

Malar Hospitals Ltd.



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Traditional Care - Modern Methods

TWELFTH ANNUAL REPORT 2002-2003

ANNUAL REPORT 2002-2003

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) 24661976, 24661675, 24662448
E-Mail : sharma@satyam.net.in

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 : 24914023, 24914768, 24914820

NOTICE

Notice is hereby given that the 12th Annual General Meeting of the members of the company will be held on Wednesday, the 31st day of December, 2003 at 11.00 A.M at Community Center, Corporation of Chennai, Sishu Vihar, Near Nageswara Rao Park, Luz Avenue, Chennai - 600 004 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended 30th June 2003 and the Reports of the Directors and Auditors thereon.
2. To appoint a director in the place of Shri M. Ramakrishnan, who retires by rotation and being eligible, offers himself for re-election.
3. To appoint a director in the place of Shri K. Subramaniam, 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.

By the Order of the Board

Place : Chennai
Date : 01.12.2003

V. BALACHANDRAN
Company 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 18/1, Balaiah avenue, Luz Corner, Mylapore, Chennai - 4, (Tel. Nos. 24661976, 24661675) the company's Registrar and Share Transfer Agents.
2. Members/Proxies are requested to bring their 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. The Register of Members and the Share Transfer books of the company will remain closed from 13th December 2003 to 16th December 2003.(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:****SHRI. K. SUBRAMANIAM**

Shri. K. Subramaniam was appointed as a director on the Board of the Company with effect from 20-05-1992. He is an Industrialist and is 53 years of age. He has successfully completed many industrial projects. Shri. K. Subramaniam is due to retire by rotation as per the provisions of the Companies Act, 1956 at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

He is not a director in any other company.

SHRI. M. RAMAKRISHNAN

Shri. M. Ramakrishnan was appointed as a director on the Board of the Company with effect from 20-05-1992. He holds a very senior position in Haneda group and is 45 years of age. He has been successfully managing many construction companies in Malaysia and in India which form part of Haneda group. Besides he has also successfully completed many industrial projects. He has vast experience in construction field and has extensively travelled world-wide.

Shri. M. Ramakrishnan is due to retire by rotation as per the provisions of the Companies Act, 1956 at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

He is also a director in Malar Travels and Tours (P) Limited, Oxford Media India (P) Limited and Sunrock Construction and Trading (P) Limited.

By the Order of the Board

Place : Chennai
Date : 01.12.2003

V. BALACHANDRAN
Company Secretary

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DIRECTORS' REPORT

Your directors present the 12th Annual Report of the company along with the audited accounts for the year ended 30.06.2003.

FINANCIAL RESULTS

Particulars	(Rs. In Lakhs)	
	for the year ended 30/06/2003	for the 15 months' period ended 30/06/2002
Turn over	1575.37	2199.10
Profit before Interest & Depreciation	245.52	319.89
Financial Cost	108.68	567.63
Depreciation	181.95	210.45
Income Tax	—	—
Net Profit / (Loss)	(45.11)	(458.19)
Indian Bank Interest written back	896.17	—
Prior Period Expenses	7.92	54.57
Prior Period Income	—	0.24
Provision for Deferred Tax	70.72	67.99
Adjusted Net Profit / (Loss)	772.42	(580.51)

Your company continues to maintain its performance during the year under review.

MALAR HEART FOUNDATION:

Your board is pleased to inform you that Dr. K.M. Cherian and his team have started performing cardio thoracic surgeries at Malar Hospitals Limited with effect from 13-10-2003.

Dr. K.M. Cherian has conducted around 26,200 cardio thoracic cases including infant heart surgery, heart transplants, paediatric heart transplants and heart and lung transplants. He said that Dr. K.M. Cherian has won several awards and honors including Padmashree award from the Government. Your hospital is confident of achieving 100% success rate in heart surgeries with Dr. K.M. Cherian and his dedicated team.

The above business turnover has to be viewed against the drop in business on account of cardio thoracic surgeries due to change in operating team. With Dr. K.M. Cherian at command of cardio thoracic team, the future looks bright.

