

KMC Speciality Hospitals (India) Limited

Bankers

Axis Bank
Indian Overseas Bank
Punjab National Bank
State Bank of India

Auditors

M/s Patel Mohan Ramesh & Co
Chartered Accountants
Old .4, New 35, ARK Colony,
Eldams Road, Alwarpet,
Chennai - 600 018.

REGISTERED OFFICE & CORPORATE HOSPITAL COMPLEX

6, Royal Road,
Cantonment,
Trichy – 620 001.

BOARD OF DIRECTORS

Mr R Mohan	Chairman Director
Dr S Chandrakumar	Managing Director & CEO
Dr S Manivannan	Director
(Upto 27th July, 2011)	
Dr T Senthilkumar	Director
Mr D Selvaraj	Director
Mr A Krishnamoorthy	Director
Mr CA S Chenthilkumar	Director
Mr B Pattabhiraman	Director
Mr S Krishnamurthy	Nominee Director
(w.e.f. 23 rd May, 2011)	
Dr D Senguttuvan	Director
(w.e.f. 27 th July, 2011)	
Smt N Jayanthi	Company Secretary

KMC SPECIALITY HOSPITALS (INDIA) LIMITED

Regd Office: No:6, Royal Road, Trichy – 620 001.

NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the Twenty Eighth Annual General Meeting of the members of the Company will be held on Wednesday, the 21st, September, 2011 at 3.30 pm at Hotel Sangam, Cantonment, Trichy 620 001 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Twenty Eighth annual Report of the Directors, the audited Balance sheet as at 31st March 2011, Profit and Loss Account for the year ended 31st March 2011 and the Auditors' Report thereon.
2. Dr D Senguttuvan, Dr T Senthilkumar and CA S Chenthilkumar are retiring by rotation and they are willing and eligible for re-appointment as Directors.
- 2a. To appoint a Director in place of Dr D Senguttuvan who retires by rotation at this meeting and being eligible, offers himself for reappointment.
- 2b. To appoint a Director in place of Dr T Senthilkumar, who retires by rotation at this meeting and being eligible, offers himself for reappointment.
- 2c. To appoint a Director in place of CA S Chenthilkumar, who retires by rotation at this meeting and being eligible, offers himself for reappointment.
3. To appoint Auditors
"RESOLVED THAT the retiring auditors of the Company, M/s Patel, Mohan Ramesh & Co., Chartered Accountants, (FRN : 002597S) Chennai being eligible for reappointment, be and are hereby reappointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting, on such terms and conditions as to remuneration, out of pocket expenses etc., as may be fixed by the Board of Directors of the Company.

SPECIAL BUSINESS:

4. MANAGERIAL REMUNERATION

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

"RESOLVED UNANIMOUSLY THAT pursuant to, the provisions of Sections 198, 269, 309, 310, 311, 316 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, including any statutory modification or re-enactment thereof for the time being in force and subject to the approval of the shareholders, the recommendation of the Remuneration Committee be and is hereby

accorded to the re-appointment of Dr S Chandrakumar as the Managing Director of the company for a period of two years from 30.05.2011 to 29.05.2013 with the following remuneration payable with effect from 1st October, 2011–

Basic	Rs 2 00 000 p.m
HRA	Rs 20 000 p.m
PF	Rs 24 000 p.m

Plus

Bonus @ 8.33% of Gross pay.

Gratuity as per the Gratuity Act.

LTA not exceeding 50% of one month basic pay, subject to IT provisions.

Reimbursement of medical insurance premium to self and family, to the extent of Rs 25000 per annum. Reimbursement of actual expenditure of fuel bills of car utilized for official purposes.

Company's car with driver.

Payment to the bills of mobile phone/s used and internet connections used for official purposes."

5. To consider and if thought fit to pass, with or without modification, the following resolutions as Special Resolutions –

"Resolved that subject to the provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act, 1956, the rules framed thereunder, listing agreement, SEBI (Delisting of Securities) Guidelines 2003 and such other applicable laws, rules, regulations and guidelines, and subject to such approvals, permission and sanctions, as may be necessary, the Board of Directors of the company be and is hereby authorised to seek voluntarily delisting of its Equity Shares from Madras and Delhi Stock Exchanges."

"Resolved further that the Equity shares of the company shall continue to be listed on the stock exchange having nation wide trading terminals vis the stock exchange Mumbai and therefore as per the said guidelines issued by the SEBI, no exit opportunity need to be given to the shareholders of the company."

"Resolved further that the Board of directors of the company be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary or desirable and to execute all such deeds and documents as may be considered necessary and expedient to give effect to the above said resolution."

6. TO CONSIDER AND IF THOUGHT FIT TO PASS, WITH OR WITHOUT MODIFICATION, THE FOLLOWING RESOLUTIONS AS ORDINARY RESOLUTIONS.

“Resolved that the co-option of Mr S Krishnamurthy into the Board as Additional Director from 23rd May, 2011 be and is hereby approved and taken on record.”
“Resolved unanimously that Mr S Krishnamurthy, be and is hereby confirmed as the Nominee Director of the Company not liable to retire by rotation, nominated by IVAPL, the investors of the Holding Company Sri Kavery Medical Care (Trichy) Limited.”

7. TO CONSIDER AND IF THOUGHT FIT TO PASS, WITH OR WITHOUT MODIFICATION, THE FOLLOWING RESOLUTIONS AS ORDINARY RESOLUTIONS.

“Resolved that the co-option, w.e.f. 27th July, 2011, of Dr D Senguttuvan into the Board in the casual vacancy caused by the resignation of Dr S Manivannan, the director of the Company, be and is hereby approved and taken on record.”

NOTES

i. A member entitled to attend and vote at this Annual General Meeting may appoint a proxy to attend and vote on his / her behalf. A proxy need not be the member of the company. The instrument appointing the proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of the power or other authority shall be deposited with the Company in its Registered Office at least 48 hours before the meeting.

ii. The Register of members of the Company will be closed from Friday, 16th September, 2011 to Friday, 30th September, 2011 (both days inclusive). Queries on Agenda items shall reach the Registered Office at least 7 days before the AGM to facilitate detailed reply at the meeting.

iii. Members desiring any information as regards the accounts are requested to write to the Company at least seven days before the meeting so as to enable the management to keep the information ready.

Registered Office: (By Order of the Board)
No.6 Royal Road,
TRICHY 620 001.
Date: 27-07-2011

Dr S Chandrakumar
Managing Director & CEO

Annexure to Notice

Explanatory Statement annexed to the Notice convening the Twenty Eighth Annual General Meeting of the Company as required under Section 173(2) of the Companies Act, 1956 in respect of the Special Business.

Item 4

Explanatory Statement as required under Sec.173(2) of the Companies Act 1956 in respect of item no 4 of the notice is annexed.

Dr S Chandrakumar the Managing Director of the Company assumed his office on 30.05.2008 for a period of three years. Since then his tireless contributions has elevated the company in leaps and bounds to a status of virtual multi-speciality hospital not only in name but also in provision of quality services, generating revenue to service the various stakeholders and creating a positive identity.

