

# *Malar Hospitals Ltd.*



*Malar Hospitals*

(HUMANE CARE FOR HUMAN CURE)

*Traditional Care - Modern Methods*

**THIRTEENTH ANNUAL REPORT 2003-2004**

## ANNUAL REPORT 2003-2004

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### BOARD OF DIRECTORS

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

**Shri. M. Ramakrishnan**

**Prof. S. Kameswaran**

**Shri V. Chandrasekharan**

**Shri RM. Sockalingam**

### 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](mailto:sharma@satyam.net.in)

### AUDITORS

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

### BANKERS

**Bank of India**

### REGISTERED OFFICE

52, I Main Road, Gandhi Nagar,  
Adyar, Chennai – 600 020  
Tel : 24914023, 24914768, 24914820  
Website : [malarhospitals.com](http://malarhospitals.com)  
E-mail : [mhl@md3.vsnl.net.in](mailto:mhl@md3.vsnl.net.in)



## NOTICE

Notice is hereby given that the 13th Annual General Meeting of the members of the Company will be held on Wednesday, the 15th day of December 2004 at 11.15 A.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 year ended 30th June 2004 and the Reports of the Directors and Auditors thereon.
2. To appoint a director in the place of Shri. V. Chandrasekharan, 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 authorise the Board of Directors 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 subject to the approval of the Central Government, the consent of the Company be and is hereby given to the Company for reimbursing a sum of Rs. 25 lacs being the expenditure incurred in connection with medical and surgical cost, pre and post surgical stay, airfare and other incidental expenses (including the cost of Boarding and airfare of the accompanied spouse and the doctor) incurred at Singapore for Dr. S. Ramamurthy, Chairman & Managing Director who died on 12th January 2004 for the period from 7/1/2004 to 13/1/2004.”

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

“RESOLVED THAT Mr. RM. Sockalingam who was appointed as an Additional Director at the meeting of the Board of Directors of the Company held on 26th July 2004 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.”

By the Order of the Board

Place : Chennai  
Date : 08.11.2004

**Dr. NITHIYA RAMAMURTHY**  
Whole – Time Director

**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 – 600 004, (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 10th December 2004 to 15th December 2004.( 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. Shri. V. Chandrasekharan**

Mr. V. Chandrasekharan was appointed as an Additional Director on the board of the Company at its meeting held on 30-4-2002. Subsequently the Company in its Eleventh Annual General Meeting held on 17th December 2002 appointed him as a director liable to retire by rotation. He is a leading Practising Chartered Accountant. He is the Senior partner of M/s. V. Chandrasekharan & Associates, Chartered Accountants which firm has specialised in Corporate Audits and Management Audits. Mr. V. Chandrasekharan is due to retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. He is also the Chairman of the Audit Committee, and member of Remuneration Committee and Shareholders' Grievance Committee in Malar Hospitals Ltd. He is not a director in any other Company.

**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' Grievance 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**

Dr. S. Ramamurthy had to his credit over 20 years of rich experience in the field of medicine. As a core promoter he had put in his untiring best efforts to bring the hospital to the present level. He had been also successfully managing the affairs of the Company. He suddenly fell ill and later died on 12th January 2004.

The Board recommended reimbursement of medical expenses incurred in connection with medical and surgical cost, pre and post surgical stay, airfare and other incidental expenses (including the cost of boarding and airfare of the accompanied spouse and the doctor) for the period from 7/1/2004 to 13/1/2004 subject to the approval of the Central Government. As per the provisions of the Act we furnish the following details:

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

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

He was not a member of any committee in any other Company.

**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	01.10.97– 30.09.98	01.10.98– 31.03.00	01.04.00– 31.03.01	01.04.01– 30.06.02	01.07.02– 30.06.03
TURNOVER	133565	240788	169290	219910	157537
PBID	24555	58253	36005	31989	24552
INTEREST	113952	235737	204474	56763	10868
DEPRECIATION	13730	24612	15859	21045	18195
INCOME TAX	Nil	Nil	Nil	Nil	Nil
NET PROFIT (LOSS)	(103326)	(201977)	(185049)	(58051)	77242

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 was responsible for striking One Time Settlement package with Financial Institutions and only because of his sustained and good efforts the Company could settle the major portion of One Time Settlement to the Financial Institutions. He had been consistently putting his best efforts along with other members of the board to bring the hospital to the limelight. Unfortunately he suddenly fell ill and died prematurely on 12th January 2004.

