

BOARD OF DIRECTORS

Dr. Nalla G Palaniswami

Chairman and Managing Director

Dr. Thavamani Devi Palaniswami

Vice Chairman and Joint Managing 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

Dr. M.C. Thirumoorthi

Director

Mr. A.K. Venkatasamy

Director

Dr. Mohan S Gounder

Director

Mr. K. Saminathan

Director

Dr. M.A. Muthusethupathi

Director

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, 3083800

Fax: + 91-422-4270639

E-mail : secretarialdept@kmchhospitals.com
accounts@kmchhospitals.com

Website : www.kmchhospitals.com

AUDITORS

M/s. Haribhakti & Co.

Chartered Accountants,

Coimbatore - 641 012.

**REGISTRAR & SHARE TRANSFER
AGENT**

GNSA Infotech Limited

G.R. Mansion, No.11 Srinivasa Road,

Pondy Bazar, T Nagar, Chennai - 600 017.

Phone : + 91- 44 - 42962209

Email : sta@gnsaindia.com

BANKERS

Indian Bank

Indian Overseas Bank



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NOTICE

Notice is hereby given that the **Twenty Fifth Annual General Meeting of the Members of Kovai Medical Center and Hospital Limited** will be held on **Tuesday, the August 23, 2011 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 March 31, 2011 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.K.Saminathan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr.M.C.Thirumoorthi, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Dr.K.S.K.Murugaiyan, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint M/s Haribhakti & 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 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 August 2008, 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 a sum of ₹ 750 Crores (Rupees Seven 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".

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 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 29th August 2008, 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 a sum of ₹ 750 Crores (Rupees Seven hundred and fifty crores only) excluding the temporary loans obtained from the Company's Bankers in the ordinary course of business."

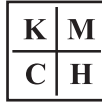
NOTES

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 August 16, 2011 to August 23, 2011 (both days inclusive) in connection with the 25th 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 August 23, 2011. 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 (NSDL) and Central Depository Services (India) Limited (CDSL).
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 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
18.05.2011

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 18.5.2011

Item No:7

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 August 2008 approved, inter-alia, borrowings in terms of Section 293(1)(d) of the Companies Act 1956 upto ₹ 400 Crores (Rupees Four hundred 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 ₹ 400 Crores (Rupees Four hundred crores only) to ₹ 750 Crores (Rupees Seven hundred and fifty crores only). Therefore, the Board of Directors recommend the passing of the ordinary resolution set out in Item No.7 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:8

In view of the proposed fresh borrowings for long term funds requirement 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 ₹ 750 Crores (Rupees Seven 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
18.05.2011

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	Qualifications	Experience (in Yrs)	Directorship in other Public Limited Companies	Committee Membership in other Public Limited Companies	No. of Shares
1.	Mr.K.Saminathan	Pre-University Course	35	---	---	8,000
2.	Dr.M.C.Thirumoorthi	MD AB (USA)	35	Appu Hotels Limited Baron Power Limited	---	6,013
3.	Dr.K.S.K.Murugaiyan	MBBS, MS	33	—	---	60,000



DIRECTORS' REPORT

Dear Members,

Your Directors take pleasure in presenting the Twenty Fifth Annual Report together with the Audited Statement of Accounts for the Financial Year ended March 31, 2011.

FINANCIAL RESULTS

(₹ in Lacs)

Particulars	31.3.2011	31.3.2010
Revenues	17595.30	13193.41
EBIDTA	3726.88	2675.66
Less: Finance cost	1111.24	483.71
Depreciation	662.70	468.80
	-----	-----
Earnings Before tax	1952.94	1723.15
Less: Provision for Taxation	743.30	564.57
	-----	-----
Earnings After Tax	1209.64	1158.58
Add: Balance brought forward	585.72	486.64
	-----	-----
Amount available for appropriation	1795.36	1645.22
Dividend (Inclusive of Dividend Tax)	158.97	159.50
Transfer to General Reserve	1000.00	900.00
	-----	-----
Balance carried forward to Balance Sheet	636.39	585.72
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DIVIDEND

Your Directors are pleased to recommend the payment of dividend for the year ended March 31, 2011 at (₹1.25 per share). The proposed dividend absorbs ₹ 137 Lacs for dividend and ₹ 22 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 2010-11 continues to be commendable. Your Hospital has achieved a revenue of ₹ 17595.30 Lacs posting a robust growth of 33%. The EBIDTA stood at ₹ 3726.88 Lacs as against ₹ 2675.66 Lacs in 2009-10.



All the Centers have performed well and have improved on their revenues and profitability. The overall after tax profitability of the Hospital is ₹ 1209.64 Lacs for the period under review as against the profit of ₹1158.58 Lacs of that of the previous year.

The major expansion programme embarked by the Hospital has started yielding dividends and the same is reflected by the impressive growth achieved by it. Though our Hospital could maintain the same operational profit, the increased finance cost, higher depreciation and increased provision for deferred tax liability due to the capital spending has reduced the profit margin after taxation.

TECHNOLOGY ABSORPTION

In our Quest to give the best health care facilities to the patients, your Hospital always believe in upgrading the technology by the state-of-the-art medical equipments.

During the year under review, your Company has added Magnetom Skyra 3T System, PACS, Mammography System, Trilogy High Energy Linear Accelerator, Artis Zee Biplane, Ventilators, Monitors etc. to deliver health care at par with international standards. SPECT CT and PET CT for cancer treatment will be added very shortly.

We have installed new medical equipments amounting to ₹ 5126.60 Lacs which are the best and latest available in medical world.

