

THE NEW AGE FAMILY HOSPITAL



KMC Speciality Hospitals (India) Limited

Annual Report
2014-2015

ANNUAL REPORT 2014-15

KMC SPECIALITY HOSPITALS (INDIA) LIMITED

CORPORATE INFORMATION

BOARD OF DIRECTORS

| | |
|----------------------------|--|
| Dr S Chandrakumar | Managing Director & CEO |
| Dr D Senguttuvan | Executive Director |
| Dr S Manivannan | Director |
| Mr A Krishnamoorthy | Director |
| CA S Chenthilkumar | Director |
| Mr B Pattabhiraman | Director |
| Mr S Krishnamurthy | Director |
| Dr S Vijayabaskaran | Director |
| Mr N Bala Baskar | Director |
| Mrs Jayanthi Narayanaswamy | Director |
| CA G Ranganathan | Chief Financial Officer |
| A Thanikainathan | Company Secretary & Compliance Officer |

BANKERS

Axis Bank
Indian Overseas Bank
Punjab National Bank
State Bank of India
City Union Bank

AUDITORS

M/s. B S R & Co. LLP
Chartered Accountants
10, Mahatma Gandhi Road
Chennai - 600034

REGISTERED OFFICE

6, Royal Road, Cantonment
Trichy - 620 001
CIN: L85110TN1982PLC009781
E-mail: cs.kmcshil@kauveryhospital.com
Website: www.kauveryhospital.com

INDEX

| | |
|-----------------------------------|----|
| Notice | 1 |
| Route Map | 12 |
| Directors' Report | 13 |
| Corporate Governance Report | 36 |
| Independent Auditors' Report | 51 |
| Balance Sheet | 56 |
| Statement of Profit and Loss | 57 |
| Cash Flow Statement | 58 |
| Notes to the Financial Statements | 60 |
| Proxy form | |
| Attendance Slip | |

KMC SPECIALITY HOSPITALS (INDIA) LIMITED
CIN : L85110TN1982PLC009781
REGISTERED OFFICE: NO 6 ROYAL ROAD, CANTONMENT, TRICHY 620 001.

NOTICE TO SHAREHOLDERS

Notice is hereby given that the THIRTY SECOND ANNUAL GENERAL MEETING of the Members of the Company will be held on Tuesday the 29th day of September, 2015 at 2.00 pm at Nanjai Hall, Hotel Sangam, Cantonment, Trichy - 620 001 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited financial Statements of the Company for the financial year ended 31st March 2015 together with the Report of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Dr S Manivannan (DIN 00910804), who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Dr S Vijayabaskaran (DIN 05139565), who retires by rotation and being eligible, offers himself for re-appointment
4. To consider and if thought fit, to pass, the following resolution as ordinary resolution:

RESOLVED THAT the re-appointment of M/s B S R & Co. LLP, Chartered Accountants, Chennai having Firm Registration Number 101248W/W-100022 allotted by The Institute of Chartered Accountants of India, as Statutory Auditors of the Company to hold office, from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting, for the second year in the first term of five years as recommended by the Audit Committee and approved by the Board of Directors of the Company, in terms of Section 139 and 142 read with Audit and Auditors Rules, 2014, on such remuneration as may be decided by the Board of Directors of the Company in addition to Service Tax, travelling and out of pocket expenses be and is hereby ratified.

SPECIAL BUSINESS:

5. Re-appointment of Dr S Chandrakumar (DIN: 01867847) as Managing Director

To consider and if thought fit, to pass, the following Resolution as Special Resolution

RESOLVED THAT pursuant to recommendation of the Nomination and Remuneration Committee, and approval of the Board and subject to the provisions of Sections 196, 197, 198, 203 and other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification or re-enactment thereof) read with Schedule- V of the Companies Act, 2013, approval of the members of the Company be and is hereby accorded to the re-appointment of Dr S Chandrakumar, as Managing Director of the Company with effect from the date of 32nd Annual General Meeting for a period of three years on remuneration including perquisites and other terms and conditions of the appointment, not exceeding the limits as enumerated below :

| | |
|----------------------|-----------------|
| Basic | Rs. 2,00,000 PM |
| House Rent Allowance | Rs. 20,000 PM |
| Provident Fund | Rs. 24,000 PM |

Plus

Bonus @ 8.33% of Gross pay (Basic + HRA).

