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22nd Annual Report

2007-2008

KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

Avanashi Road, Coimbatore-641 014, India.

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KOVAI 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

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

VICE PRESIDENT - FINANCE

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. KMCH - City Center
Ramnagar,
Coimbatore
2. KMCH - Erode Center
Perundurai Road,
Erode.
3. KMCH Speciality Hospital
Palaniappa Street,
Erode.

SOLICITORS & ADVOCATES

Ramani & Shankar, Advocates, CBE.

AUDITORS

M/s. Suri & Co.

Chartered Accountants

Coimbatore - 641 043.

REGISTRAR & SHARE TRANSFER AGENT

GNSA Infotech 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

Indian Overseas Bank

Punjab National Bank

HDFC Limited



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KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

NOTICE

Notice is hereby given that the **Twenty Second Annual General Meeting of the Members of Kovai Medical Center and Hospital Limited** will be held on **Friday, the 29th day of August 2008 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 2008 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 2008.
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.S.K.Murugaiyan who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Dr.M.C.Thirumoorthi 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 (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 2006, 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.400 Crores (Rupees Four hundred 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 and its free reserves, that is to say, reserves not set apart for any specific purpose".

2. 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 and in supersession of the resolution passed at the Annual General Meeting of the Company held on 28th September 2007 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."



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3. Appointment of Mr. K.N.V. Ramani as a Director

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

“RESOLVED THAT Mr. K.N.V. Ramani be appointed as a Director in the vacancy caused by the retirement at the ensuing Annual General Meeting of Mr. S.A. Murali Prasad under Section 262(2) of the Companies Act, 1956.”

4. Appointment of Mr.K.Saminathan as a Director

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

“RESOLVED THAT Mr.K.Saminathan, who was appointed as an Additional Director of the Company under Section 260 of the Companies Act 1956 and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act 1956 from a member in writing, proposing his candidature for the office of Director be and is hereby appointed as a Director of the Company 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. Members / proxies should bring the attendance slips duly filled in and signed for attending the meeting.
4. An explanatory statement pursuant to Section 173(2) of the Companies Act 1956 in respect of Item No.1 to 4 of special business is annexed hereto.
5. The Register of members and Share Transfer Books of the Company will be closed from 18th August 2008 to 29th August 2008 (both days inclusive) in connection with the 22nd Annual General Meeting.
6. The dividend on equity shares as recommended by the Directors, 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 August 2008. In respect of shares held in electronic form, 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.
7. 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.
8. 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 Infotech (P) Limited, G.R. Mansion, No.11 Srinivasa Road, Pondy Bazar, T.Nagar, Chennai – 600 017 quoting their respective Folio No. 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.



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9. 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.
10. 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
30.06.2008

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 TO 4 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 2006 approved, inter-alia, borrowings in terms of Section 293(1)(d) of the Companies Act 1956 upto Rs.250 Crores (Rupees Two hundred and Fifty 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.250 Crores to Rs.400 Crores (Rupees Four hundred 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.

Item No: 2

In view of the proposed 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 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 set out in item no.2 of special business.

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

Item No: 3

Mr. S.A. Murali Prasad was appointed as Director by the Board of Directors on 17.1.2006 under Section 262(1) of the Companies Act 1956 in the Casual Vacancy caused by the resignation of Dr. K.C. Ramaswami.

Mr. S.A. Murali Prasad is due to retire at the ensuing Annual General Meeting in terms of Section 262(2) of the Companies Act 1956 and Mr. S.A. Murali Prasad is not seeking re-appointment.

Notice has been received from a Member of the Company under Section 257 of the Companies Act 1956 proposing the appointment of Mr. K.N.V. Ramani in the vacancy that will be caused by the retirement of Mr. S.A. Murali Prasad.



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Mr. K.N.V. Ramani is a Corporate Lawyer with more than 40 years of experience. Apart from being Legal Advisor to many Corporates and Institutions, he has been a Director on the Board of several Companies and Committees of the Board including Audit Committees.

The Board of Directors consider that his Advice and Experience as a Lawyer and Director would be beneficial to the Company and hence commend his appointment.

None of the Directors except Mr. K.N.V. Ramani is concerned or interested in the resolution.

Item No: 4

Pursuant to the provisions of Section 260 of the Companies Act 1956 and Article 75 of the Articles of Association of the Company Mr.K.Saminathan was appointed as an Additional Director of the Company by the Board of Directors with effect from 27.10.2007. In terms of Section 260 of the Companies Act 1956, Mr.K.Saminathan holds office upto the date of this Annual General Meeting.

