



23rd Annual Report  
2008-2009

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## KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

Avanashi Road, Coimbatore - 641 014, India.



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

**Mr. Kasi K Goundan**  
Director

**Mr. M. Manickam**  
Director

**Dr. K.S.K. Murugaiyan**  
Director

**Mr. A.M. Palanisamy**  
Director

**Dr. P.R. Perumalswami**  
Director

**Mr. S.A. Murali Prasad**  
Director (upto 29.8.2008)

**Mr. K.N.V. Ramani**  
Director (w.e.f. 29.8.2008)

**Dr. M.C. Thirumoorthi**  
Director

**Mr. A.K. Venkatasamy**  
Director

**Mr. K. Saminathan**  
Director

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

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

**Mr. P.K. Gopikrishnan**  
Chief Financial Officer

**Mr. S.P. Chittibabu**  
Company Secretary

### REGISTERED OFFICE & HOSPITAL COMPLEX

Post Box No. 3209, Avanashi Road,  
Coimbatore - 641 014

Tel : 91-422-4323800, 2627784

Fax : 2627782

E-mail : kmch@vsnl.com

getwell@kmchonline.com

Website : www.kmchonline.com

### 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 : 044-42962222, 42962209

Email : sta@gnsaindia.com

### BANKERS

Indian Bank

Indian Overseas Bank



Kovai Medical Center and Hospital Limited



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## NOTICE

Notice is hereby given that the **Twenty Third Annual General Meeting of the Members of Kovai Medical Center and Hospital Limited** will be held on **Friday, the 31<sup>st</sup> day of July 2009 at 3.30 P.M. at "A.P. Kalyana Mandapam", 738/2 Avanashi Road, Goldwins, Coimbatore – 641 014** to transact the following business.

## ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts for the year ended 31<sup>st</sup> March 2009 and the Reports of the Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. A.K. Venkatasamy, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. A.M. Palanisamy, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Dr. P.R. Perumalswami, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint M/s Suri & Co., Chartered Accountants, Coimbatore, retiring Auditors as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

## SPECIAL BUSINESS

### Item No: 7

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

"RESOLVED THAT pursuant to provisions of Section 198, 269, 309, 310, 311 and other applicable provisions of the Companies Act 1956 (including any statutory modifications and re-enactments thereof, for the time being in force) read with Schedule XIII of the said Act, the consent of the Company be and is hereby accorded to the appointment of Dr. Nalla G Palaniswami as Managing Director of the Company for a period of five years with effect from 1.10.2009 on the terms and conditions as to remuneration, allowances, perquisites and other benefits as specified and set out in the annexed Explanatory Statement, with the authority to the Board to alter or vary the same from time to time with effect from such date or dates as may be decided by it and agreed to by Dr. Nalla G Palaniswami."

"RESOLVED FURTHER THAT in the absence or inadequacy of the profits in any year, Dr. Nalla G Palaniswami shall be entitled to receive and be paid as minimum remuneration in that year by way of salary, allowances, perquisites and other benefits as stated in the Explanatory Statement, subject however, to the necessary approvals and ceiling specified under Schedule XIII of the Companies Act 1956."

### Item No: 8

To consider and if thought fit, to pass with or without modification the following resolutions as Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 61 of the Companies Act 1956 and regulation 6 (a) of Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2009 and/or other statutory provisions as may be applicable from time to time, the consent of the Company be and is hereby accorded to the Board to get the equity shares of the Company delisted from Madras Stock Exchange Limited, Chennai."


**Kovai Medical Center and Hospital Limited**

"RESOLVED FURTHER THAT the Chairman and Managing Director and/or Directors/Company Secretary of the Company be and are hereby severally authorised to do all such acts, deeds and things and to sign all such documents, papers and writings as may be necessary 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. 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.7 & 8 of special business is annexed hereto.
5. The Register of members and Share Transfer Books of the Company will be closed from 20<sup>th</sup> July 2009 to 31<sup>st</sup> July 2009 (both days inclusive) in connection with the 23<sup>rd</sup> 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 31<sup>st</sup> July 2009. 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 Pvt. Ltd., 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.
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  
27.05.2009

**S. P. CHITTIBABU**  
COMPANY SECRETARY

**ANNEXURE TO THE NOTICE****EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT 1956  
ANNEXED HERETO AND FORMS PART OF THE NOTICE DATED 27.05.2009****Item No: 7**

The members of the Company vide the Annual General Meeting held on 4.10.2004 had appointed Dr. Nalla G Palaniswami as Managing Director for a period upto 30<sup>th</sup> September 2009. The Board in its meeting held on 27.5.2009 had resolved to re-appoint Dr. Nalla G Palaniswami for a period of five years with effect from 1.10.2009. The Remuneration Committee in its meeting held on 15.5.2009 had recommended the remuneration of Dr. Nalla G Palaniswami for a period of five years subject to approval of members.

