(7) of the Regulations to join/ appoint his nominee to the Board of the Target Company, after the completion of a period of twenty one days from the date of the Public Announcement. The acquirer is yet to join / appoint his nominee to the Board of the Target Company. On successful completion of the Open Offer formalities all the directors representing the current promoters on the Board of the Target Company shall resign and relinquish their office, and the Acquirer shall join/ induct his nominees as Directors on the Board of the Target Company. The Acquirer makes no assurance with respect to the financial performance of the Target Company after taking control of the same.
3. Shareholders accepting this Offer will be tendering their Equity Shares before getting payment of consideration. Further, they will not be able to take advantage of any favorable price movements.
4. As on date of this Letter of Offer, no statutory approvals are required to acquire the Equity Shares that are tendered pursuant to the Offer except the approval from the Reserve Bank of India ("RBI") under Foreign Exchange Management Act, 1999 ("FEMA") to acquire the shares from non-resident shareholders. However, the Offer would be subject to all statutory approvals that may become applicable at a later date. The dispatch of consideration can be delayed beyond 15 days, in case any statutory approval, which becomes so applicable on a later date, is not received. In terms of Regulation 22(12) of the Regulations, in the case of non-receipt of statutory approvals, SEBI has the power to grant extension of time for the purpose of making payment subject to, the Acquirer agreeing to pay interest to the Shareholders for delay beyond 15 days.
6. The Meenakshi Ammal Trust, founded by the Acquirer and the PACs, manages the Meenakshi Medical College and Research Institute, the Meenakshi General Hospital and the Meenakshi College of Nursing, and to this extent, there is conflict of interest with the Target Company.
7. Dr. K Chockalingam, one of the promoters of the target company prior to 2004, has filed a suit in Civil Court seeking declaration of sale of 5,00,000 shares by him to MMCHC in May 2003 as null and void. In this suit, Interim Application has been filed by Dr. K Chockalingam seeking temporary injunction restraining MMCHC from exercising in any manner whatsoever its voting rights on the 5,00,000 shares of Devaki Hospital Ltd. To date no temporary injunction has been granted and the matter is to be heard. These 5,00,000 shares form a part of the 18,17,240 shares agreed to be sold by MMCHC to the Acquirer under the SPA. If a temporary injunction is granted by the Court MMCHC/ the Acquirer will not be able to exercise their voting rights on these shares until the case is decided.

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## DEFINITIONS

Acquirer	Mr. AN Radhakrishnan
Act	The Companies Act , 1956
BSE	Bombay Stock Exchange Limited
Eligible Persons	All owners of shares, registered or unregistered, of Devaki Hospital Limited, (other than the Acquirer and PACs, and current promoters of Devaki Hospital Ltd) and also persons who own the shares at any time prior to the closure of the offer.
Escrow Account	Escrow Account in accordance with Regulation 28 of the Regulations, created by the Acquirer with Indian Bank, Valasaravakam Branch, Chennai in the form of Deposits of Rs. 2,86,00,000 (Rs. Two Crores Eighty Six Lakhs only), being more than 100% of the total consideration payable under the Offer
Form of Acceptance	Form of Acceptance-cum-Acknowledgement
Merchant Banker	Indbank Merchant Banking Services Limited
MSE	Madras Stock Exchange Limited
NRIs	Non-resident Indians
Offer	Offer for acquisition of up to 14,94,000 Fully paid-up Equity shares of face value of Rs.10/- each of Devaki Hospital Limited representing 20% of the share and voting capital at a price of Rs.19.00 per share payable in cash
Offer Period	From 01.03.2007 to 20.03.2007
Offer Price	Rs.19.00 (Rupees Nineteen Only)
PACs	Persons Acting in Concert namely Mrs. R Gomathi and Mrs. D Meenakshi Ammal
PA	Public Announcement of the Offer, as per regulation 15 of the Regulations, made by the Acquirer on 11.09.2006
RBI	Reserve Bank Of India
Registrar	Cameo Corporate Services Limited
SEBI	Securities and Exchange Board of India.
Share Purchase Agreement (SPA)	Share Purchase Agreement dated 07.09.06 and supplementary agreement dt. 22.12.2006 between Madras Medical Care & Health Centre Pvt. Ltd & the Acquirer for sale of 18,17,240 shares of Devaki Hospitals Ltd
Specified Date	29.09.2006 (Friday)
Target Company	Devaki Hospital Limited (DHL)
The Regulations	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto

## 1. DISCLAIMER CLAUSE

IT IS TO BE DISTINCTLY UNDERSTOOD THAT FILING OF DRAFT LETTER OF OFFER WITH SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED, VETTED OR APPROVED BY SEBI. THE DRAFT LETTER OF OFFER HAS BEEN SUBMITTED TO SEBI FOR A LIMITED PURPOSE OF OVERSEEING WHETHER THE DISCLOSURES CONTAINED THEREIN ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE REGULATIONS. THIS REQUIREMENT IS TO FACILITATE THE SHAREHOLDERS OF DEVAKI HOSPITAL LIMITED TO TAKE AN INFORMED DECISION WITH REGARD TO THE OFFER. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF THE ACQUIRER, PACs OR THE COMPANY WHOSE SHARES /CONTROL IS PROPOSED TO BE ACQUIRED OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE LETTER OF OFFER. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ACQUIRER IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS LETTER OF OFFER, THE MERCHANT BANKER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT ACQUIRER DULY DISCHARGES HIS RESPONSIBILITY ADEQUATELY. IN THIS BEHALF, AND TOWARDS THIS PURPOSE, THE MERCHANT BANKER, INDBANK MERCHANT BANKING SERVICES LIMITED, HAS SUBMITTED A DUE-DILIGENCE CERTIFICATE DATED 27.09.2006 TO SEBI IN ACCORDANCE WITH THE SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 1997 AND SUBSEQUENT AMENDMENT(S) THEREOF. THE FILING OF THE LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE ACQUIRER FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE OFFER.

## 2. DETAILS OF THE OFFER

### 2.1 Background of the offer

2.1.1 This open offer (this "Offer") is being made by Mr. A N Radhakrishnan ("the Acquirer"), residing at No. 931, 69<sup>th</sup> Street, 11<sup>th</sup> Sector, K K Nagar, Chennai -78 pursuant to and in compliance with Regulation 10 & 12 of the SEBI (SAST) Regulations, 1997 and subsequent amendments thereto. Mrs. R Gomathi and Mrs. D Meenakshi Ammal are termed as the Persons Acting in Concert (PACs). This offer is for substantial acquisition of shares with change of control.

2.1.2 The Acquirer has entered into a Share Purchase Agreement on 07.09.2006 with the current promoter of Devaki Hospitals Ltd (the "Target Company"), Madras Medical Care & Health Centre Pvt. Ltd (MMCHC), having its registered office at No: 148, Luz Church Road, Mylapore, Chennai- 600 004, Tel No. (044) 24661469, Fax No. (044) 24660061 to acquire 18,17,240 shares of Devaki Hospitals Ltd (DHL) representing 24.33% of the Shares and voting rights of the Target Company at a price of Rs. 18/- per share. A supplementary agreement to the Share Purchase Agreement has been entered into on 22.12.2006 modifying the provisions of the original Agreement, in relation to 3,00,000 shares currently under lock-in (refer (e) below) . The transfer of shares under the Agreement would result in a change of control of the Target Company. Salient features of the SPA are as follows:

- a. The Acquirer has deposited the entire consideration of Rs. 3,27,20,320/- for the shares to be purchased under the agreement with Indian Bank, Valasaravakam Branch, Chennai which is acting as the escrow agent. MMCHC has created pledge on the shares in favour of the escrow agent
- b. The transfer of shares and consideration under the agreement will be affected only after the Acquirer fulfils his obligations in relation to the Offer under the Regulations as certified by the Merchant Banker to the Offer. In case the Acquirer fails to fulfill his obligations in relation to the offer the agreement will stand cancelled and the transfer of shares under the agreement will not be proceeded with.
- c. Pending completion of the Open Offer formalities, the Acquirer having deposited 100% of the consideration in the Escrow Account, is permitted under Regulation 22(7) of the Regulations to join/ appoint his nominee to the Board of the Target Company, after the completion of a period of twenty one days from the date of the Public Announcement. (The acquirer is yet to join / appoint his nominee to the Board of the Target Company). On successful completion of the Open Offer formalities all the directors representing the current promoters on the Board of the Target Company shall resign and relinquish their office, and the Acquirer shall join/ induct his nominees as Directors on the Board of the Target Company.
- d. MMCHC will vacate the premises of the Target Company, which are occupied by it, and being used for its dialysis and consultation rooms within 30 days, from the date of signing of the agreement.
- e. Of the 18,17,240 shares to be transferred under the agreement 3,00,000 shares are under lock-in till 02.05.2008. On completion of the open offer formalities under the Regulations, the shares under lock-in are proposed to be transferred to the Acquirer with continuance of lock-in, subject to requisite approvals from the Depository since the shares are held in demat. As per the original Share Purchase Agreement dated 07.09.06 MMCHC had issued power of attorney on these shares in favour of the acquirer and deposited the same with the escrow agent If the transfer was not affected due to delay / non-receipt of approvals the escrow agent was authorised to hand over the power of attorney to the Acquirer. As per the supplementary agreement to the SPA dated 22.12.2006, the clause with reference to power of attorney on locked-in shares has been removed and power of attorney on the shares cancelled. If there is any delay in receiving approvals for transfer of the locked-in shares, the amount of Rs. 54,00,000 pertaining to the locked-in shares will be retained by the escrow agent (Indian Bank) and remitted to MMCHC only on completion of transfer.

2.1.3 Between 13.03.2006 and 01.09.2006 the Acquirer and the PACs have purchased through open market purchases on the Bombay Stock Exchange (BSE) 2,21,792 shares of the target company at a highest price of Rs. 18.70 and an average price of Rs. 16.73. The Acquirer and the PACs have also sold 5909 shares of the Target Company at an average price of Rs. 15.40 during this period. On 08.09.2006 the Acquirer and Mrs. R Gomathi (PAC) have purchased 530500 shares and 370500 shares respectively of the Target Company through block deals on the BSE at a price of Rs. 18/- per share.. As a result of all the above market purchases/ sales the Acquirer's shareholding in the target company as on date stands at 694772 shares, and that of Mrs. R Gomathi and Mrs. D Meenakshi Ammal (PACs) at 408892 shares and 13219 shares respectively, aggregating to 14.95% of the Shares and voting rights of the Target Company. With the acquisition of 18,17,240 shares from MMCHC under the SPA, the total shareholding/ voting rights of the Acquirer and the PACs will stand at 39.28% of the Shares and Voting Rights of the Target Company.

2.1.4 The Acquirer/PACs, MMCHC and its Directors, and the Target Company have not been prohibited by SEBI from dealing in securities in terms of directions issued u/s 11B of the SEBI Act or under any of the regulations made under the SEBI Act.