Performance based incentive as per Companies policy.

Leave Travel Allowance not exceeding 50% of one month basic pay, subject to provisions of the Income Tax Act, 1961.

Reimbursement of medical insurance premium to self and family, to the extent of Rs 25000 per annum.

Reimbursement of actual expenditure of fuel bills for the car utilized for official purposes.

Company's car with driver.

Payment to the bills of mobile phone/s used and internet connection used for official purposes.

RESOLVED FURTHER that notwithstanding anything hereinabove stated, wherein any financial year, during the tenure of Dr S Chandrakumar as Managing Director, the Company has no profits or its profits are inadequate, it may pay him remuneration by way of salary, perquisites and any other allowances not exceeding the maximum limits as prescribed under Section II of Part II and Part III of Schedule V to the Companies Act, 2013 as may be amended from time to time.

RESOLVED FURTHER THAT Dr S Chandrakumar shall also be eligible to the following which shall not be included in the computation of the ceiling on remuneration here in above stated:

i. Contribution to Provident Fund, Superannuation Fund or Annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

ii. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service i.e. a maximum of Rs. 10 Lacs or such other sum as may be prescribed in the Payment of Gratuity Act, 1972 from time to time.

RESOLVED FURTHER THAT all the salary, allowances and perquisites payable to Dr S Chandrakumar shall be subject to Income Tax Act, 1961 and Rules as applicable from time to time.

RESOLVED FURTHER THAT the Board of Directors has the liberty to fix, alter and vary such terms of appointment and remuneration so as to not exceed the limits specified under the Companies Act, 2013.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to any Committee of Director or Director(s) to give effect to the aforesaid resolution.

6. Appointment of Mrs Jayanthi Narayanaswamy (DIN 07143462) as Director:

To consider and if thought fit, to pass, the following Resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Section 149, 152 and other applicable provisions of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), Mrs Jayanthi Narayanaswamy (DIN 07143462), who was appointed as an Additional Director of the Company pursuant to the provisions of Section 161 of the Companies Act, 2013 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a Notice in writing from a Member along with the deposit of the requisite amount under Section 160 of the Companies Act, 2013 proposing her candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation, with effect from the date of this Meeting.”

7. To approve related party transactions under section 188 of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

To consider and if thought fit to pass with or without modification(s), the following resolution as Special Resolutions.

RESOLVED THAT pursuant to Section 188 and other applicable provisions, if any, of the Companies Act 2013 and the rules made there under and Clause 49 of the Listing Agreement, including any amendment, modification, variation or re-enactment thereof for the time being in force, the consent of the shareholders be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall include any existing Committee(s) or any committee, the Board may hereafter constitute to exercise powers of the Board including the power conferred by this resolution) the approval of the members be and is hereby accorded to the material

related party transactions to be entered into and carried out in ordinary course of business and at arm's length price with the holding company namely M/s. Sri Kavery Medical Care (Trichy) Limited, being a related party to the Company, in connection with Sale and purchase of goods and the various services including hospital services rendered / availed or to be availed, claims made and reimbursement of claims received on behalf of holding company namely M/s. Sri Kavery Medical Care (Trichy) Limited for a aggregate value not exceeding Rs.35,00,00,000 (Rupees Thirty Five Crores only) per annum.

FURTHER RESOLVED THAT the Board of Directors of the Company be and are hereby authorized and empowered to do all such acts, deeds, matters and things to settle any queries, difficulties, doubts that may arise with regard to any transaction with M/s. Sri Kavery Medical Care (Trichy) Limited and execute such agreement, documents and writings and to make such filings, as may be necessary or desirable for the purpose for giving effect to this resolution, in the best interest of the company.

8. To consider and if thought fit to pass with or without modification(s), the following resolution as Special Resolution.

