



17th

ANNUAL REPORT

2003

**KOVAI MEDICAL CENTER AND
HOSPITAL LIMITED**

Avinashi Road, Coimbatore - 641014



BOARD OF DIRECTORS

Dr. Nalla G Palaniswami
Chairman and Managing Director

Dr. Thavamani Devi Palaniswami
Vice Chairman and Joint Managing Director

Kasi K Goundan
Director

M. Manickam
Director

Dr. K.S.K. Murugaiyan
Director

A.M. Palaniswamy
Director

Dr. P.R. Perumalswami
Director

Dr. K.C. Ramaswami
Director

Dr. M.C. Thirumoorthi
Director

A.K. Venkatasamy
Director

N. Sengottaiyan
Director
(Alternate to Kasi K Goundan)

K.M. Subramaniam
Director
(Alternate to Dr. P.R. Perumalswami)

Dr. A.C. Kulkarni
ICICI Nominee Director
(upto 28-05-2003)

COMPANY SECRETARY
S.P. Chittibabu

FINANCIAL CONTROLLER
V. Jagadeesan

**REGISTERED OFFICE &
HOSPITAL COMPLEX**

Post Box No. 3209
Avanashi Road
Coimbatore - 641 014
Tel : 91-422-2627784-90 Fax: 2627782
Email : kmch@md2.vsnl.net.in
Website : www.kmchonline.com

SATELLITE CENTERS

1. Bhavani Main Road,
Perundurai.
2. Ramnagar,
Coimbatore.
3. Perundurai Road,
Erode.

SOLICITORS & ADVOCATES

Ramani & Shankar
Advocates, Coimbatore.

AUDITORS

S.V. Jayaraman & Co.
Chartered Accountants
Chennai - 600 083.

REGISTRARS & SHARE TRANSFER AGENT & DEPOSITORY REGISTRAR

GNSA Investors Services Pvt. Ltd
17/1, Baliah Avenue, Luz,
Mylapore, Chennai - 600 004.
Phone : 24661675, 24661976
Fax : 24662448

BANKERS

Canara Bank
Punjab National Bank
Indian Bank
Indian Overseas Bank
State Bank of India.



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KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

NOTICE

Notice is hereby given that the **Seventeenth Annual General Meeting** of the Members of **Kovai Medical Center and Hospital Limited** will be held on **Thursday, the 11th day of December 2003** at **3.30 P.M.** at **"A.P. Kalyana Mandapam", 738/2 Avanashi Road, Goldwins, Coimbatore - 641 014** to transact the following business.

AGENDA

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Profit and Loss Account for the year ended 31st March 2003 and the Balance Sheet as at that date together with the Reports of the Directors and Auditor's thereon.
2. To appoint a Director in place of Dr. K.S.K. Murugaiyan, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Dr. M.C. Thirumoorthi, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. A.K. Venkatasamy, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s. S.V. Jayaraman & Co., Chartered Accountants as 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.

NOTES

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.
2. Proxies in order to be effective should be deposited with the Registered office of the Company not later than 48 hours before the commencement of the meeting.
3. The Register of Members and Share Transfer Books of the Company will be closed from 1st December 2003 to 11th December 2003 (both days inclusive) in connection with the 17th Annual General meeting.
4. As a measure of economy, copies of Annual Reports will not be distributed at the Annual General Meeting. Members are therefore requested to bring their copies of Annual Report to the meeting.
5. Shareholders seeking any information with regard to accounts are requested to write to the Company 7 days prior to the meeting so as to enable the management to keep the information ready.
6. The members are requested to inform any change in their address and quote folio number in all correspondence to the company.

By order of the Board

Coimbatore
21.10.2003

S.P. CHITTIBABU
Company Secretary

**DIRECTORS' REPORT**

To the Members,

Your Directors take pleasure in presenting the Seventeenth Annual Report together with the Audited Statement of Accounts for the Financial Year ended 31st March 2003.

CORPORATE RESULTS

(Rs. in Thousands)

PARTICULARS	31.3.2003	31.3.2002
Turnover	312339	293486
Profit before interest and depreciation	57814	62604
Interest	16684	13891
Cash Profit	41130	48713
Depreciation	24140	23077
Profit for the year	16990	25636
Prior period expenses	165	254
Provision for Taxation (MAT)	1338	1967
Provision for Dividend	---	10942
Transferred to General Reserve	1000	8542
Profit from the previous year	15535	19596
Balance in Profit & Loss Account	19378	15535

REVIEW OF OPERATIONS

The turnover of the Company during the fiscal year 2002-2003 has grown from Rs.293486 thousands to Rs.312339 thousands registering a growth rate of 6% over the previous year while the net profit has been Rs.16990 thousands for the financial year 2002-03.

The growth is made possible due to the excellent patient care with contemporary medical technology, right measures in the areas of materials and medical equipment purchases, and astute financial planning. KMCH is committed to provide comprehensive health care to the populace at affordable cost with the same dedication and devotion hitherto provided by its employees. Your Company will certainly live upto the expectations of the patient community for its unflinching faith all along in KMCH's ability to deliver health care on par with international standards. The Cardiology and Cardio-thoracic Department continue to acclaim accolades by performing heart surgeries with incredible success rate.