Until 01.10.2009 he offered his services to the company without claiming any remuneration. Since then he is paid the following remuneration which was duly approved by the shareholders in their annual general meeting held on 25th September, 2009 –

- (a) Basic Salary Rs.1,75,000 per month
- (b) House Rent Allowance Rs. 17,500 per month
- (c) Provident Fund Rs. 21,000 per month
- (d) Bonus payable @ 8.33% of Gross Salary.
- (e) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- (f) Leave Travel Allowance not exceeding 50% of one month basic salary, subject to Income Tax provisions.
- (g) Encashment of leave at the end of the tenure.
- (h) Reimbursement of medical insurance premium to self and family, to the extent of Rs.25,000 per annum.
- (i) Reimbursement of actual expenditure of fuel bills of car utilized for official purposes.
- (j) Company's car with driver.
- (k) Payment to the bills of mobile phone/s used and internet connections used for official purposes.

Family means dependent children and dependent parents of the managerial person.

In view of his past and present dedicated and devoted services towards Re-vamping and Re-engineering the status of the company which is clearly evidenced by the developments in various dimensions and the future responsibilities posed on him to sustain viability and driving the activities towards the ever expanding goals, the re-appointment of Dr S Chandrakumar, the Managing Director of the Company as Managing Director of the Company for a further period of two years from 30.05.2011 to 29.05.2013 with the remuneration structure as indicated in the resolution in Item number 4 above and as recommended by the Remuneration Committee is placed before the shareholders for their kind perusal.

Dr S Chandrakumar is the Managing Director of the Holding Company Sri Kavary Medical Care (Trichy) Ltd from where he draws remuneration as per the provisions of the Companies Act, 1956.

None of the Directors are interested in the above cited resolution in Item 4 except Dr S Chandrakumar whose re-appointment and remuneration is being considered and Dr S Chandrakumar, Dr S Manivannan, Dr T Senthilkumar, Mr D Selvaraj, Mr A Krishnamoorthy and Mr S Krishnamurthy are the Directors in the Holding Company Sri Kavary Medical Care (Trichy) Ltd, Dr S Chandrakumar being the Managing Director of the Holding Company.

STATEMENT PURSUANT TO SCHEDULE XIII, RELEVANT TO MANAGERIAL REMUNERATION

1. GENERAL INFORMATION

- | | |
|------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|
| 1. Nature of Industry | Health Care |
| 2. Date of Commencement of commercial activities | 31 st December, 1982
(As Pvt Ltd Company)
15 TH July, 1988.
(As Public Ltd Company) |
| 3. New Company Details | NA |
| 4. Financial performance of the FYs 2008-2009, 2009-2010 and 2010-2011 are given below – | Amount in lacs |
| Net Annual Sales / Revenue | |
| Net Profit after taxes | |
| 5. Export performance | NA |
| 6. Foreign Investments and Collaborations | NA |

II. INFORMATION ABOUT THE APPOINTEE

1. Background details — Dr S Chandrakumar is a leading Anaesthesiologist, with over 19 years of reputed clinical experience and managing multi speciality hospitals and is the founder promoter of the company.

2. Past Remuneration — As indicated in the Explanatory Statement above.

3. Recognition of Awards.

He was an Executive member of the Health Care Sub Committee in Confederation of Indian Industry Tamil Nadu and selected by the same as one of the 101 best Entrepreneurs in Tamil Nadu for the year 2008 - 2009.

Currently he is the Chairman of CII, Trichy Zone covering 8 Districts.

He is the Charter Chairman of Bharatiya Vidya Bhavan, Trichy Kendra which is a part of national movement for cultural renaissance.

4. Job Profile and his suitability

Job profile is as per the provisions of the Companies Act, 1956. He is Promoter / Managing Director of this multi-speciality hospital in Trichy with renowned brand value. In spite of the competitions existing in the industry the note worthy growth of the hospital in all dimensions erasing out its past negative reputations with its present quality performance, is the indication of his suitability to his designation.

5. Remuneration proposed

— As mentioned in Resolution No 4

6. Comparative Remuneration Profile

— The nature of this industry depends upon the caliber / skills of the individual involved, therefore not-comparable.

7. Pecuniary relationship with the company — NIL

III. OTHER INFORMATION

1. Reasons for Inadequate Profit — The company is embarking on renovation of its civil structure and replenishment of its medical equipments and increasing its bed capacity. In view of the additional cost of operations, financing cost and depreciation, the profitability is expected to be under pressure in the revamping phase.

2. Steps taken / proposed for improvement — Adopting strategies to ensure that quality

performance is assured and higher level of revenue is achieved.

3. Expected increase in productivity and profits in measurable value –Expected to be in increasing trend in line with the performance since take over of management in May, 2008.

IV. DISCLOSURES

All the details of the remuneration are included in the special resolution which forms part of the Notice of the AGM sent to all the share holders individually. No stock options have been issued to any of the above cited Director.

Memorandum of Interest

None of the other Directors of the company is in any way concerned or interested in the above appointment.

Item 5 Explanatory Statement as required under Sec.173(2) of the Companies Act 1956 in respect of item no 5 of the notice is annexed.

Item 5

The Equity shares of the Company are being listed in Bombay, Madras and Delhi Stock Exchanges since the public issue in 1992. Since then the requirements of the listing agreements with the stock exchanges have been duly complied with. The listing fees to the stock exchanges have been paid including the fees for the FY 2011-2012.

Since March 2010, shares of our company are dematerialised with NSDL and CDSL. The present outstanding number of Equity shares are 163085000 out of which 84.49% is under dematerialised form with the depositories and the balance is dealt in physical form.

SEBI Guidelines provides that if the shares of the company are listed with a Stock Exchange which has a nation wide electronic trading terminal, the listing with other stock exchanges is not mandatory. Bombay Stock Exchange Limited has a nation wide electronic trading terminal and recognized by Securities Exchange Board of India – SEBI, for the above purpose. In the light of the above the special resolutions in Item No 5 are placed before the shareholders for their kind perusal.

None of the Directors are interested in the above cited resolutions in Item 5.

Item 6

Explanatory Statement as required under Sec.173(2) of the Companies Act 1956 in respect of item no 6 of the notice is annexed.

Mr S Krishnamurthy was co-opted into the Board of the Holding Company Sri Kavery Medical Care (Trichy) Ltd as an independent Director since 24th September, 2010. From 21st March, 2011 he was re-designated as the Nominee Director of the investors of the Holding Company.

With effect from 23rd May, 2011 onwards he was nominated to our Board by the investors of the Holding Company.

Hence the above cited resolutions in Item 6, were placed before the shareholders for their approval.

None of the Directors are interested in the above cited resolution except Dr S Chandrakumar, Dr S Manivannan, Dr T Senthilkumar, Mr D Selvaraj, Mr A Krishnamoorthy and Mr S Krishnamurthy are the Directors in the Holding Company Sri Kavery Medical Care (Trichy) Ltd, Dr S Chandrakumar being the Managing Director of the Holding Company.

Item 7

Explanatory Statement as required under Sec.173(2) of the Companies Act 1956 in respect of item no 7 of the notice is annexed.

With effect from 27th July, 2011, Dr S Manivannan the Director of the Company has resigned his office of directorship in our company due to his commitments in the other projects of the same group.