RESOLVED THAT in supersession of Resolution passed at the Annual General Meeting of the Company held on 25th September 2009, consent of the members be and is hereby accorded in terms of the provisions of Section 180(1)(c), 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force) to the Board of Directors (hereinafter referred to as "the Board" which shall include any Committee(s) thereof) to borrow from time to time all such sum(s) of money as the Board may deem requisite for the purpose of the Company, notwithstanding that the money(s) to be borrowed together with the money(s) already borrowed by the Company and outstanding (apart from the temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital and free reserves of the Company, that is to say, reserves not set apart for any specific purpose, provided however that the total amount so borrowed and to be borrowed and remaining outstanding at any one time shall not exceed Rs 25,00,00,000 (Rupees Twenty Five Crores only) in the aggregate, with or without creating charges on one or more or all assets of the Company.

By the order of the Board

Place: Chennai
Date : 14th August 2015

A Thanikainathan
Company Secretary

Notes:

1. The Explanatory Statement setting out the material facts pursuant to Section 102 of the Companies Act, 2013 ("the act"), concerning the Special business in the notice is annexed hereto and forms part of this notice. The profile of the directors seeking appointment/reappointment, as required in terms of clause 49 of the Listing agreement entered with the Stock exchange is annexed.

2. A member 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. The instrument appointing the proxy and the power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of the power or other authority with the Registered Office at least 48 hours before the meeting. A proxy form is sent herewith. The proxy shall not be entitled to vote except on a poll.

3. Corporate members intending to send their authorised representatives to attend the meeting are requested to send to the company a certified copy of the board resolution/power of attorney authorizing their representative to attend and vote on their behalf at the meeting.

4. The Register of Members and the Share Transfer Books of the Company shall remain closed from 23rd September, 2015 to 29th September, 2015 (both days inclusive).

5. Shareholders desiring any information as regards to financial statement are required to write to the Company at least seven days in advance of the meeting so that the information, to the extent practicable, can be made available at the meeting.

6. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting and number of shares held by them.

7. Electronic copy of the Notice of the Thirty Second Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance slip / Identification Form and Proxy Form is being sent to all the members whose e-mail IDs

are registered with the Company / Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the Thirty Second Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance slip / Identification Form and Proxy Form is being sent in the permitted mode.

8. Members may also note that the Notice of the Thirty Second Annual General Meeting and the Annual Report for 2015 will also be available on the Company's website www.kauveryhospital.com for their download. The physical copies of the aforesaid documents will also be available at the Company's Registered Office in Trichy for inspection during normal business hours on working days, except Saturdays, Sundays and public holidays. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by post, free of cost. For any communication, the shareholders may also send requests to the Company's investor email id: cs.kmcshil@kauveryhospital.com.

9. The Notice and the Route map for the venue of the Annual General Meeting is hosted on the Company's website and can be accessed at <http://www.kauveryhospital.com/investors#>.

Explanatory Statement (Pursuant to Section 102 of the Companies Act, 2013)

The following Explanatory Statement sets out all the material facts relating to the Special Business:

Item No 5 – Re-appointment of Dr S Chandrakumar (DIN: 01867847) as Managing Director

Dr S Chandrakumar, was appointed as Chairman and Managing Director by the members of the Company to hold office upto the conclusion of the Annual General meeting for the year 2015.

Dr S Chandrakumar resigned as Chairman of the Company with effect from 13th November 2014 and continues as the Managing Director of the Company.

The Board of Directors of your Company considering his rich and varied experience in the Industry and contributions in steering the company to its current phenomenal turnaround, recommended the reappointment of Dr S Chandrakumar as Managing Director of the Company for a further term of three years from the date of 32nd Annual General Meeting.