2.1.5 There is no person on the Board of the Target Company representing the acquirer

2.1.6 The acquirer proposes to take control of the target company. Subject to satisfaction of the provisions under the Companies Act, 1956 and the Regulations, the Acquirer intends to make changes in the management of DHL. The Acquirer intends to join/ appoint his nominee to the Board of the Target Company after the completion of a period of twenty-one days from the date of the Public Announcement. On completion of the transfer of shares/ voting rights under the SPA, all the directors representing MMCHC on the Board of the Target Company shall resign and relinquish their office, and the Acquirer shall induct his nominees as Directors on the Board of the Target Company. The Acquirer is yet to decide on the name of the persons who will be so inducted to the Board.

## 2.2 Details of the proposed Acquisition/ Offer

2.2.1 The Public Announcement (PA), in accordance with Regulation 15 of the SEBI (SAST) Regulations, 1997, was published on 11.09.2006 in the following newspapers

Newspaper	Language	Editions
Financial Express	English	Ahmedabad, Bangalore, Chandigarh, Chennai, Hyderabad, Kochi, Kolkata, Mumbai and New Delhi
Jansatta	Hindi	Delhi and Kolkatta
Loksatta	Marathi	Ahmednagar, Mumbai, Nagpur, Pune
Dina Mani	Tamil	Chennai, Madurai, Coimbatore, Tirunelveli, Trichy and Vellore

A corrigendum to the PA was published in the same editions of the above newspapers on 18.09.2006. A second corrigendum to the PA will be published in the same editions of the above newspapers on 20.02.2007. The PA and the Corrigendum are also available on the SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in)

2.2.2 Pursuant to and subject to the terms and conditions of this Letter of Offer, the Acquirer proposes to acquire up to 14,94,000 fully paid up equity shares ("Shares") of the Target Company (the "Offer Size") representing 20% of the voting equity capital of the Target Company at a price of Rs. 19/- (Rupees Nineteen only) for each Share of the Target Company (such price, the "Offer Price"), to be paid in cash in accordance with the Regulations.

2.2.3 The target company has no partly paid up shares. The offer is not subject to any minimum level of acceptance and is an unconditional offer.

2.2.4 This is not a Competitive Bid

2.2.5 There is no competitive bid.

2.2.6 The Acquirer/ PACs have not acquired any equity shares of Devaki Hospital Limited, since the date of Public Announcement and up to the date of this Letter Of Offer.

2.2.7 The Merchant Banker to the Offer does not hold any shares in the Target Company, as on the date of this PA. They declare and undertake that they shall not deal in the shares of the target company during the period commencing from the date of their appointment as Merchant Banker to the Offer till the expiry of 15 days from the closure of the offer

2.2.8 To the extent of the Offer Size, all the Shares of the Target Company that are validly tendered pursuant to this Offer are proposed to be acquired by the Acquirer. There is no agreement by the Acquirer and/ or PACs with any other person in connection with the offer and no other person/ entity proposes to take part in the acquisition.

2.2.9 The Acquirer is permitted to revise this Offer upward up to seven working days prior to the date of closure of the Offer. In the event of such revision, an announcement will be made in the same newspapers where the PA has appeared and the revised offer price would be paid for all the equity shares tendered anytime during the Offer.

### 2.3 Object and Purpose of the Acquisition and Future plan about Target Company

2.3.1 The acquirer, after acquiring the Target Company, wishes to improve the functioning of the Multi Specialty Hospital and also utilise it as a research center for medical researchers and students from the Institutions managed by the Trust founded by the Acquirer. This Offer is made pursuant to Regulation 10 and other applicable provisions of the Regulations involving substantial acquisition of shares or voting rights with change in control or management.

2.3.2 The Meenakshi Ammal Trust, founded by the Acquirer and the PACs, manages the Meenakshi Medical College and Research Institute, the Meenakshi General Hospital and the Meenakshi College of Nursing, and to this extent, there is conflict of interest with the Target Company.

## 3 Background of the Acquirer & PACs

### 3.1 Background of the Acquirer

3.1.1 The Acquirer, Mr. A N Radhakrishnan, aged about 65 years, residing at No. 931, 69<sup>th</sup> Street, 11<sup>th</sup> Sector, K K Nagar, Chennai -78, has approximately 25 years of teaching experience in Economics & Accountancy with the State Institute of Commerce Education, Department of Technical Education, Government of Tamil Nadu from which he retired voluntarily in 1996.

3.1.2 In 1983, together with his wife, Mrs. R Gomathi, and his mother-in-law, Mrs. Meenakshi Ammal, he founded the Meenakshi Ammal Trust. The Meenakshi Ammal Trust, 641, Ramasamy Salai, Chennai – 78, is a Public Charitable and Educational Trust which runs various institutions in and around Chennai and Kancheepuram like the Meenakshi Medical College and Research Institute, Arulmigu Meenakshi Amman College of Engineering, Meenakshi Ammal Dental College, Meenakshi College of Nursing, Meenakshi College of Physiotherapy, Meenakshi College of Occupational Therapy, Meenakshi College of Engineering, Meenakshi Ammal Arts & Science College for Women, Meenakshi Ammal Polytechnic College, Meenakshi Ammal Matriculation Higher Secondary School, Arulmigu Meenakshi Amman Higher Secondary School, Vani Vidyalyaya (CBSE), Meenakshi Ammal Industrial Training Institute, Meenakshi General Hospital, Meenakshi Ammal Teacher Training Institute and Meenakshi Ammal College of Education.

3.1.3 The Acquirer also has interests in the construction business through a proprietary concern called Arvind Builders which commenced operations in 1997. Brief financial details (as per Income tax returns filed) are given below:

(Rs. in Lakhs)			
Particulars (Year Ended)	31.03.2004	31.03.2005	31.03.2006
Capital A/c	5.32	5.87	8.08
Total Income	5.69	5.94	23.49
Net Profit	0.90	0.94	4.59

**Note :** Capital A/c includes undrawn profits. This being a proprietary concern Reserves, Earnings per Share and Net Asset Value details are not applicable/ available. This is not a sick industrial company.

### 3.2 Background of the Persons Acting in Concert (PACs)

3.2.1 Mrs. R Gomathi, aged 58 years, PAC, residing at No. 931, 69<sup>th</sup> Street, 11<sup>th</sup> Sector, K K Nagar, Chennai -78, is the wife of the Acquirer and a founder member of the Meenakshi Ammal Trust.

3.2.2 Mrs. R Gomathi is also the founder of the Sri Muthukumaran Educational Trust (founded in 1983) which manages the Sri Muthukumaran Institute of Technology, MGR Institute of Hotel Management and Catering Technology, Sri Muthukumaran Arts & Science College, Thiru Seven Hill Polytechnic and Sri Muthukumaran College of Education.

3.2.3 Mrs. D Meenakshi Ammal, aged 81 years, PAC, residing at No. 931, 69<sup>th</sup> Street, 11<sup>th</sup> Sector, K K Nagar, Chennai -78, is the mother of Mrs. R Gomathi, and a founder member of the Meenakshi Ammal Trust.

- 3.2.4 There is no person on the Board of the Target Company representing the Acquirer/ PACs or who is an "Insider" within the meaning of Securities and Exchange Board of India (Insider Trading) Regulations 1992 on the Board of the Target company, as on the date of Letter of Offer.
- 3.3 The Acquirer/ PACs are not on the Board of Directors of any listed company nor do they have a controlling stake in any listed company either individually or in concert with any others.
- 3.4 The Acquirer and the PACs have promoted an unlisted company by the name of RMG Benefit Fund Ltd (incorporated on 20.09.1995). The company is a Mutual Benefit Company authorised to accept deposits from its shareholders as per provisions of Section 620A of the Companies Act, 1956. Depositors are first admitted as shareholders by allotting minimum number of shares. The company advances secured loans only to its shareholders from the deposits and capital collected from shareholders. The income earned by the company is in the form of interest earned on loans to shareholders and on investments in bank deposits. The company has on 05.07.1997 applied to the Reserve Bank of India for Certificate of Registration as Non-Banking Financial Institution under section 45-IA of the Reserve Bank of India, Act 1934. The company is yet to receive the Registration. The company has on 07.07.2000 applied to the Registrar of Companies, Tamil Nadu, Ministry of Company Affairs for "Nidhi" status (Declaration of the company as Nidhi u/s 620A of the Companies Act, 1956). The Registrar of Companies, Tamil Nadu has vide its letter dt. 14.11.2006 asked for further details/ submissions which the company has replied vide its letter dt. 29.11.2006. Mrs. D Meenakshi Ammal, PAC, is the President of the company on its Board of Directors, while the Acquirer is the Chief Executive of the Company (but not on the Board of Directors). Mr. A N Radhakrishnan owns 5000 shares (of Face Value Rs. 10/- each) in the company while Mrs. R Gomathi and Mrs. D Meenakshi Ammal own 4900 shares and 5000 shares respectively. This is not a sick industrial company. The Brief Audited Financials of the company are given below :

(Rs. in Lakhs)

Particulars	31.03.2004	31.03.2005	31.03.2006
Equity Capital	26.75	26.78	26.80
Reserves (excl. Revaluation Reserves)	9.48	10.36	11.58
Total Income	19.99	19.80	19.76
Profit After Tax	1.29	0.88	1.22
Earning Per Share (Rs.) *	0.48	0.33	0.46
Book Value Per Share (Rs) *	13.54	13.87	14.32

\* Earning per share = Profit After Tax / Number of equity shares issued & subscribed

Book Value per Share = (Equity Capital + Reserves)/ Number of equity shares issued & subscribed