In the casual vacancy created by the resignation of Dr S Manivannan, Dr D Senguttuvan was co-opted into the Board of the Company with effect from 27th July, 2011. He has a rich experience over 2 decades in the field and a renowned paediatrician in Trichy District. His services to the Hospital company and other hospitals in the group are proven through the performance results of the hospitals and are worthy to be recorded. The Board at its wisdom thought it fit to co-opt such an eminent doctor into the Board to avail his able guidance and directions in the operations of the Company.

Hence the above cited resolution in Item 7 was placed before the shareholders for their approval. None of the Directors are interested in the above cited resolution.

Registered Office:
**No.6 Royal Road,
TRICHY 620 001.**
Date: 27-07-2011

(By Order of the Board)
Dr S Chandrakumar
Managing Director & CEO

DIRECTORS' REPORT

The Board of Directors of your company have pleasure in presenting the Twenty Eighth Annual Report of the company together with the audited statements of account for the year ended 31st March, 2011.

1. The financial results are as follows:

	(Amount in lacs of Rupees)	
	2010-2011	2009-2010
Operating Income	1279.71	853.70
Other Income	<u>29.11</u>	<u>34.66</u>
Total Income	<u>1308.82</u>	<u>888.36</u>
Operating and Administration Expenses	1207.20	836.83
Financial expenses	55.77	0.53
Depreciation	85.39	86.53
Profit/(Loss) before Tax	(39.54)	(35.53)
Deferred Tax	<u>412.00</u>	<u>6.07</u>
Net Profit (Loss)	<u>(451.54)</u>	<u>(41.60)</u>

The company during the year incurred a Financial expenses of Rs 55.77 lacs (previous year – Rs0.53lacs), consequent to payment of interest on the Unsecured Loan taken from the Holding company and on the term Loan availed from Axis Bank for renovation of Hospital Premises,. After providing depreciation of Rs 85.39 lacs (Previous year Rs 86.53 lacs), there was Loss before Tax of Rs 39.54 lacs as compared to Loss before tax of Rs 35.53 lacs in the previous year

During the year under review the company received a notice u/s 148 of the Income Tax Act,1961 seeking to reopen the assessment for the Assessment year 2007-08 and disallow the carry forward depreciation loss to an extent of Rs.1,371.60 lacs. The company has recognised deferred tax asset for the carry forward depreciation loss allowed earlier on this amount. Consequent to this notice, the company has made a Provision for Deferred Tax of Rs 412.00 lacs

and the Loss after Tax was therefore higher at Rs 451.54 lacs as compared to Loss after tax of Rs 41.60 lacs in the previous year.

In view of the losses no amounts could be transferred to reserves and dividend could not be declared.

The shareholders are aware that your company has successfully completed the Rights Issue at 12:1 ratio, with a subscription to the tune of 1.12 times of the issue involving an Issue amount of Rs 150540000.

The utilization of Rights Issue Proceeds projected in the Letter of Offer dated 11.01.2011 and the amount of proceeds utilized as on 31.03.2011 is provided below for the kind reference of the shareholders.

Sl. No	Particulars	Amount Projected Rs in lacs	Amount Expended Rs in lacs
1	Renovation and civil construction	153.00	—
2	Equipments	103.85	—
3	Repayment of loans	1175.00	1175.00
4	General corporate purposes	23.55	—
5	Rights Issue Expenses	50.00	60.02
6	Fixed Deposit	—	270.38
	TOTAL	1505.40	1505.40

It is brought to the notice of the members that till date an amount of Rs 53 lacs has been borrowed against the Fixed Deposit of Rs 270.38 lacs for investing in, renovation works and medical equipments.

2. HIGHLIGHTS DURING THE YEAR

Bed strength : There has been a gradual increase in the operational bed strength of KMCSHIL . Starting from 70 operational beds early last year we have now escalated to a present operational bed capacity of 135 beds that is likely to go up to 200 in the next 6 months.

Facilities Upgradation : This includes:

- An exclusive health check up area with CT Scan and Digital X-ray machines.
- A fully equipped physiotherapy facility with advanced equipments.
- Extension of the OPD by adding more OP rooms for consultants.
- A fully equipped advanced NICU and exclusive child friendly pediatrics ward.
- New Operation Theatre complex with 3 major, 1 minor, 1 labour and 1 septic OTs. An exclusive laminar flow OT for Joint Replacement surgeries.
- Advanced ICU , PICU and IMCU.

3. Directors

NAME OF THE DIRECTORS	STATUS OF THE DIRECTOR
Mr R Mohan	Independent/Non-Executive Chairman
Dr S Chandrakumar	Managing Director
Dr S Manivannan – Upto 27 th July, 2011	Non Executive Director
Dr T Senthilkumar	Non Executive Director
Mr D Selvaraj	Non Executive Director
Mr A Krishnamoorthy	Non Executive Director
CA S Chenthilkumar	Independent / Non-Executive Director
Mr B Pattabhiraman	Independent / Non-Executive Director
Mr S Krishnamurthy with effect from 23 rd May, 2011	Nominee Director
Dr D Senguttuvan with effect from 27 th July, 2011	Non-Executive Director

With effect from 27th July, 2011, Dr S Manivannan the Director of the Company has resigned his office of directorship in our company due to his personal and other commitments in the projects of the same group.

In the casual vacancy created by the resignation of Dr S Manivannan, Dr D Senguttuvan was co-opted into the Board of the Company with effect from 27th July, 2011. He has a rich experience over 2 decades in the field and a renowned paediatrician in Trichy District. His services to the Hospital company and other hospitals in the group are proven through the performance results of the hospitals and are worthy to be recorded. The Board at its wisdom thought it fit to co-opt such an eminent doctor into the Board to avail his able guidance and directions in the operations of the Company.

4. Disclosure under section 217(1)(e) of the Companies Act, 1956.

The particulars required to be given as per the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 are as under—

i. Conservation of Energy

The nature of the business of the company is such that the consumption of energy is not significant when compared to the overall cost of operation. However company takes all efforts to conserve energy and carries out periodical energy audits.

ii. Technology Absorption

In spite of the fund constraints, the company is currently in the process of updation of technology in various fields of Medicine. Within the limitations, everything possible was done to acquire, improve and update the technology.

iii. Foreign Exchange Earning and Outgo

Particulars	Current Year	Previous Year
a. Export and Foreign Exchanges Earned	NIL	NIL
b. Import and Foreign Exchange Expended	NIL	NIL
c. Foreign Travel	NIL	NIL

5. Particulars of Employees pursuant to section 217(2A)

No employee of the company was in receipt of remuneration during the financial year 2010-11, in excess of sum prescribed under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

6. Directors' Responsibility Statement pursuant to Section 217(2AA) of the Companies Act, 1956.

Your Directors report as follows –

- i. that in the preparation of the annual accounts relating to the financial year ended on 31st March, 2011, the applicable Accounting Standards had been followed and proper explanatory statements had been added relating to material departures, wherever necessary.
- ii. that the Directors had selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March, 2011 and Profit or Loss of the company for the financial year ended on that date.
- iii. that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv. that the Directors had prepared the annual accounts on a going concern basis.
- v. that a comprehensive Code of Conduct has been laid down for all the Board Members and Senior Management Personnel of the Company. Strict compliance of this Code of Conduct by the Board Members and Senior Management personnel is closely monitored. This code of conduct has also been posted on the website of the company.

