

Malar Hospitals Ltd.



Malar Hospitals

(HUMANE CARE FOR HUMAN CURE)

Traditional Care - Modern Methods

FOURTEENTH ANNUAL REPORT 2004-2005

BOARD OF DIRECTORS

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

Shri. M. Ramakrishnan

Prof. (Dr.) S. Kameswaran

Shri V. Chandrasekharan

Shri RM. Sockalingam

Shri R. Subramanian

**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) 24661675, 24662448
E-Mail : 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
Phone : 24914023, 24914768, 24914820
Website : malarhospitals.com
E-mail : mhl@md3.vsnl.net.in

NOTICE

Notice is hereby given that the 14th Annual General Meeting of the members of the Company will be held on Monday, the 27th day of March 2006 at 10.15 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 September, 2005 and the Reports of the Directors and Auditors thereon.
2. To appoint a director in the place of Prof. (Dr.) S. Kameswaran, who retires by rotation and being eligible, offers himself for re-election.
3. To appoint a director in the place of Shri RM. Sockalingam 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 Ordinary Resolution:

“ RESOLVED THAT Shri R. Subramanian who was appointed as an Additional Director at the meeting of the Board of Directors of the Company held on 26th December, 2005 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 : 01.03.2006

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. (044) 24661675, 24662448) 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 23rd March, 2006 to 27th March, 2006 (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. Padmashree Prof. Dr. S. Kameswaran**

Prof. (Dr.) 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. (Dr.) 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.

2. Shri RM. Sockalingam

Shri RM. 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 and his appointment was approved at the Annual General Meeting held on 15th December, 2004. He is due to retire by rotation at the ensuing annual general meeting and being eligible, offers himself for re-appointment. He is a member 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.

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

Shri R. Subramanian is a Practising Advocate in Madras High Court. He possess rich experience in Civil and Criminal facets of Law. He has been in this profession for more than three decades. Your Board feels that his appointment as a director would be of immense help in handling the legal matters of the company.

The ordinary resolution at item No.5 is submitted to the meeting for approval.

ShriR. Subramanian is deemed to be interested in the said resolution. No ther Director is interested in the resolution.

ShriR. Subramanian does not hold directorship/membership in any other company.

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DIRECTORS' REPORT

Your directors present the 14th Annual Report of the Company along with the audited accounts for the year ended 30th September, 2005.

FINANCIAL RESULTS

	(Rs. In Lakhs)	
Particulars	for 15 months ended 30/09/2005	for 12 months ended 30/06/2004
Turn over	1586.43	1618.82
Profit before Interest & Depreciation	365.13	293.10
Financial Cost	193.92	174.59
Depreciation	229.56	186.15
Income Tax	—	—
Net Profit / (Loss)	(58.35)	(67.64)
Prior Period Expenses	(0.80)	(175.53)
Prior Period Income	—	0.08
Provision for Deferred Tax	2.74	22.94
Adjusted Net Profit / (Loss)	(56.41)	(220.15)

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

DIRECTORS

Prof. (Dr.) S. Kameswaran and Shri RM. Sockalingam are the directors who retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

STATUS OF ONE TIME SETTLEMENT PACKAGE (OTS):

Out of the total OTS package of Rs. 2222 lacs by ICICI Bank Limited, Industrial Development Bank of India, Industrial Finance Corporation of India Limited and Indian Bank, your hospital has settled the OTS dues to all the institutions except Industrial Finance Corporation of India Limited. The hospital is keen in settling the dues to IFCI at the earliest and is confident of completing the entire transactions shortly.

OUTSOURCING OF PHARMACY AND RADIOLOGY UNITS

The Board of Directors decided to outsource the Pharmacy and Radiology units effective July 2004 to experts in the relevant fields. These units performed well and yield better results. Inability of the company to infuse funds for the units as well as for technological up-gradation / replacement of equipments installed at the inception of the Hospital, had outlived their utility and assessed as scrap, were the major reason for outsourcing. The Board however considered this arrangement as a short-term measure and is constantly monitoring the situation.

The Company is also one the look out for strategic investors for both financial and technical support.