- 3.5 As per the certificates issued by Mr. P T Ponniah (ICAI Membership No 019873), Partner, P T Ponniah & Co, Chartered Accountants, I Floor, 122 (New no 285) Purasawalkam High Road, Kellys, Chennai -10, as on 30.08.2006 the Net Worth of the Acquirer is Rs. 7.75 Crores, while that of Mrs. R Gomathi and Mrs. D Meenakshi Ammal is Rs. 5.60 Crores and Rs. 2.65 Crores respectively.
- 3.6 The Acquirer/ PACs have only limited experience in hospital management, the main activity carried out by the Target Company
- 3.7 There is no agreement by the Acquirer and/ or PACs among themselves or with any other person in connection with the offer and no other person/ entity proposes to take part in the acquisition.
- 3.8 The Acquirer/PACs have filed the required disclosure under Regulation 7(1) of Chapter II of SEBI (SAST) Regulations, 1997 in relation to the acquisition of 9,01,000 shares in the Target Company on 08.09.06 within the due date.
- 3.9 Prior interest of the Acquirer in the Target Company and Outstanding Litigations in the Target Company involving the Acquirer
- 3.9.1 The Acquirer has vide MOU (agreement for sale) dt. 20.09.05 and subsequent sale deed dt. 02.06.2006, purchased the land admeasuring 5 grounds and 124 sq.ft. at No. 148, Luz Church Road, Mylapore, Chennai – 600004 and the building thereon, from Mrs. Chitra Chockalingam, Mrs. Deepa Chockalingam and Eskeycee Medical Foundations (P) Ltd, who are part of the original promoter group of the Target Company prior to its takeover by MMCHC in 2004. The said building is currently occupied by Devaki Hospital Ltd under Lease, and is the subject matter of litigation between the original owners (i.e. Mrs. Chitra Chockalingam, Mrs. Deepa Chockalingam and Eskeycee Medical Foundations (P) Ltd), and Devaki Hospital for eviction proceedings and collection of rent arrears. The MOU (agreement for sale) dt. 20.09.05 referred to herein authorises the Acquirer as the purchaser of the property to continue the eviction proceedings (including claim for increase in rent retrospectively and rent arrears) initiated by the sellers (Mrs. Chitra Chockalingam, Mrs Deepa Chockalingam and Eskeycee Medical Foundations (P) Ltd) against the Target Company in 2004, and to collect the rent arrears, if any awarded, under the cases. The Acquirer has on 19.06.2006 filed CMP No 8386 & 8387 of 2006 in CRP No. 933 and 1627 of 2005 respectively to implead himself as the landlord/ subsequent purchaser.
- 3.9.2 On 09.08.2006, the Acquirer has given a loan of Rs. 245 Lakhs to the Target Company against which he has taken the property at 149, Luz Church Road, Mylapore, Chennai as security. The funds have been utilized by the Target Company to repay the term loan outstanding of Rs. 210 Lakhs to HSBC Bank. (Note : The Target Company currently occupies Door Nos. 147, 148 & 149, Luz Church Road, Mylapore, Chennai – 600004)
- 3.9.3 The Acquirer, as a shareholder of the company, has filed OS No. 5087 of 2006 in the City Civil Court, Chennai on 13.06.2006 requesting for the injunction against the Target Company against conducting the EGM called for on 14.06.2006 for considering allotment of warrants on preferential basis The EGM was held as scheduled on 14.06.2006 and it was resolved to allot up to 63,20,000 Warrants, convertible into equity shares at the sole option of the warrant holders within a period of 18 months from the date of allotment of warrants, at Rs. 22.25 per warrant on a preferential basis. Of these 28,10,000 Warrants were proposed to be allotted to Promoters/ PACs (numbering 9 in all) and the balance 35,10,000 to non-promoters (numbering 30 in all). The Acquirer then filed Company Application No. 178 of 2006 with a request for declaring the EGM as null, void and illegal and directing the target company to allot the warrants or any equity shares to all the shareholders proportionate to their shareholdings. The resolution for preferential issue of warrants has subsequently become redundant since the company did not receive the application money, being 10% of the agreed value of the warrants, within 15 days of the EGM. The company has accordingly on 29.06.06 intimated the BSE about its inability to allot the warrants. The case has subsequently been dismissed on 12.02.07 since nobody appeared from the petitioner's side.
- 3.10 Declaration under Regulation 16 (ix)
- 3.10.1 As of date of this PA, the Acquirer does not have any plans to dispose of or otherwise encumber any assets of the Target Company in the next two years except in the ordinary course of business of the Target Company, and except to the extent required for the purpose of restructuring and/ or rationalization, reorganization, arrangements of operations, assets, investments, liabilities or otherwise of the Target Company. Notwithstanding the immediately preceding sentence, the Board of Directors of the Target Company will take appropriate decisions in these matters as per the requirements of business and in line with the opportunities from time to time.
- 3.10.2 The acquirer undertakes that they will not sell, dispose of or otherwise encumber any substantial asset of the target company in the succeeding two years except with the prior approval of the shareholders.

#### 4. Disclosure in terms of Regulation 21(3)

As a consequence of this offer, the public shareholding in Devaki Hospital Limited is not likely to fall below the limit specified for purpose of listing on continuous basis in terms of the Listing Agreement with the Stock Exchange. Hence the option available under Regulation 21(3) of the Regulations is not applicable.

5. **Background of Devaki Hospital Limited (“ Target Company”)**

5.1 The Target Company, having its corporate and registered office at 148, Luz Church Road, Mylapore, Chennai- 600004, is engaged in running of the Devaki Hospital and Laboratory and provides comprehensive health care in the various branches of medicine such as General Surgery, Urology, Neurology, Cardiology, Ophthalmology, Pathology, Thoracic Surgery and other allied specialties. The Target Company currently occupies Door Nos. 147, 148 & 149, Luz Church Road, Mylapore, Chennai – 600004. The target company also operates a School of Nursing from rented premises at 6<sup>th</sup> & 7<sup>th</sup> Floor, Moogambika Complex, 4, Lady Desika Chari Road, Alwarpet, Chennai.

5.2 Devaki Hospital Limited was incorporated on 27th August 1990. It took over the existing business of Devaki Hospital run by Eskeycee Medical Foundations (P) Limited. The Company went Public in November, 1991. The Target Company was originally promoted and managed by Eskeycee Medical Foundations (P) Ltd, Dr. K Chockalingam and his family members Mrs. Chitra Chockalingam, Dr. Deepa Chockalingam and Ms. Preetha Chockalingam. The current promoter MMCHC acquired management control in the Target Company through an open offer under regulation 10 of the Regulations made on 28.09.2003, and a prior purchase of 5,00,000 shares of the target company. MMCHC acquired an additional 3,00,000 shares in the target company through a preferential allotment in May 2005, and the total shareholding of MMCHC in the Target Company as on date is 18,17,240 shares.

5.3 MMCHC is promoted and owned by Dr. K C Reddy, Dr. Salim Thomas and Dr. C M Thiagarajan who now represent MMCHC on the Board of Directors of the Target Company. Dr. K C Reddy, Dr. Salim Thomas and Dr. C M Thiagarajan each have more than 30 years of experience in the fields of General Surgery-Urology, Surgical Oncology and Nephrology respectively. The current promoter group of the target company includes in addition to MMCHC, Dr. K C Reddy, Dr. C R Sundarajan, Dr. A Ratnasabapathy, Dr. C Ramesh Babu, Ms. Ranjani Reddy, Ms. Nandhini Reddy owning cumulatively 74,100 shares of the target company.

5.4 Share Capital Structure of Target Company (“ Devaki Hospital Limited”)

Paid up Equity Share of Target Company	No. Of Shares/ Voting rights	% of Shares/ Voting Rights
Fully Paid Up Equity Shares	74,68,920	100%
Partly Paid Up Shares	Nil	Nil
Total Paid Up Equity Shares	74,68,920	100%
Total Voting Right in Target Company	74,68,920	100%

5.5 The Target company, as on the date of this public offer does not have any outstanding convertible instruments (options, warrants, FCD/PCDs, etc). The Target Company as on the date of this public offer does not have any partly paid up equity shares and hence voting right in case of partly paid up equity shares is Nil.

5.6 Capital History of Devaki Hospital

Date of Allotment	No and % of shares allotted	Cumulative paid up capital (Rs.)	Mode of allotment	Identity of allottees (promoters/ ex-promoters/others)	Status of regulatory compliance
22.08.1990	70 (100%)	700	On Incorporation	Ex- Promoters	As per Companies' Act
22.01.1992	34,49,930 (100%)	3,45,00,000	Public Issue	Ex-Promoters and Others	As per Companies Act, Comptroller of Capital Issues and Listing Requirements
24.08.1994	(54,600)(1.58%)	3,39,54,000	Forfeiture of shares	Others	As per Companies' Act
29.11.1994	15,00,000(30.64%)	4,89,54,000	Preferential Allotment	Ex-promoters & others	As per Companies Act, SEBI preferential allotment guidelines and listing requirements
24.05.2004	54,600(1.10%)	4,95,00,000	Reissue of forfeited shares	Promoter Group	As per Companies Act and Listing requirements
03.05.2005	24,00,000 (32.65%)	7,35,00,000	Preferential Allotment	3,00,000 shares- Promoters 21,00,000 shares – Others *	As per Companies Act, SEBI preferential allotment guidelines and Listing Requirements. Disclosure requirements under regulation 7(1A) of the Regulations not fulfilled by promoters *
14.10.2005	1,18,920	7,46,89,200	Preferential Allotment	Others (Dhanalakshmi Bank as part OTS for secured dues)	As per Companies Act, SEBI preferential allotment guidelines and Listing Requirements

\* - The preferential allotment of 24,00,000 was made at a price of Rs. 11.50 per equity share totaling Rs. 276 Lakhs. Other than the 3,00,000 shares allotted to the promoters (MMCHC) the balance 21,00,000 shares were allotted as follows :

Name of allottee	Number of shares allotted	% age of post issue capital (as on 03.05.2005)	Status of compliance with Regulations
Mr. Sawarmal Hisaria Mr. Sangeet Kumar Hisaria Ms. Manjudevi Hisaria Ms. Renudevi Hisaria	2,62,500 2,62,500 2,62,500 2,62,500	3.57% 3.57% 3.57% 3.57%	The company has confirmed the preferential allotment to the BSE on 13.05.2005. Mr. Sangeet Kumar Hisaria has subsequently sold the shares on 15.05.06 and the other shareholders on 09.09.06, and intimated the same to the company vide letters dt. 09.09.06 received by the company on 18.09.06. The company in turn has intimated the MSE & BSE vide letter dt. 20.09.06.
Mr. Subash Kumar Ganerival Ms. Saroj Ganerival	5,25,000 5,25,000	7.14% 7.14%	The company has confirmed the details of the preferential allotment of shares to the BSE on 13.05.2005.

None of the allottees as given above i.e. Mr. Sawarmal Hisaria, Mr. Sangeet Kumar Hisaria, Ms. Manjudevi Hisaria and Ms. Renudevi Hisaria are/ were Persons Acting in Concert with the promoters (MMCHC) of the target company.

## 5.7 Compliance with Chapter II of the Regulations by the Target Company, its Promoters & the Acquirer

5.7.1 Devaki Hospital Limited had not complied with the relevant provisions of Chapter II of the Regulations (Regulations 6(2), 6(4), 7(3) and 8(3) between May 1997 and May 2003). SEBI has vide its order dt. 11.06.2004 levied a penalty of Rs. 4,00,000/- on the Target Company for violation of the Regulations. The company appealed against the order to the Securities Appellate Tribunal (SAT), and SAT vide its order dt. 29.04.2005 has reduced the penalty amount to Rs. 1 Lakh. The company has remitted the amount vide 2 demand drafts for Rs. 50,000/- each dt. 12.10.2004 and 31.05.2005. After May 2003, the target company has made the requisite disclosures under Regulation 8(3) on the due date i.e. 30.04.2004, 30.04.2005 and 30.04.2006. With respect to the disclosure made under Regulation 7(1) by the Acquirer on 09.09.2006, the target company has made the requisite disclosure under Regulation 7(3) on 13.09.06, within the due date.