STATUS OF ONE TIME SETTLEMENT PACKAGE (OTS):

As you are aware, your hospital has been offered an OTS package of Rs. 2222 lacs by ICICI Bank Limited, IDBI, IFCI Limited and Indian Bank. As against the total OTS amount of Rs. 2222 lacs, the hospital has repaid Rs. 1603.5 lacs to the said financial institutions and Indian Bank till date. Without any externally committed funds including overseas body corporate as originally envisaged, the liabilities of Rs. 1603.5 lacs have been extinguished mainly from out of internal generations and partly from high cost market borrowings. In the opinion of your directors, this is a remarkable turnaround for any hospital. In this connection we wish to state the following:



- (i) The OTS share of ICICI Bank Limited of Rs.786 lacs has been fully settled; a sum of Rs.100 lacs is due to them which the hospital has undertaken to pay on or before 22.12.2003.
- (ii) The OTS share of Rs.400 lacs of Indian Bank has been fully settled. A sum of Rs.55.95 lacs as demanded by the bank towards additional interest, was also paid on 29.11.2003 and there is no further dues to the Indian Bank.
- (iii) IDBI's liability has been crystallised at Rs.331 lacs plus 8% simple interest payable on its outstanding OTS amount as of 1-4-2001 on diminishing balance basis. Out of its total OTS share of Rs. 597 lacs your hospital has so far paid Rs.266 lacs.
- (iv) Your hospital has submitted a proposal for the settlement of OTS dues to IFCI Limited on same terms as applicable to ICICI Bank Limited and IDBI.

Your board sincerely hopes that the future would be far more promising in spite of difficult past.

DIRECTORS

Shri. M.Ramakrishnan and Shri. K. Subramaniam 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:

- a) in the preparation of annual accounts, the applicable accounting standards have been followed;
- b) 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 30/06/2003 and of its profit for the year ended on that date;
- c) 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;
- d) 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 your board states that the company has settled its entire OTS dues of Rs.786 lacs to ICICI Bank Limited and the company has agreed to pay an additional demand of Rs.100 lacs to ICICI Bank Limited vide Consent Terms filed before DRT, Mumbai on 22.09.2003. As the filing of the Consent Terms took place after 30.06.2003, your board decided to make provision for this amount in its books at the time of payment.

In the case of IDBI and IFCI Limited the interest provided in its books as per their original term loan agreements was very high. Further the company has also provided penal interest, interest on interest, liquidated damages etc., till 30.06.2001. Taking a logical and practical view and in tune with OTS package, which is to be settled shortly, your board decided not provide interest on term loans of IDBI and IFCI Limited for the period from 01.07.2001 till date.



CORPORATE GOVERNANCE

Your Company has already complied with the requirements of the code of Corporate Governance of the listing agreement viz, formation of Audit Committee, Shareholders' Committee, disclosures etc. The meetings of Audit Committee and Shareholders' committee are held periodically.

The Audited Accounts for the year ended 30.06.2003 were approved by the Audit Committee at its meeting held on 01.12.2003 and as there were no material discrepancies, the board at its meeting held on 01.12.2003 approved the same.

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a Management Discussion and Analysis and Corporate Governance Report together with the Certificate from the Auditors of the company confirming compliance of the conditions of the Corporate Governance form part of the Annual Report.

AUDITORS

M/s K.Gopalan & Co., Chartered Accountants, the Company's Auditors retire at the forthcoming Annual General Meeting and are eligible for re-appointment.

PARTICULARS OF EMPLOYEES AS PER SECTION 217 (2A) OF THE ACT FORMS PART OF THIS REPORT

There are no employees drawing remuneration in excess of the prescribed limit as laid down in Sub-section 2A of Section 217 of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended from time to time.

TECHNOLOGY ABSORPTION

As in the previous years, the hospital continues to absorb latest technology in Radiology, Neurology, Cardiology, Nephrology, etc.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earnings	:	Rs.2,99,100
Foreign Exchange Outgo	:	Rs.47,77,067

ACKNOWLEDGEMENT

Your company is grateful for the co-operation and assistance extended by the Financial Institutions, Banks and Government of Tamil Nadu. The board also wishes to place on record its appreciation of the dedicated service of our consultants, employees and other members of the hospital.

For and on behalf of the Board

Place : Chennai
Date : 01.12.2003

Dr. S. RAMAMURTHY
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Malar provides quality health care to the society in the most cost effective manner by following ethical values and standards.

Malar wants to proceed with a strong focus on factors viz., maintaining high quality clinical care, high capital cost per bed, retaining high calibre medical team etc., and then move further in line with strategy of "Consolidate and move".