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 30/09/2005 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;

As regards Auditors' observation relating to the non-provision of interest and reduction of loss to the extent of Rs.2048.49 lacs, the note given under clause 2 of schedule 19 is self explanatory.

CORPORATE GOVERNANCE

The Audited Accounts for the period ended 30-09-2005 were approved by the Audit Committee at its meeting held on 01-03-2006 and as there were no material discrepancies, the board at its meeting held on the same date, approved the same.

Your Company has been complying 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.

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. 1,68,651.00
Foreign Exchange Outgo	: Rs. Nil

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 : 01.03.2006

Dr. NITHIYA RAMAMURTHY
Whole — Time Director

Prof. (Dr.) S. Kameswaran
Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Malar continues to provide quality medicare services while it considers cost-effectiveness and timeliness as the hallmark that contribute to its performance. Performance measurement study is undertaken periodically and reviewed for taking remedial measures.

A dedicated and specialised team of experts ably provide supportive services to achieve the targets set by Malar in improving quality and service standards.

Malar keeps pace with technological changes.

There is significant awareness among the public on health care and this is supported by the increasing number of patients referred by the private insurance companies. The potential of the health care industry is bound to increase in future.

Malar also carefully fine tunes its methodology and operations consistent with the reforms that are taking place in the industry.

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.

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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 30/09/2005:-

Name & category	No.of Board Meetings Attended	Whether attended last A.G.M	Other Directorships	Other Committees excluding Malar Hospitals Ltd
Dr. Mrs. Nithiya Ramamurthy Whole-Time Director	10	Yes	3	Nil
Shri M. Ramakrishnan Independent Director	6	Yes	3	Nil
Prof. (Dr.) S. Kameswaran Independent Director	10	Yes	Nil	Nil
Shri V. Chandrasekharan Independent Director	10	Yes	Nil	Nil
Shri RM. Sockalingam Independent Director	7	Yes	Nil	Nil

b) Ten meetings of Board of Directors were held for the period 1/7/2004 to 30/9/2005. The dates of the Board Meetings were 26/7/04, 08/9/04, 29/10/04, 8/11/04, 16/12/04, 29/1/05, 22/3/05, 21/4/05, 14/7/05 and 30/7/05.

c) The last Annual General Meeting was held on 15/12/2004.

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.

- a) The Audit Committee consisted of the following members as on 30-09-2005

Name	No. of Audit Committee Meetings attended
Shri V. Chandrasekharan	4
Prof. (Dr.) S. Kameswaran	4
Shri RM. Sockalingam	2
Shri M. Ramakrishnan	1

- b) Four Meetings of Audit Committee were held for the period from 1/7/2004 to 30/9/2005. The dates of Audit Committee meeting are 26/7/2004, 8/11/2004, 29/1/2005 & 14/07/2005.

4. Remuneration Committee:-

Remuneration Committee consists of following members:

1. Prof. (Dr.) S. Kameswaran
2. Shri V. Chandrasekharan
3. Shri RM. Sockalingam

The remuneration paid to Whole-Time Director is as approved by shareholders. 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 30.09.2005 are given below:

Executive Directors:

Name of the Director	Salary	Perquisites	Contribution to Provident Fund	Gratuity
Dr. Mrs. Nithiya Ramamurthy	525,000	262,500	11,700	—

Sitting fees paid to Non-executive Independent Directors:

1. Shri M. Ramakrishnan	7,000
2. Prof. (Dr.) S. Kameswaran	14,000
3. Shri V. Chandrasekharan	14,000
4. Shri RM. Sockalingam	9,000

No bonus, stock options, incentives and severance fees were paid during the period.

Appointment of Managing /Whole Time Director is made by Resolutions of the Board and General Body and subject to the approval of the Central Government as may be necessary and no service contract has been entered into.

Notice period applicable to Managing /Whole Time Director is 3 months.

5. Shareholders Committee:-

The shareholders Committee regularly meets for attending to shareholders matters and also for redressing their complaints.

During the year ended 30/09/2005, 224 complaint / requests letters were received from shareholders all of which were satisfactorily dealt with.

No complaint was pending as at 30th September 2005. As on that date there were no pending share transfers.