### 2. Past remuneration:-

Year	Salary (Rs.)	Perquisites (Rs.)	Commission	Others	Total (Rs.)
1.11.2000 to 31.3.2001	3,50,000	1,75,000	Nil	Nil	5,25,000
1.4.2001 to 30.6.2002	10,50,000	5,25,000	Nil	Nil	15,75,000
1.7.2002 to 30.09.2002	2,10,000	1,05,000	Nil	Nil	3,15,000
1.10.2002 to 30.06.2003	6,75,000	Nil	Nil	Nil	6,75,000
1.7.2003 to 11.01.2004	4,77,500	Nil	Nil	3,50,000	8,27,500

### 3. Recognition or awards:

1. Excellence award for outstanding contribution in promoting socio-economic development of India awarded by the 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 Sep 1995 at Madras.
4. Outstanding Personality award given by Christian Medical College and Hospital (CMC), Vellore

### 4. Job profile and his suitability:-

This item has been discussed in detail while the Company sought the approval of the members for his re-appointment at the Annual General Meeting held on 17-12-2003 and subsequently the Company got the approval from the Central Government. In this present context, the discussion on the above title is not applicable.

### 5. Remuneration proposed:- (Proposed reimbursement of medical expenditure)

Salary(In Rs.)	Perquisites	Commission	Others specify** (In Rs.)	Total(In Rs.)
Nil	Nil	Nil	25,00,000	25,00,000

\*\* Reimbursement of medical expenditure amounting to Rs. 25 lacs incurred by Dr. S. Ramamurthy and family towards treatment of Dr. S. Ramamurthy at GLENEAGLES MEDICAL CENTRE, Napier Road, Singapore for the period from 7-1-2004 to 13-1-2004.

6. Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person:- Not applicable
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 ; OTS dues of ICICI, IDBI and Indian Bank were already settled.
- 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	2004-05	2005-06	2006-07
Turnover	1,800	2,000	2,200
Profit before interest depreciation and taxes	360	410	462

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

None of the directors except Dr. Mrs. Nithiya Ramamurthy and Mr. RM. Sockalingam are interested in the said resolution.

#### Item No. 6

Mr. R. M. Sockalingam was appointed as an additional director of the Company with effect from 26th July 2004 pursuant to Section 260 of the Companies Act, 1956. Mr. R. M. Sockalingam holds 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. R. M. Sockalingam for appointment as director of the Company, liable to retire by rotation.

He does not hold directorship in any other Company.

The directors recommend the resolution for consideration and approval.

None of the directors except Mr. RM. Sockalingam and Dr. Mrs. Nithiya Ramamurthy are interested in the resolution.

By the Order of the Board

Place : Chennai  
Date : 08.11.2004

**Dr. NITHIYA RAMAMURTHY**  
Whole – Time Director

## DIRECTORS' REPORT

Your directors present the 13th Annual Report of the Company along with the audited accounts for the year ended 30th June 2004.

### FINANCIAL RESULTS

(Rs. In Lakhs)

<i>Particulars</i>	<i>for the year ended 30/06/2004</i>	<i>for the year ended 30/06/2003</i>
Turn over	1618.82	1575.37
Profit before Interest & Depreciation	293.10	245.52
Financial Cost	174.59	108.68
Depreciation	186.15	181.95
Income Tax	—	—
Net Profit / (Loss)	(67.64)	(45.11)
Prior Period Expenses	(175.53)	(7.92)
Prior Period Income	0.08	—
Provision for Deferred Tax	22.94	(70.72)
Adjusted Net Profit / (Loss )	(220.15)	(123.75)

Your Company continues to sustain its performance during the year under review.