7. Audit Committee

The present constitution of the Audit Committee with the following members continues–

CA S Chenthilkumar	—	Chairman (Non-Executive & Independent)
Mr R Mohan	—	Member (Non-Executive & Independent)
Mr D Selvaraj	—	Member (Non-Executive)

The Audit Committee met 4 times during the year.

8. Deposits

The company has not accepted any deposit from the public.

9. Personnel

Employer-employee relationship in your company continues to be cordial. Your directors look forward to the same in future.

10. Auditors and their Report

M/s Patel, Mohan, Ramesh & Co, Chartered Accountants, Chennai, the present Statutory Auditors of the company have enclosed their Report. They are willing and eligible for re-appointment. More details are included in the Notice to the shareholders. The detailed Audit Report for the FY 2010-2011 is annexed with the Financials for the year ended 31st March, 2011.

11. Corporate Governance

A Detailed Corporate Governance Report has been annexed to this report.

12. Acknowledgement

Your Directors wish to thank various Government Agencies, State Bank of India, Axis Bank, Indian Overseas Bank and Punjab National Bank for their continued co-operation and the support to the company. Your Directors wish to record their appreciation of services rendered by the staff, consultants and officers of the company during the year under report.

Registered Office:
**No.6 Royal Road,
TRICHY 620 001.**
Date: 27-07-2011

(By Order of the Board)
Dr S Chandrakumar
Managing Director & CEO

CORPORATE GOVERNANCE REPORT

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Your company believes that good corporate governance practices are imperative for sustaining business that aims at generating long term value to all its shareholders and other stakeholders. Hence it follows the principles of fairness, transparency, accountability and responsibility in all its activities. Your company also endeavors to make continuous improvement in all disciplines of its operations and render best and affordable medical facilities to the society.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. INDUSTRY STRUCTURE AND DEVELOPMENT

Both the public sector and private sector deliver the healthcare services in India. The public healthcare system consists of healthcare facilities run by central and state government which provide services free of cost or at a subsidized rates to low income group in rural and urban areas. With the Indian economy enjoying a steady growth, the industry is heading towards growth phase.

The Indian healthcare industry is one of India's largest sectors, in terms of revenue and employment and growing at a frantic pace and has the potential to show the exponential growth.

2. OPPORTUNITIES & THREATS

Our Company is a super speciality Hospital with 175 beds, based in Tiruchirappalli affiliated to the renowned brand KMC and with a team of dedicated professionals in all specialities. We provide quality healthcare to patients in key specialty areas such as Neurosurgery, Cardiovascular & thoracic surgery, Orthopedics, Plastic and Reconstructive Surgery, Gynecology, Neonatology and Nephrology (including renal transplants). A special feature of the hospital is the availability of the state-of-the-art equipments and trained personnel required for managing critically ill patients. Our hospital is fully equipped to deal with all kinds of accident victims 24 hours a day.

The company is exposed to normal threats of business like competition, ever increasing cost, dynamic changes in technology and attrition.

3. FINANCIAL AND OPERATIONAL PERFORMANCE

In spite of the challenges faced while renovating, rebuilding or repositioning the completely rundown hospital, the constant increase in the revenues since take over of management in May, 2008 accompanied with the complete upgradation of a super structure depicts the positive transition in the financial and operational performance.

4. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

An Independent professional Audit Committee and an efficient team of internal auditors ensure the functional and conceptual adequacy of internal control systems.

5. DEVELOPMENTS IN HUMAN RESOURCES

During the year professionals have been appointed in managerial, functional and technical specialities.

6. OUTLOOK

Being a listed corporate entity our vision and mission is centered around, core corporate governance and corporate social responsibility and as a corporate citizen in the constant pursuit of creating and maintaining a flawless health care atmosphere around.

Board of Directors

Name of the Director	Executive/ Non Exec. Independent	No of Meetings Attended	Attendance at last AGM held on 2010	No of outside Director-ship	No of Chairmanship/ Membership in other Com. Chairman	Com. Member
Mr. R. Mohan	Independent	5	Present	-	NIL	Nil
Dr. S. Chandrakumar	Managing Director	5	Present	05	NIL	Nil
Dr. S. Manivannan	Non-Executive	3	Present	04	NIL	Nil
Dr. T. Senthilkumar	Non-Executive	5	Present	01	NIL	Nil
Mr. D. Selvaraj	Non-Executive	5	Present	02	NIL	1
Mr. A. Krishnamoorthy	Non-Executive	5	-	05	6	7
CA S. Chenthilkumar	Independent	5	Present	-	NIL	Nil
Mr. B. Pattabhiraman	Independent	3	Present	07	Nil	Nil

The Total strength of the Board as on the Date of the report is 9.

Board Meetings were held during the financial year 2010 – 2011 on the following dates –

Name of the Director	BOARD MEETINGS				
	21.05.2010	02.08.2010	27.10.2010	11.01.2011	11.02.2011
Mr R Mohan	Present	Present	Present	Present	Present
Dr S Chandrakumar	Present	Present	Present	Present	Present
Dr S Manivannan	Present	Present	NIL	Present	NIL
Dr T Senthilkumar	Present	Present	Present	Present	Present
Mr D Selvaraj	Present	Present	Present	Present	Present
Mr A Krishnamoorthy	Present	Present	Present	Present	Present
CA S Chenthilkumar	Present	Present	Present	Present	Present
Mr B Pattabhiraman	NIL	NIL	Present	Present	Present

AUDIT COMMITTEE

The Audit Committee consists of the following Directors –

1. CA S Chenthilkumar Chairman
2. Mr R Mohan Member
3. Mr D Selvaraj Member

Keeping in mind the Whistle Blower Policy as per Clause 49(IV) of the Listing Agreement, no personnel are denied access to the Audit Committee for sharing their views, suggestions or deficiencies in systems and procedures. A mail id advocacy@kmcspecialityhospital.in is created for this purpose and the same information is published in the website of the company.

During the financial year 2010 - 2011 the Audit Committee met as per the details given hereunder –

Name of the Director	Audit Committee Meetings			
	21.05.2010	02.08.2010	27.10.2010	11.02.2011
Mr R Mohan	Present	Present	Present	Present
Mr D Selvaraj	Present	Present	Present	Present
CA S Chenthilkumar	Present	Present	Present	Present

At present the Share Transfer Committee is acting as the Shareholders' Grievance Committee.

The committee meets as and when necessary to solve the issues of investors like non receipt of new share certificates and annual reports etc.

The total number of complaints received during the financial year 2010 - 2011 are categorized as under

Nature of Complaints	Number of Complaints	Action Taken
Non-Receipt of Annual Report	5	Copies were sent
Non-Receipt of Share Certificate	11	Duplicate share certificates were issued wherever necessary
Others	—	—

Share Transfer Committee

M/s Cameo Corporate Services Limited, Subramanian Building, 1, Club House Road, Chennai - 600001 has been appointed as the Registrar and Share Transfer Agents since June, 2008.