5.7.2 The current promoter and seller under the SPA, Madras Medical Care & Health Centre Pvt. Ltd., had filed the required disclosure under Regulation 7(1) on 19.05.2003, within the due date, regarding the purchase of 5,00,000 equity shares in the Target Company in May 2003. MMCHC has also made the annual disclosures under Regulations 8(2) to Devaki Hospital Ltd within the due dates for year ended 31.03.2004, 31.03.2005 and 31.03.2006. MMCHC has not made any disclosures under Regulations 7(1) and 7(1A) for the acquisition of 11,47,675 shares under the open offer in Mar 2004 (however these shares are included in disclosure under 8(2) to company in April 2004), sale of 1,30,435 shares in July 2004 and preferential allotment of 3,00,000 shares in May 2005 in the target company. SEBI may initiate suitable action against MMCHC for non-compliance with provisions of Chapter II of the regulations. (Also refer 5.17)

## 5.8 Compliance with listing requirements of Stock Exchanges

5.8.1 The Equity shares of the Devaki Hospital Limited ("Target Company") are listed on Madras Stock Exchange Limited (MSE) and the Bombay Stock Exchange (BSE).

5.8.2 Devaki Hospital Limited has complied with the listing requirements and no punitive action has been initiated against Devaki Hospital Limited by any of the Stock Exchanges where its shares are listed.

5.8.3 The provisions of Corporate Governance and provisions under Clause 49 of the Listing Agreement are complied with by DHL. The details of compliance are given hereunder

	Particulars	Clause of Listing agreement	Compliance Status Yes / No	Remarks
I	<b>Board of Directors</b> (A) Composition of Board (B) Non-executive Directors' compensation & disclosures (C) Other provisions as to Board and Committees (D) Code of Conduct	49 (1) 49 (IA) 49 (IB) 49 (IC) 49 (ID)	Yes Yes Yes Yes	Not paying any compensation
II	<b>Audit Committee</b> (A) Qualified & Independent Audit Committee (B) Meeting of Audit Committee (C) Powers of Audit Committee (D) Role of Audit Committee (E) Review of Information by Audit Committee	49 (II) 49 (IIA) 49 (IIB) 49 (IIC) 49 (IID) 49 (IIE)	Yes Yes Yes Yes Yes	
III	<b>Subsidiary Companies</b>	49 (III)	Not Applicable	
IV.	<b>Disclosures</b> (A) Basis of related party transactions  (B) Board Disclosures (C) Proceeds from public issues, rights issues, preferential issues etc (D) Remuneration of Directors (E) Management (F) Shareholders	49 (IV) 49 (IV A)  49 (IV B)  49 (IV C) 49 (IV D) 49 (IV E) 49 (IV F)	Yes  Yes  Yes Yes Yes Yes	
V	<b>CEO/CFO Certification</b>	49 (V)	Yes	
VI	<b>Report on Corporate Governance</b>	49 (VI)	Yes	
VII	<b>Compliance</b>	49 (VII)	Yes	

5.9 The Compliance Officer of the Target Company is Mrs. Revathi Sridharan, Company Secretary, who will be available at the address of the Registered Office of DHL.

5.10 The Board of Directors of Devaki Hospital Limited as on the date of Public Announcement i.e. 11.09.2006 is as under.

Name	Qualifications	Experience	Date of Appointment
Dr. C R Sundarajan, Chairman	Retd. Professor of Plastic Surgery	50 years (Plastic Surgeon)	15.09.1994
Dr. K C Reddy, Executive Director	M S (General Surgery)	38 years (Urologist)	24.05.2004
Dr. A Ratnasabapathy, Director	M.D.	35 years (general Medicine, Retired professor)	19.12.2002
Dr. C M Thiagarajan, Director	MD, MNAMS	36 years (nephrologists)	21.05.2004
Dr. Salim J Thomas, Director	MS (General Surgery), MNAMS	32 years (surgical oncologist)	21.05.2004
Dr. C Ramesh Babu, Director	MS (Orthopedics)	20 years (orthopedic surgeon)	21.05.2004
Mr. Vijay Agarwal, Independent Director	Chartered Accountant	20 years (practicing Chartered Accountant)	24.01.2006
Mr. K N Gopalan, Independent Director	Company Secretary	20 years (retired Company Secretary, Ashok Leyland)	24.01.2006

There are no Directors representing the Acquirer on the Board of the Target Company as on the date of the PA or as on the date of this letter of offer. At the AGM held on 27.12.2006, Dr. C R Sundarajan and Dr. C Ramesh Babu have retired by rotation and were not reappointed. Mr. K N Gopalan and Mr. Vijay Agarwal who were earlier appointed as Additional Directors were appointed as Directors.

5.11 There has been no merger/ demerger, spin off involving the company in the last 3 years, and no change of name since listing.

5.12 The Financial details of Devaki Hospital Limited are as follows:

**Profit and Loss Statement**

(Rs. in Lakhs)

Particulars	31.03.2004 (Audited)	31.03.2005 (Audited)	31.03.2006 (Audited)
Income from operations	614.09	595.95	726.61
Other Income	14.33	25.00	150.74
Total Income	628.41	620.95	877.35
Total Expenditure	679.06	574.14	681.20
Profit before Depreciation, Interest and Tax	(50.65)	46.81	196.15
Depreciation	63.23	63.06	49.51
Impairment in value of assets		25.82	
Interest	79.69	59.61	38.13
Profit/ (Loss) Before Tax	(193.57)	(101.69)	108.51
Provision for Tax (incl. FBT/Deferred Tax)	7.89	(79.21)	1.55
Profit/ (Loss) after Tax	(201.46)	(22.48)	106.96

**Balance Sheet Statement**

(Rs. in Lakhs)

Particulars	31.03.2004 (Audited)	31.03.2005 (Audited)	31.03.2006 (Audited)
Sources of funds			
Equity Share Capital	489.54	495.00	746.89
Reserve & Surplus (incl. Profit & loss Account excl. Revaluation Reserves)	(196.43)	(218.91)	(54.84)
Secured Loans	458.37	476.82	332.20
Unsecured Loans	64.08	54.22	66.28
Deferred Tax Liability	133.43	54.22	49.81
<b>Total</b>	<b>948.99</b>	<b>912.89</b>	<b>1140.34</b>
Uses of Funds			
Net Fixed Assets	1118.87	1039.77	1001.66
Investments	0.00	0.00	0.00
Net Current Assets	(169.88)	(126.88)	138.68
Misc. Exp Not Written off	0.00	0.00	0.00
<b>Total</b>	<b>948.99</b>	<b>912.89</b>	<b>1140.34</b>

**Other Financial Data**

Particulars	31.03.2004 (Audited)	31.03.2005 (Audited)	31.03.2006 (Audited)
Dividend (%)	Nil	Nil	Nil
Earnings Per Share (Rs.) – Fully Diluted *	-ve	-ve	1.43
Return on Net Worth – Fully Diluted *	-ve	-ve	15.46%
Book Value Per Share (Rs.) *	5.99	5.58	9.27

\* Earning per share = Profit After Tax / Number of equity shares issued & subscribed

Book Value per Share = (Equity Capital + Reserves)/ Number of equity shares issued & subscribed

Return on Net Worth = Profit After Tax / (Equity Capital + Reserves) as on 31.03.06

5.13 While the jump in Total Income and PAT for the year ended 31.03.2006 could partly be explained by improved income from operations, a major part of the increase can be attributed to increase in other income. During the year 2005-06 the target company raised Rs. 276 lakhs through a preferential issue and also raised a loan of Rs. 250 Lakhs from Hong Kong & Shanghai Banking Corporation (HSBC), which was used to settle a majority of the creditors including secured creditors Punjab National Bank and Dhanalakshmi Bank (partially). The balance dues of Rs. 33 Lakhs to Dhanalakshmi Bank was also settled through a preferential issue of 1,18,920 shares for a total value of Rs. 33 Lakhs. The target company has made substantial financial gains through one time settlement of debt, and the other income for the year hence includes Rs. 130.61 Lakhs as excess interest written back on OTS, discount received from creditors and unclaimed creditors written back. (Note : The loan of Rs. 250 Lakhs mentioned above was given by HSBC against the guarantee given by Ambattur Clothing Company Limited. Ambattur Clothing Company Limited had provided the guarantee against the security of the Target Company's property at 149, Luz Church Road, Mylapore, Chennai. The loan has been repaid during the current year (refer 3.9.2), and the charge created on the property in favour of Ambattur Clothing Company Limited stands cancelled.)



5.14 The Pre and Post-offer Equity Shareholding pattern of Devaki Hospital Limited

Shareholders' Category	Shareholding & Voting rights prior to the agreement / the acquisition and offer		Shares & voting rights agreed to be acquired / (sold) which triggered off the Regulations		Shares / Voting rights to be acquired / (sold) in the offer (assuming full acceptance)		Share holding / voting rights after the acquisition and offer i.e.	
	(A)		(B)		(C)		(A)+(B)+(C) = (D)	
	No.	%	No.	%	No.	%	No.	%
I. Promoter Group								
(a) Parties to the agreement (MMCHC)	1817240	24.33	(1817240)	(24.33)	Nil	Nil	Nil	Nil
(b) Promoters other than (a) above	74100	0.99	Nil	Nil	Nil	Nil	Nil	Nil
Total	1891340	25.32	(1817240)	(24.33)	Nil	Nil	Nil	Nil
II. Acquirer/ PACs								
(a) Acquirer (Mr. A N Radhakrishnan)	694772*	9.30	1817240	24.33***	1494000	20	4006012	53.64***
(b) PAC (Mrs. R Gomathi)	408892**	5.47	Nil	Nil	Nil	Nil	408892	5.47
(c) PAC (Mrs. D Meenakshi Ammal)	13219	0.18	Nil	Nil	Nil	Nil	13219	0.18
Total	1116883	14.95	1817240	24.33	1494000	20	4428123	59.29
III. Parties to the agreement other than I(a) and II (a) above	NA	NA	NA	NA	NA	NA	NA	NA
IV. Public (other than above)								
(a) Institutional Investors								
(i) Canbank Mutual Fund	10900	0.15						
(ii) Dhanalakshmi Bank	118920	1.59						
(b) Others	4330877	57.99						
Total (Public)	4460697	59.72	Nil	Nil	(1494000)	(20)	3040797	40.71
Grand Total (I+II+III+IV)	7468920	100.00					7468920	100.00

\* - The Acquirer's holding includes 530500 shares acquired through block deals on the BSE on 08.09.06 after signing of the Share Purchase Agreement with MMCHC on 07.09.06, but prior to the PA on 11.09.06

\*\* - The PAC (Mrs. R Gomathi's) holding includes 370500 shares acquired through block deals on the BSE on 08.09.06, after signing of the Share Purchase Agreement between the Acquirer and MMCHC on 07.09.06, but prior to the PA on 11.09.06.

