



**KOVAL MEDICAL CENTER AND
HOSPITAL LIMITED**
Avinashi Road, Coimbatore - 641 014.

21st Annual Report 2007


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

S.A. Murali Prasad

Director

Dr. M.C. Thirumoorthi

Director

A.K. Venkatasamy

Director

K. Saminathan

(Additional 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

E-mail : 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

M/s. Suri & Co.

Chartered Accountants

Coimbatore - 641 043.

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


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KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

NOTICE

Notice is hereby given that the **Twenty First Annual General Meeting** of the Members of **Kovai Medical Center and Hospital Limited** will be held on **Friday the 28th day of September 2007** 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 2007 and the Balance Sheet as at that date together with the Reports of the Directors' and Auditors' thereon.
2. To declare dividend on equity shares for the year ended 31st March 2007.
3. To appoint a Director in place of Dr.P.R.Perumalswami who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr.Kasi K Goundan who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Dr.Mohan S Gounder who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint M/s Suri & 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(a) of Sub-section (1) of Section 293 and other applicable provisions, if any, of the Companies Act, 1956 consent of the Company be and is hereby accorded to the Board of Directors of the Company to mortgage and/or charge all or any of the movable or immovable properties of the Company, wheresoever situate, both present and future or the whole or substantially the whole of the undertaking or undertakings of the Company in favour of any financial institutions, banks and others for securing the credit facilities sanctioned / to be sanctioned by them to the Company, provided however that the aggregate amount of credit facilities which may be secured hereunder and outstanding at any time shall not exceed the sum of Rs.250 Crores (Rupees Two hundred and Fifty Crores only) excluding the temporary loans obtained from the Company's Bankers in the ordinary course of business."



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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 16th September 2007 to 28th September 2007 (both days inclusive) in connection with the 21st Annual General Meeting.
4. 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 28th September 2007. In respect of shares held in electronic form, the dividend will be paid to the beneficial holders as per the beneficiary list provided by the National Securities Depository Limited and Central Depository Services (India) Limited.
5. 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. Shareholders who have not encashed the dividend warrants are requested to write to the Company for claiming the dividend.
6. Members holding shares in physical form are requested to intimate the change of address if any 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 Number 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.
7. 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.
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
26.06.2007

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 UNDER ITEM NO. 1 OF THE NOTICE OF THE ANNUAL GENERAL MEETING
Item No: 1

In view of the proposed fresh borrowings for long term fund requirements of the Company to cater to the financial requirements of expansion / modernization, it is felt that it may be necessary to pass an enabling resolution to mortgage and / or charge all or any of the movable or immovable properties of the Company in favour of any financial institutions, banks and others providing or who may provide the credit facilities to the Company for securing the said credit facilities upto a maximum of Rs.250 Crores (Rupees Two hundred and fifty Crores only) excluding temporary loans obtained from the Company's Bankers in the ordinary course of business.

For mortgaging and/or charging the properties/undertaking(s) of the Company, consent of the members of the Company under Section 293(1)(a) is required. Therefore the Board accordingly commends the resolution for the approval of the members as an ordinary resolution.

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

By order of the Board

COIMBATORE
26.06.2007

S. P. CHITTIBABU
COMPANY SECRETARY

The details of Directors seeking re-appointment in the forthcoming Annual General Meeting (in pursuance of Clause 49(VI)(A) of the Listing Agreement) with stock exchange are as follows:

S.No.	Name	Qualifications	Experience (in Yrs)	Directorship	Committee Membership	No. of Shares
RE-APPOINTMENT						
1.	Dr. P.R. Perumalswami	B.E. (Mech)	39	—	—	24258
2.	Mr. Kasi K Goundan	B.E. (Mech)	38	—	—	—
3.	Dr. Mohan S Gounder	MD AB (USA)	7	Aosta Software Technologies (I) Ltd. Kovai Purani Finance Limited	—	341719



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DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting the Twenty First Annual Report together with the Audited Statement of Accounts for the Financial Year ended 31st March 2007.