The present Share Transfer Committee met thirteen times during the financial year 2010-2011 and ensured that all valid transfer deeds and transmission applications were acted upon and share certificates sent to the transferee promptly within 30 days of receipt of the Documents as required under the provisions of the Stock Exchange Listing Agreements.

Remuneration Committee — The constitution of the Remuneration committee was in place with the following members –

1. Mr A Krishnamoorthy	Chairman
2. Mr R Mohan	Member
3. Mr D Selvaraj	Member

To comply with the statutory amendments the existing committee was re-constituted with the following members with effect from 23rd May, 2011 —

Mr A Krishnamoorthy	Chairman
Mr R Mohan	Member
Mr D Selvaraj	Member
Mr CA S Chenthilkumar	Member.

During the year 2010-2011 there is NIL meeting of Remuneration Committee. The re-constituted committee met on 23rd May, 2011 and recommended the following remuneration subject to the approval of the shareholders, to Dr S Chandrakumar, the Managing Director of the Company –

Basic	Rs 2 00 000 p.m
HRA	Rs 20 000 p.m
PF	Rs 24 000 p.m
Plus	
Bonus @ 8.33% of Gross pay.	
Gratuity as per the Gratuity Act.	

LTA not exceeding 50% of one month basic pay, subject to IT provisions.

Reimbursement of medical insurance premium to self and family, to the extent of Rs 25000 per annum.

Reimbursement of actual expenditure of fuel bills of car utilized for official purposes.

Company's car with driver.

Payment to the bills of mobile phone/s used and internet connections used for official purposes.

Though the above remuneration is within the limits prescribed by Schedule XIII of the Companies Act, 1956, it requires the approval of the shareholders through a special resolution. Hence the matter forms part of the agenda for the AGM for the year 2011.

ANNUAL GENERAL MEETINGS

1. Location and time for the last three AGMs

YEAR	DATE	VENUE	TIME
2007 – 2008	14.07.2008	Regd.Off:6,Royal Road, Cantonment, Trichy – 620 001	4.30 PM
2008 – 2009	25.09.2009	Hotel Sangam, Cantonment, Trichy – 620 001	4.00 PM
2009 – 2010	24.06.2010	Hotel Sangam, Cantonment, Trichy – 620 001	4.00 PM

2. Special Resolutions passed in the previous AGM (2009-2010) 1
3. Whether any special resolution passed during 2010-2011 through postal ballot Nil
4. Person who conducted the postal ballot exercise Not Applicable
5. Whether any special resolution u/s 192A proposed to be conducted
Through Postal ballot (Yes) TWO

A special resolution relevant to provision of Corporate Guarantee to the Holding Company Sri Kavery Medical Care (Trichy) Ltd, u/s 372A of the Companies Act, 1956 was necessitated to be passed through postal ballot. The postal ballot documents were sent to the share holders in the first week of August, 2011. The results of the postal ballot resolutions will be announced on 13th September, 2011 and also in the AGM on 21st September, 2011.

An enabling special resolution for amending the Articles of Association of the company for inclusion of provision for postal ballot resolution, was included in the postal ballot to be voted upon by the shareholders. The results of the same will be announced with the result of the resolution to be passed u/s 372A of the Companies Act, 1956.

DISCLOSURE

Necessary disclosures on Substantial Acquisition of Shares and Takeovers Regulations 1997 by the Promoters / Directors as required by SEBI has been made up to date and filed with Stock Exchanges at Mumbai, Madras and Delhi.

MEANS OF COMMUNICATIONS

The company is publishing Unaudited quarterly / Audited annual results in English and Tamil Newspapers promptly besides faxing the same to the Stock Exchanges where the shares of the company are at present listed, immediately after each of the Board Meetings in which resolutions for adopting the accounts are passed. Besides such financial results are also published in the company's website.

CORPORATE SOCIAL RESPONSIBILITY:

At KMCSHIL , we are dedicated to improving the lives of the people we serve and the health of our communities. We are committed to living out this mission through the work of each and every one of our associates and employees, through various efforts of the company and by implementing environmentally responsible business practices.

In order to improve health, care and value for our customers, we ensure:

- ✍ Making health care fundamentally more affordable
- ✍ Providing access and guidance to the right care
- ✍ Advocating healthy living

To achieve this, our social responsibility program includes :

Quality services: Your hospital has been providing high quality medical care with the state of the art technology, supported by a team of dedicated medical specialists and well trained and qualified para-medical personnel. Located in the heart of the city, it offers a multitude of specialized services and has a cutting edge in Accident and Emergency care over other hospitals in the locality. By implementing the proposed Chief Ministers Insurance Scheme, essential services will be provided at affordable cost to the necessary beneficiaries .Customer Service Excellence has been the ultimate goal of your company.

Outreach : A number of free camps for general health check-ups and also for specialized medical services was conducted in various parts in and around Trichy during the year. These camps were primarily targeted for the disadvantaged sections who were deprived of basic health care services owing to non availability of quality services in their areas. Such camps have benefitted more than 6000 people living in such regions.

Profitability : As evident from the Directors report, the present management has taken all efforts to increase the revenues of your company. Your directors have also endeavored to control costs and improve efficiency of operations. The core policy of the management is to protect and enhance the value of the organization's assets while maximizing the shareholders and stakeholders benefits.

Ecological friendly measures: Your company is taking necessary measures to support the Green Initiative by the Ministry of Corporate affairs. Besides this, it is also committed to save energy, manage and reduce waste, follow the pollution control protocols and use resources in an optimal manner so as to ensure that it operates in a clean and healthier environment. Use of plastic papers and cups has been reduced to a considerable level within the organization. It has also been proposed to install solar panels for harnessing solar energy and to reduce dependency on depleting resources.

With all the above measures in place , your management has reaffirmed its commitment to being a responsible business towards its stakeholders.

**GENERAL SHAREHOLDER INFORMATION -
INFORMATION ON RIGHTS ISSUE**

It is brought to the kind notice of the shareholders that the Rights Issue of Equity shares to the tune of Rs 150540000 in the ratio of 12:1 undertaken by the company has been completed in the month of March, 2011. The issue was over subscribed to the extent of 1.12 times. The management takes this opportunity to express its gratitude for the response and contributions offered by the shareholders to the Rights Issue. The total Paid-up Capital of the Company prior to the Rights issue was Rs 12545000. The quantum of Rights Issue undertaken by the company was Rs 150540000 which resulted in the Post Issue paid up capital to be Rs 163085000. The 39.87% of Pre-Rights Issue share holding of Promoter Company Sri Kavery Medical Care (Trichy) Ltd has risen to 75% Post Rights Issue. The pre and post issue shareholding pattern are depicted below for the ready reference of the shareholders.

