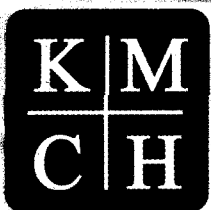


20th Annual Report 2006

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**Kovai Medical Center and
Hospital Limited**

Avinashi Road, Coimbatore - 641 014.


KOVAL MEDICAL CENTER AND HOSPITAL LIMITED

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 (Upto 17.1.2006)

S.A. Murali Prasad
Director (From 17.1.2006)

Dr. M.C. Thirumoorthi
Director

A.K. Venkatasamy
Director

Dr. S. Krishnasamy
Director
(Alternate to Mr. Kasi K Goundan)

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

COMPANY SECRETARY
S.P. Chittibabu

FINANCIAL CONTROLLER
P.K. Gopikrishnan

REGISTERED OFFICE & HOSPITAL COMPLEX
Post Box No. 3209, Avanashi Road,
Coimbatore - 641 014
Tel : 91-422-4323800 - 02 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
G.R. Mansion, No. 11, Srinivasa Road,
Pondy Bazar, T Nagar, Chennai - 600 017.
Phone : 044-42121428,29
Fax : 044-42121430
Email : info@gnsaindia.com

BANKERS
Indian Bank
Punjab National Bank
State Bank of India.
HDFC Limited


KOVAI MEDICAL CENTER AND HOSPITAL LIMITED


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KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

NOTICE

Notice is hereby given that the **Twentieth Annual General Meeting** of the Members of **Kovai Medical Center and Hospital Limited** will be held on **Friday the 29th day of September 2006** 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 2006 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 2006.
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 a Director in place of Mr. A.M. Palanisamy 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 pursuant to the provisions of Clause (d) of Sub-section (1) of Section 293 and other applicable provisions, if any, of the Companies Act 1956 and in supersession of the resolution passed at the Annual General Meeting of the Company held on 29th September 1993, consent of the Company be and is hereby accorded to the Board of Directors to borrow from time to time, if considered fit, any sum or sums of money not exceeding the sum of Rs.250 Crores (Rupees Two hundred and fifty crores only) upon such terms and conditions as they may deem fit, notwithstanding that the money already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up share capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose.



KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

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 will be closed from 16th September 2006 to 29th September 2006 (both days inclusive) in connection with the 20th Annual General Meeting.
5. The dividend on equity shares as recommended by the Board, if declared at the Annual General Meeting will be paid within the statutory period of 30 days to those members whose name appear on the register of members of the company as on 29th September 2006. In respect of shares held in electronic form, the dividend will be paid to the beneficial holders as per the beneficiary list as on 15th September 2006, provided by the National Securities Depository Ltd and Central Depository Services (India) Ltd.
6. Shareholders who have not encashed the dividend warrants for the years 2001-02, 2003-04 and 2004-05 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 the dividend warrant and MICR No. details for Electronic Clearing Services (ECS) etc. to M/s GNSA Investor Services (P) Limited, G.R. Mansion, No.11 Srinivasa Road, Pondy Bazar, T.Nagar, Chennai – 600 017 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. Dividend as declared, shall be remitted through 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.


KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

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
04.09.2006

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

As per the provisions of Section 293(1)(d) of the Companies Act 1956, The Board of Directors of the Company cannot except with the permission of the shareholders of the Company in General Meeting borrow monies in excess of the aggregate of the paid up capital of the Company and its free reserves. The shareholders of the Company at the Annual General Meeting held on 29th September 1993 approved, inter-alia, borrowings in terms of Section 293(1)(d) of the Companies Act 1956 upto Rs.25 Crores (Rupees Twenty Five Crores only). The increasing operations of the Company and future growth plans necessitate the enhancement of the borrowing powers of the Board of Directors from the present authorized limit of Rs.25 Crores to Rs.250 Crores (Rupees Two hundred and fifty crores only). Therefore, the Board of Directors recommend the passing of the ordinary resolution set out in Item No.1 of Special business for the approval of members.

