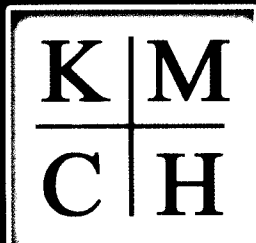


18th
Annual Report
2004

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**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. Palanisamy

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@vsnl.com

getwell@kmchonline.com

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

18/1, Baliah Avenue, Luz,

Mylapore, Chennai - 600 004.

Phone : 24661675, 24661976

Fax : 24662448

BANKERS

Indian Bank

Punjab National Bank

State Bank of India.



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KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

NOTICE

Notice is hereby given that the **Eighteenth Annual General Meeting** of the Members of **Kovai Medical Center and Hospital Limited** will be held on **Monday the 4th day of October 2004** 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 2004 and the Balance Sheet as at that date together with the Reports of the Directors and Auditor's thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. A. M. Palanisamy who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. P.R. Perumalswami who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Kasi K Goundan who retires by rotation and being eligible, offers himself for re-appointment.
6. 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.

SPECIAL BUSINESS

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

"RESOLVED THAT Dr.Nalla G Palaniswami be and is hereby re-appointed as Managing Director of the Company for a period of five years with effect from 1st October 2004 pursuant to Sections 198, 269, 309 and other applicable provisions if any of the Companies Act, 1956 on the terms and conditions set out below :

1. Salary

Rs.60,000/- (Rupees sixty thousand only) per month

2. Perquisites

As may be decided by the Board of Directors of the Company of a value not exceeding the annual salary and for the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income Tax rules wherever applicable.

3. Other benefits

- A. Contribution to provident fund to the extent not taxable under the Income Tax Act.
 - B. Gratuity at the rate of half months salary for each completed year of service.
 - C. Encashment of leave at the end of the tenure as per the rules of the Company.
 - D. The above benefits under(A) to (C) shall not be included in the computation of ceiling on remuneration or perquisites.
4. In the event of loss or inadequacy of profits in any financial year, the above salary and perquisites shall be treated as the minimum remuneration payable to the Managing Director, since the same is within the limits prescribed under part - II of schedule XIII of the Companies Act, 1956.

**KOVAL MEDICAL CENTER AND HOSPITAL LIMITED****5. Commission :**

1% (one percent) Commission on the net profits of the company subject to the maximum ceiling specified in section - I of part II of Schedule XIII to the Companies Act, 1956.

FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to alter or vary in terms of remuneration set out here in above such manner so as to not exceed the limit specified in Schedule XIII to the Companies Act, 1956.

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

"RESOLVED THAT Dr.Mohan Sethupathi Palaniswami Gounder who was appointed as an Additional Director of the Company with effect from 31.7.2004 by the Board of Directors and who holds office upto the date of this Annual General Meeting under section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of the Director be and is hereby appointed as a Director liable to retire by rotation."

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. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item No. 7 & 8 of special business is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 16th September 2004 to 30th September 2004 (both days inclusive) in connection with the 18th Annual General Meeting.
5. The dividend as recommended by the Board is sanctioned at the meeting will be paid to those members whose names appear in the Register of Members of the Company on 30th September 2004. In respect of shares held in dematerialized form, the dividend will be paid on the basis of beneficial ownership as per the details furnished by the depositories for this purpose at the end of business hours on 15th September 2004.
6. Pursuant to Section 205-C of the Companies (Amendment) Act 1999, all unclaimed dividends shall be transferred to the "Investor Education and Protection Fund" of the Central Government after a period of 7 years from the date of declaration. The 7 years period for the unclaimed dividend of the year 2001-2002 comes to an end on 28.10.2009. Shareholders who have not encashed the dividend warrants for the year 2001 -2002 are requested to write to the Company for claiming the dividend.
7. Members holding shares in physical form are requested to intimate the change of address and their bank account details such as Bank Name, Branch with Address, Account Number for incorporating the same in dividend warrant to M/s GNSA Investor Services (P) Limited, 18/1 Balaiah Avenue, Luz, Mylapore, Chennai -600004 quoting their respective Folio No. and Members holding shares in Demat form shall intimate the above details to their Depository Participant with whom they have Demat Account.
8. 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.
9. 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.

By order of the Board

Coimbatore
10.09.2004

S.P. CHITTIBABU
Company Secretary

**KOVAI MEDICAL CENTER AND HOSPITAL LIMITED****EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT 1956 IN RESPECT OF SPECIAL BUSINESS MENTIONED IN NO:7 & 8 OF THE NOTICE OF THE ANNUAL GENERAL MEETING****No:7**

Dr.Nalla G Palaniswami is holding the position of the Managing Director since 1989 and the shareholders had approved his re-appointment as Managing Director of the Company for a period of 5 years with effect from 1.10.1999. His tenure of office will expire on 30th September 2004. Considering his rich experience the Board of Directors by resolution passed at their meeting held on 10.9.2004 approved the re-appointment of Dr.Nalla G Palaniswami as Managing Director for a further term of 5 years from 1.10.2004 and payment of remuneration to him as outlined in the resolution are subject to the approval of the shareholders in the General Meeting.