PATTERN OF SHAREHOLDING AS ON 31.03.2011

PARTICULARS	No of Shares Held		% of Shares Held	
	Pre- Rights Issue	Post Rights Issue	Pre- Rights Issue	Post Rights Issue
Promoters & Persons acting in Concert	5002245	122313750	39.8744	75.0000
Mutual Funds	900	900	0.0100	00.0006
Banks, Financial Institutions & Insurance Cos	NIL	NIL	NIL	NIL
Foreign Institutional Investors	NIL	NIL	NIL	NIL
Corporate Bodies	167500	1722654	1.3300	1.0563
Indian Public	6496655	37286114	51.7856	22.8630
NRIs / OCBs	877600	885600	7.0000	00.5430
HUF / Clearing Members	100	875982	—	0.5371
TOTAL	12545000	163085000	100.0000	100.0000

The Distribution pattern of the shareholdings as on 31.03.2011 is as follows –
Pattern of Holding -

No. of Shares	No. of Share holders	No. of Shares	% of Holding to Total No. of Shares
0 - 5000	50678	8778406	5.3827
5001 - 10000	120	856410	0.5251
10001 - 20000	90	1259163	0.7720
20001 - 30000	32	772100	0.4734
30001 - 40000	5	173800	0.1065
40001 - 50000	6	290400	0.1780
50001 - 100000	13	964500	0.5914
Above 100000	49	149990221	91.9709
TOTAL	50993	163085000	100.0000

The utilization of Rights Issue Proceeds projected in the Letter of Offer dated 11.01.2011 and the amount of proceeds utilized as on 31.03.2011 is provided below for the kind reference of the shareholders —

Sl. No	Particulars	Amount Projected Rs in lacs	Amount Expended Rs in lacs
1	Renovation and civil construction	153.00	—
2	Equipments	103.85	—
3	Repayment of loans	1175.00	1175.00
4	General corporate purposes	23.55	—
5	Rights Issue Expenses	50.00	60.02
6	Fixed Deposit	—	270.38
	TOTAL	1505.40	1505.40

Investors' Corner

It is brought to the notice of the shareholders that since March 2010, the shares of our company are dematerialized with National Securities Depositories Ltd and Central Depository Services Ltd. The Equity shares issued through Rights Issue are also dematerialised with NSDL and CDSL. For any clarification and communication in this regard, the shareholders may kindly contact the Share Registrars and Transfer Agents / Common Agency M/s Cameo Corporate Services Ltd, No 1, Subramanian Building, Club House Road , Chennai - 600 002, (Phone – 044-28460390, email — investor@cameoindia.com and rangak@cameoindia.com).

It is also brought to the kind notice of the shareholders that as per SEBI's instructions, every transferee of shares is to furnish his/her PAN number to the company / Registrars and Share Transfer Agents of the company to get the shares transferred in his/her name.

The Twenty Eighth Annual General Meeting is scheduled to be held on Wednesday, the 21st September 2011 at 3.30 p.m at Hotel Sangam, Cantonment, Trichy – 620 001 as per the notice enclosed. The shares of the company are at present listed with Bombay Stock Exchange Limited, Madras Stock Exchange Limited and Delhi Stock Exchange Limited and the listing fees for the year 2011-2012 were paid to them duly. The share trades of the company in the stock exchanges are not worth monitoring. The total number of physical shares transferred during the financial year 2010-2011 was 83200 which constitutes 0.05% of the total shares of the company.

The communications sent to many of the shareholders are reverted back to the company for want of proper addresses. Hence the shareholders who are receiving this Annual Report are requested to advise any of the other shareholders known to them who have not received the Annual Report, to communicate to the company their current address where the communications are to be sent. The shareholders are to communicate in writing any changes to be made in the records of the company.

It is brought to the kind notice of the shareholders that the Ministry of Corporate Affairs has taken a Green Initiative as part of the Corporate Governance by allowing paperless compliances and communications not overruling the other relevant statutory Enactments. The MCA clarified that the Company would have complied with the required Regulations, if the service of document has been made through electronic mode provided

the Company has obtained e-mail addresses of its members for sending the notice / documents through e-mail by giving an advance opportunity to every shareholder to register their e-mail address and changes therein from time to time with the company.

In view of the above the shareholders are requested to provide their e-mail id to investor@kmcspecialityhospital.in besides sending the duly filled in form annexed at the end of this book to the Share Registrars and Transfer Agents, to enable the company to avail the benefits of reduction of paperwork and cost, assured / timely / quality services to the investors, contributing to global sustainability etc.

The shareholders are requested to contact the Registrars and Share Transfer Agents / Common Agency for any queries regarding the procedures for issue of new share certificates, dematerialization, transfers, nominations and address updations.

ADDRESS FOR CORRESPONDENCE

Registered Office

No 6, Royal Road, Cantonment

Tiruchirapalli – 620 001

Phone – 0431 4077777 Fax — 0431 2415402

Website address

www.kmcspecialityhospital.in

Hospital Complex

Email id – investor@kmcspecialityhospital.in

Place: Trichy

For and on behalf of the Board

Date :27.07.2011

Dr S Chandrakumar

MANAGING DIRECTOR & CEO



Patel Mohan Ramesh & Co.
Chartered Accountants

Auditors Report on Corporate Governance

To
The Members
KMC Speciality Hospitals (India) Ltd

We have examined the compliance of conditions of Corporate Governance by KMC Specialty Hospitals (India) Ltd, for the year ended 31st March 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For Patel Mohan Ramesh & Co
Chartered Accountants

N.Ramesh
Partner
Membership No: 019136
FRN: 002597 S

Place: Trichy
Date: 23-5-2011



Patel Mohan Ramesh & Co.
Chartered Accountants

Auditors' Report

To
The Members of KMC Specialty Hospitals (India) Ltd
Trichy- 620 001

1. We have audited the attached Balance Sheet of KMC Specialty Hospitals (India) Ltd ('the Company') as at March 31, 2011, and the related Profit and Loss account of the company for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The balance sheet, the profit and loss account and the cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, the profit and loss account and the cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.



Patel Mohan Ramesh & Co.
Chartered Accountants

- v. On the basis of the written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2011; and
 - b) in the case of the profit and loss account, of the Loss for the year ended on that date.
 - c) in case of the cash flow statement, of the cash flows of the company for the year ended on that date.

For Patel Mohan Ramesh & Co.
Chartered Accountants

N.Ramesh
Partner
Membership No.: 019136

Place: Trichy
Date: May 23, 2011



Patel Mohan Ramesh & Co.
Chartered Accountants

Annexure Referred to in paragraph 3 of our report of even date to the members of KMC Specialty Hospitals (India) Limited

i) In respect of its Fixed Assets:

- a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) As explained to us, the management has a verification programmed for fixed assets in a phased manner and all the assets are covered by physical verification once in three years. According to the information and explanation given to us no material discrepancies were noticed by the management on such verification.
- c) In our opinion and according to the information and explanation given to us, the fixed assets that have been sold/ disposed off during the year under audit do not constitute a substantial part of the total fixed assets of the company. Hence the going concern assumption has not been affected by such disposal.

ii) In respect of its Inventories:

- a) The inventory of medicines, consumables etc. has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
- b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c) The company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material and have been properly dealt with in the books of accounts.

iii) Loans taken/Advanced by the company:

- a) The company has not granted any loans to companies, firms or other parties covered in the register maintained under Sec 301 of the companies act, 1956. Hence sub clauses (b), (c) and (d) are not applicable.
- b) The company has taken unsecured loan from the holding company and the balance outstanding at year end amounts to Rs.5.67 Crores .
- c) In our opinion and according to the explanation given to us, the terms and conditions of loans taken by the company are prima facie not prejudicial to the interest of the company.

iv) Internal Control procedures:

In our opinion and according to the information and explanation given to us there are adequate internal control procedures commensurate with the size of the company and nature of its business for the purchase of inventory, fixed assets and for the sale of goods. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.



