

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. K.N.V. Ramani

Director (Upto 25.07.2009)

Dr. M.A. Muthusethupathi

Additional Director (w.e.f. 25.07.2009)

Dr. M.C. Thirumoorthi

Director

Mr. A.K. Venkatasamy

Director

Mr. K. Saminathan

Director

Dr. S. Krishnasamy

Director (Upto 05.06.2009)
(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

Fax : 2627782

E-mail : kmch@vsnl.com

getwell@kmchonline.com

Website : www.kmchhospitals.com

AUDITORS

M/s. Suri & Co.

Chartered Accountants,

Coimbatore - 641 043.

**REGISTRAR & SHARE TRANSFER
AGENT**

GNSA Infotech Ltd.

G.R. Mansion, No.11 Srinivasa Road,
Pondy Bazar, T Nagar, Chennai - 600 017.

Phone : 044-42962222, 42962209

E-mail : sta@gnsaindia.com

BANKERS

Indian Bank

Indian Overseas Bank



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NOTICE

Notice is hereby given that the **Twenty Fourth Annual General Meeting of the Members of Kovai Medical Center and Hospital Limited** will be held on **Thursday, the 12th August 2010 at 11.00 A.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 31st March 2010 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. Kasi K Goundan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. Mohan S Gounder, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. M. Manickam, who retires by rotation and being eligible, offers himself for re-appointment.
6. To Consider and, if thought fit, to pass with or without modification, the following resolution as an ordinary resolution :

"RESOLVED THAT M/s Haribhakti & Co., Chartered Accountants, be and are hereby appointed as Statutory Auditors of the Company in place of M/s Suri & Co., the retiring auditors, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration to be decided by the Board of Directors."

SPECIAL BUSINESS

Item No : 7

To consider and if thought fit, to pass with or without modification(s), the following resolution as an 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. Thavamani Devi Palaniswami as Joint Managing Director of the Company for a period of five years with effect from 29.7.2010 on the terms and conditions as to remuneration, allowances, perquisites and other benefits including bonus etc., 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. Thavamani Devi Palaniswami."

"RESOLVED FURTHER THAT in the absence or inadequacy of the profits in any year, Dr. Thavamani Devi 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(s) the following resolution as an ordinary resolution:

“RESOLVED THAT Dr. M.A. Muthusethupathi, 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 the 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.7 & 8 of special business is annexed hereto.
5. The Register of members and Share Transfer Books of the Company will be closed from 2nd August 2010 to 12th August 2010 (both days inclusive) in connection with the 24th 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 12th August 2010. 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” (IEPF) of the Central Government after a period of 7 years from the date of transfer to unclaimed dividend account of the Company. Accordingly the dividend unclaimed for the financial year ended 31st March 2002 was transferred by the company to IEPF. Shareholders who have not encashed the dividend warrants for any subsequent financial years 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 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 locations, 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
29.05.2010

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 29.5.2010

Item No : 7

The members of the Company vide their Annual General Meeting held on 11.11.2005 had appointed Dr.Thavamani Devi Palaniswami as Joint Managing Director for a period upto 28th July 2010. The Board in its meeting held on 29.5.2010 had resolved to re-appoint Dr.Thavamani Devi Palaniswami for a period of five years with effect from 29th July 2010. The Remuneration Committee in its meeting held on 15.5.2010 had also recommended the remuneration of Dr.Thavamani Devi Palaniswami for a period of five years subject to the approval of members.

Dr.Thavamani Devi Palaniswami MD 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 29.07.2010. 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 of the Companies Act 1956.

In the event of inadequacy or absence of net profits during any financial year, the remuneration payable shall be maximum permissible under Section II of Part II of Schedule XIII to the Companies Act 1956. The said terms and conditions of remuneration are as under:

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 29.7.2011 subject to the confirmation of the Board of Directors based on the recommendation of the remuneration committee of directors.)

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 cases 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

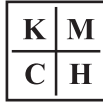
Reimbursement of medical expenses actually incurred for self and family as per the rules of the Company.

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 payable as per the rules of the Company.



- d. Car
Use of Company's car with driver for business / official purpose.
- e. Telephone
Free Telephone / Communication facilities at residence for business purposes.
- f. Any other perquisites as permitted under the Companies Act, 1956.

IV. 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.
- 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.Thavamani Devi 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, commission, 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.Thavamani Devi Palaniswami as Joint Managing Director.

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.

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 the proposed resolution.

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

Item No : 8

Pursuant to the provisions of Section 260 of the Companies Act 1956 and Article 75 of the Articles of Association of the Company Dr. M.A. Muthusethupathi was appointed as an Additional Director of the Company by the Board of Directors with effect from 25.7.2009. In terms of Section 260 of the Companies Act 1956, Dr. M.A. Muthusethupathi 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 Dr. M.A. Muthusethupathi for the office of Director of the Company under Section 257 of the Companies Act 1956.

