

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

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

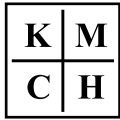
M/s. Haribhakti & Co.,
Chartered Accountants
Coimbatore - 641 012

REGISTRAR & SHARE TRANSFER AGENT GNSA Infotech Limited

STA Department
Nelson Chambers
F-Block, 4th Floor
No.115 Nelson Manickam Road
Aminjikarai
Chennai - 600 029
Phone : + 91- 44 - 42962025
Email : sta@gnsaindia.com

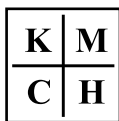
BANKERS

Indian Bank
Indian Overseas Bank



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NOTICE

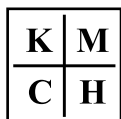
NOTICE is hereby given that the **Twenty Sixth Annual General Meeting of the Members of Kovai Medical Center and Hospital Limited** will be held on **Friday, the 13th July 2012 at 11.00 a.m. at "KMCH Auditorium", KMCH Campus, Avanashi Road, Coimbatore - 641 014** to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts for the year ended 31st March 2012 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 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.

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/herself 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 slip duly filled in and signed for attending the meeting.
4. The Register of members and Share Transfer Books of the Company will be closed from July 2, 2012 to July 13, 2012 (both days inclusive) in connection with the 26th Annual General Meeting.
5. 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 13th July 2012. 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).
6. 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.



KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

7. 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 the new address of the Registrar and Share Transfer Agent M/s GNSA Infotech Limited, Nelson Chambers, F-Block, 4th Floor, No.115 Nelson Manickam Road, Aminjikarai, Chennai - 600 029 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.
8. The Ministry of Corporate Affairs (MCA), New Delhi has taken a 'Green initiative' in the corporate governance by permitting paperless compliances by companies vide its Circular No.17/2011 dated April 21, 2011 and Circular No.18/2011 dated April 29, 2011 which validates the sending of documents through electronic mode and clarified that the service of documents by a company can be made through electronic mode instead of sending the physical copy of the document(s). The members are requested to support this 'Green initiative' by registering / updating their e-mail address with the company or Share Transfer Agent M/s GNSA Infotech Limited, Chennai.
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.

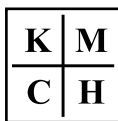
By order of the Board

Coimbatore
May 29, 2012

S.P.CHITTIBABU
COMPANY SECRETARY

The details of Directors seeking re-appointment in the forthcoming Annual General Meeting (in pursuance of Clause 49 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.A.K.Venkatasamy	LEE, DBA	37	Genau Extrusions Limited Biomed Hitech Industries Limited Idhayam Hospitals Erode Limited	—	2500
2.	Mr.A.M.Palanisamy	B.Com., FCA	26	K.P.R. Mill Limited	—	4000
3.	Dr.P.R.Perumalswami	BE, MS, Ph.D	39	—	—	27258

**DIRECTORS' REPORT**

Dear Members,

Your Directors take pleasure in presenting the Twenty Sixth Annual Report of your company together with Audited Financial Statements for the year ended 31st March 2012.

FINANCIAL RESULTS

(₹ in lacs)

	<u>2011-12</u>	<u>2010-11</u>
Operating Income	22237.24	17472.01
Other Income	156.15	123.29
Total Income	22393.39	17595.30
Total Expenditure	17860.90	13868.42
Operating Profit	4532.49	3726.88
Less: Finance Charges & Depreciation	2908.40	1773.94
Profit Before Tax (PBT)	1624.09	1952.94
Less: Taxation	429.19	743.30
Profit After Tax	1194.90	1209.64

DIVIDEND

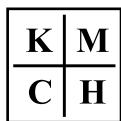
Your Directors are pleased to recommend the payment of dividend for the year ended 31st March 2012 at ₹ 1.25 per share. The proposed dividend absorbs ₹ 136.78 lacs for dividend and ₹ 22.19 lacs for Dividend Tax. As per Indian Income Tax Act, the dividend payable by the Company is Tax free in the hands of shareholders.

TRANSFER TO RESERVES

The Company proposes to transfer ₹ 100 lacs to the general reserve out of the amount available for appropriation and an amount of ₹ 935.93 lacs is proposed to be retained in the surplus in statement of Profit and Loss.