Patel Mohan Ramesh & Co.
Chartered Accountants

v) Maintenance of Register u/s 301 and Transactions with the Parties listed

- a) In our opinion and according to the information and explanation given to us, the contracts or arrangements referred to section 301 of the companies act, 1956 have been entered in the register required to be maintained under that section.
- b) In our opinion and to the information and explanation given to us the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable, having regard to the prevailing market prices.

vi) Acceptance of Deposits:

The company has neither accepted any deposits during the year nor having any outstanding liability against interest payable on deposits thereon. Hence the provisions of this clause are not applicable.

vii) Internal Audit:

The company has appointed a firm of Chartered Accountants as Internal Auditors. On the basis of the reports submitted by them to the management, in our opinion the scope of the internal audit needs to be enlarged.

viii) Maintenance of Cost Records

According to the information and explanations given to us, the central government has not prescribed the maintenance of cost records under Section 209(1) (d) of the companies act, 1956 for any of the activities of the company.

ix) In respect of Statutory Dues:

- a) According to the records of the Company, undisputed statutory dues including Income Tax, Sales Tax, PF, Service Tax, Customs Duty, Excise Duty, Cess, Gratuity and other material statutory dues, to the extent applicable, have been generally regularly deposited with the appropriate authorities. According to the information and explanations given to us, there are no undisputed amounts payable in respect of the aforesaid dues were outstanding as at March 31, 2011 for a period of more than six months from the date they became payable.
- b) In our opinion and information and explanation given to us there are no disputes pending regarding dues of Income Tax, Sales Tax, PF, Service Tax, Excise Duty, Cess and Gratuity payable to the Government Authorities except for Customs Duty and Income tax. The details are as follows:-

The Statute under which dues are found	Nature of the Dues	Amt involved in Rs.	Period to which the amount relates	Forum where the dispute is Pending
Customs Act, 1962 Income Tax Act 1961	Customs Duty Income Tax	85,24,905 13,71,60,209*	1989 to 1993 Assessment Year 2007 - 08	Madras High Court Commissioner of Income Tax (appeal)

* Denotes the amount disallowed and there is no tax due on the company on such disallowance



Patel Mohan Ramesh & Co.
Chartered Accountants

Accumulated Losses:

- x) The company has not incurred cash losses during the financial year and also immediately preceding the current financial year.
- xi) The company has taken loans from a bank. On the basis of verification of records, we report that the company has not defaulted in repayment of dues to the bank. The company has not issued any debenture.
- xii) In our opinion and the information and explanation given to us and based on the information available, no loans and advances have been granted by the company on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion and according to the information and explanation given to us, the company is not a chit fund or a nidhi/mutual benefits/society. Therefore, provisions of any special Statute applicable to Chit Funds Nidhi or Mutual Benefit Fund Society do not apply to this Company. Hence the provisions of clause (xiii) (a), (b), (c) and (d) are not applicable to this Company.
- xiv) The company is not trading in shares, securities, debentures and other investments. Also the company is not having investment in the nature of shares, securities, debentures and other investments.
- xv) According to the information and explanation given to us, the company has given guarantee for loan taken by holding company from banks and the terms of such guarantee are prima facie, in our opinion, not prejudicial to the interests of the company.
- xvi) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, the term loans raised by the company have been used for the purpose for which they were raised.
- xvii) According to the information and explanation given to us, funds raised on short-term basis by the company have, prima facie not been used during the year for long term investments.
- xviii) The company has not made any preferential allotments of shares to the parties and companies covered in the register maintained u/s 301 of the act.
- xix) According to the information and explanation given to us, the company has not issued any debentures during the year.
- xx) The company has during the year raised a sum of Rs 15,05,40,000/- by way of right issue to the existing equity shareholders of the company. According to the information and explanations given to us, the money raised through the right issue has been utilized for end use as stated in the offer documents submitted to Securities Exchange Board of India (SEBI)
- xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, no instance of fraud on or by the company is reported or noticed.

For Patel, Mohan, Ramesh & Co

Chartered Accountants

N.Ramesh

Partner

(Firm Regn No: M.No.019136)

Place: Trichy
Date: May,23,2011

First Floor,A.R.K. Colony,New No 35 (Old No 4) Eldams Road, Alwarpet, Chennai - 600 018
Telefax: 2433 0525, 2436 2331 E-mail: pmrandco@gmail.com

KMC SPECIALITY HOSPITALS (INDIA) LIMITED
Regd Office: No. 6, Royal Road, Trichy-620 001

Balance Sheet

(All amounts are in Indian Rupees, except share data or as stated)

Particulars	Sch Ref	As at 31st March 2011	As at 31st March 2010
I. Sources of Funds			
1. Shareholders Funds:			
Share Capital	A	163,085,000	12,545,000
Reserves & Surplus	B	30,182,334	30,182,334
2. Loan Funds:			
Secured Loans	C	35,341,892	-
Unsecured Loan	D	56,700,969	155,400,969
3. Deferred Tax Liability (net)		<u>4,239,118</u>	<u>-</u>
Total		<u>289,549,313</u>	<u>198,128,303</u>
II. Application of Funds			
E			
1. Fixed Assets			
a. Gross Block		290,446,781	244,836,339
b. Less: Accumulated Depreciation		<u>148,864,911</u>	<u>140,576,490</u>
c. Net Block		141,581,870	104,259,849
d. Capital Work in Progress		<u>34,509,257</u>	16,658,517
Total		<u>176,091,127</u>	<u>120,918,366</u>
Deferred Tax Asset (net)		-	36,960,649
3.. Current Assets and Loans & Advances			
Inventories	F	5,418,161	2,990,673
Sundry Debtors	G	11,137,745	14,076,625
Cash & Bank Balances	H	31,738,516	890,841
Loans and Advances	I	6,306,507	2,485,329
		54,600,929	20,443,468
4. Current Liabilities and Provisions			
Current Liabilities	J	7,969,884	6,466,156
Provisions	K	10,003,563	5,404,500
		17,973,447	11,870,656
5. Net Current Assets		36,627,482	8,572,812
6. Profit & Loss Account		<u>76,830,704</u>	<u>31,676,476</u>
Total		<u>289,549,313</u>	<u>198,128,303</u>

Notes to the financial statements

The schedules referred to above and notes to accounts form an integral part of the Balance Sheet

As per our report of even date

For Patel Mohan Ramesh & Co

For KMC Speciality Hospitals (India) Ltd

FRN : 002597 S

Chartered Accountants

N.Ramesh

Dr. S.Chandrakumar

CA. S.Chenthilkumar

N.Jayanthi

Partner

Managing Director

Director

Company Secretary

M. No: 019136

Place : Trichy

Date: 23-5-2011

KMC SPECIALITY HOSPITALS (INDIA) LIMITED
Regd Office: No. 6, Royal Road, Trichy-620 001
Profit & Loss Account

