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Malar Hospitals Ltd.



Malar Hospitals

(HUMANE CARE FOR HUMAN CURE)

*Life Has No Replay - Hence
Play it Once the Healthier Way*

Traditional Care & Modern Methods

ELEVENTH ANNUAL REPORT 2001-2002

ANNUAL REPORT 2001-2002

BOARD OF DIRECTORS

Dr. S. Ramamurthy
Chairman & Managing Director

Shri M. Ramakrishnan
Vice-Chairman

Dr. (Mrs.) Nithiya Ramamurthy
Whole-Time Director

Prof. B. Ramamurthi

Prof. S. Kameswaran

Shri K. Subramaniam

Shri V. Chandrasekharan

Shri RM. Sockalingam
Alternate to Shri M. Ramakrishnan

REGISTRAR AND SHARE TRANSFER AGENT

GNSA Investor Services (p) Ltd.
18/1 (Old No. 17/1), Baliah Avenue,
Luz, Mylapore, Chennai – 600 004
Phone : (044) 466 1976, 466 1675, 466 2448
E-Mail : sharma @ satyam.net.in

DEPOSITORY REGISTRAR

Cameo Corporate services Ltd.
No.1 Subramaniam Building,
Club House Road,
Chennai 600 002.
Phone : (044) 8460390
E-Mail : cameo @ cameoindia.com

SECRETARY

Shri. V. Balachandran

AUDITORS

K. Gopalan & Co.,
Chartered Accountants
36/6, Mambalam High Road,
T. Nagar, Chennai – 600 017.

BANKERS

Bank of India
Bank of Baroda
Indian Bank
ICICI Bank Ltd.

REGISTERED OFFICE

52, I Main Road, Gandhi Nagar,
Adyar, Chennai – 600 020
Tel : 4914023, 4914768, 4914820



NOTICE

Notice is hereby given that the Eleventh Annual General Meeting of the members of the company will be held on Tuesday, the 17th December 2002 at 11.30A.M at Balamandir German Hall, No.17 Prakasam Street, (Off. Habibullah Road) T.Nagar, Chennai 600 017 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts of the Company for the 15 months ended 30th June 2002 and the Reports of the Directors and Auditors thereon.
2. To appoint a director in the place of Prof. B. Ramamurthi, who retires by rotation and being eligible, offers himself for re-election.
3. To appoint a director in the place of Prof. S. Kameswaran, who retires by rotation and being eligible, offers himself for re-election.
4. To appoint Auditors of the company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

M/s K.Gopalan & Co. the retiring auditors of the company are eligible for Re-appointment.

SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a special resolution:

“RESOLVED THAT pursuant to Sections 198,269,309,310 read with Schedule XIII and other applicable provisions of the Companies Act 1956, and such other approvals as may be necessary and subject to the approval of the Central Government, approval of the company is hereby accorded for Re-appointment of Dr.S.Ramamurthy, Chairman and Managing Director for a further period of 5 years from 01/10/2002 to 30/09/2007 on the terms and conditions as setout hereunder:

- | | | |
|----------------|---|------------------------|
| a. Salary | : | Rs.70,000/- per month |
| b. Perquisites | : | Rs. 35,000/- per month |
| c. Commission | : | Nil |

In addition to the above perquisites Dr.S.Ramamurthy shall also be entitled to the following perquisites which shall not be included in the computation of the ceiling on perquisites referred above:

- i. Contribution to Provident Fund to the extent not taxable under the Income Tax Act.
- ii. Gratuity at the rate of half a month's salary for each completed year of service
- iii. Encashment of leave as per the rules of the company

Provision of car for use on company's business and telephone at residence including long distance calls shall not be considered as perquisites

The Managing Director shall not be entitled to any sitting fees for attending the meeting of the Board or Committee thereof.

The Managing Director shall be entitled to reimbursement of travelling expenses and entertainment expenses actually incurred in the ordinary course of the company's business.

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:

"RESOLVED THAT Mr. V. Chandrasekhar who was appointed as an additional director at the meeting of Board of Directors of the company held on 30/4/2002 and who holds office upto the date of this Annual General Meeting and in respect of whom the company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of the Director, be and is hereby appointed as the Director of the company, liable to retire by rotation".