OPERATING RESULTS AND PROFITS

During the year under review the total revenue of the company has increased to ₹ 22393.39 lacs from ₹ 17595.30 lacs in the previous year registering an impressive growth of 27%. The profit after tax stood at ₹ 1194.90 lacs against ₹ 1209.64 lacs in the previous year. The net profit of the company has not increased proportionate to the revenues due to higher finance cost, increased provision for deferred tax liability and depreciation consequent to the major expansion embarked by your Hospital.



CORPORATE SOCIAL RESPONSIBILITIES

In its role as socially responsible corporate citizen, your company reaches out to the needy sections of the society in many ways. We have been continuously organizing various Continuous Medical Education Programmes (CME), medical camps which provides free medical care besides health awareness and education. During the year free consultation camp on endoscopic spine surgery, fertility care, cancer awareness programmes, free camp for diabetes were conducted.

FACILITY UPGRADATION AND EXPANSION

In order to add comfort to patients, significant renovation and upgradation was undertaken during this year. This will not only enhance the patient care but also facilitate achieving more operational efficiencies. Among others we have added 7 new operation theaters, Neonatal ICU, separate Cardio Thoracic Unit, Nuclear Medicine Dept., Medical ICU, Modernisation of Surgical ICU, Day Care centers for cancer and cardiac patients. During the year we have added 210 patient beds, an Isolation Ward, two Pharmacy outlets etc.

The expansion envisaged during the year 2007-08 was entirely completed in this current year except for some minor work. The total project spending was ₹ 269 crores against which we have borrowed a sum of ₹ 214 crores and the balance being from internal accruals.

INFECTION CONTROL AND ENVIRONMENT

Infection control is the discipline concerned with preventing nosocomial or healthcare associated infection in Hospitals. Your Hospital is giving special thrust to infection control and have established an Infection Control Committee to monitor and regulate infection at the Hospital. The improvement exhibited in the infection control indices shows encouraging results. The infection rates are well within the accepted standard level and favourably compares with similar well established hospitals in India.

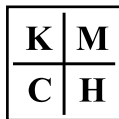
TECHNOLOGY ABSORPTION

Your Hospital continues to believe in investing in cutting edge technology by bringing world class medical equipments and the latest facilities in the medical care.

PET CT : The Siemens Biograph -6, state of the art, whole body PET Scanner with a diagnostic 6 slice CT Scanner enables whole body staging of cancer in a single step. This revolutionary modality images the metabolic status of the cancer cells through a PET and structural changes with a contrast enhanced CT Scan thus making it a one stop imaging platform. Thus the need for multiple regional scans are eliminated, saving patient time and decreasing the time gap from diagnosis to initiation of appropriate treatment. A whole body PET-CT is currently the gold standard for initial staging, post treatment assessment and evaluation of recurrence in cancer.

SPECT : The Symbia T from Siemens, a dual headed variable angle gamma camera with a diagnostic CT enabling the highest image quality and resolution currently available in the world, reducing radiation exposure to the patient and faster scanning time are some of the features of this Gamma camera equipped with cutting edge technology. SPECT-CT of the skeletal system, cardiac perfusion imaging, cancer thyroid evaluation, neuro psychiatric functional and molecular imaging, renal function & GFR assessment etc. are done with high end precision and negligible inter observer variation, thus redefining the standard in functional imaging.

Your hospital has also recently added 3T MRI, PACS, Mammography and other equipments. Your hospital has added new medical facilities amounting to ₹ 3754.84 lacs during the current year under review.



CONSERVATION OF ENERGY

Your company has undertaken various measures in conserving energy and has installed Building Management System (BMS) to continuously monitor and control all Air Humidifying Units (AHUs) and the resultant power consumption.

Your hospital continuously reviews the energy generation and its consumption and ensures periodical maintenance of the plant to conserve energy. We have installed solar power lights and water heaters wherever possible.

LED lights and fixtures are introduced in a phased manner to reduce power consumption. Push type water taps are installed in the hospital premises to reduce water wastage.

Waste water is being recycled by Effluent Treatment Plant (ETP) and is being used wherever possible.