None of the Directors except Dr. M.A. Muthusethupathi 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
29.05.2010

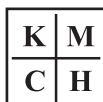
S.P. CHITTIBABU
COMPANY SECRETARY



KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

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 | Qualifications | Experience (in Yrs) | Directorship in Other Public Limited Companies | Committee Membership in other Public Limited Companies | No. of Shares |
|-------|--------------------|----------------|------------------------|--|---|------------------|
| 1. | Mr.Kasi K Goundan | B.E.(Mech) | 41 | --- | --- | --- |
| 2. | Dr.Mohan S Gounder | MD AB (USA) | 10 | Purani Hospital Supplies Limited Aosta Software Technologies (I) Ltd. | --- | 849769 |
| 3. | Mr.M.Manickam | MBA (USA) | 25 | Sakthi Finance Limited Sakthi Auto Component Limited Sakthi Sugars Limited Sri Sakthi Textiles Limited Sri Chamundeswari Sugars Limited ABT Limited ABT Industries Limited Sri Bhagavathi Textiles Limited Sakthi Management Services (Coimbatore) Limited Sakthi Properties (Coimbatore) Ltd. The Gounder and Company Auto Limited ABT Foods Retailing (India) Ltd. ABT Foods Limited Sakthi Reality & Infrastructure Ltd. | --- | --- |



DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting the Twenty Fourth Annual Report together with the Audited Statement of Accounts for the Financial Year ended 31st March 2010.

FINANCIAL RESULTS

(Rs. in Lacs)

| Particulars | 31.3.2010 | 31.3.2009 |
|---|-----------|-----------|
| Revenues | 13193.41 | 11152.94 |
| Profit before interest and depreciation | 2675.66 | 1938.29 |
| Less : Finance cost | 483.71 | 443.43 |
| Depreciation | 468.80 | 391.54 |
| Profit Before tax | 1723.15 | 1103.32 |
| Less : Provision for | | |
| Current Tax | 484.40 | 311.00 |
| Fringe Benefit Tax | --- | 10.35 |
| Deferred Tax | 90.40 | 67.93 |
| Earlier Year Tax | (10.23) | --- |
| Profit After Tax | 1158.58 | 714.04 |
| Add : Balance brought forward | 486.64 | 432.63 |
| Amount available for appropriation | 1645.22 | 1146.67 |

DIVIDEND

Your Directors are pleased to recommend the payment of dividend for the year ended 31st March 2010 at 12.50% (Rs.1.25 per share). The proposed dividend absorbs Rs.136.78 Lacs for dividend and Rs.22.72 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 results for the year 2009-10 is impressive. The Company has achieved an over all growth in revenue by 18% over the previous year. All the Hospital Centers have performed well. The improvement in performance of Erode Speciality Hospital has also contributed to the profitability of the Company. The profit after taxation stood at Rs.1158.58 Lacs for the year under review and the same was Rs.714.04 Lacs for the previous year.

The operational excellence in providing quality healthcare to the patients at affordable costs coupled with increase in bed capacity has contributed to the good performance of the Company. All the Hospital Centers have registered increase in revenue and improvement in profitability.



TECHNOLOGY ABSORPTION

During the year under review, your Company has added the latest Broncho Video Fiberscope, Endoscopy Unit with Accessories, Colour Doppler, Carl Zeiss Microscope, Hemodialysis Machines, Ventilators etc. to deliver quality health care at par with international standards. We have installed new medical equipments amounting to Rs.692 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.

CONTINUOUS MEDICAL EDUCATION PROGRAMMES (CME)

To keep abreast of the latest developments in medical care, your Hospital has conducted national and international conferences during the year and was well attended by delegates from within the country and abroad. Your company has conducted an International Conference Kovai Lumen 2010 and two National Conferences, ICU Update 2009 and TIP 2009. During the year, your Company has organized many Seminars, Conferences, Workshops and Exhibitions in the field of Cardiology, Critical Care and Gastro Enterology.

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. We have been continuously organizing many free medical camps which provide free medical care besides health awareness and education. During the year, free consultation camp on Endoscopic Spine Surgery, Fertility Care, Cancer awareness Programme, Free camp of Diabetes were conducted.

FINANCE

Your Company holds credit rating of 'CARE BBB' (Triple B) rating to the long term facilities and 'PR 3' (PR Three) rating to the short term facilities.

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 a term loan of Rs.4406.49 Lacs.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure and Development

The Indian healthcare industry has emerged as one of the largest services in the country. At present, the healthcare spending in India is 5% of GDP and is expected to contribute 6% of GDP in 2012. The Indian healthcare industry is estimated to be at around US \$ 35 billion and is expected to post a CAGR of 15% to become a US \$ 280 billion market by 2022.

According to Technopark Advisors Report, Indian healthcare industry is a \$35 billion industry and is expected to reach over \$75 billion by 2012 and over \$150 billion by 2017.

The healthcare industry is in the midst of a transformation where the private sector takes the lead in the industry. The industry is dominated by the private sector with its 65% contribution and 35% contribution by the Government. Estimates reveal that 90% of the private healthcare is being serviced by the unorganized sector and this prevalence is mainly due to the absence of convenient and quality healthcare delivery systems.

The key factors that are driving private participation in India's healthcare delivery sector are India's inadequate healthcare infrastructure, its increasing population base, increase in the number of senior citizens, rising insurance penetration, higher incidence of lifestyle related diseases and increasing awareness. Medical tourism is another growth driver as India provides quality healthcare services at much lower prices compared to other global destination such as Thailand, Philippines and Singapore.