\*\*\* - The Acquirer may not be able to acquire the entire voting rights of 24.33% proposed to be acquired under the SPA, immediately on completion of SPA, due to delay in receipt of approvals for transfer of 3,00,000 locked-in shares representing 4.02% of the voting rights (refer 2.1.2 (e)) or due to any adverse decision received in case filed by the erstwhile promoter Dr. K C Chokalingam against MMCHC for 5,00,000 shares representing 6.69% of the voting rights (refer 5.18.6 (ii))

**Note :** 1. The Acquirer/ PACs have not acquired any shares from the date of Public Announcement i.e. 11.09.2006

2. Though the members of the promoter group other than MMCHC holding 74100 shares will not be participating in the offer and also not selling the same under the Share Purchase Agreement their holding after the offer is shown as nil. The same has been added to the Public Holding since they will cease to be part of the promoter group after the open offer formalities are completed.

5.15 The total number of shareholders in the Public category as on the specified date i.e 29.09.06 is 9477

5.16 There has been no agreement between the Acquirer and PACs as regards the open offer. The PACs have not entered into any agreement with regard to the acquisition of shares.

5.17 Details of change in shareholding of current promoter (MMCHC) in the target company & Status of compliance with regulations

Date of Purchase	No. of shares	% of share and voting capital	Mode of Purchase/ Sale	Status of compliance under Chapter II of Regulations
May 2003	500000	10.21	Off-market/ secondary market	Disclosure under regulation 7(1) made on 19.05.03 within due date
Mar 2004	1147675	23.44	Open Offer under Regulation 10	Requirements of the Regulations for substantial acquisition with change in control have been complied with. Disclosure made under 8(2) of the regulations to the company.
July 2004	(130435)	2.66	Off market sale	These shares were sold to Dr. C Ramesh Babu who joined the promoter group. Disclosure requirements under Regulation 7 (1A) not applicable since the sale was within the promoter group. Dr. C Ramesh Babu sold his share holding of 1,30,435 shares, being 2.64% of the paid up capital of the company, in April 2005. No intimation has been received by the company about the same from Dr. C Ramesh Babu and the disclosure requirements under regulation 7(1A) were not complied with. (The current holding of Dr. C Ramesh Babu in the company is 3500 shares)
May 2005	300000	4.08	Preferential Allotment	Disclosure requirements under Regulation 7(1A) not complied with
Total	1817240	24.33		

MMCHC has made the requisite disclosures under Regulations 8(1) and 8(2) to Devaki Hospital Ltd within the due dates for year ended 31.03.2004, 31.03.2005 and 31.03.2006.

The current promoter group of the target company includes in addition to MMCHC, Dr. K C Reddy, Dr. C R Sundarajan, Dr. A Ratnasabapathy, Dr. C Ramesh Babu, Ms. Ranjani Reddy, Ms. Nandhini Reddy owning cumulatively 74,100 shares of the target company. Other than in the case of MMCHC and Dr. C Ramesh Babu as mentioned above, there has been no requirement for compliance under regulation 7 with respect to any of the other members of the promoter group.

## 5.18 Outstanding Litigations

- 5.18.1 Including the litigations involving the acquirer as detailed in Para 3.9, Devaki Hospital Ltd is involved in 69 different cases pending before the High Court, Company Law Board, City Civil Court and Magistrate Court. Some of these are consequent to the takeover by MMCHC in 2004 and involve the ex-promoters while many others are recovery suits filed by creditors.
- 5.18.2 There are a total of 10 cases pending before the High Court. Brief details are as follows :
- (i) CS No. 128 of 2004 : Filed by Dr. A Ratnasabapathy restraining Devaki Hospital from conducting Board Meeting on 18.02.2004. The High Court had granted injunction restraining the company from holding the Board Meeting on 18.02.2004. The meeting did not take place and hence as on date the said suit has become infructuous
  - (ii) CS No. 562 of 2003 : Filed by Devaki Hospital Ltd for declaration that Mrs. Chitra Chockalingam (ex-promoter) had vacated her office as a Director since she had violated section 295 of the Companies Act, 1956 (Mrs. Chitra Chockalingam has been enjoined from functioning as a Director and is no longer on the Board of Directors of the company). As on date this suit has become infructuous.
  - (iii) CS NO. 227 OF 2004 : Suit filed by Devaki Hospital for recovery of Rs. 1.73 crores from Mrs. Chitra Chockalingam .
  - (iv) CS No. 286 of 2004 : Suit filed by Chitra Chockalingam for declaration of notice dated 19.3.2004 as null and void and for an injunction restraining Devaki hospital from removing the plaintiff from post of full time Director
  - (v) OSA No. 127 & 128 of 2004 : OSA filed by Chitra Chockalingam for setting aside Order passed in CS no. 562 of 2003
  - (vi) CS No. 24/2005 : Suit filed by K Chockalingam for mandatory injunction to implement the resolution passed at the AGM on 30.9.2004 and permanent injunction against considering allotment of preferential shares proposed in notice dt 17.12.2004. The court had granted an interim injunction on 18.01.2005 in OA no 23 of 2005 in CS no 24 of 2005. The OA no. 23 of 2005 was dismissed and the interim injunction vacated on 19.04.2005. The preferential allotment was completed on 03.05.2005. Thereafter the main suit has not been heard.
  - (vii) WP No. 11511 of 2006 : Filed by Mr. K R Viswanathan directing for cancellation of recognition awarded to Devaki Hospital in GOMS no.873 dated 3.8.92 (for Nursing School). Interim stay granted by the Court in this matter has since been vacated
  - (viii) CRP No. 933 & 1627 of 2005 : Filed in RCOP No. 1394/2004 (refer 5.18.4 (ii) ,5.18.4(iii) and 5.18.4(iv) below) by Chitra Chockalingam, Deepa Chockalingam and Eskeycee Medical Foundations against reversal by Appellate Authority of Rent Controller's order for eviction of the Target Company. The Acquirer has on 19.06.2006 filed CMP No 8386 & 8387 of 2006 in CRP No. 933 and 1627 of 2005 respectively to implead himself as the landlord/ subsequent purchaser (refer 3.9.1
  - (ix) CS No. 549 of 2006 : Filed by Mrs. Chitra Chockalingam and 2 others claiming a sum of Rs. 3,94,38,683.60 and subsequent interest @ 18% p.a. on 3,43,94,180/- towards rent arrears, loans settled on behalf of the company, etc. Company Application no 2638/2006 has been filed seeking for directions to the company to furnish security in the suit claim OA2639/06. Arguments have been heard and orders are reserved. The company has also filed suit against Mrs. Chockalingam for recovery of amounts as detailed earlier.
- 5.18.3 A total of 2 cases are pending before the Company Law Board. The details of the cases are as follows:
- (i) CP No. 34 of 2003 : Petition filed by Dr. K C Reddy and MMCHC under Sec 397 & 298 of the Companies Act for oppression & mismanagement of affairs of Devaki Hospital Ltd by Chitra Chockalingam & Others
  - (ii) CP no. 178 of 2006 : Filed by the Acquirer against the Target Company. Refer 3.9.3. The case has subsequently been dismissed on 12 .02.2007 since nobody appeared from the petitioner's side.
- 5.18.4 A total of 57 cases are pending before the City Civil Courts and Magistrate Courts including OS no. 5087 of 2006 filed by the Acquirer. Of these a total of 27 cases filed by creditors as money suits for a total claim of Rs. 19,44,300/- have been settled either in or out of Court. A total of 19 cases filed by creditors for a total claim of Rs. 15,42,820 are yet to be settled and are either decreed or pending. Complaints under Sec 138 for a total amount of Rs.3,85,000/- are also pending. The details of the other cases are as follows:
- (i) OS No. 4530 of 2003 : Chitra Chockalingam against Devaki Hospital Ltd
  - (ii) RCOP No. 1394 of 2004 : Mrs. Chitra Chockalingam, Mrs. Deepa Chockalingam and Eskeycee Medical Foundation (P) Ltd as owners of the property at 148, Luz Church Road (leased to the target company) , filed RCOP No. 1394/2004 asking for eviction of the target company. Eviction was sought on the grounds that target company was liable to pay monthly rent of Rs. 4,00,000- per month instead of Rs. 40,000/- per month and was in default of its rental obligations. Eviction was ordered
  - (iii) RCA No. 567 of 2005 : Rent Control Appeal filed against eviction order by Devaki Hospital in RCOP No. 1394/2004
  - (iv) RCANo. 1448 & 1449 of 2004 : Appeal by Devaki Hospital against Order dt. 14/10/2004 in MP No. 696 of 2004 in RCOP No. 1394 of 2004 Eviction order was reversed.
  - (v) IA No. 14006/2004 in OS No. 4221/2004 : ICICI vs. Dr. Chockalingam & Devaki Hospital. . The matter has been settled out of court.
  - (vi) CC No. 343 of 2004 : Complaint under Section 295(4) read with Sec 621 of the Companies Act filed by Devaki Hospital against Chitra Chockalingam
  - (vii) EO 1 unnumbered CC : Complaint under Section 630 of Companies Act by Devaki Hospital against Chitra Chockalingam for withholding of Statutory records
  - (viii) RCOP No. 968/2006 : Mr. K R Viswanathan has claimed to be the owner of the Alwarpet premises of Devaki Hospital from where the Nursing School is running and has initiated eviction proceedings for non-payment of rent. The RCOP has been dismissed by the Rent Controller on 08.11.2006.
  - (ix) OS No. 5087 of 2006 : Filed by the Acquirer against the Target Company. Refer 3.9.3 above
- 5.18.5 Apart from the above cases the company is also involved in 7 cases of litigation before the Labour Court regarding dismissal of employees for indiscipline / misconduct. Of these 4 cases have been amicably settled in the month of November 2006.
- 5.18.6 Other than the cases involving the company, there are 2 cases of litigation involving the existing promoters. Brief details are as follows :
- (i) CS No. 121 of 2004 : Defamation suit filed by Dr. K C Reddy & 3 others in the High Court against Chitra Chockalingam for damages of Rs. 1 Crore
  - (ii) OS no. 6024 of 2006 & IA no. 11998 of 2006 : Suit filed in Civil Court by Dr. K Chockalingam seeking declaration of sale of 5,00,000 shares by him to MMCHC in May 2003 as null and void. In this suit, IA no 11998 of 2006 has been filed by Dr. K Chockalingam seeking temporary injunction restraining MMCHC from exercising in any manner whatsoever its voting rights on the 5,00,000 shares of Devaki Hospital Ltd. To date no temporary injunction has been granted and the matter is to be heard on 21.02.07. These 5,00,000 shares form a part of the 18,17,240 shares agreed to be sold by MMCHC to the Acquirer under the SPA. If a temporary injunction is granted by the Court MMCHC/ the Acquirer will not be able to exercise their voting rights on these shares until the case is decided.