CARE RATING

CARE Rating has confirmed the financial credit rating of 'CARE BBB' (Triple B) for the revised long term facilities and 'CARE A3' (A Three) for short term facilities.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The growth in high income countries is going to be weak. Developing countries will have to search increasingly for growth within the developing world. Under these conditions prospects and growth rates that seems relatively easy to achieve during the first decade of this millennium may become much more difficult to attain in the second.

HEALTH CARE SCENARIO

The health care economy is generally resilient and is not impacted by recessions. Even though the world economy is weak, the health care industry has remained largely insulated.

The Indian healthcare industry is estimated to be valued at ₹ 2.8 trillion in size in Financial Year 2011, growing at a 5 year CAGR of 13.1% p.a. CARE Research estimates healthcare industry has the potential to almost double to ₹ 5.0 trillion over the next five years, implying a growth rate of 12% p.a. This will be mainly driven by rise in per capita spending on health care, change in demographic profile, transition in disease profile, increase in health insurance penetration and fast growing medical tourism market.

OUTLOOK AND FUTURE PROSPECTS

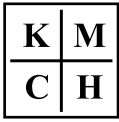
The health care sector in India is poised for rapid growth in the medium term. The Hospital has under gone NABH (National Accreditation Board for Hospitals and Healthcare Providers) accreditation process and is quite confident of getting it.

Our domain expertise coupled with the state of the art equipments and the quality of services have made the Hospital a leader. The demand for treatment from the domestic front is encouraging and continues to be robust. The Hospital is also planning to embark on attracting international patients in a big way.

A combination of demographic and economic factors is going to impact health care industry in India. Increase in population, shift in demographics, rise in disposable income, increase in incidence of lifestyle related diseases, rising literacy are the few drivers that propels the growth of health care industry.

COMPREHENSIVE CANCER CENTER

The Comprehensive Cancer Center was inaugurated by his Excellency Dr.K.Rosaiah, Governor of Tamil Nadu on 07.11.2011. The center is a world class facility with state of the art infrastructure providing the entire range of services including awareness, detection and treatment for different types of cancers. The center has a well knit team across radiation oncology, surgical oncology, medical oncology and nuclear medicine.



OPPORTUNITIES

Medical Tourism

Medical Tourism is a highly growing sector in India and is expected to experience an annual growth rate of 30%. Medical tourism is one of the foremost external drivers that fuel the growth of health care industry. The state of the art medical equipments, reputed health care professionals, quality nursing facilities, best in class treatment, low cost treatment etc. attracts foreign patients to look for treatment in India.

Rising Investments

Strong demand for hospital services in tier 2 and 3 cities is bound to fuel the growth of the health care sector in India. In recent years there have been considerable investments from domestic players, financial investors as well as private equity firms in the corporate health care sector.

Health Insurance

The nature of health problems are changing rapidly and the cost of the treatment is also increasing. The increase in organisation has led to higher incidence of life related diseases. Now more number of people in the urban and semi urban areas are opting for health insurance in view of the rising health care costs. The health insurance is one of the fastest growing segments in our country.

RISKS, CHALLENGES AND THREATS

Talent Pool

The Indian health care sector is one of the latest service providers and employs millions of work force. Shortage of doctors and skilled manpower like nurses, technicians is plaguing the health care industry.

The urban-rural divide, lack of adequate training to the health care workers, inadequate HR policies in the system are the areas which hampers the growth of the health care industry in our country

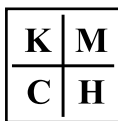
Investments

The health care sector is a capital intensive sector and need significant funding to grow.

Inflation and rising cost

The impact of inflation and the ever increasing operating cost of the health care industry like salaries, administrative cost, fuel cost, increase in interest cost are the various factors which affect the health care delivery in India.

Competition by private sectors and obsolescence of medical equipments due to rapid technological changes are the various challenges faced by the health care industry.



A. FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Financial performance with respect to operational performance has been dealt with in the Directors' Report which should be treated as forming part of this Management Discussion and Analysis Report.

B. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has established an appropriate system of internal control to ensure that there exists a proper control over all the transactions and that all its assets are properly safeguarded and not exposed to risk arising out of unauthorized use or disposal.

The Company has put in place adequate internal controls to ensure that assets are safeguarded and protected against loss from unauthorized use of disposition and the transactions are authorized, recorded and reported correctly.