During this fiscal year, the Erode Medical Center has started its operations and is in the process of taking its quality health care to the Erode City.

CME PROGRAMMES

Your Company gives utmost importance to Continuous Medical Education (CME) Programmes as it is always in the forefront and pioneers in bringing the latest in medical world to India. Your Company organised many Seminars both national and international, Workshops and exhibitions in the fields of Cardiology, Critical Care, Rheumatology etc. Your Company has conducted many CME Programmes outside Coimbatore also for the benefit of medical professionals who always play a vital role in informing the patients and community at large about the latest developments in the health care industry.

**TECHNOLOGY ABSORPTION**

Kovai Medical Center and Hospital always brings the contemporary medical technology to India and continuously is upgrading the medical equipments. During the year, your Company has added the latest CT Scanner, Echo Colour Doppler, the most advanced C-Arm Surgical Mobile with Image Intensifier System, Marquette Monitor, Voluson 730 Digital 4D Colour Doppler, Auto Analyser to its armory of medical equipments in its efforts to deliver health care on international standards.

CORPORATE SOCIAL RESPONSIBILITIES

As a responsible corporate citizen, your Company has organised many free medical camps in rural parts of Tamilnadu and as part of its efforts to propagate health care and provide service to the poor at their doorstep, it has also conducted many awareness programmes among the public. Your Company has conducted free pulse polio drives and Blood Camps. Your Company has been commemorated by the Gift of life, USA which is a project of rendering help to the children suffering from Heart diseases for performing 25 heart surgeries free of cost in association with voluntary associations. Your Company will continue to undertake many such programmes as part of its corporate philosophy and social responsibility.

FUTURE PROSPECTS

In view of the growing market demand and also as part of our ambitions expansion programme in the super speciality disciplines like Cardiology, Cardio Thoracic surgery, Neuro sciences and fertility medicines, we have set up Institute of Cardiology, Cardio Thoracic surgery, Institute of Neurology and Neuro science and Institute of Women and child health. In order to provide the state of the art treatment and facilities for treating stroke patients, the hospital has also started the KMCH Stroke Center, which is going to be a trendsetter in the interventional treatment for stroke-affected patient in South India. These institutes in their respective areas will focus on developing newer modalities of diagnosis, treatment and training of young doctors, technicians, research and clinical trials. This will make the diagnosis and treatment for various complicated illnesses like heart attack, stroke, kidney failure, bone degeneration, etc. more cost effective and affordable to the weaker section of the society.

Your KMCH Fertility Center, which was set up during the year 2002 has become one of the best fertility centers' for treating infertile couple both in India and abroad. The center has already treated over 2000 patients with 95% success rate. These Institutes will also help the hospital to compete internationally in the industry.

Your Hospital has also ventured to collaborate with the very renowned Neuro Surgery Center at UK for research, exchange of expertise, knowledge and also for clinical trials. This is expected to result in transfer of know-how in many Hi-tech areas in Neurology and Neuro Surgery fields and which will also explore the possibility of attracting patients from all parts of the country.



KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

FINANCE

The expansion plans, which are now underway have been financed by way of internal accruals and term loans from Banks and the projects are going on as per the plans envisaged. Your Company will continue to employ prudent financial practices to fund its operations and adhere to strict financial discipline and take advantage of benign interest rate regime prevailing in the country to fund its medical projects.

DIVIDEND

In order to preserve resources for the Company's ongoing expansion plans and improve the liquidity position, your Directors express their inability to recommend dividend for this year.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Health care industry has been accorded the status of infrastructure by the Govt. The service sector is growing at an exponential rate and over 70% of country's GDP comes from services sector. The health care industry is growing at a faster rate and is poised to record USD 60 billions by 2010. The impact of globalisation is also very much felt in the health care industry, with the latest in medical technology is brought to India almost instantaneously. Providing health care to the vast population of the size of India is not a mean task. It requires heavy investment and the Government alone, cannot provide the health care facilities and the private sector can only provide the tertiary medical care.

India is also endowed with skilled Doctors and well trained para medical staff. Therefore availability of skilled manpower is not at all a problem. Kovai Medical Center attracts foreign trained medical professionals and as far as para-medical personnel is concerned, we have been turning out many professionals from reputed para-medical colleges in India and from them, we will be drawing our requirement.

The expertise and experience in the health care delivery system gained by us over the years will be utilized to offer consultancy service to the third world countries. Our excellent patient care on par with international standards is attracting patients, even from developed countries in view of the prohibitive costs thereat.

Our mission is to provide quality health care to our country and our commitment is to provide excellent quality health care at affordable costs comparable to international standards. For this purpose, we have been continuously undertaking expansion of our bed strengths as well as upgrading the medical technology and the required investments are made and funded by astute financial plans so as to maximize the return on investments. Given the soft interest rate regime prevailing in India and the infrastructure status accorded to Hospital Industry by the Banks, we do not visualize any problem in financing the projects.



