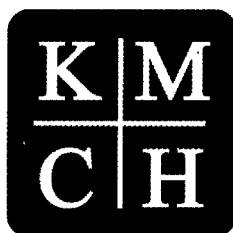


19th Annual Report 2005

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**Kovai Medical Center and
Hospital Limited**

Avinashi Road, Coimbatore - 641 014.



BOARD OF DIRECTORS

Dr. Nalla G Palaniswami

Chairman and Managing Director

Dr. Thavamani Devi Palaniswami

Vice Chairman and Joint Managing Director

Dr. Mohan S Gounder

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 Mr. Kasi K Goundan)

K.M. Subramaniam

Director

(Alternate to Dr. P.R. Perumalswami)

COMPANY SECRETARY

S.P. Chittibabu

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, CBE.

AUDITORS

S.V. Jayaraman & Co.

Chartered Accountants

Chennai - 600 083.

REGISTRARS & SHARE TRANSFER AGENT & DEPOSITORY REGISTRAR

GNSA Investor Services Pvt. Ltd

18/1, Baliah Avenue, Luz,

Mylapore, Chennai - 600 004.

Phone : 24661675

Fax : 24662448

BANKERS

Indian Bank

Punjab National Bank

State Bank of India.


KOVAL MEDICAL CENTER AND HOSPITAL LIMITED


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KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

NOTICE

Notice is hereby given that the Nineteenth Annual General Meeting of the Members of Kovai Medical Center and Hospital Limited will be held on Friday the 11th day of November 2005 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 2005 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 for the year ended 31st March 2005.
3. To appoint a Director in place of Mr. M. Manickam who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. K.C. Ramaswami who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Dr. K.S.K. Murugaiyan 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

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

"RESOLVED THAT Dr. Thavamani Devi Palaniswami be and is hereby re-appointed as Joint Managing Director of the Company for a period of five years with effect from 29th July 2005 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.



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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 Joint Managing Director, since the same is within the limits prescribed under part-II of schedule XIII to the Companies Act, 1956.

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.

"RESOLVED FURTHER THAT the Board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

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. 1 of special business is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company were closed from 16th September 2005 to 30th September 2005 (both days inclusive) in connection with the 19th 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 2005. 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 2005.
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 transfer to unclaimed dividend account of the Company. The 7 years period for the unclaimed dividend for the years 2001-2002 comes to an end on 28.10.2009 and 2003-2004 comes to an end on 27.11.2011. Shareholders who have not encashed the dividend warrants for the years 2001 -2002 and 2003-2004 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 and MICR No. details for Electronic Clearing Services (ECS) etc. to M/s GNSA Investor Services (P) Limited, 18/1 Balaiah Avenue, Luz, Mylapore, Chennai - 600 004 quoting their respective Folio No(s). Members, holding shares in Demat form shall intimate the above details to their Depository Participant with whom they have Demat Account. Dividend as declared, shall be remitted through



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Electronic Clearing Services (ECS) at approved location wherever ECS details are available with the company and in all other cases, through warrants payable at par.

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
15.10.2005

S.P. CHITTIBABU
Company Secretary

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT 1956 IN RESPECT OF SPECIAL BUSINESS MENTIONED UNDER ITEM NO : 1 OF THE NOTICE OF THE ANNUAL GENERAL MEETING

Item No. 1

Dr. Thavamani Devi Palaniswami was appointed as Joint Managing Director of the company for a period of 5 years with effect from 29.7.2000 and the shareholders had approved the appointment at their 14th Annual General Meeting held on 16.9.2000. Her tenure of office expired on 28.7.2005.

Dr. Thavamani Devi Palaniswami M.D. AB (USA) is one of the main promoters of the Company and she is actively associated with the growth of the Hospital since its inception. She is a qualified Paediatrician having worked in various Hospitals in USA for more than 15 years and gained valuable experience in Hospital Management. Considering her experience and contribution to the growth of the Company, the Board of Directors have re-appointed Dr. Thavamani Devi Palaniswami as Joint Managing Director of the Company for a further period of 5 years with effect from 29.7.2005. The terms and conditions of her re-appointment and payment of remuneration are subject to the approval of the shareholders in the General Meeting.

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

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

**KOVAI MEDICAL CENTER AND HOSPITAL LIMITED**

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.Thavamani Devi Palaniswami as Joint Managing Director.

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

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

The Board recommends this resolution set out in Item No.1 of special business for the approval of members.

By order of the Board

COIMBATORE
15.10.2005

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 Nineteenth Annual Report together with the Audited Statement of Accounts for the Financial year ended 31st March 2005.

CORPORATE RESULTS

(Rs. in Thousands)

PARTICULARS	31.3.2005	31.3.2004
Turnover	411129	355265
Profit before interest and depreciation	61559	64035
Interest	9439	15236
Cash Profit	52120	48799
Depreciation and non-cash charges	27902	26610
Profit for the year	24218	22189
Prior period expenses	877	1130
Provision for Taxation (MAT) and Deferred Tax	11730	9683
Provision for Dividend & Tax	9280	9258
Transferred to General Reserve	1000	1000
Profit from the previous year	20496	19378
Balance in Profit & Loss Account	21827	20496

REVIEW OF OPERATIONS

The turnover of the Company during the fiscal year 2005 has grown from Rs.3552.65 Lacs to Rs. 4111.29 Lacs registering a growth rate of 16% over the previous year while the net profit has been Rs. 116.11 Lacs for the Financial Year 2004-05.