**STATEMENT PURSUANT TO SCHEDULE V,
RELEVANT TO MANAGERIAL REMUNERATION**

I. GENERAL INFORMATION

| | | |
|---|---|---|
| 1 | Nature of Industry | Heath Care Services |
| 2 | Date of Commencement of Commercial Activities | 31-12-1982 (As Pvt Ltd Company) 15-07-1988 (As Public Ltd Company) |
| 3 | New Company Details | Not Applicable |
| 4 | Financial performance of the Company for the Financial Years 2012-2013, 2013-14 and 2014-15 are given below : | |

| Particulars | Amount Rs. in Lakhs | | |
|--------------------------|---------------------|---------|---------|
| | 2012-13 | 2013-14 | 2014-15 |
| Net Annual Sales/Revenue | 2926.03 | 3509.37 | 3650.93 |
| Net Profit after taxes | 93.57 | (29.59) | 12.38 |

| | | |
|---|--|----------------|
| 5 | Export Performance | Not Applicable |
| 6 | Foreign Investments and Collaborations | Not Applicable |

II. INFORMATION ABOUT THE APPOINTEE

1. Background details - Dr S Chandrakumar is a leading Anesthesiologist, with over 20 years of reputed clinical experience and managing multi specialty hospitals.

2. Past Remuneration – The proposed remuneration is same that of the remuneration fixed in the AGM held during 2011.

3. Recognition or awards - He was an Executive member of the Health care subcommittee in Confederation of Indian Industry (CII) Tamil Nadu. He was selected by the CII as one of the 101 best Entrepreneurs in Tamil Nadu for the year 2008-09.

He has earlier served as the Chairman, CII Trichy Zone covering 8 districts in the year 2011-12.

He has been bestowed with “Vocational Excellence Award for the Rotary year 2010-11” by the Rotary club of Trichy Rock city.

He was awarded 'Best Doctor' by Dr. MGR Medical University in 2011-12. He is also the State Convenor of the Healthcare Panel.

4. Job Profile and his suitability

He has more than twenty years of rich and varied experience in the healthcare industry. He is the Managing Director of this multi-speciality hospital in Trichy with renowned brand value. In spite of the competitions existing in the industry the note worthy growth of the hospital in all dimensions erasing out its past negative reputations with its present quality performance, is the indication of his suitability to his designation.

5. Remuneration proposed: As per the resolution proposed in item (5) above.

6. Comparative Remuneration Profile - The nature of this industry depends upon the caliber / skills of the individual involved, therefore not-comparable.

7. Pecuniary relationship with the company – Nil

III. OTHER INFORMATION

1. Reasons of loss or inadequate profits - The endeavors of the administration to erode the legacy deficiencies, by undertaking renovation and revamping of its civil structure and replenishment of medical equipments and increasing bed capacity have resulted into additional cost of operations, financing cost and depreciation, causing a strain on the profitability.

2. Steps taken or proposed to be taken for improvement – Adopted strategies to ensure the quality performance and achieving higher levels of revenue.

3. Expected increase in productivity and profits in measurable terms - Expected to be in increasing trend in line with the performance since takeover of management in May, 2008.

Other Terms :

The Managing Director shall not be liable to retire by rotation.

This explanatory statement may also be read and treated as disclosure in compliance with the requirements of Section 190 of the Companies Act, 2013.

The Board of Directors recommends the resolution in relation to the re-appointment of Managing Director, for the approval of the shareholders of the Company.

Notice has been received from member signifying their intention to propose appointment of Dr S Chandrakumar as Managing Director of the Company along with a deposit of Rs. 1,00,000. The disclosure under Clause 49 of the Listing Agreement, is provided at Annexure to this Notice.

Except Dr S Chandrakumar and Dr S Vijayabaskaran who is the brother of Dr S Chandrakumar, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise in this resolution set out at item no. 5.

Item No 6**Appointment of Mrs Jayanthi Narayanaswamy (DIN 07143462) as Director:**

The Board of Directors vide circular resolution dated 30th March 2015 had Appointed Mrs Jayanthi Narayanaswamy as "Additional Director" of the Company with effect from 31st March 2015 under Section 161 of the Companies Act, 2013.