5.18.7 The cases filed by the target company against Mrs. Chitra Chockalingam & family CS No. 227 of 2004 (refer 5.18.2(iii)) and CC No. 343 of 2004 (refer 5.18.4 (vi)) claim a total of Rs. 458 Lakhs. As per the audited accounts for 2005-06 the Loans & Advances of the target company include Rs. 1,75,49,585.45 due from Mrs. Chitra Chockalingam and Rs. 4,34,806.40 due from Mrs. Deepa Chockalingam. Any amount received pursuant to these cases in excess of the claims as per the audited accounts would result in a profit to that extent for the target company. If the Courts award less than the amount already shown as receivable in the audited accounts, the target company would suffer a loss to the extent of the shortfall.

The cases filed against the target company as detailed above could if decided in favour of the complainants, result in a total loss of Rs. 413.67 Lakhs, plus interest if any awarded, for the target company.

5.18.8 There is no pending case or restraint order of any Court against this Open offer.

## 6. Offer Price and Financial Arrangements

6.1 Justification of offer Price

6.1.1 The equity shares of Devaki Hospital Limited are listed on Madras Stock Exchange Limited (MSE), and The Bombay Stock Exchange (BSE). The annualized trading turnover during Six calendar months preceding the month in which the public announcement has been made in each of the stock exchange is detailed below:

Name of Stock Exchange(s)	MSE	BSE
Total No. of Shares Traded during 6 calendar months preceding the month in which the Public Announcement has been made (i.e. Mar – Aug 2006)	Nil	70,19,191
Total No. of listed Shares	7468920	7468920
Annualised Trading Turnover (in terms of %age of total listed shares)	0.00%	187.96%

Source : Web site www.bseindia.com and Official data from the Madras Stock Exchange Limited

6.1.2 The Shares of the Target Company are frequently traded on the BSE. This Offer is being made at a price of Rs 19 (Rupees Nineteen only) per Share, being the price in terms of the applicable provisions of the Regulations. The Offer Price is justified in terms of Regulation 20(4) of the Regulations as it is higher than the highest of the following:

i.	Negotiated price : If the Acquirer /PAC has entered into any agreement for acquisition of shares or voting rights or deciding to acquire shares or voting rights exceeding the prescribed percentage	Rs. 18/-
ii.	Highest price paid by the Acquirer /PAC for any acquisition including by way of allotment in a public or rights or preferential issue during the 26-week period prior to the date of this PA	Rs. 18.70
iii.	Higher of (A) or (B) below	
(a)	the average of the daily high and low prices for Shares of the Target Company on BSE (being the Stock Exchange on which the Shares of the Company are most frequently traded) for the two weeks period preceding the date of this Public Announcement	Rs. 16.31
(b)	the average of the weekly high and low of the closing prices of the Shares of the Target Company as quoted on BSE (being the Stock Exchange where the Shares of the Target Company are most frequently traded) during the twenty six weeks preceding the date of the Public Announcement	Rs. 17.87

6.1.3 The price and volume data on the BSE used for calculating the prices under (iii) above are as follows:

### 26 weeks weekly high/ low of closing prices

Week No.	Week Ending	High (Rs.)	Low (Rs.)	Average (Rs.)	Volume
1	17-Mar-06	17.05	15.15	16.10	62775
2	24-Mar-06	14.85	13.85	14.35	47796
3	31-Mar-06	14.60	13.65	14.13	30950
4	7-Apr-06	16.20	15.68	15.94	42886
5	14-Apr-06	16.39	15.90	16.15	11328
6	21-Apr-06	15.64	15.05	15.35	19770
7	28-Apr-06	15.99	14.82	15.41	27997
8	5-May-06	22.80	15.25	19.03	255694
9	12-May-06	28.55	21.50	25.03	2452298
10	19-May-06	32.90	29.10	31.00	2780932
11	26-May-06	27.65	26.15	26.90	225573
12	2-Jun-06	26.70	22.65	24.68	134206
13	9-Jun-06	21.55	17.75	19.65	159745
14	16-Jun-06	17.70	16.40	17.05	118946
15	23-Jun-06	18.70	16.45	17.58	66313
16	30-Jun-06	18.05	15.75	16.90	44920
17	7-Jul-06	15.55	14.60	15.08	58828
18	14-Jul-06	15.80	15.15	15.48	39491
19	21-Jul-06	15.25	15.00	15.13	61723
20	28-Jul-06	16.40	15.80	16.10	34110
21	4-Aug-06	16.50	15.75	16.13	19276
22	11-Aug-06	16.75	15.60	16.18	35370
23	18-Aug-06	16.80	16.30	16.55	33375
24	25-Aug-06	16.50	15.90	16.20	61969
25	1-Sep-06	16.25	15.85	16.05	32875
26	8-Sep-06	17.90	15.40	16.65	1568353
	<b>Average</b>			<b>17.87</b>	

## 2 week daily high/ low

Day No	Date	High (Rs.)	Low (Rs.)	Average (Rs.)	Volume
1	28-Aug-06	16.50	15.95	16.23	4598
2	29-Aug-06	16.30	16.10	16.20	3470
3	30-Aug-06	16.50	16.00	16.25	12200
4	31-Aug-06	16.10	15.70	15.90	10907
5	01-Sep-06	16.00	15.55	15.78	1700
6	04-Sep-06	16.10	15.30	15.70	18395
7	05-Sep-06	16.15	14.95	15.55	39166
8	06-Sep-06	16.95	16.00	16.48	38144
9	07-Sep-06	17.55	16.65	17.10	37743
10	08-Sep-06	18.35	17.50	17.93	1434905
	<b>Average</b>			16.31	

- 6.1.4 The Equity Shares of the Target Company are infrequently traded on the MSE within the meaning of Regulation 20, Sub-regulation (5), of the Regulations. The offer price of Rs. 19.00 (Rupees Nineteen Only) is payable in cash in terms of Regulation 20(2). The offer price is determined by the acquirer in consultation with the Merchant Banker in terms of Regulation 20(5) taking into account the following factors:

i.	Negotiated price : If the Acquirer /PAC has entered into any agreement for acquisition of shares or voting rights or deciding to acquire shares or voting rights exceeding the prescribed percentage	Rs. 18/-
ii.	Highest price paid by the Acquirer /PAC for any acquisition including by way of allotment in a public or rights or preferential issue during the 26-week period prior to the date of this PA	Rs. 18.70
iii.	Other Parameters (As per Audited results for year ended 31.03.2006)	
	Return on net Worth	15.46%
	Book Value Per Share (Rs.)	9.27
	Earning Per Share (Rs.) – Fully Diluted	1.43
	Price Earning Multiple on the Offer Price	13.29
	Industry (Healthcare) Average P/E (Source : Capital Market Magazine Vol. XXI/13 – Aug 28 – Sep 10 2006 )	26.20

The Offer Price of Rs.19.00 is justified based on the above parameters.

- 6.1.5 There are no partly paid shares in the target company
- 6.1.6 Non Compete Fee – There is no non-compete agreement
- 6.1.7 If the acquirer/ PACs acquire any shares in the target company from the date of the PA up to 7 working days prior to the closure of the offer, at a price higher than the Offer Price, then the highest price paid for such acquisition shall be payable for all the valid acceptances received under the Offer.

## 6.2 Financial Arrangement for the Offer

- 6.2.1 The total financial resources required for this Offer, assuming full acceptance will be Rs. 2,83,86,000 (Rupees Two Crores Eighty Three Lakhs Eighty Six Thousand only) ("Maximum Consideration").
- 6.2.2 In accordance with Regulation 28 of the Regulations, an escrow account has been created with Indian Bank, Valasaravakam Branch, Chennai in the form of cash deposit of Rs. 2,86,00,000 (Rs. Two Crores Eighty Six Lakhs only), being more than 100% of the total consideration payable under the Offer. Pending completion of the Open Offer formalities, the Acquirer having deposited 100% of the consideration in the Escrow Account, is permitted under Regulation 22(7) of the Regulations to join/ appoint his nominee to the Board of the Target Company, after the completion of a period of twenty one days from the date of the Public Announcement. The acquirer is yet to join/ appoint his nominee to the Board of the Target Company. On successful completion of the Open Offer formalities all the directors representing the current promoters on the Board of the Target Company shall resign and relinquish their office, and the Acquirer shall join/ induct his nominees as Directors on the Board of the Target Company.
- 6.2.3 The Acquirer has arranged a lien on the cash deposit in favour of the Merchant Banker to the Offer. The Merchant banker to the Offer is authorised to realise the value of the escrow in terms of the Regulations.
- 6.2.4 As per the certificate issued by Mr. P T Ponniah (ICAI Membership No 019873), Partner, P T Ponniah & Co, Chartered Accountants, I Floor, 122 (New no 285) Purasawalkam High Road, Kelys, Chennai -10, as on 30.08.2006 the Net Worth of the Acquirer is Rs. 7.75 Crores. The Acquirer has sufficient financial resources to meet the financial requirements of the offer and financial resources required to implement the offer are already in place. The funds requirement has been met from own sources/ Net Worth (Rs. 36 Lakhs) and borrowings of Rs. 250 Lakhs from New Link Overseas Finance Ltd, Chennai. No borrowings from FIs/ Banks or foreign sources such as NRIs or otherwise is envisaged.
- 6.2.5 The Merchant Banker to the Offer confirms that adequate funds (liquid resources) are available with the Acquirer through verifiable means to implement this Offer in full.

## 7. Terms and conditions of the Offer

- 7.1
- 7.1.1 This Offer will open on Thursday, March 01, 2007 and will close on Tuesday, March 20, 2007. The Equity Shares offered under this Offer should be free from all liens, charges, equitable interests, encumbrances and are to be offered together with, if any, all rights of dividends, bonuses or rights from now on and hereafter.
- 7.1.2 This is not a conditional Offer and is not subject to any minimum level of acceptance.
- 7.1.3 To the extent of the Offer Size, all the Shares of the Target Company that are validly tendered pursuant to this Offer are proposed to be acquired by the Acquirer.
- 7.1.4 The acceptance of this Offer by the Equity Shareholders of the Target Company must be absolute and unqualified. Any acceptance to this Offer which is conditional or incomplete in any respect will be rejected without assigning any reason whatsoever.
- 7.1.5 The acceptance of this Offer is entirely at the discretion of the Equity Shareholders of the Target Company

- 7.1.6 The instructions, authorizations and provisions contained in the Form of Acceptance and Form of Withdrawal constitute part of the terms of the Offer.
- 7.2 Locked-in Shares : There are no locked-in shares in the Target Company other than those belonging to MMCHC, the seller under the Share Purchase Agreement. None of the shareholders eligible to participate in this offer are holding locked-in shares

### 7.3 Eligibility for accepting the Offer

- 7.3.1 The Letter of Offer shall be mailed to all Equity Shareholders/ Beneficial Owners holding Shares in dematerialized form (except the Acquirer/PACs and promoters of the Target Company) whose names appear in the register of the Target Company as on Friday, September 29, 2006, the Specified Date.
- 7.3.2 This Offer is also open to persons (except the Acquirer/PACs and promoters of the Target Company) who own Equity Shares in the Target Company any time before the closure of the offer but are not registered Shareholders (or beneficial owners holding Shares in dematerialized form as on the Specified date).
- 7.3.3 Accidental omission to dispatch this Letter of Offer to any person to whom this Offer is made or the non-receipt or delayed receipt of this Letter of Offer by any such person will not invalidate this Offer in any way. A copy of the Letter of Offer (including Form of Acceptance and Form of Withdrawal) is expected to be available on SEBI's website (<http://www.sebi.gov.in>) during the period the Offer is open and may be downloaded from the site.