The internal audit department together with an independent firm of Chartered Accountants reviews the effectiveness of the systems and procedures. The internal auditors evaluate the adequacy of the internal control systems by analyzing and testing controls and make their recommendations to the management to improve controls wherever necessary.

C. MATERIAL DEVELOPMENT IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED

Relations with the employees remained cordial throughout the year. In order to optimize the contribution of the employees to the Company's business and operations, in-house training is given to the employees to induce contribution for increased productivity. We have also devised development programmes for all levels of employees. As on 31st March 2012 the employee strength of the Company was 1647.

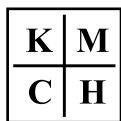
DIRECTORS RESPONSIBILITY STATEMENT AS PER SECTION 217(2AA) OF THE COMPANIES ACT 1956

In the preparation of Profit and Loss Account for the year ended 31st March 2012 and the Balance Sheet as on that date, all the applicable accounting standards have been followed. Accounting policies, that are reasonable and prudent, have been selected and applied consistently so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and the Profit and Loss Account of the Company for the year ended 31st March 2012. The said Profit and Loss Account and Balance Sheet have been prepared on a going concern basis. The Company maintains proper records in accordance with the provisions of the Companies Act 1956, for safeguarding the assets of the Company as also for preventing and detecting fraud and other irregularities.

DIRECTORS

Mr. A.K. Venkatasamy, Mr. A.M. Palanisamy and Dr. P.R. Perumalswami retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

The Board places on record the conferment of "**DOCTORATE**" awarded by the Bharathiar University and also another award viz. "**LIFE TIME ACHIEVEMENT AWARD**" conferred by Dr. M.G.R. University, Chennai to our Chairman and Managing Director Dr. Nalla G Palaniswami for his excellent and outstanding performance in the field of medicine.



SUBSIDIARY COMPANY

The entire Share Capital of Idhayam Hospitals Erode Limited was acquired on 23.04.2007 and in view of this Idhayam Hospitals Erode Limited has become wholly owned subsidiary of the Company effective from the above date.

The Ministry of Corporate Affairs, Govt. of India vide its circular 2/2011 dated 8th February 2011 has granted an exemption to the Companies under Section 212(8) of the Companies Act 1956 from attaching accounts along with the report of the Board of Directors as required by Section 212(1) of the Companies Act 1956 of the Subsidiary Companies to the Balance Sheet of the holding Company for the Financial Year ended 31.3.2012. However the Company will provide the annual accounts of its Subsidiary Company and the related detailed information on the specific request made by any investor and the said accounts are open for inspection at the registered office of the Company during office hours on all working days, except Sundays and holidays between 2.00 p.m. to 4.00 p.m.

Particulars relating to the Subsidiary Company as per the conditions mentioned in the circular issued by the Ministry of Corporate Affairs are annexed to the accounts of the Company.

As required under Clause 32 of the listing agreement with the Stock Exchanges and in accordance with the requirements of Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India, the Company has prepared Consolidated Financial Statements of the Company and its Subsidiary are included in the Annual Report.

PARTICULARS OF EMPLOYEES

The statement containing particulars of the employees as required under Section 217(2A) of the Companies Act 1956 read with Companies (Particulars of Employees) Rules 1975, as amended, forms part of this Report. However, in terms of Section 219(1)(b)(iv) of the Companies Act 1956, the Report and Accounts are being sent to the members excluding this Statement. Copies of this statement may be obtained by the members by writing to the Company Secretary at the Registered Office of the Company.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

Particulars required under Section 217(1)(e) of the Companies Act 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, regarding Conservation of Energy, Technology Absorption has been dealt in our Directors' Report. The particulars regarding foreign exchange inflow and outgo appear as note no.31 forming part of the accounts.

FIXED DEPOSITS

As per Section 58A of the Companies Act 1956, the Company has not accepted any deposits from the public during the year.

AUDITORS

M/s Haribhakti & Co., Chartered Accountants, Coimbatore are the auditors of the company and holds office upto the ensuing Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

REPORT ON CORPORATE GOVERNANCE

The Company has already complied with the requirement of the corporate governance in terms of the listing agreement with the Stock Exchanges. The detailed report on corporate governance is annexed and forming part of this report. A certificate from the Auditors of the Company regarding compliance of conditions of corporate governance as stipulated under Clause 49 of the Listing Agreement entered into with the Stock Exchanges is attached to this report.