During the tenure of Dr. Nalla G Palaniswami, Kovai Medical Center and Hospital Limited 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 inception 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.

**I. Salary**

Rs. 1,10,000/- (Rupees One lac and ten thousand only) per month

(Annual increase in the salary as the Board may decide from time to time, however subject to a ceiling of Rs.15,000/- (Rupees Fifteen thousand only) per month. First increase to be effective from 1.10.2010 subject to the confirmation of the Board.

**II. Commission**

2% (two percent) commission on the net profits of the Company subject to a maximum ceiling specified in Section 1 of Part II of Schedule XIII of the Companies Act 1956.

**III. Perquisites**

Perquisites as follows will be paid and / or provided in addition to salary. Perquisites shall be valued in terms of actual expenditure incurred by the Company. However in case where the actual amount of expenditure cannot be ascertained with reasonable accuracy the perquisites shall be valued as per Income Tax Rules.

**a. Medical Reimbursement**

Reimbursement of medical expenses actually incurred for self and family as per the rules of the Company.

**b. Leave travel Concession / Allowance**

For self and family, once in a year in accordance with the rules of the Company.

**c. Club Fees**

Fees of Club subject to a maximum of two clubs excluding admission and Life Membership fees.

**d. Car**

Use of Company's car with driver for business / official purpose.

**e. Telephone**

Free Telephone / Communication facilities at residence for business purposes.

**IV. Other benefits**

A. Contribution to provident fund to the extent not taxable under the Income Tax Act.


**Kovai Medical Center and Hospital Limited**

- 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.

**V. Overall remuneration**

That the total remuneration (i.e. salary, perquisites, commission and allowances) in any one financial year shall not exceed the limits prescribed from time to time under Section 198, 309 and other applicable provisions of the Companies Act 1956 read with Schedule XIII to the said Act, as may for the time being, be in force and any amendments thereto. In case of any doubt / discrepancy / clarification that may arise with respect to payment of remuneration the same shall be determined and decided by the Board of Directors on the recommendation of Remuneration Committee of Directors. Further, within the overall remuneration, the individual components may be changed as desired by Dr. Nalla G Palaniswami and accepted by the Remuneration Committee.

**VI. Minimum Remuneration**

In the event of loss or inadequacy of profits, in any financial year during the currency of tenure of service, the payment of salary, perquisites and other allowances shall be governed under Section II of Part II of Schedule XIII to the Companies Act, 1956 including any statutory modifications of re-enactment thereof, as may, for the time being be in force.

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.

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.

None of the Directors except Dr. Nalla G Palaniswami, Dr. Thavamani Devi Palaniswami and Dr. Mohan S Gounder are interested or concerned in the proposed resolution.

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

**Item No: 8**

The equity shares of the Company are presently listed at Bombay Stock Exchange Limited, Mumbai and Madras Stock Exchange Limited, Chennai.

As per the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2009, a Company may seek voluntary delisting of its shares from any Stock Exchange (including Regional Stock Exchange).

As per the available trends, the Company's equity shares are being mostly traded at Bombay Stock Exchange Limited, Mumbai. The trading at Madras Stock Exchange Limited is nil / negligible over the last three years. Moreover, Bombay Stock Exchange Limited has its presence in more than 200 cities covering the whole of India and also expanding its activities to cover more and more places.

As such in view of the above facts and the cost-benefit analysis and due to other administrative reasons it is proposed to delist the Company's shares from Madras Stock Exchange Limited.

The Company has no intention to give an exit option to those shareholders of the region where the stock exchange is situated from which delisting is sought.

The proposed delisting does not in any way affect the interest of the investors in the respective regions in view of the facility of continued listing at Bombay Stock Exchange Limited at Mumbai.

None of the Directors are interested or concerned in the proposed resolution.

The Board recommends this resolution set out in No.8 for the approval of the members.

By order of the Board

COIMBATORE  
27.05.2009

**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) are as follows:**

S.No.	Name	Qualification	Experience (in Yrs)	Directorship in Other Public Companies	Committee Membership in other Public Companies	No. of Shares
1.	Mr. A.K. Venkatasamy	LEE, DBA	34	Genau Extrusions Limited Biomed Hitech Industries Ltd. Idhayam Hospitals Erode Ltd.	—	2500
2.	Mr. A.M. Palanisamy	B.Com., FCA	23	—	—	4000
3.	Dr. P.R. Perumalswami	B.E. (Mech)	36	—	—	24258

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**Kovai Medical Center and Hospital Limited**
**DIRECTORS' REPORT**

To the Members,

Your Directors take pleasure in presenting the Twenty Third Annual Report together with the Audited Statement of Accounts for the Financial Year ended 31<sup>st</sup> March 2009.