Place: Chennai
Date: 16.11.2002

By the Order of the Board
V. BALACHANDRAN
Secretary

NOTES:

1. A MEMBER WHO IS ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. Proxies in order to be effective shall be duly stamped, completed, signed and deposited, not less than 48 hours before the commencement of the meeting at GNSA INVESTOR SERVICES PVT. LIMITED 17/1, Balaiah avenue, Luz Corner, Mylapore, Chennai – 600 004, Tel. No.4661976, the company's Registrar and Share Transfer Agents.
2. Members/Proxies are requested to bring the attendance slip duly filled in and also their copy of the Annual Report to the meeting. Members are requested to quote their Registered Folio number in all correspondence.
3. Explanatory statement pursuant to sec.173 (2) of the Companies Act, 1956 in respect of the special business is annexed hereto.
4. The Register of Members and the Share Transfer books of the company will remain closed from 13th December, 2002 to 16th December, 2002 (both days inclusive).

Information required to be given under the Listing Agreement about the particulars of Directors to be re-appointed at the Annual General Meeting and their Directorship/ Chairmanship/ Committee Membership in other companies.

Brief profile of the Directors seeking re-appointment:-

1. Hony. Brigadier. Padmashri Prof. Dr. B. Ramamurthi

Prof. B. Ramamurthi was appointed as a director on the board of the company with effect from 20th May, 1992. He is a leading world renowned Neuro surgeon. He has held various positions viz. member of the committee of Federation of Neuro surgeons, Chief of Neuro surgery Madras Medical College. Prof. B. Ramamurthi is due to retire by rotation at the ensuing annual general meeting and being eligible, offers himself for re-appointment. He is also a member of the Audit Committee, Remuneration Committee and Shareholders committee in Malar Hospitals Ltd. He is a

director in Vita Diagnostics (p) Ltd.

2. Padmashree Prof. Dr. S. Kameswaran

Prof. S. Kameswaran was appointed as a director on the board of the company with effect from 20th May, 1992. He is a leading E.N.T Consultant. He has held various positions viz. Director Institute of Laryngology, Madras Medical College, Director of Post Graduate Institute of Basic Medical Sciences. Prof. S. Kameswaran is due to retire by rotation at the ensuing annual general meeting and being eligible, offers himself for re-appointment. He is also a member of the Audit Committee, Remuneration Committee and Shareholders committee in Malar Hospitals Ltd. He is not a director in any other company.

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

ITEM NO. 5

At the Annual General Meeting held on 30/3/1998, the members had approved the re-appointment of Dr. S. Ramamurthy as the Managing Director of the company for a period of 5 years effective 1/10/97. He was again re-appointed as Managing Director of the company for a further period of 5 years effective 1/10/2002 at the Board Meeting held on 30/9/2002 subject to the approval of shareholders at the Annual General Meeting and of the Central Government. The payment of remuneration to Dr. S. Ramamurthy has also been approved by a resolution passed by the Remuneration Committee on 15th November, 2002. The remuneration payable to Dr. S. Ramamurthy shall be on the same terms and conditions as was last drawn by him immediately prior to this re-appointment which was revised at the Board Meeting held on 10/11/2000 for which share holders approval was obtained at the Annual General Meeting held on 26/9/2001.

There is a conflicting view regarding treatment of Interest accrued and due to the Financial Institutions for computing Effective Capital as defined in Schedule XIII of the Companies Act, 1956. The Company has taken into account interest component for computing Effective Capital as it remained unpaid for over 5 years. However by way of abundant caution and as a measure of good Corporate Governance, the company seeks the approval of members by means of special resolution and also intends to seek Central Government's approval.

Dr. S. Ramamurthy holds Directorships in the following companies:-

1. Malar Tours and Travels (p) Ltd.
2. Malar Finance India (p) Ltd.
3. Malar Gautam Hotels (p) Ltd.
4. Oxford Media India (p) Ltd.
5. Sunrock Constructions (p) Ltd

He is not a member of any committee in any other company.

Dr. S. Ramamurthy shall be subject to supervision, control and directions of the board vested with substantial powers of the management.