None of the Directors of the Company is, in any way, concerned or interested in this resolution.

By order of the Board

COIMBATORE
04.09.2006

S.P. CHITTIBABU
COMPANY SECRETARY


KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

Details of Directors seeking re-appointment at the forthcoming Annual General Meeting of the Company (pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges)

S.No.	Name	Qualification	Experience	Shareholding in the Co	Directorship	Committee Membership
RE-APPOINTMENT						
1.	Dr.M.C.Thirumoorthi	MD AB(USA)	26	6013	—	—
2.	Mr.A.K.Venkatasamy	LEE, DBA	21	2500	Genau Extrusions Ltd. Biomed Hitech Industries Ltd.	2
3.	Mr.A.M.Palanisamy	B.Com., FCA	20	4000	Mira Alloy Steels (P) Ltd. Aero Space Materials (P) Ltd. Orision Herbals (P) Ltd.	3

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KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting the Twentieth Annual Report together with the Audited Statement of Accounts for the Financial Year ended 31st March 2006.

CORPORATE RESULTS

PARTICULARS	(Rs. in Thousands)	
	31.3.2006	31.3.2005
Turnover	517614	411127
Profit before interest and depreciation & Deferred revenue expenditure	100288	61558
Interest	9572	9439
Cash Profit	90716	52119
Depreciation and non-cash charges	31696	27902
Profit for the year	59020	24217
Prior period expenses	245	877
Provision for Taxation:		
Current Tax (MAT)	---	1898
Current Tax	8480	---
Deferred Tax	8325	9831
Fringe Benefit Tax (FBT)	779	---
Provision for earlier year Tax	2367	---
Profit after Taxation	38824	11611
Provision for Dividend & Dividend Tax	12477	9280
Transferred to General Reserve	1000	1000
Profit from the previous year	21827	20496
Balance in Profit & Loss Account	47174	21827

REVIEW OF OPERATIONS

The turnover of the Company during the financial year under review has seen a robust growth rate of 26% having achieved a turnover of Rs.5176.14 Lacs up from Rs.4111.27 Lacs. The profit after taxation has increased from Rs.116.11 Lacs to Rs.388.24 Lacs, registering a growth rate of 234% during 2005-2006.

The operational excellence in providing quality health care to the patients at affordable costs coupled with increase in bed capacity has contributed for the excellent performance of the Company. It is heartening to note that the demand for in-patient beds has far exceeded the supply and our Hospital has been working to the near full capacity during the last year. The successful completion of west wing project in record time has added 44 more Beds, thereby making your Hospital to 400 bedded Hospital, which enabled the Hospital to cater to the increased patient flow. The cardiology and the advanced surgical procedures like By-pass Surgery continued to perform exceedingly well. Your Company continues to upgrade its processes and systems so as to render quality health care, comparable to international standards and aims for 100% success rates. Erode and Perundurai Satellite Centers are performing well, registering a turnover growth of 43% and 32% respectively.



KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

The largest circulating English magazine "The Week" has rated your Hospital as the "Best Hospital" in Coimbatore city which is a testimony to its excellent Health Care delivery systems. During the year under review, foreign patients have been treated which signify the growing importance of Medical Tourism in India.

CORPORATE SOCIAL RESPONSIBILITIES

As a responsible corporate citizen, your Company continues to serve the Society by conducting free Camps in rural areas and by giving free treatment to the poor people. We conducted awareness programmes and screening camps which advocate the importance of preventive Medical Care and about Life Style diseases. We also took part in Accident awareness programmes to student community. As part of our commitment to the society and to emphasize the importance of active physical life, we took part in the renovation of Race Course walking trek in Coimbatore city. We have increased our trauma care centers established along the National Highway – 47 in order to provide much needed life saving medical attention to the accident victims.

CME PROGRAMMES

During the year under review, your Company has conducted National Medical Programmes. In these programmes, internationally reputed Consultants served as faculties and imparted the latest trend in Medical Technology to the seminar participants. The CME programmes conducted for the Para-medical Staff were at par with international standards.