### DIRECTORS

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

It is indeed unfortunate that Dr. S. Ramamurthy our former Chairman & Managing Director suddenly fell ill and died on 12th January 2004. As you are aware he has been the main pillar and strength for having made lots of improvements in many specialties in the hospital. He being a core promoter had been always interested in the well being of the hospital and he was also responsible in striking the One Time Settlement package with the Financial Institutions. He had been serving as a Managing Director of the hospital since its inception. Your Board expresses its deepest sense of appreciation for the commendable work performed by Dr. S. Ramamurthy.

Your Board also expresses its sense of appreciation to Prof. B. Ramamurthi, Neuro Surgeon who passed away due to brief illness. Prof. B. Ramamurthi has been a great source of inspiration and had played a constructive and supportive role to bring the hospital to its current position. Your Board also records its sense of appreciation for the valuable work done by Prof. B. Ramamurthi during his tenure as a director.

### STATUS OF ONE TIME SETTLEMENT PACKAGE (OTS):

Your hospital has been offered an OTS package of Rs. 2222 lacs by ICICI Bank Limited, Industrial Development Bank of India, Industrial Finance Corporation of India Limited and Indian Bank. The Company has already settled the dues of ICICI Bank Limited and Indian Bank. Subsequently your Company has also settled the OTS dues of IDBI in September 2004 and the negotiations with IFCI are on. With the OTS dues of ICICI Bank Limited, IDBI and Indian Bank fully settled and IFCI having been settled partly, the debt burden of the hospital has drastically come down. The full impact of the same will be reflected in the forthcoming years' Financial Statements.

Your board sincerely hopes that the future would be far more promising in spite of difficult past and the overall improvement of the hospital operation would lend support to this optimism.

### 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 30/06/2004 and of its loss 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;

Auditors' observation regarding non-provision of interest and reduction of loss to the extent of Rs. 1209.93 lacs, the note given under clause 2(c) of schedule 20 is self explanatory.

As regards, belated payments of certain statutory dues and the utilisation of short term funds for long term purposes, extreme pressure on the part of the Company to complete the One Time Settlement of the Financial Institutions, on which the Company has derived substantial savings on the waiver of interest amounts by Financial Institutions, before the prescribed dates and paucity of funds could be attributed as reasons for the same.

## 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' Grievance Committee, disclosures etc. The meetings of Sub Committees are held periodically.

The Audited Accounts for the year ended 30-6-2004 were approved by the Audit Committee at its meeting held on 8th November 2004 and as there were no material discrepancies, the board at its meeting held on the same date i.e., 8th November 2004 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. 5,33,409.90
Foreign Exchange Outgo	: Rs. 2,44,410.00

## 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 : 08.11.2004

**Dr. NITHIYA RAMAMURTHY**  
Whole - Time Director

**Prof. S. KAMESWARAN**  
Director

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## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

At Malar, the emphasis is on providing high quality medicare services consistently in cost-effective manner abiding, governmental regulations and guidelines, industrial standards and ethics. For this purpose, periodical patients medicare review analysis is undertaken by a specialised team of high calibre consultants which does an in-depth analysis in improving quality and its related aspects. This is an on going exercise and is being monitored continuously.

In the medical service industry cost and quality are the two important parameters to attain competitive advantage. Considering the phenomenal growth of Indian medical industry your hospital has positioned itself to its competitive advantage in service offering. India can compete globally as it has immense technically competent people and skilled man power strength. Your hospital will have upward swing in tune with current favourable economic parameters and is sure to spread its wings in many super specialities.

Malar always wants to keep abreast with latest technology and uses such technology with respect to medical equipments, surgical and medical care etc.,

Malar has entered in to Management Agreements with specialised agencies for improving management of Pharmacy and Radiology Divisions.

Your hospital is aware of the potential of the health care industry and is optimistic of curving 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.

The Board of 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 and Internal Audit is handled by an Independent team of Chartered Accountants which encompasses the examination and evaluation of the adequacy of the said system.