Your hospital uses the state of the art technology for achieving technical excellence. It aims at keeping people healthy and for the purpose intends to promote more preventive health care packages.

Health care industry is the largest industry and Malar Hospitals faces risk of competition from existing and emerging corporate hospitals.

Your hospital is aware of the potential of the health care industry and is optimistic of carving out a niche for its own.

Malar is also carefully watching the reforms that are taking place in the industry and the consequent increase in the role of private sector. Your hospital continues to put in its best efforts to explore growth opportunities.

Your hospital is also consciously taking effective measures to increase the occupancy rates.

The directors have overall responsibility for the internal control system which is designed to provide a reasonable assurance for safeguarding of assets, reliability of financial records, and for preventing and detecting fraud and other irregularities.

The system of internal control is monitored by an independent Chartered Accountants firm which encompasses the examination and evaluation of the adequacy and effectiveness of the system of internal control and quality of performance in carrying out the assigned responsibilities.

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CORPORATE GOVERNANCE REPORT

1. Company's philosophy on code of governance:-

The company believes in successful implementation of Corporate Governance so as to

- carryout prudent conduct of the business
- achieve value maximisation
- comply with all mandatory requirements

2. Board of Directors:-

a) The Board consisted of the following directors as on 30/06/2003:-

Name & category	No.of Board Meetings Attended	Whether attended last A.G.M	Other Directorships	Other Committees excluding Malar Hospitals Ltd
Dr. S. Ramamurthy Chairman & Managing Director	7	Yes	5	Nil
Dr. Mrs. Nithiya Ramamurthy Whole-Time Director	7	Yes	3	Nil
Mr. M. Ramakrishnan Vice-Chairman Independent Director	Nil	No	3	Nil
Mr. K. Subramaniam Independent Director	Nil	No	Nil	Nil
Prof. B. Ramamurthi Independent Director	3	No	1	Nil
Prof. S. Kameswaran Independent Director	7	Yes	Nil	Nil
Mr.V.Chandrasekharan Independent Director	7	Yes	Nil	Nil
Mr. RM. Sockalingam Alternate Director Independent Director	3	Yes	Nil	Nil

Seven meetings of Board of Directors were held for the period 1/7/2002 to 30/6/2003.

The dates of the Board Meetings were 25/7/2002, 30/9/2002, 30/10/2002, 16/11/2002, 22/1/2003, 26/3/2003 and 28/4/2003.

The last Annual General Meeting was held on 17/12/2002.

3. Audit Committee:-

The Audit Committee supervises the financial reporting process through review of accounting and reporting practices, financial and accounting controls and financial statements. The Audit Committee also periodically interacts with the internal and statutory auditors to ensure quality and veracity of the accounts.

Internal auditors and the statutory auditors have access to all information and records as considered necessary to carryout their functions.

The Audit Committee consisted of the following members as on 30-6-2003:

Name	No. of Audit Committee Meetings attended
Prof. S. Kameswaran	3
Mr. V. Chandrasekharan	3
Prof. B. Ramamurthi	2
Mr. RM. Sockalingam	3

Three Meetings of Audit Committee were held for the period from 1/7/2002 to 30/6/2003.

The dates of the Audit Committee Meetings are 1/8/2002, 15/11/2002, and 26/3/2003.

Mr. V. Balachandran, Company Secretary is the Secretary of the committee.

4. Remuneration Committee:-

The remuneration committee no longer exists, as there is no mandatory requirement of its constitution.

The remuneration paid to Chairman & Managing Director and Whole-Time Director is as approved by the shareholders. Further the remuneration of Chairman & Managing Director has also been approved by the Central Government. Non executive Directors are paid sitting fees for meetings attended by them.

The Details of remuneration paid/payable to all the Directors for the year ended 30.06.2003 are given below:

	Rs.
1. Dr. S. Ramamurthy	9,90,000 **
2. Dr. Mrs. Nithiya Ramamurthy	6,30,000 **
3. Prof. B. Ramamurthi	5,000 *
4. Prof. S. Kameswaran	10,000 *
5. Mr. RM. Sockalingam	1,000 *
6. Mr. K. Subramaniam	Nil
7. Mr. M. Ramakrishnan	Nil
8. Mr. V. Chandrasekharan	10,000 *

* Sitting Fees for Board and Audit Committee meetings.

** Salary, perquisites and employer's contribution to provident fund.