The Company has received a notice in writing from a member along with requisite deposit proposing the candidature of Mr.K.Saminathan for the office of Director of the Company under Section 257 of the Companies Act 1956.

None of the Directors except Mr.K.Saminathan is concerned or interested in the resolution. The Directors recommend the resolution to the members for consideration and approval.

By order of the Board

COIMBATORE

30.06.2008

S. P. CHITTIBABU

COMPANY SECRETARY

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

S.No.	Name	Qualifications	Experience (in Yrs)	Directorship	Committee Membership	No. of Shares
APPOINTMENT						
1.	Mr. K. Saminathan	—	15	—	—	8000
2.	Mr. K.N.V. Ramani	M.A., B.L.,	40	Bannari Amman Spinning Mills Ltd. Shivatex Yarn Ltd. Sri Kannapiran Mills Ltd. K.G. Denim Ltd. LGB Forge Ltd. K.P.R. Mills Ltd. Sri Chamundeswari Sugars Ltd.	8	—
RE-APPOINTMENT						
1.	Mr. M. Manickam	MBA(USA)	23	Sakthi Sugars Limited Sakthi Auto Component Ltd. ABT Limited ABT Industries Ltd. The Gounder and Co. Auto Ltd. Sri Bhagavathi Textiles Ltd. Sakthi Management Services (Coimbatore) Ltd. Sakthi Properties (Coimbatore) Ltd ABT Foods Retailing (India) Ltd. Sakthi Finance Ltd. Sri Chamundeswari Sugars Ltd. Sri Sakthi Textiles Ltd.	—	—
2.	Dr. K.S.K. Murugaiyan	MBBS, MS	23	—	—	60000
3.	Dr. M.C. Thirumoorthi	MD AB (USA)	29	—	—	6013



KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting the Twenty Second Annual Report together with the Audited Statement of Accounts for the Financial Year ended 31st March 2008.

CORPORATE RESULTS

PARTICULARS	(Rs. in Thousands)	
	<u>31.3.2008</u>	<u>31.3.2007</u>
Revenues	882037	731080
Profit before Taxation	81364	102531
Provision for Taxation	21223	31900
Provision for Deferred Taxation	6834	4214
Provision for Fringe Benefit Tax (FBT)	830	800
Profit after Taxation	52477	65617
Transferred to General Reserve	40000	50000
Proposed Dividend & Dividend Tax	16002	16002
Balance carried to Balance Sheet	43264	46789

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 2008 amounted to Rs.8820 Lacs as against Rs.7311 Lacs for the corresponding period last year registering a growth of about 21%. The Company has posted a Profit of Rs.525 Lacs after taxation for the period under review as against the profit of Rs.656 Lacs after taxation for the corresponding previous year. The over all increase in the expenses coupled with higher initial cost incurred for the new working facility at Erode has resulted in a dip in the profitability. The Erode Satellite Center continue to perform well, registering a turnover of Rs.491 Lacs during the year under review as against the revenue of Rs.397 Lacs for the corresponding period last year.

Excellence in patient care, Quality Medical Services, and increase in surgeries in all medical disciplines contributed to the improved performance in Income. The Cardiology Department and Nephrology Department are the widely acclaimed speciality which continues to attract large patients from neighbouring states.

The performance of KMCH Erode Hospital at Erode has been commendable. During the year 2007-2008 KMCH Speciality Hospital has been established at Erode and started functioning well. It is expected that it will bring more revenue in the coming years.

DIVIDEND

Your Directors are pleased to recommend the payment of dividend for the year ended 31st March 2008 at 12.50% (Rs.1.25 per share). The proposed dividend absorbs Rs.137 Lacs for dividend and Rs.23 Lacs for Dividend Tax. As per Indian Income Tax Act, the dividend payable by the Company is Tax free in the hands of shareholders.

TECHNOLOGY ABSORPTION

During the year under review, your Company has added the latest VPAP Machine, Micro debrider, HICO Decubimat – 380, Foetal Monitor, PFT Therapy Machine to deliver quality health care at



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par with international standards. We have installed new medical equipments amounting to Rs.328.59 Lacs which are the best in medical world and we continue to upgrade and make large investments in bringing the latest in the medical technology for the care of the patients.