**FINANCIAL RESULTS**

<b>PARTICULARS</b>	<b>(Rs. in Lacs)</b>	
	<b>31.3.2009</b>	<b>31.3.2008</b>
Revenues	<b>11152.94</b>	8892.32
Profit before interest and depreciation	<b>1938.29</b>	1510.30
Less: Finance cost	<b>443.43</b>	311.59
Depreciation	<b>391.54</b>	385.07
Profit Before tax	<b>1103.32</b>	813.64
Less: Provision for		
Current Taxation	<b>311.00</b>	212.23
Fringe Benefit Tax	<b>10.35</b>	8.30
Deferred Tax	<b>67.93</b>	68.34
Profit After Tax	<b>714.04</b>	524.77
Add: Balance brought forward	<b>432.63</b>	467.89
Amount available for appropriation	<b>1146.67</b>	992.66

**DIVIDEND**

Your Directors are pleased to recommend the payment of dividend for the year ended 31<sup>st</sup> March 2009 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.

**BUSINESS PERFORMANCE**

The Company has delivered impressive results for the year 2008-09. Revenues registered robust growth of 25%. All the Hospital Centers have reported increase in revenue. Similarly there is improvement in the profitability of all the centers except Erode Speciality. The profit after taxation stood at Rs. 714.04 Lacs for the year under review as compared to Rs. 524.77 Lacs as compared to previous 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 and Nephrology Department are the widely acclaimed speciality which continues to attract large patients from neighbouring states.

**TECHNOLOGY ABSORPTION**

During the year under review, your Company has added the latest Broncho Video Fiberscope, Endoscopy Unit with Accessories, Carl Zeiss Microscope, Heamodialysis Machine, Ventilators etc. to deliver quality health care at par with international standards. We have installed new medical equipments amounting to Rs.539.65 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 health care of the patients.



### **CONTINUOUS MEDICAL EDUCATION PROGRAMMES (CME)**

During the year under review, your Company has conducted National Medical Programmes such as ICU Update 2008 and TIP 2008. In these programmes internationally reputed Consultants served as faculties and imparted the latest trend in medical technology to the seminar participants. Your Company has organized many Seminars, Conferences, Workshops and Exhibitions in the field of Cardiology Critical Care, Reumatology etc. Your Company has conducted many CME Programmes outside Coimbatore 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**

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 been continuously organizing many free medical camps to provide free medical care besides health awareness and education. The trauma care units established in National Highway 47 and Rural Health Centers provides immediate life saving medical care to accident victims. We have organized health awareness programmes to disseminate information about preventive health care, active life style, infectious diseases etc.

### **FINANCE**

Finance continued to be a focus area. Regular project reviews with special focus on cash flow and good working capital management has helped the Company to manage the cash flows effectively. During the year we have availed total term loan of Rs. 3940.95 Lacs against the sanctioned limit of Rs.16562 Lacs in connection with the expansion project.

### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

#### **Industry Structure and Development**

India's rapid growth has brought about many changes in demographics and lifestyle. Rising incomes, hectic pace of life and stress have resulted in a change in disease patterns, even as there is greater awareness about health and a demand for quality healthcare.

According to Technopak Advisors Report – India Healthcare Trends 2008, healthcare is a US\$ 35 billion industry and is expected to grow up to US\$ 75 billion by 2012, likewise to US\$ 150 billion industry by 2017. Indian healthcare industry has distinct merits of clinical excellence and low costs. This sector tenders much potential to healthcare players as there are frequent lifestyle-related and other diseases in the country. The increasing elderly population and increase in income levels are also urging for better facilities in the industry.

The health-conscious middle class who can afford and wants quality healthcare is the main driver of the growing sector. The earnings of the people in the business services sector goes up to US\$ 20,000 a year while that of nearly 150 million Indians have annual income of more than US\$1,000. At the current growing rate of literacy and economy, by 2020, the western and southern India will become middle class.

#### **Health Insurance**

There is a tremendous scope for growth in the health insurance sector, as the sector at present covers only 10% of the entire Indian population. According to a study by the Chamber of Commerce and Industry, the health insurance sector is expected to grow to US\$ 5.75 billion by 2010.

#### **Healthcare and IT**

Hospitals have realised that information technology (IT) can be an effective tool towards efficient systems. According to a report by Springboard Research, India has the fastest growing healthcare IT