CORPORATE RESULTS

PARTICULARS	(Rs. in Thousands)	
	<u>31.3.2007</u>	<u>31.3.2006</u>
Revenues	652282	516615
Profit before Taxation	102531	58775
Provisions for Taxation	31900	10847
Provisions for Deferred Taxation	4214	8325
Provisions for Fringe Benefit Tax (FBT)	800	779
Profit after Taxation	65617	38824
Transferred to General Reserve	50000	1000
Proposed Dividend & Dividend Tax	16002	12477
Balance carried to Balance Sheet	46789	47174

BUSINESS PERFORMANCE

The performance of your company during the financial year under review has shown improvement over the previous year. Total revenue for the year ended 31st March 2007 amounted to Rs.6522.82 Lacs as against Rs.5166.15 Lacs for the corresponding period last year registering growth of about 26%. The Company has posted a Net profits of Rs.656.17 Lacs after taxation as against Rs.388.24 Lacs for the corresponding period last year registering an increase of 69.01%. The Erode Satellite Center continue to perform well, registering a turnover of Rs.295.76 Lacs during the year under review as against Rs.183.66 Lacs for the corresponding period last year.

Excellence in patient care, Quality Medical services, various cost cutting measures and increase in surgeries in all medical disciplines contributed to the improved performance in terms of both turnover and profit. The Cardiology department is one of the widely acclaimed speciality which continues to attract large patients from neighbouring states.

DIVIDEND

Your Directors are pleased to recommend the payment of dividend for the year ended 31st March 2007 at 12.50%(Rs.1.25 per share) The proposed dividend absorbs Rs.136.77 Lacs for dividend and Rs.23.25 Lacs for Dividend Tax. As per Indian Income Tax Act, the dividend payable by the Company is Tax free in the hands of the shareholders.

TECHNOLOGY ABSORPTION

Your Company always brings the contemporary medical technology to India and is continuously upgrading its medical equipments. During the year under review your Company has added the latest Ortho Navigation System, C-arm, Lithotripsy, PFT Machine, Ventilators, Monitors, Dialysis



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Machines, Colour Dopplers etc. to its armory of medical equipments in its efforts to deliver health care at par with international standards. In addition to the above equipment during the year your Company has installed the most advanced scan in Cardiology i.e 64 Multi Slice CT Scan and GE Innova Flat Panel Cathlab System valued at Rs.845 Lacs. We have also installed other new Medical Equipments amounting to Rs.580 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.

CME PROGRAMMES

Your company gives utmost importance to Continuous Medical Education Programme (CME) as is always in the forefront in bringing the latest technology in the medical world to India. During the year under review, your company has conducted International Conference on Cardiac Surgery – AOCON 2006 and in this programme internationally reputed consultants served as faculties and imparted the latest trend in medical technology to the seminar participants.

CORPORATE SOCIAL RESPONSIBILITIES

In its role as a socially responsible corporate citizen, your company reaches out to the needy sections of the society in many ways. In line with this policy, your company has, continuously organising many free medical camps to provide free medical care besides health awareness and education. The trauma care centres established in National Highway – 47 provide immediate life saving medical care to accident victims. We have organized Health Awareness Programmes to disseminate information about preventive healthcare, active lifestyle, infectious diseases etc

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. Health expenditure in India is to a large extent dominated by the private players and the public sector, especially the State Governments, contributes less than 30 percent only.

- * Nearly 5.2% of GDP or in other terms US \$ 34.9 billion has been spent on national healthcare in 2004 and it is expected to grow upto 5.5% of GDP by 2009. It is also estimated that by 2012, the contribution of the healthcare spending for GDP would be 8% and it could provide employment for 9 million people.
- * Healthcare emerged as one of the largest service sectors of the economy. Demand prospects for healthcare services appear strong in the light of higher longevity and demographic shift in the Indian population and acute shortage of Hospital Infrastructure (A deficit of 7.5 Lacs Hospital beds is estimated over the next six years) A rising incidence of life style related diseases and increasing penetration of health insurance suggest that service providers may have strong pricing power in the years ahead.
- * The Healthcare sector contribution to GDP and employment is significant. There is a perceptible shift in disease profiles from infectious to lifestyle-related diseases which are expected to raise expenditures. Changing demographics and disease profiles and rising treatment cost will cause the spending on health care delivery to over Rs.2,00,000 crore by 2012.

* Source : 'Ernst & Young Study'



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Medical tourism is one of the most lucrative sector as it is anticipated to attract tourists from all over the world. Medical tourism is expected to become a US \$ 2 billion-a-year-business by 2012. India is expected to serve for patients from not only developed countries but also from Africa, South and West Asia. There exists a great potential for high-end procedures like heart surgeries, transplants, hip/knee replacements etc. The world wide market for medical tourism is estimated at US \$ 40 billion and India's share is less than 1%. By 2012 the total market will be US \$ 100 billion and India is expected to corner 2-3 %, the McKinsey study says.