CME PROGRAMMES

Your Company gives utmost importance to Continuous Medical Education (CME) Programmes as it always is in the forefront and pioneers in bringing latest in medical world to India. Your Company organized many seminars both national and international, workshops and exhibition in the field 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.

CORPORATE SOCIAL RESPONSIBILITIES

As a responsible corporate citizen, your Company always accorded lot of importance to social needs and concerns of the society. In line with the 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 on National Highway NH 209 at Kunnathur in collaboration with a like minded Trust M/s St. John Ambulance Services. During the year we have organized more than 100 medical camps in rural parts of Tamil Nadu providing free medical care and organized health awareness programmes.

FINANCE

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure and Development

The Indian healthcare sector is one among the largest sectors in the country both in terms of revenue and employment, which is now at a growing phase. Presently, the total value of the sector is more than \$ 34 billion. As per the Emerging Market Report 2007, prepared by Price Water House Coopers, by 2012, India's healthcare sector would grow to nearly \$ 40 billion. The revenue from the health care account for 5.2% of the GDP, making it to the third largest growth segment in India. Out of the total healthcare spending in India, the private sector accounts for more than 80%.

The Government's National Health Policy (NHP) – 2002 envisages increasing public health investment to 2% of GDP by the year 2010 from the existing level of 0.9%. The total health investment is expected to rise to 6% from the current level of 5.2%.

Market Growth

Healthcare is expected to be one of India's largest industries in the near term with present growth rates of around 13 per cent annually. Amongst the urban population, there is an increasing preference for private medical care and it is expected to continued to be the largest component of health care spending in the year 2012.

The main factors for the market growth are increase in treatment of complex lifestyle diseases entails higher average expenditure per treatment, the growth in income levels of the urban middle class and the expansion of healthcare infrastructure.



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OUTLOOK / PROSPECTS

In India, sustained annual growth rate of 7 to 8% over the last three years and the rapid increase in the paying capacity of the 400 million middle-class population has had considerable impact on the Indian healthcare system. Substantial increase in the fund allocation and the monetary concessions provided both by the central and state governments in the last five budgets have also propelled the growth of health care industry in the country.

We had reported during the last year that your hospital has embarked on an massive 100 crore expansion plan to add patient beds and also provide cancer treatment facilities, organ transplant facilities. We are all aware that Coimbatore has become the central hub of industrial activity in the state of Tamil Nadu. It is estimated that around Rs. 5000 crores is being spent in Coimbatore towards infrastructure facilities like roads, airport, retail chain, hotels, hospitals etc. As a consequence to this rapid infrastructure development, special economic zones (SEZ) have been established with large IT majors, engineering companies and Auto ancillary units in and around Coimbatore. We expect that about 25,000 families are likely to be relocated in the city of Coimbatore alone in the next one or two years. Keeping these developments in view we have revised our expansion programme outlay to 200 crores with an addition of 300 beds and 7 additional operation theaters for organ transplantation, cancer and cardiac surgeries. The programme will also include a nursing college and nursing hostel. Work for building infrastructure consisting of 5 lakh square feet in progress. Expansion programme is planned in three phases. The first phase of the programme with 200 beds is expected to be completed December 2008. The second phase with the 7 operation theaters and 100 beds is expected to be completed by the end of the year 2009. However the third phase will be completed during the year 2010 which will consist of the new outpatient block to be built for housing the consultants and supporting facilities at the hospital.

You'll be happy to know that in the new expansion project we are planning for about 50 beds exclusively dedicated to the medical tourism patients from foreign countries US, UK, Saudi Arabia, Sudan, Nigeria. In order to ensure quality and also to instill confidence in the medical tourism patients, it has become absolutely essential to get hospital accreditation from the recognized national or international accrediting agencies. Towards this end, your hospital has already applied for the Indian National quality accreditation from the National Accreditation Board for Hospitals (NABH) affiliated to the Quality Council of India which is a government of India certified institution. We expect to get the accreditation by March 2009.

Opportunities

The growing demand for quality health care and absence of matching delivery mechanism's pose a challenge and certainly a great opportunity. By 2012 Healthcare Industry will be 8% of GDP and will give employment opportunities to a million people.

Drivers of Growth

- * Population of 1.2 billion by 2015
- * Rising income levels
- * Lifestyle diseases – Obesity, Diabetes, Cardiovascular etc.
- * Health awareness preventive care/consumerism/quality conscious
- * Better health insurance penetration
- * Medical value travel