I. General Information:

1. Nature of industry:- Hospital
2. Date of Commencement of commercial production:- April, 1992
3. Financial performance

	(Rs. in Thousands)				
Financial parameters	1995 - 1996	1996 - 1997	1997 - 1998	1998 - 2000	2000 - 2001
TURNOVER	80367	178241	133565	240788	169290
PBID	20990	43197	24555	58253	36005
INTEREST	55487	134734	113952	235737	204474
DEPRECIATION	12284	21435	13730	24612	15859
INCOME TAX	NIL	NIL	NIL	NIL	NIL
NET LOSS	47572	113363	103326	201977	185049

4. Export performance and net foreign exchange collaborations:- Nil

5. Foreign investments or collaborators, if any:- Nil

II. Information about the appointee:

1. Background details:-

Dr. S. Ramamurthy has to his credit over 20 years of rich experience in the field of medicine. He has been successfully managing the affairs of the company and is responsible for striking One Time Settlement package with Financial Institutions which still remains alive. He has been consistently putting his best efforts along with other members of the board to bring the hospital to the limelight.

2. Past remuneration:-

Year	Salary	Perquisites	Commission	Others (specify)	Total
1/10/1998 to 31/3/2000	25000 p.m	15000p.m	Nil	Nil	40000 p.m
1/4/ 2000 to 31/10/2000	25000 p.m	15000 p.m	Nil	Nil	40000 p.m
1/11/2000 to 31/3/2001	70000 p.m	35000 p.m	Nil	Nil	105000 p.m
1/4/2001 to 30/6/2002	70000 p.m	35000 p.m	Nil	Nil	105000 p.m

3. Recognition or awards:-

1. Excellence award for outstanding contribution in promoting socio-economic development of India awarded by Institute of economic studies and presented by Hon'ble Shri. Hiteswar Saika, Chief Minister of Assam on 14th Nov. 1992 at New Delhi.
2. Gem of India award in recognition of the services to society and excellence in the chosen field of activity awarded by All India Achiever's Conference, New Delhi and presented by Dr. Balram Jakhar, Union Minister of Agriculture on 24th Feb 1994 at New Delhi.
3. Award for Excellence (1994 – 1995) in the category of Medical facilities awarded by The Institute of International Educational Services (Madras Educational Trust) and presented by Shri. Madhav Rao Scindia, Union Minister for HRD on 20th Sept. 1995 at Madras.
4. Outstanding Personality award given by Christian Medical College and Hospital (CMC), Vellore.

4. Job profile and his suitability:-

Subject to the superintendence, control and directions of the Board, the Managing Director manages the whole of the business of the Company and all its affairs, exercises all powers, control its finances, appoints and manages employees of all grades, and performs all duties generally in relation to the management of affairs and transactions of the Company, as may be proper or expedient and in particular, exercises the powers conferred on the Board except those which can only be exercised by the Board or the Company in General Meeting, and Managing Director always acts for and on behalf of the Company in the management of its affairs.

Dr. S. Ramamurthy is the chief promoter of Malar Hospitals Ltd. holding 30% (apprx.) of equity shares along with his relatives and associates. He has been the Managing Director since 1989. With his vision and insight, Malar Hospitals Ltd. has become a state of the art multi-speciality hospital. He has been shouldering greater responsibilities to bring the hospital to greater heights.

5. Remuneration proposed:-

Rs.

Salary	Perquisites	Commission	Others (specify)	Total	%age of net profits	Date from which approved by the board/ company 30/9/2002 (BOD)
70000 p.m.	35000p.m.	Nil	Nil	105000 p.m.	N.A	

6. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person:-

The remuneration being drawn by Dr. S. Ramamurthy is very much less when compared with the remuneration drawn by the Managing Directors of companies having similar scope of activities and size in the industry.

7. Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any:- Nil

III Other information

1. Reasons of loss or inadequate profits:-

- a) Delay in Project Implementation
- b) Exorbitant Interest Cost
- c) Overrun Project Cost not financed by Financial Institutions
- d) Economic recession and Stringent Market conditions.