During the tenure of Dr.Nalla G Palaniswami, Kovai Medical Center and Hospital has established itself as one of the leading health care provider in India. Dr.Nalla G Palaniswami has made substantial and significant contribution to the development of the Company, from its conception to the establishment of a world class hospital. His vast experience in Health Care Industry spanning over more than four decades would take the Company to newer heights in delivering quality health care at par with international standards.

The proposed re-appointment of Dr.Nalla G Palaniswami as Managing Director and the payment of remuneration are in conformity with Schedule XIII of the Companies Act, 1956 and have been approved by the Remuneration Committee.

In the event of inadequacy or absence of net profits during any financial year, the remuneration payable shall be the maximum permissible under Section II of Part II of Schedule XIII to the Companies Act, 1956.

Pursuant to Section 302 of the Companies Act, 1956, this may be treated as an abstract of the terms and conditions of the contract and Memorandum of interest concerning the appointment and remuneration of Dr.Nalla G Palaniswami as Managing Director.

None of the Directors except Dr.Nalla G Palaniswami, Dr. Thavamani Devi Palaniswami Mr. N. Sengottaiyan and Dr.Mohan Sethupathi Palaniswami Gounder, Directors are interested or concerned in this resolution.

In terms of Article 103(b) of the Articles of Association of the Company., Dr.Nalla G Palaniswami is not liable to retire by rotation.

The Board recommends this resolution set out in No.7 for the approval of the Members.

No:8

Pursuant to Section 260 of the Companies Act, 1956 and Article 75 of the Articles of Association of the Company Dr.Mohan Sethupathi Palaniswami Gounder was appointed as an Additional Director by the Board of Directors of the Company with effect from 31.7.2004. Accordingly he holds office upto the date of this Annual General Meeting.

As required under Section 257 of the Companies Act, 1956, a notice has been received from a member signifying his intention to propose Dr.Mohan Sethupathi Palaniswami Gounder as a candidate for the office of Director. Dr.Mohan Sethupathi Palaniswami Gounder has also given consent for holding the office of Director in the Company.

K	M
C	H

KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

Dr.Mohan Sethupathi Palaniswami Gounder, M.D. (AB) is a qualified doctor having been educated in Emory University Hospital (USA) and trained in Northwestern University Hospital (USA) and he has more than 5 years of experience in health care sector. The educational qualification and experience of Dr.Mohan Sethupathi Palaniswami Gounder will help the Company in delivering quality health care and to improve the performance of the Company.

None of the Directors except Dr.Mohan Sethupathi Palaniswami Gounder, Dr.Nalla G.Palaniswami, Dr.Thavamani Devi Palaniswami and Mr.K.M.Subramaniam are interested or concerned in this resolution.

The Board of Directors recommend the resolution for your approval.

By order of the Board

COIMBATORE
10.09.2004

S.P.CHITTIBABU
COMPANY SECRETARY

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KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting the Eighteenth Annual Report together with the Audited Statement of Accounts for the Financial Year ended 31st March 2004.

CORPORATE RESULTS

PARTICULARS	(Rs. in Thousands)	
	<u>31.3.2004</u>	<u>31.3.2003</u>
Turnover	355264	312339
Profit before interest and depreciation	64034	57814
Interest	15236	16684
Cash Profit	48798	41130
Depreciation and non-cash charges	26611	24140
Profit for the year	22187	16990
Prior period expenses	1130	165
Provision for Taxation (MAT)	1706	1338
Provision for Dividend & Tax	9258	---
Transferred to General Reserve	1000	1000
Profit from the previous year	19378	15535
Balance in Profit & Loss Account	20494	19378

REVIEW OF OPERATIONS

The turnover of the Company during the fiscal year 2004 has grown from Rs. 3123.39 Lacs to Rs. 3552.64 registering a growth rate of 14% over the previous year while the net profit has been Rs. 113.74 for the Financial Year 2003-04.

The performance of Erode and Perundurai Center have been commendable and encouraging. During the year many advanced surgeries have been performed with the highest success rate in the disciplines of Cardiology, Neurology, Orthopaedics and General Surgery which is much more than the previous year.

During the fiscal year 2003-2004, CME Programmes have regularly been conducted in order that the human resources of your Company viz. Doctors, Nurses and other Staff who are the backbone of the Hospital are educated / made aware of the developments taking place in the medical world.

CME Programmes viz. Seminars, Exhibitions & Workshops have been conducted with faculties from abroad as also active participation from our medical team.

Your Company will continue to register growth in patient volume in the coming years by delivering the finest health care by creating the right infrastructure in terms of bed strength, cutting edge in medical technology and quality human resources.

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



KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

has added the latest Neuro Microscope, Dialysis Machines, Ventilators, Microtome Tissue Processor EMG/EP Machine etc. to its armory of medical equipments in its efforts to deliver health care on international standards.