CONTINUOUS MEDICAL EDUCATION PROGRAMMES (CME)

Your company gives utmost importance to Continuous Medical Education (CME) Programmes as it is always in the forefront and drives in bringing the latest developments in the medical world to India.

Your company organized many Seminars, Workshops, Camps and Exhibitions in the field of Cancer, Cardiology, Neurology, Paediatric, Urology, General Medicine, Diabetic etc and conducted an International Conference Kovai Lumen 2011, Two National Conferences, ICU Update 2010 and TIP 2010.

Your company has conducted many CME Programmes outside Coimbatore for the benefit of medical professionals who always play a vital role in educating 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 has organized many free medical camps in rural parts of Tamil Nadu and as part of its efforts to propagate healthcare and provide services to the poor at their door step. It has also conducted many awareness programmes among the public.

During the year your company has conducted Health awareness programmes, Cancer awareness programmes, Diabetic awareness campaigns, Disaster Control Management etc. and it will continue to undertake many such programmes as part of its corporate philosophy and social responsibility.

AWARDS

Your Hospital has been awarded the best IT enabled Hospital for the year 2010 by Ministry of Communication & IT, Ministry of Corporate Affairs, Govt. of India.

Your Hospital has been awarded the National Energy Conservation Award for 2010 for excellence in energy conservation in the country from the Bureau of Energy Efficiency (BEE) under the Ministry of Power, Govt. of India.

CARE RATING

CARE Rating has confirmed the financial credit rating of 'CARE BBB' (Triple B) for the enhanced long term facilities and 'PR 3' (PR Three) for short term facilities.



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Structure of Indian Healthcare Sector

Healthcare is one of the India's largest sector, in terms of revenue and employment and the sector is expanding rapidly.

The Indian healthcare is comparatively structured but inadequate for the entire population of India. The Indian healthcare sector is expected to reach US \$ 280 billion by 2020 according to a report by an industry body.

According to research report, the country needs to cover the cumulative deficit of around 2.8 million hospital beds by 2014 to match up with the global average of 3 beds per 1000 population.

Strong demand for hospital services in tier – II and tier – III cities are bound to fuel the growth of the hospital services sector. There is anticipation that most of this demand will be met by private investments as majority of the government investments will be the priority sector focused on primary healthcare segment.

The revenue from the healthcare sector accounts for 5.2% of the GDP, making it the third largest growing sector in India and further the healthcare sector is projected to grow to nearly ₹ 1,80,000 crores by year 2012 and a compounded annual growth rate (CAGR) of 15-17 percent for at least the next 7 – 10 years.

The past two years in the Healthcare Industry have been marked with dramatic changes. Most of the existing players in the Healthcare Industry announced huge expansion plans.

OUTLOOK AND FUTURE PROSPECTS

Healthcare has emerged as one of the most progressive and largest service sectors in India with an expected GDP spend of 8% by 2012 from 5.5% in 2009.

As per study by an industry body and Ernst & Young, India would require another 1.75 million beds at the end of 2025. The public sector however is likely to contribute only around 15 – 20% of the required US \$ 86 billion investment. The corporate India is therefore, leveraging on this business potential and various healthcare brands have started aggressive expansion in the country.

According to a report Medical Technology in India, the size of the Indian medical technology industry may touch US \$ 14 billion by 2020 from US \$ 2.7 billion in 2008 on account of strong economic growth, higher public spending and private investments in healthcare, increased penetration of health insurance and emergence of new models of healthcare delivery.

The new cancer facility embarked by our Hospital will be equipped with the state-of-the-art equipments like Trilogy High Energy Linear Accelerator, PET Scan, SPECT Nuclear Scan and other imaging equipments. PET/CT is purely non-invasive diagnostic tool which provides best results than any other imaging technique.

Radiology Department has been equipped with latest 3T MRI equipment, Digital Mammography, Ultrasound and latest X-ray units making it as one of the most sophisticated ultra modern radiology facilities in the country.



Neuro interventions and Neuro surgeries are complemented by world class facilities. Biplan Cathlab, Sterotactic and functional Neuro equipments recently installed in our Hospital will aid in advancement of neurological procedures.

The additional Medical ICU, Neuro ICU and Surgical ICU facilities which are equipped with latest equipments and supported by highly competent Doctors proficient in intensive care has tremendously improved the critical care services in our Hospital.

Opportunities

Medical Tourism

India is growing to be a popular medical destination following the availability of health care facilities that matches international standards yet offered at a fraction of the cost abroad.

The Medical Tourism market in India is worth US \$ 333 million with about 1,00,000 foreign patients coming in every year. India's capability to provide quality healthcare at a greatly reduced cost is acknowledged worldwide.

Medical Infrastructure

In spite of the phenomenal growth in the healthcare infrastructure, India is likely to reach a bed to thousand population ratio of 1:85 and is a best care scenario a ratio of 2 by 2012.

Increased demand for health care in India is due to factors like rising income, quality consciousness, preventive focus on health, new healthcare service delivery mechanism, quality improvement, standardization, enhanced accountability of service by providers and better evaluation of clinical and non-clinical decisions.

Telemedicine

This is another opportunity which allows even the interior terrain to access quality healthcare and at the same time significantly improving the productivity of medical personnel.

RISKS AND CONCERNS

The Indian healthcare industry too is confronted with many challenges, unlike any other emerging sector, several odds that would restrict or hamper its growth.

Healthcare is a highest capital intensive service industry and profitability has never been a good match to other industries. It is all changing fast. The best of the systems of world are still struggling to achieve a good profitability level, for healthcare.

Increase in healthcare cost is indeed inevitable due to:

- Introduction of newer and most expensive medical technologies / equipments
- Increase in salaries / wages for health care professionals
- Inflation in the economy