2. Steps taken or proposed to be taken for improvement:-

- a) The Company could strike One Time Settlement package with Financial Institutions ; 50% of the OTS amount, Rs. 10.18 crores already paid
- b) Financial Re-Structuring and improvement in operational efficiency is in progress
- c) Increase in Beds Capacity is envisaged

3. Expected increase in productivity and profits in measurable terms:-

(Rs. in Lakhs)

PARTICULARS	2003	2004	2005
Turnover	2213.40	2656.10	3187.30
Profit before interest depreciation and taxes	468.75	571.88	703.41

The directors therefore recommend the passing of special resolution as set out in the Item No. 5 of the notice.

This explanatory statement together with the accompanying notice is to be regarded as an abstract of the terms and conditions of re-appointment under section 302 of the Companies Act, 1956.

None of the directors except Dr. S. Ramamurthy, Dr. Mrs. Nithiya Ramamurthy and

Mr. RM. Sockalingam are interested in the said resolution.

**ITEM NO. 6.**

Mr. V. Chandrasekharan was appointed as additional director of the company with effect from 30.4.2002 pursuant to Section 260 of the Companies Act, 1956. Mr. V. Chandrasekharan will hold office of the additional director only upto the date of the ensuing Annual General Meeting.

The company has received the requisite notice and deposit under section 257 of the Companies Act, 1956 from a member notifying his intention to propose at the forthcoming Annual General Meeting, the name of Mr. V. Chandrasekharan for appointment as director of the company, liable to retire by rotation.

Mr. V. Chandrasekharan ,a practising Chartered Accountant has to his credit 20 years of experience in finance, accounts and auditing.

He does not hold any directorship in any other company.

The directors recommend the resolution for consideration and approval.

None of the directors except Mr. V. Chandrasekharan is concerned or interested in the resolution.

By the Order of the Board

Place:Chennai
Date: 16.11.2002

V. BALACHANDRAN
Secretary

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DIRECTORS' REPORT

Your directors present the Eleventh annual report of the company along with the audited accounts for the 15 months ended 30.06.2002.

FINANCIAL RESULTS

Particulars	for the period ended 30/06/2002	(Rs. In Lakhs) for the year ended 31/03/2001
Turn over	2199.10	1692.90
Profit before Interest & Depreciation	319.89	360.05
Financial Cost	567.63	2044.74
Depreciation	210.45	158.59
Income Tax	—	—
Net Profit / (Loss)	(458.19)	(1843.28)
Prior Period Expenses	54.57	0.63
Prior Period Income	0.24	(6.58)
Provision for Deferred Tax	67.99	—
Adjusted Net Profit / (Loss)	(580.51)	(1850.49)

The careful re-structuring of financial operations enabled your company to generate resources considerably during the last few years. With great difficulty the company could retain the OTS package offered by the Financial Institutions and Indian Bank. The company could pay Rs. 10.18 crores out of Rs. 22.22 crores from out of its internal generation, despite the fact that the Financial Institutions filed suits against the company for delay in implementation of OTS. Your board is confident that you will recognise this as a re-assuring sign of stability towards consolidating hospital operations. Your board is also hopeful of settling the institutional dues without much loss of time.

DIRECTORS

During the year under review, Mr. V. Chandrasekharan was appointed as additional director in terms of Section 260 of the Companies Act, 1956 on 30th April, 2002. He holds office until the ensuing Annual General Meeting. Notice has been received from a member under Section 257 of the Companies Act, 1956 proposing his name for appointment as Director.

Prof. S. Kameswaran and Prof. B. Ramamurthi are the directors who retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956, Your Directors confirm that:-

- in the preparation of annual accounts, the applicable accounting standards have been followed;
- appropriate accounting policies have been selected and applied consistently and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 30/06/2002 and of its loss for the period ended on that date;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and preventing and detecting fraud and other irregularities;
- the annual accounts have been prepared on a going concern basis;

Regarding Auditors' qualification vide para (f) of their Report on non provision of interest on term loans of Financial Institutions and Indian Bank from 1/7/2001, your board is confident that the OTS dues of Rs. 22.22 crores could be settled as stipulated. Further your company has provided interest in its books as per the original term loan agreements which was very high.