KOVAL MEDICAL CENTER AND HOSPITAL LIMITED

Over the years, your 'KMCH' brand has found a place in patients' heart and mind by our dedicated excellent health care and service, which we are going to continue and improve. Viewed in this back ground, we don't envisage any organized competition from corporate sector and we are well entrenched to face the challenges. The competition from small players will not be affecting our Company much as they do not have and match our infrastructure in terms of beds, medical equipments, trained doctors and para medical staff. To cater to the growing demand, we are now undertaking expansion which involves addition of 100 beds.

We are also expanding our geographical reach by establishing Satellite Centers. We have Satellite Centers at Ram Nagar (Coimbatore), Perundurai and Erode.

The quality health care depends upon the clinical management and we recognise this fact. We have well defined quality management systems that provide comprehensive and defect free mechanism. We have computerised patient medical record management systems that helps tracking patient history within no time.

With the medical insurance slowly gaining momentum in our country, we foresee the affordability of hospital costs by our population, will be gradually improved, which, in turn, will help improving the health care delivery system in India in the near future.

A. FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Financial performance with respect to operational performance has been dealt with in the Directors' Report which should be treated as forming part of this Management Discussion and Analysis Report.

B. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has established an appropriate system of internal control to ensure that there exists a proper control over all the transactions and that all its assets are properly safeguarded and not exposed to risk arising out of unauthorised use or disposal. The Internal Audit conducted at all divisions for all the key areas of business. The Internal Control System is supplemented by a programme of internal Audits to ensure that the assets are properly accounted for and the business operations are conducted in adherence to laid down policies and procedures. The Internal Audit is oriented towards review of controls and operational improvements.

C. MATERIAL DEVELOPMENT IN HUMAN RESOURCES/INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED :

Relations with the employees remained cordial in general throughout the year. In order to optimise the contribution of the employees to the Company's business and operations, in-house training is given to the employees to induce contribution to productivity increase and development programmes at all levels of employees. As at 31st March 2003, the employee strength of the Company was 1232.



KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

DIRECTORS RESPONSIBILITY STATEMENT AS PER SECTION 217(2AA) OF THE COMPANIES ACT, 1956

In the preparation of Profit and Loss Account for the period ended 31st March 2003 and the Balance Sheet as on that date, all the applicable accounting standards have been followed. Accounting policies, that are reasonable and prudent, have been selected and applied consistently so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and the Profit and Loss Account of the Company for the period ended 31st March 2003. The said Profit and Loss Account and Balance Sheet have been prepared on a going concern basis. The accounting records in accordance with the provisions of the Companies Act 1956, for safeguarding the assets of the Company as also for preventing and detecting fraud, other irregularities have been properly maintained.

DIRECTORS

Dr.K.S.K.Murugaiyan, Dr.M.C.Thirumoorthi and Mr.A.K.Venkatasamy retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

NOMINEE DIRECTOR

ICICI Bank Limited has withdrawn Dr.A.C.Kulkarni from the Board with effect from 28.5.2003. The Board placed on record its appreciation for guidance and assistance provided by Dr.A.C.Kulkarni as a member of the Board during his tenure.

PARTICULARS OF EMPLOYEES

As on 31st March 2003, None of the employees were in receipt of remuneration in excess of the limits prescribed in sub-section 2A of Section 217 of the Companies Act 1956, read with Companies (Particulars of Employees) Amendment Rules 1994.

INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956

Since the Company is in service industry and does not do any manufacturing activity, the particulars regarding conservation of energy and technology absorption in the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are not applicable. The particulars regarding foreign exchange inflow and outgo appear as item no.14 in Notes on Accounts.

DEPOSITS

The Company has not accepted any deposits from the public during the year.



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AUDITORS

The Auditors M/s S.V.Jayaraman & Co., Chartered Accountants, the retiring Auditors have given the certificate pursuant to Section 224 (1B) of the Companies Act, 1956 and are eligible for re-appointment. The Notes to the Financial Statements referred in the Auditors' Report are self explanatory and therefore do not call for any further comments under Section 217(3) of the Companies Act, 1956.

REPORT OF CORPORATE GOVERNANCE

The Company has already complied with the requirement of the corporate governance in terms of the listing agreements with the Stock Exchanges. The detailed report on corporate governance is annexed and forming part of this report.

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

A certificate from the Auditors of the Company regarding compliance of conditions of corporate governance as stipulated under Clause 49 of the Listing Agreement entered into with the Stock Exchanges is attached to this report.

HUMAN RESOURCES DEVELOPMENT

As your Company is in the service industry, human resource play a very crucial role in the operations and as such your Company accords great recognition thereof in its continuous development.

Your Company maintain cordial relations with Doctors and Employees. Your Board places on record its appreciation for the dedicated services of all the Doctors and Employees.

ACKNOWLEDGEMENTS

Your Directors place on record their appreciation for the continued co-operation extended by the Financial Institutions and Bankers of the Company and look forward to their continued support in the future.

For and on behalf of the Board

COIMBATORE
21.10.2003

DR.NALLA G PALANISWAMI
CHAIRMAN AND MANAGING DIRECTOR