TECHNOLOGY ABSORPTION

Kovai Medical Center and Hospital always brings the contemporary medical technology to India and is continuously upgrading its medical equipments. During the year your Company has added the latest 3D Cathlab, Ventilators, Monitors, Dialysis Machines, Arthroscopy Unit, Film Processor, Dry Camera etc. to its armory of medical equipments in its efforts to deliver health care on international standards. During the year we have installed new Medical Equipments to the tune of Rs.194.31 Lacs which are the best in medical world and we continue to make large investments in bringing the latest in the medical technology to the patients.

DIVIDEND

Your Directors are pleased to recommend for your consideration the payment of dividend on equity shares at 10% (Re.1 per equity share). The dividend will absorb a sum of Rs.124.77 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

Indian economy is growing at the rate of 8% which is more than the growth rate of the developed countries economies. CII – McKinsey study predicts Indian health care delivery market will be reaching USD 45 billion by 2012. Around 13% GDP is spent on health care in developed countries, while Indian GDP spend is only 5%. With more than 1 billion population Indian health care market is very huge calling for massive investments.



KOVAL MEDICAL CENTER AND HOSPITAL LIMITED

Now Indian health care market has emerged as one of the largest service undertaking with Rs.1,03,000 Crore market. By 2012 the health care sector spend would be 8% of the GDP and employing 9 million people. Thus, health care sector would be one of the largest employment providing industry, ranking along with agriculture, textiles and IT. Indian health care market is emerging as global health care hub, in view of its cost effectiveness, along with comparable medical technology and the quality health care delivery system.

Indian Government is giving lot of thrust for improving the health care infrastructure all over India, with increased budget allocation. While the focus is on primary health care, the Government is encouraging private sector to increase investment in secondary and tertiary Hospitals in rural and semi-urban areas. Towards this, the Government is giving tax exemption. Now lot of new corporate players are entering into health care, setting up speciality and super speciality centers. Improved and wide spread education has paved way for awareness on health care related matters, which is on the increasing trend. This has resulted in focussed and sustained growth in the preventive health care services. The exponentially growing knowledge industry coupled with increased purchasing power of the middle classes are the contributing factors for tremendous growth in the preventive health care areas.

Outlook / Prospects

According to the Govt. sources and also professional associations like CII, new IT parks, commercial complexes, 5 Star Hotels, higher educational Institutes and capacity expansion of engineering and textile Companies are expected to be established in Coimbatore during the next 5 years. This is expected to bring in 25000 – 30000 families into the city of Coimbatore who in turn will be dependent on the healthcare facility in and around Coimbatore. Taking advantage of the prevailing demand for high quality, high technology health care facilities in Coimbatore, our Hospital is embarking on a 100 Crore expansion programme for an additional 200 patient beds and a speciality center to provide cancer treatment facilities and organ transplant facilities for kidney, liver and bone marrow transplants.

This expansion programme will also improve certain infrastructure facilities like captive power generation, centralized air-conditioning system, pneumatic pipe line system for transporting materials and a state of the art IT system for managing the Hospital operations. In order to upgrade our diagnostic treatment facilities we have planned to invest around Rs. 15 Crores this year to cover speciality departments in the Hospital like Cardiology, General Surgery, Orthopaedics, Intensive Care etc.

The Hospital is now planning to have the most modern medical equipments like 64 Slice Cardiac CT, a Flat Panelled Catherisation Equipment, Computerised Navigation Equipment for Joint Replacement procedures, ESW Equipment for treatment and removal of kidney stones, ultraviolet therapy for skin problems etc. In order to improve the quality and standard of services at the Hospital and as a part of the benchmarking exercise and to attract patients from the foreign countries, the Hospital is embarking upon a National and International Accreditation Programme like NABH (National Accreditation Board for Hospitals and Health Care providers) and also JCI (Joint Council International) accreditation.

The building work for the 200 bed and speciality block expansion programme has just begun and is expected to be completed by March 2008. Within this expansion programme, our master plan for the most modern 500 bed Corporate Hospital conceived by the promoter