OUTLOOK / PROSPECTS

Ongoing Expansion Programme

At present we are embarking on a 100 crore expansion project comprising of establishing additional 200 patient beds, a speciality centre to provide cancer treatment facilities, organ transplant facilities for Kidney, Liver and Bone Marrow have already commenced and is progressing.

Acquisitions and mergers and strategic alliances

In a globalised economy, economies of scale, technology management and innovations are essential for sustenance and growth. In order to expand our operations we need to look at both organic and inorganic growth in our company.

Acquisitions and strategic alliances are essential for rapid growth and in this regard, we have entered into an MOU with a speciality Hospital in Erode, which is expected to be in operation by July 2007. We are also on the look out for more strategic alliances to capitalize on our strengths and core competence in healthcare industry.

Quality Management initiatives

Your hospital has always been on the forefront to promote quality in the health-care delivery system. As reported last year, the work on getting both national and international accreditations like National Accreditation Board for Hospitals (NABH) and Joint Commission International (JCI) and - Australian Council on Healthcare Standards (ACHS) - is in progress and we hope that we will be able to get these accreditations by the end of the year 2009.

The driver for these accreditations is not only our quest for quality but also the prequalification requirement for getting the affiliation to the various national and international insurance companies and multinational companies who are providing medical treatment to their customers and employees.

Environment protection and energy conservation.

We believe that environment protection and energy conservation is the most pressing need of this century and it is our responsibility to leave a planet that will be more comfortable to live for the generations to come. Your hospital is one of the few hospitals which have established a solar water system. We have also replaced some of the most energy consuming utility equipments like air conditioning plant and steam sterilizers which are at least 30% energy-efficient than the equipments which existed two years before.

We are in the process of establishing a state-of-the-art effluent treatment plant at a cost of Rs. 40 lacs which will make the hospital not only environmental friendly but also help to recycle two lakh litres of water every day resulting in a substantial saving every year.



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OPPORTUNITIES

The Health Insurance Market has clocked in Rs.3000 crore in premium in 2006-07 a growth of 36 percent from the previous year's Rs.2200 crore. There were only 4-5 million lives covered under health insurance plans six years back which has now improved to 12 million.

The Cardio care market is expected to grow at CAGR of 13% and is expected to reach US \$ 4 billion by 2012 due to life style changes.

The global medical devices market is dominated by multi-national corporations. Private Hospitals would benefit from the customs duty cut on import of medical equipments from 12.5% to 7.5%. However, India can write software to those advance medical devices in view of its phenomenal strength in ITES. Changing needs in the clinical necessities and growth of medical tourism urges the potential for medical devices.

Growing incomes, literacy and awareness bode well for the Indian healthcare services market and proportion of households in the low-income group has declined. It is also expected that rising income expanding rich and middle income group.

RISKS AND CONCERN

The big challenge for the global healthcare industry is to deliver quality medicare at affordable costs. The global medical devices market is estimated to be a whopping \$ 300 billion and is dominated by multi-national corporations. Health workers are the new skilled immigrants from India and US department of Health and Human Services expects the shortage to increase to 12% by 2010 and to further rise to 20% in 2015. It requires more healthcare workers to be turned out in the coming years with the resultant increased investment in healthcare education.

Hospital business is highly Capital intensive and competitive. India's medical care system is found to be underfinanced. Only 4.8 percent of the country's gross national product is spent on medical care which is much lower when compared with other countries. According to World Health Organization's estimates, over the next five years there is a need of nearly 80000 hospitals in India. McKinsey has mentioned that India will have to invest \$ 77.9 billion in healthcare by 2012 to meet such demand.

We firmly believe that in a service industry like ours, a knowledge skill and attitude level of the human resource is very much indispensable. We have a large pool of talented and skilled manpower in terms of Doctors, Nurses and paramedical staff. We continue to attract large patients and skilled medical professionals from all over the world. The competition from the un-organised sector would be met by delivering Quality Healthcare on par with International Standards which the un-organised sector lacks in view of constraints in investment to create a Quality Hospital.

COMPETITION

Because of increased opportunities, many private players are entering into this sector. Your Company can counter this challenge because it has the early bird advantage and also by providing focused health care delivery and by deploying the state of the art equipments backed up by panel of expert Doctors.

INVESTMENT

The tertiary health sector requires massive investment in terms of medical equipments which becomes obsolete factor due to ever changing technology. Since the Company is fundamentally strong, the required finances for the expansion / modernization programmes can be mobilized from the Banks / Financial Institutions.