Excellence in patient care, quality medical services, various cost cutting measures and increase in surgeries in all medical disciplines contributed for the improved performance in terms of both turnover and profit. During the year, West Wing project at the Main Center has been successfully completed by the month of March 2005 in order to cater to the increase in patient flow. The performance of Erode and Perundurai Center have been commendable and encouraging. During the year a Neonatal ICU has been established at KMCH Erode Hospital.

Your Company has conducted around 413 Open Heart Surgeries with incredible success rate of 99%. The Cardiology is one of the widely acclaimed speciality which continues to attract large patients from neighbouring States.

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.

CME PROGRAMMES

Your Company gives utmost importance to Continuous Medical Education Programme (CME) as



KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

it is always in the forefront and pioneers in bringing the latest in the medical world to India. Your Company has organized many Seminars both National and International level Workshops and Exhibitions in the fields of Cardiology, Critical Care etc. During the year an International Conference - ICE 2005 has been conducted.

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 ADC Digitiser, Pulsar 3 Chip Camera, Neuro Microdrill, Pacemaker, Therapeutic Drug Analyser etc. to its armory of medical equipments in its efforts to deliver health care on international standards. 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. 120.07 Lacs which are the best in medical world and we continue to make large investments in bringing the latest in the medical technology to India.

CORPORATE SOCIAL RESPONSIBILITIES

In its role as a socially responsible corporate citizen, your Company reaches out to the needy sections of society in many ways. When the greatest tragedy tsunami struck India, we immediately raised to the occasion by doing our mite to mitigate the losses suffered by the thousands of ill fated masses financially and by sending medical teams in rescue, relief and reconstruction activities. We also organized and sent medical supplies, clothing and food to the affected people instantaneously. We have been continuously organizing many free medical camps which provide free medical care besides health awareness and education. The trauma care centers established in National Highways provide immediate life saving medical care to accident victims. We have trauma care and accident relief centers at 8 places.

FUTURE PROSPECTS

In India, sustained industrial annual growth of 6 to 7% seems to have a considerable impact on the Indian Health care system. The industry is now reaching a mature phase and the process of consolidation has just began. Much talked about medical tourism is seeming to become a reality. Medical insurance is also growing at a rapid rate. It is estimated that only 5 to 6% of the Indian population is covered by some kind of health insurance either social, private or employer insurance providing a huge potential in health insurance in the coming years.

The rate of technological advancement in medical industry has accelerated during the last 5 to 6 years and the product cycle for any medical equipment in the recent years is just not more than 2 to 3 years. Further with the increasing capacity, paying patients are now demanding high quality, safe and cost effective health care. Therefore, it is becoming imperative that hospitals must develop necessary systems, procedures and protocols to visibly demonstrate that they can provide all that patients are looking for. Accreditation of hospitals by institutions like Joint Commission International, National Quality Council of India or NABL etc., has also become an important issue. It appears that in the years to come, accreditation will become necessary inclusion criteria for recognition by the insurance companies and large corporates.

In view of the above developments in the industry, your hospital is focusing on consolidating its share of the market in Coimbatore and neighbouring districts and also expanding beyond the state of Tamilnadu to reach the potential states like West Bengal, Assam and other North Eastern states. You will be happy to know that such efforts have started yielding good results. Our Doctors



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and marketing staff visit the north eastern states regularly to tap their market potential available in that area.

It is also heartening to note that our insurance business has grown substantially and today we have more than 10 to 12% of the patients at the hospital through health insurance. It is forecasted that this percentage will touch 15 to 20% in the next two years. Our corporate clients have also greatly patronized our hospital and the number of corporate patients has also increased significantly. In order to keep up with the technology, the hospital has plans to procure 64 slice cardiac CT, state of the art monitoring equipment, Linear accelerator Gamma camera in the next 12 to 18 months time.

However, the challenge before us is to cope with the rapid advancing technology and stiff market competition.

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 in substantial saving in the interest cost during this year.

DIVIDEND

Your Directors are pleased to recommend for your consideration the payment of dividend on equity shares at 7.5% (75 paise per equity share). The dividend will absorb a sum of Rs. 92.80 Lacs including tax on dividend.

As per Indian Income Tax Act, the dividend payable by the company is tax free in the hands of the shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry structure and Development

The growth story of Indian Economy is unstoppable which continues to grow at the rate of 7-8%. In spite of sprawling oil price hikes world wide, the Indian Economy is growing at a scorching pace with its manufacturing industry recording 19% growth while the service sector growing at the CAGR of 39%. India has become a hot destination for foreign direct investments. Indian stock markets are booming with the flow of USD 7 billion from foreign investors during this current fiscal year itself reflecting the confidence of global investors in India growth story. The knowledge sector continues to register record growth. The bank credit growth to non-food sector has grown by 16%. The flow of credit to rural sector has been increased and considerable budget allocation has been done to rural development and employment. The inflation continues to be controlled at around 4% in spite of oil price hike and credit growth. The aligning with new WTO from 1.1.2005 has thrown many windows of opportunities to Indian corporates which are going global and becoming MNC's.

Indian health care sector, which is growing at a brisk pace is expected to touch Rs.2,07,000 Crores by 2012 from its current of Rs.95,000 Crores level, according to Mckinsy-CII study which predicts that the health care sector will account for 8.5% of GDP. It also projects that 75% of the health care sector will be accounted by private sector and USD 25 billion investment is required for building medical infrastructure in India. This calls for massive investment from private sector to cater to the raising demand.