Mrs Jayanthi Narayanaswamy is a Company Secretary with 17 years of post qualification experience and served as Company Secretary since 1998 in various corporates. Mrs Jayanthi Narayanaswamy is also a passionate academician with active teaching experience delivering technical lectures in management, legal and practical subjects in various professional / management / academic and other institutions in Trichy. Also an active participant in the activities of the Institute of Company Secretaries of India ('ICSI'), CMA (Trichy) and other professional / management / academic institutes.

Mrs Jayanthi Narayanaswamy is liable to retire by rotation.

Notice has been received from member signifying their intention to propose appointment of Mrs Jayanthi Narayanaswamy as Director of the Company along with a deposit of Rs. 1,00,000. The disclosure under Clause 49 of the Listing Agreement, is provided at Annexure to this Notice.

MEMORANDUM OF INTEREST

Except Mrs. Jayanthi Narayanaswamy none of the directors and Key Managerial Personnel of the Company and their relatives of the Company is concerned or interested in this resolution.

Item No 7**To approve Related Party Transactions under section 188 of the Companies Act, 2013 and Clause 49 of the Listing Agreement**

The provisions of Section 188 of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014 exempts any transactions entered into by the Company in its ordinary course of business and done at arm's length price, from the requirement of prior approval of the shareholders by way of ordinary resolution. However, revised Clause 49 of the Listing Agreement, which became effective from October 1, 2014, provides that material related party transaction, i.e. if a transaction to be entered into which individually or together with previous transactions in a given financial year with a related party exceeds 10% of the annual consolidated turnover as per the last audited financial statements of the Company, requires the approval of the shareholders of the Company by way of a Special Resolution.

The Company in the Ordinary course of business and at arm's length price enters into transaction with M/s. Sri Kavery Medical Care (Trichy) Limited (holding Company) for providing and availing various services including Sale and purchase of goods and the various services including hospital services rendered / availed or to be availed, claims made and reimbursement of claims received on behalf of the holding company. These transactions are of continuous in nature and are not for a specific period. M/s. Sri Kavery Medical Care (Trichy) Limited is a related party as defined under Accounting Standard AS 18.

Pursuant to rule 15(3) of Companies (Meetings of Board and its Powers) Rules, 2014, the nature of transactions with the related parties is provided in the said resolution. The Board recommends the Special Resolution set out at Item No.7 of the Notice for approval by the Members.

The members are further informed that any member of the company who is a related party or having any interest in the resolution as set out at item No. 7 shall not be entitled to vote on this special resolution.

None of the Directors or Key Managerial Personnel of the company or their relatives except Dr S Chandrakumar, Dr S Manivannan, Mr A Krishnamoorthy, Mr S Krishnamurthy and Mr N Bala Baskar who are directors in both the Companies is concerned or interested financially or otherwise in the aforesaid special resolution.

Dr S Chandrakumar and Dr S Manivannan holds 5.62% and 5.30% of the paid up share capital of M/s. Sri Kavery Medical Care (Trichy) Limited respectively.

The Board of Directors recommends the resolution set forth in item No. 7 for approval of members as Special resolution.

Item No 8

As per the provisions of Section 180(1)(c) and Section 180(1)(a) of the Companies Act, 2013 the power to borrow moneys, apart from temporary loans obtained from the Company's Bankers in the ordinary course of business, in excess of the aggregate of the paid-up capital and free reserves of the Company, that is to say, reserves not set apart for any specific purpose can be exercised by the Board with the consent of the Members obtained by a Special Resolution.

At the AGM of the Company held on 25th September 2009, the Members had accorded consent to the Board of Directors to borrow any sum or sums of money not exceeding at any time the sum of Rs. 25 crores.

Considering the need for borrowing to meet part of the funding requirements of the Company for ensuring its sustained growth, it is proposed to seek the approval of the shareholders. However the borrowings will be restricted within the limit of Rs. 25 crores as earlier approved by the shareholders under the Companies Act, 1956.

The Board of Directors recommends the resolution set forth in item No. 8 for approval of members as Special resolution.

Memorandum of Interest

None of the Directors, key managerial personnel of the Company or their relatives are in any way, concerned or interested financially or otherwise in the resolution except to the extent of their shareholding, if any.