### 7.4 Statutory and Other Approvals required for this Offer

- 7.4.1 The offer is subject to the receipt of approval from Reserve Bank of India (RBI) under Foreign Exchange Management Act 1999(FEMA) for acquisition of equity shares by the acquirer from Non-resident persons under the offer.
- 7.4.2 To the best of knowledge and belief of the Acquirer, as of the date of this PA, there are no other statutory approvals required to acquire the equity shares tendered pursuant to this Offer. If any other statutory approvals are required or become applicable, the Offer would be subject to the receipt of such other statutory approvals. The Acquirer will not proceed with the Offer in the event that such statutory approvals that are required are refused in terms of Regulation 27 of the Regulations. No approvals are required from FIs/Banks for the Offer.
- 7.4.3 The Acquirer shall complete all procedures relating to the Offer within a period of 15 days from the date of closure of the Offer. In case of delay, due to non-receipt of statutory approvals, as per Regulation 22(12), SEBI may, if satisfied that the non receipt of approvals was not due to willful default or negligence on part of the Acquirer, grant an extension for the purpose of completion of the Offer subject to the Acquirer paying interest to the shareholders, at such rates as may be specified by SEBI. Further, if the delay occurs due to willful default of the Acquirer in obtaining the requisite approvals, Regulation 22(13) of the Regulations will become applicable.

## 8. PROCEDURE FOR ACCEPTANCE AND SETTLEMENT

### 8.1 ACCEPTANCE OF THE OFFER

- 8.1.1 Name and Address of the persons (Registrars to the Offer) to whom the Equity Shares along with documents required to be submitted therewith, should be sent

Registrars to the Offer	Working days and timings	Mode of delivery
Cameo Corporate Services Limited, "Subramanian Building", No: 1, Club House Road, Chennai 600 002 Ph: (044) 28461989, 2846 0390, Fax: (044) 28460129 e-mail id: cameo@cameoindia.com Contact Person: Mr. R D Ramasamy, Vice President	Monday to Friday 10:00 AM to 5:00 PM Saturday 10:00 AM to 1:00 PM	By Post / Registered Post / Courier / Hand delivery

- 8.1.2 Share holders holding Equity Shares in physical form and wishing to tender their Equity Shares will be required to send their form of acceptance, original Share certificates and transfer deeds to the Registrar to the Offer either by hand delivery or by Registered Post, to reach them on or before the closure of the Offer, i.e. Tuesday, March 20, 2007 in accordance with the instructions specified in this Letter of Offer and in the Form of Acceptance. Where the Transfer Deeds are signed by a constituted Attorney, a certified copy of the Power of Attorney shall also be lodged. In the case of body corporate/limited Companies, certified copy of the Memorandum & Articles of Association and copy of the Board Resolution authorizing the signatory, shall also be sent along.

- 8.1.3 Beneficial owners (holders of Equity Shares in Dematerialized Form) who wish to tender their Equity Shares will be required to send their Form of Acceptance-cum-acknowledgement along with a photocopy of the delivery instructions in "Off -market" mode or counterfoil of the delivery instruction in "Off -market" mode, duly acknowledged by the Depository Participant (DP) in favor of the Special Depository Account opened by the Registrar to the Offer, "CCSL Escrow Account – DHL Open Offer", in accordance with instructions specified in this Letter of Offer and in the Form of Acceptance. The details of the Special Depository Account is given below :

DP Name	Indbank Merchant Banking Services Ltd
DP ID Number	IN300597
Beneficiary Account Number	10079138
ISIN	INE889F01017
Market	Off-market
Execution Date	On or before March 20, 2007

- 8.1.4 The Acceptance Form along with Share Certificates/ copy of delivery instruction to DP and other relevant documents should be sent to the Registrars only. The same should not be sent to the Acquirer/PACs, Target Company or Merchant Banker to the Offer.

### 8.2 Procedure for acceptance of the Offer by unregistered Shareholders, owners of Shares who have sent them for transfer or those who did not receive the Letter of Offer

- 8.2.1 A copy of the Letter of Offer (including Form of Acceptance and Form of Withdrawal) is expected to be available on SEBI's website (<http://www.sebi.gov.in>) during the period the Offer is open and may also be downloaded from the site.
- 8.2.2 In case of non-receipt of the letter of Offer, the eligible person(s), holding Equity Shares of the Target Company in physical form, may send his/her/their consent on plain paper stating the name, address, number of Shares held, distinctive numbers, certificate numbers and the number of Equity Shares Offered along with the Share certificates, duly signed transfer forms and other required documents to the Registrar to the Offer so as to reach them on or before the closure of the Offer.
- 8.2.3 In case of non receipt of the Letter of Offer, beneficial owners holding Equity Shares in dematerialized form, may send their applications in writing to The Registrar to the Offer, on a plain paper stating the name, address, number of Shares held, number of Shares offered, DP name, DP ID, beneficiary account number and photocopy of the delivery instruction in "Off-market", or counterfoil of the delivery instruction in Off-market" mode, duly acknowledged by the DP, in favor of the special depository account, so as to reach the Registrar to the Offer on or before the closure of the Offer.
- 8.2.4 In case the Share Certificate(s) and Transfer Deeds are lodged with the Target Company /its Share Transfer Agent for transfer and have not been received back, then the acceptance shall be accompanied by (i) The Share Transfer Deed(s) (ii) The acknowledgement of the lodgment with, or receipt issued by the Target Company/its transfer agents for the Share Certificate(s) so lodged, and (iii) other documents, as applicable, as specified in clause 8.1.2

- 8.2.5 **Unregistered owners holding Equity Shares in physical Form should enclose** (i) Form of Acceptance-cum-acknowledgement duly completed (or else on plain paper with relevant details as per clause 8.2.1 above) and signed in accordance with instructions contained therein (ii) Original Share Certificates. (iii) Original broker contract note of a registered broker of a recognized Stock Exchange (iv) Valid Share transfer form as received from the market. The details of the buyer should be left blank. If the details of buyer are filled in, the tender will not be valid under the Offer. All other requirements for valid transfer will be pre-conditions for valid acceptance.
- 8.2.6 Unregistered Equity Shareholders and those who apply in plain paper will not be required to provide any Indemnity.
- 8.3 If the Shares tendered in this Offer by the shareholders of the Target Company are more than the Shares to be acquired under this Offer, the acquisition of Shares from each shareholder will be on a proportionate basis as per provisions of the Regulation 21(6) of the Regulations such that the acquisition from each shareholder shall not be less than the minimum marketable lot or the entire holding, if it is less than the marketable lot.
- 8.4 The Acquirer shall complete all procedures relating to the Offer within a period of 15 days from the date of closure of the Offer. In case of delay, due to non-receipt of statutory approvals, as per Regulation 22(12), SEBI may, if satisfied that the non receipt of approvals was not due to willful default or negligence on part of the Acquirer, grant an extension for the purpose of completion of the Offer subject to the Acquirer paying interest to the shareholders, at such rates as may be specified by SEBI.
- 8.5 The unaccepted share certificates, transfer forms and other documents, if any, would be returned by registered post at the shareholders' sole risk. Unaccepted Shares (to the extent unaccepted) held in dematerialized form will be credited back to the beneficial owners' depository account with the respective depository participant as per details furnished in the Form of Acceptance.
- 8.6 The Registrar will hold in trust the Acceptance Form, Shares, share certificates, transfer deed(s) and/or other documents on behalf of the shareholders of the Target Company who have accepted this Offer, till the cheques/drafts for the consideration are dispatched and unaccepted share certificates/ Shares, if any, are dispatched/ returned to the relevant shareholders.
- 8.7 The payment of consideration for accepted applications will be made by the Acquirer by Wednesday, April 4, 2007 through account payee cheques/ drafts. sent by registered post for amount exceeding Rs. 1,500 and otherwise by UCP in accordance with the Regulations. The Acquirer may also choose to credit the payment for the consideration to the shareholder's bank account through ECS, as per bank details furnished in the acceptance form. The acquirer is required to deduct tax at source as may be applicable.
- 8.8 Shareholders who have accepted this Offer by tendering the requisite documents, in terms of the PA / Letter of Offer, can withdraw the same up to 3 (three) working days prior to the date of the closure of this Offer, in terms of regulation 22(5A). The withdrawal option can be exercised by submitting the form of withdrawal attached to the Letter of Offer duly filled in, with relevant particulars, so as to reach the Registrars to the Offer on or before Wednesday, March 14, 2007. The withdrawal option can also be exercised by making an application in plain paper with the following details :
- If held in physical form – Name, Address, Distinctive numbers, Folio Nos., No of shares tendered/ withdrawn
- If held in dematerialized form – Name, Address, DP Name, DP ID, Client ID No. of the account from where the shares were tendered, No of shares tendered/ withdrawn, photocopy of the delivery instruction in " Off Market Mode" duly acknowledged by the DP in favor of the Special Depository Account in the name of Registrar
- 8.9 The marketable lot of the target company's shares is 1 (one only)
- 9. Documents for Inspection**
- 9.1 The following documents will be available for inspection to the shareholders of Devaki Hospital Limited on all working days between 10:00AM and 5:00PM (except Saturdays between 10:00 AM and 2:00 PM) from the date of this offer letter till the closure of the Offer (i.e. March 20, 2007) at the office of the Acquirer at the following address : The Meenakshi Ammal Trust, 641, Ramasamy Salai, K K Nagar, Chennai – 78 Tel : (044)24802422 Fax No : (044)24726303
- 9.1.1 Certificates issued by Mr. P T Ponniah (ICAI Membership No 019873), Partner, P T Ponniah & Co. Chartered Accountants, I Floor, 122 (New no 285) Purasawalkam High Road, Kellys, Chennai -10, as on 30.08.2006 certifying the Net Worth of the Acquirer and the PACs
- 9.1.2 Certificate dated 30.08.06 issued by Mr. P T Ponniah stating that the acquirer has sufficient liquid resources to meet the requirements of the open offer
- 9.1.3 Copies of Annual Reports of Devaki Hospital Ltd for 2003-04 , 2004-05 and 2005-06
- 9.1.4 Letter from Indian Bank, Valasaravakam Branch dated 09.09.06 confirming creation of Escrow account by the Acquirer for Rs. 286 Lakhs, and marking of lien in favour of the Indbank Merchant Banking Services Ltd
- 9.1.5 Copy of the Share Purchase Agreement dated 07.09.06 between MMCHC and the Acquirer along with the Annexures (Unaudited accounts (Trial Balance) as on 31.08.06, list of litigations pending in the Target Company with brief details, accounts to be settled within 60 days by Devaki Hospital Ltd, details of Licenses held by Devaki Hospital Ltd); also a copy of the supplementary agreement to the SPA dated 22.12.2006 and the escrow agreement entered into between the Acquirer, MMCHC and Indian Bank pursuant to the SPA
- 9.1.6 Published copy of the Public Announcement as it appeared in the Newspapers on 11.09.06, corrigendum to the PA on 18.09.06 and corrigendum to the PA on 20.02.07
- 9.1.7 Copy of Account Opening Form and Agreement for special depository account opened by Registrar to the Offer
- 9.1.8 Annual Reports of RMG Benefit Fund Ltd for 2003-04, 2004-05 and 2005-06 and Memorandum and Articles of Association
- 9.1.9 Copies of complaints/ petitions for outstanding litigations totaling 44 as listed under 5.18 of this Letter of Offer (other than 27 litigations mentioned as already settled)
- 9.1.10 SEBI observation letter No. CFD/DCR/TO/AK/865501/2007 dt. 5.02.2007 and SEBI's Preliminary Comments wide letter No. CFD/DCR/TO/AK/81242/2006 dt. 30.11.2006
- 9.1.11 Due diligence certificate dt. 27.09.2006 submitted to SEBI by the Manager to the Offer.
- 10. DECLARATION**
- 10.1 The Acquirer and the PACs jointly and severally accept full responsibility for the information contained in this Letter of Offer and Form of Acceptance and also for the obligations of the acquirer laid down in the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 1997 and subsequent amendments thereof. All information contained in this document is as on the date of the Public Announcement, unless stated otherwise.