CORPORATE SOCIAL RESPONSILITIES

As a responsible corporate citizen, your Company always accorded lot of importance to social needs and concerns of the society. In line with this policy, your Company has established Trauma Care Centers on National Highway 47 extending upto Erode and set up a trauma Care cum Primary Health Center at Annur in collaboration with a like minded corporate citizen namely M/s Sangeeth Textiles Limited, Coimbatore. During the year we have organized more than 100 free medical camps in rural parts of Tamil Nadu providing free medical care and organized health awareness programmes.

FUTURE PROSPECTS

In view of the growing market demand, and also as a part of our ambitious expansion programme, we have embarked on augmenting our patient room capacity. There is a growing interest among the patients for single type room when compared to general ward beds. In order to cater to the demand we have already started the construction of 100 beds in the Hospital West Wing area. We hope to complete the West Wing project by January 2005.

We are planning to upgrade the Neuro Sciences Department and also the Fertility Center. We have already planned medical equipment and other facilities for these two Departments to make them the best available in the country. A cancer treatment facility which is a long felt need at the Hospital shall be met by the construction of the Cancer Block by the end of the year 2005 and this is already in our master plan.

We are very actively looking at the prospects of medical tourism at our Hospital. You will be happy to know that we already started to receive patients from distant states in India and also the neighbouring countries. We hope this is going to increase to substantial levels in another six months to one year. We are involved with Govt. of India and Govt. of Tamilnadu in the marketing process by participating in trade delegations, media coverage and telemedicine programmes etc. Evening Clinic is a new concept in India, the 5.00 PM to 9.00 PM Clinic is a convenient outlet for the office goers and their family, as it offers a comprehensive health care solution after office hours.

FINANCE

Your company is following prudent financial practice and the rate of interest on the term loan to fund the on going expansion is below the PLR. This resulted a substantial saving in the interest cost during the year.

DIVIDEND

Your Directors are pleased to recommend for your consideration the payment of dividend on equity shares at 7.5%. The total amount of dividend outgo will be Rs.8207 thousands.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry structure and Development

Indian Economy is growing at the rate of 7% - 8% and the GDP growth rate is expected to be sustained and improved in the foreseeable period while many developed countries are facing



KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

negative growth and slow downs. India is one of the few countries which attracted and continue to attract foreign direct investments besides China. The growth of the services sector in the Indian Economy is exhilarating, given the fact that the sector is growing at an exponential growth rate of 9% per annum. India continues to be a destination center for software development and BPO services because of its vast knowledge base in terms of skilled, managerial and technical manpower. Indian corporates are going global and are becoming truly multinationals.

Recognising the importance of healthcare sector, the new Indian Government has allocated large funds for health sector in its maiden budget 2004-05. In order to extend the medical coverage to the rural people the government has given tax exemptions for setting up new Hospitals in rural areas approved by the Government.

Performance Review

In view of the growing market demand we have upgraded our bed strength by 100 beds. We have extended our geographical reach by establishing a 100 bedded Hospital at Erode.

We recognize the importance of cutting edge technology in delivering quality health care service. During the year we have installed new medical equipments to the tune of Rs. 153.70 lacs which are the best in medical care. We will continue to make large investments in bringing the latest in the medical technology to India in order to give the finest health care service at par with international standards.

As far as the financial analysis of operational performance is concerned, the turnover has increased by Rs. 429.25 Lacs with the growth rate being 14% and the Net Profit has increased from Rs. 48.43 Lacs to Rs. 113.74 Lacs.

Your Hospital has conducted around 300 open Heart Surgeries with incredible success rate of 98%. The Cardiology is one of the widely acclaimed speciality which continues to attract large patients from neighbouring states.

Human Resources potential

We firmly believe that in a service industry like ours, knowledge, skill and attitude levels of the human resource is very much indispensable. We have a large pool of talented and skilled manpower in terms of Doctors, Nurses and Para-medical staff. We continue to attract talented and skilled medical professionals from all over the world.

There is acute demand for nurses and para-medical staff in developed countries and there is a near possibility that many skilled para-medical staff may move over to abroad which may result in shortage of technical manpower. By recognizing this fact we have tied with the Bharathiar University and Dr.N.G.P. Arts and Science College for a two year full time Hospital Management Programme and also signed up with St. Josephs University, USA for a joint masters in Hospital Management Programme which is expected to begin by 2005. We have KMCH Trust affiliated Colleges of Nursing, Physiotherapy and Pharmacy which ensures constant supply of quality manpower to ensure world class health service delivery system.

Medical Tourism

Medical Tourism is the concept of attracting patients from distant Indian States and neighbouring countries. We have been regularly receiving patients from neighbouring States like Kerala, Karnataka, Andhra Pradesh and other Indian States for hi-tech surgeries in the fields of Cardiology, Neurology, Ortho and Laparoscopic Surgeries and we have received more than 100 patients from Kolkatta for kidney transplantation and various other diseases.