Signed By

Mr. A N Radhakrishnan  
Acquirer

Mrs. R Gomathi  
Person Acting in Concert

Place: Chennai  
Date : 17<sup>th</sup> February, 2007

Mrs. D Meenakshi Ammal  
Person Acting in Concert

**FORM OF ACCEPTANCE-CUM ACKNOWLEDGEMENT**

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**  
(Please send this Form with enclosures to the Registrars to the Offer at their address given below)

From  
(Name & Full address of Sole/ First Holder)

Offer Opens On : 01.03.2007  
Offer Closes On : 20.03.2007

MAPIN ID : \_\_\_\_\_

To  
Cameo Corporate Services Limited  
(Unit: M/s. Devaki Hospital Limited - Open Offer)  
"Subramanian Building"  
No: 1, Club House Road, Chennai 600 002

Dear Sirs,

**SUB: Open Offer for purchase of 14,94,000 Equity Shares of Devaki Hospital Limited representing 20% of its voting capital at an Offer Price of Rs.19.00 per fully paid up equity share by Mr. A N Radhakrishnan**

I/we refer to the Letter of Offer dated 17.02.2007 for acquiring the equity shares held by me/us in Devaki Hospital Limited.

I/We, the undersigned have read the Letter of Offer and understood its contents including the terms and conditions as mentioned therein.

**For Shares in Physical Form**

I/We accept the offer and enclose the original share certificate(s) and duly signed transfer deeds in respect of my/our shares as detailed below:

Sr. No.	Ledger Folio No.	Certificate No.	Distinctive nos.		Number of shares
			From	To	
<b>Total No. of Shares</b>					

(Please attach an additional sheet of paper and authenticate the same, if the above space is insufficient)

**For Shares held in Demat Form**

I/We hold the following Equity Shares of Devaki Hospital Ltd in Dematerialized Form and accept the Offer and enclose a photocopy of the Depository Delivery instruction(s) duly acknowledged by the DP in respect of my/our Equity Shares, details of which are given below :

DP Name	
DP ID	
Client ID	
No. of shares	
Name of Beneficiary	

I/We have done an Off market transaction for crediting the Shares to the Special Depository Account, "CCSL Escrow Account DHL Open Offer " whose particulars are DP Name: Indbank Merchant Banking Services Ltd , DP ID IN3000597, Client ID 10079138

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App No. : **Acknowledgement slip** (To be filled in by the shareholder)  
Folio No : For Shares tendered against open offer made by Mr. A N Radhakrishnan

Received from Mr./Ms./M/s \_\_\_\_\_  
Address \_\_\_\_\_  
Folio No. \_\_\_\_\_  
No. of Share certificates enclosed \_\_\_\_\_ Certificate No. \_\_\_\_\_  
Total number of Share(s) enclosed \_\_\_\_\_  
Copy of delivery instruction slip received from DP ID \_\_\_\_\_ Client ID \_\_\_\_\_

Stamp of Registrar
Date of receipt
Signature of Officer

**Note:** All future correspondence, if any, should be addressed to Registrars to the Offer.

I/We confirm that the equity shares of Devaki Hospital Limited, which are being tendered herewith by me/us under this Offer, are free from liens, charges and encumbrances of any kind whatsoever.

I/ We note and understand that the share holders who have accepted the offer by tendering the requisite documents, in terms of the Public announcement/Letter of Offer, shall have the option to withdraw acceptance tendered by them up to three working days prior to the date of closure of the offer i.e. 20.03.2007 (Tuesday), by submitting an application in the Form of Withdrawal or on plain paper along with relevant details.

I/ We note and understand that the original share certificate(s) and valid share transfer deed(s)/ shares transferred to Special Depository Account will be held in trust for me/ us by Registrar to the Offer until the time the Acquirer gives the purchase consideration as mentioned in the Letter of Offer. I/We also note and understand that the Acquirer will pay the purchase consideration only after verification of the documents and signatures.

I/ We authorize the Acquirer to accept the shares so offered which they may decide to accept in consultation with the Merchant Banker and in terms of the Letter of Offer and I/We further authorize the Acquirer to return to me/us, the equity share certificate(s)/ shares in respect of which the Offer is not found valid/not accepted, specifying the reasons thereof.

I/ We authorize the Acquirer to send by registered post/ Under Certificate of Posting the cheque/ demand draft/pay order, in settlement of the amount to the sole/first holder at the address mentioned above or to credit the proceeds through ECS to our bank account, details of which are mentioned below

So as to avoid fraudulent encashment in transit, the applicants are requested to provide details of Bank account of the sole/first Shareholder and the consideration Cheque will be drawn accordingly.

Name of the Bank	
Full address of the Branch	
Nature of Account	
Account Number	
9 digit MICR Code	

The Permanent Account No. (PAN ) Allotted under the Income Tax Act 1961 is as under

Holder	PAN / GIR No.
Sole / First	
Second	
Third	

Yours Faithfully

Signed & Delivered

Holder	Full Name	Holder's Signature
Sole/ First		
Second		
Third		

Note: In case of joint holdings all holders must sign.

Place:

Date:

----- Tear along this line -----



**FORM OF WITHDRAWAL**

PLEASE USE THIS FORM ONLY IF YOU HAVE TENDERED THE SHARES AND WISH TO WITHDRAW YOUR APPLICATION

You have an "Option to Withdraw" the acceptance tendered in response to the offer any time up to three working days prior to the date of closure i.e. on or before 14.03.2007. In case you wish to withdraw your acceptance, please use this form

**OFFER SCHEDULE**

OFFER OPENS ON : 01.03.2007  
 LAST DATE FOR WITHDRAWAL : 14.03.2007  
 OFFER CLOSES ON : 20.03.2007

From  
 (Name & Full Address of Sole/ First Holder)

To  
 Cameo Corporate Services Limited  
 (Unit: Devaki Hospital Limited –Open Offer)  
 "Subramanian Building"  
 No:1, Club House Road  
 Chennai 600 002

Dear Sir,  
**SUB:** Open Offer for purchase of 14,94,000 Equity Shares of Devaki Hospital Limited representing 20% of its share & voting capital at an Offer Price of Rs.19.00 per fully paid up equity share by Mr. A N Radhakrishnan (Acquirer).

I/we refer to the Letter of Offer dated 17.02.2007 for acquiring the equity shares held by me/us in Devaki Hospital Limited.  
 I/We, the undersigned have read the Letter of Offer and understood its contents including the terms and conditions as mentioned therein.  
 I/ We wish to withdraw our acceptance tendered in response to the said offer. We had deposited/ sent our Form of Acceptance' to you on \_\_\_\_\_ along with original share certificate(s) and duly signed transfer deed(s) in respect of my/our shares/xerox copy of delivery instruction slip as detailed below:

(Please enclose the Xerox copy of Acknowledgement received for 'Form of Acceptance')

For Shares in Physical Form

Ledger Folio No \_\_\_\_\_

Sr. No.	Certificate No.	Distinctive nos.		Number of shares
		From	To	
<b>Total No. of Shares</b>				

(Please attach an additional sheet of paper and authenticate the same, if the above space is insufficient)

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**Acknowledgement Slip**

Folio No. : \_\_\_\_\_ Sl. No. : \_\_\_\_\_

Date of receipt to the offer \_\_\_\_\_

Received from Mr./Ms./M/s \_\_\_\_\_

Address \_\_\_\_\_

Form of Withdrawal in respect of \_\_\_\_\_

\_\_\_\_\_ Number of share certificates Representing \_\_\_\_\_ number of shares

Copy of instruction slip from DP ID \_\_\_\_\_ Client ID \_\_\_\_\_ number of shares \_\_\_\_\_

Stamp of Registrar
Date of receipt
Signature of Officer

For shares in Demat Form

DP Name
DP ID
Client ID
No. of shares
Name of Beneficiary

I/We note and understand the terms of withdrawal of acceptance and request you to return the original share certificate(s) and valid share transfer deed/ credit the shares to my DP Account and authorise you not to remit the consideration as mentioned in the Letter of Offer.

I/We authorise the Acquirer to reject the shares so offered which it may decide in consultation with Merchant Banker and in terms of the Letter of Offer and,

I/We authorise the Acquirer or the Registrar to the Offer to send by registered post the original share certificate(s), transfer deed(s) and other documents tendered by me/us to the sole/first holder at the address mentioned above or credit the shares in demat form to my/ our DP Account as mentioned above

Yours faithfully,

Signed

	FULL NAME (S)	SIGNATURE (S)
First / Sole Holder		
Second Holder		
Third Holder		

Place:

Date:

Note: In case of joint holdings, all holders must sign.

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