(All amounts are in Indian Rupees, except share data or as stated)

Particulars	Sch Ref	For the year ended 31st March 2011 (Rs.)	For the year ended 31st March 2010 (Rs.)
I. Income			
Income from medical and healthcare services	L	127,970,738	85,369,658
Other Income	M	2,910,684	3,466,462
Total		130,881,422	88,836,120
II. Expenditure			
Surgical material, medical stores and pharmacy stock	N	25,525,642	16,175,230
Hospital operating expenses	O	49,043,482	30,181,699
Employee costs	P	30,304,990	19,788,466
Administrative expenses	Q	9,764,558	17,536,928
Financial Expenses	R	5,577,204	11,460,897
Depreciation	E	8,538,775	8,653,304
Rights Issue Expenses		6,001,600	-
Total		134,756,252	103,796,523
Profit / (Loss) before Extraordinary Items & Taxes		(3,874,829)	(14,960,405)
Extraordinary Item		-	11,407,535
Profit before tax and prior period item		(3,874,829)	(3,552,870)
Prior period items		79,632	352,965
Profit / (Loss) before taxes		(3,954,461)	(3,905,835)
Provision for Taxes			
- Current Tax		-	-
- Current Tax for earlier years		-	516
- Deferred tax charge / (benefit)		41,199,767	607,042
Profit / (Loss) after tax		(45,154,228)	(4,513,393)
Balance in profit and loss account brought forward		(31,676,476)	(140,068,083)
Less: Adjusted against Share Capital		-	112,905,000
Balance in profit and loss account carried forward		(76,830,704)	(31,676,476)
Basic earnings per share (par value Rs.1) (before extra ordinary item)		(1.81)	(1.27)
Basic earnings per share (par value Rs.1) (after extra ordinary item)		(1.81)	(0.36)
Diluted earnings per share (par value Rs.1) (before extra ordinary item)		(1.81)	(1.27)
Diluted earnings per share (par value Rs.1) (after extra ordinary item)		(1.81)	(0.36)

Notes to the financial statements

The schedules referred to above and notes to accounts form an integral part of the Profit and Loss Account

As per our report of even date

For Patel Mohan Ramesh & Co

For KMC Speciality Hospitals (India) Ltd

FRN : 002597 S

Chartered Accountants

N.Ramesh

Dr. S.Chandrakumar

CA. S.Chenthilkumar

N.Jayanthi

Partner

Managing Director

Director

Company Secretary

M. No: 019136

Place : Trichy

Date: 23-5-2011

KMC SPECIALITY HOSPITALS (INDIA) LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET

Particulars	As at 31st March 2011 Rs.	As at 31st March 2010 Rs.
<u>Schedule A - Share Capital:</u>		
Authorised Share Capital		
250,000,000 (Previous Year 250,000,000 Equity Shares of Rs. 1/- each)	250,000,000	250,000,000
Issued & Subscribed & Paid up Capital		
163,085,000 (Previous Year 12,545,000) Equity Shares of Rs. 1/- each) fully paid-up	16,30,85,000	12,545,000
Total	16,30,85,000	12,545,000
Of the above: 12,23,13,750 (Previous Year:50,02,245) Equity Shares are held by Sri Kavery Medical Care (Trichy) Limited (Holding Company)		
<u>Schedule B</u>		
Reserves & Surplus:		
(a) General Reserve	30,182,334	30,182,334
(b) Profit and loss account	-	-
Total	30,182,334	30,182,334
<u>Schedule C -</u>		
Secured Loans:		
Term loan from bank*	30,830,168	-
Cash Credit	4,511,724	-
Total	35,341,892	-
Term loan from bank secured by hypothecation of entire fixed assets created from and out of the Term loan Term loans repayable within one year Nil (Previous year Nil). Cash credit is secured by entire current assets of the company The Term Loan and Cash Credit are further secured by equitable mortgage of the existing fixed assets of the company including commercial land and building and corporate guarantee of Sri Kaveri Medical Care (Trichy) Limited, Holding Company (*Includes interest accrued and due Rs.317526 (Previous year Nil).		
<u>Schedule D-</u>		
Unsecured Loan:		
From Others	56,700,969	155,400,969
	56,700,969	155,400,969

KMC SPECIALITY HOSPITALS (INDIA) LIMITED
Regd Office: No. 6, Royal Road, Trichy-620 001

Schedule - E Fixed Assets as at 31.03.2011

Particulars	Gross Block			Rate	Depreciation Block				Nett Block	
	As on 01.04.2010	Addition	Deletion		As on 31.03.2011	As on 01.04.2010	For the Year	On Deletion	As on 31.03.2011	As on 01.04.2010
Land	4,043,397	-	-	4,043,398	-	-	-	-	4,043,398	4,043,397
Buildings	82,277,005	15,070,100	-	97,347,105	1.63%	1,443,410	-	24,127,073	73,220,032	59,593,342
Medical & Surgical Equipments	101,150,138	18,097,769	176,864	119,071,043	7.07%	5,021,958	145,530	80,472,292	38,598,751	25,554,274
Electrical Installation & Generators	25,417,015	473,855	-	25,890,870	4.75%	1,176,201	-	24,070,776	1,820,094	1,522,440
Air Conditioners	1,659,278	8,951,867	-	10,611,145	4.75%	498,373	-	569,549	10,041,596	1,160,905
Office Equipments	1,984,535	147,445	34,500	2,097,480	4.75%	78,639	21,242	1,216,920	880,560	825,012
Furniture & Fixtures	3,364,582	2,196,120	-	5,560,702	6.33%	1,512,001	-	1,791,441	3,769,261	1,852,581
Refrigerators	257,967	-	-	257,967	4.75%	3,458	-	228,593	29,374	32,832
Lab Equipments	4,113,406	-	200,080	3,913,326	7.07%	3,131,124	83,583	3,217,811	695,515	982,282
Vehicles	1,411,083	-	-	1,411,083	9.50%	687,855	-	821,908	589,175	723,228
Books	484,133	-	-	484,133	4.75%	20,686	-	428,662	55,471	76,156
Other Equipments	4,867,694	206,010	-	5,073,704	4.75%	3,952,937	-	4,184,968	888,736	914,757
Lift	5,036,802	-	-	5,036,802	4.75%	2,313,226	-	2,552,474	2,484,328	2,723,576
Computers	6,131,544	874,322	-	7,005,866	16.21%	4,146,390	-	4,601,540	2,404,326	1,985,153
Dental Equipments	2,537,759	4,398	-	2,542,157	7.07%	309,498	-	489,224	2,052,933	2,228,261
Intangible Assets -	100,000	-	-	100,000	33.33%	58,350	-	91,680	8,320	41,650
Total	244,836,339	46,021,885	411,443	290,446,781		140,576,490	250,355	148,864,911	141,581,870	104,259,849

KMC SPECIALITY HOSPITALS (INDIA) LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET

Particulars	As at 31st March 2011 Rs.	As at 31st March 2010 Rs.
<u>Schedule F- Inventory</u>		
Surgical material, medical stores and pharmacy stock	5,418,161	2,990,673
Total	5,418,161	2,990,673
<u>Schedule G - Sundry Debtors</u>		
Unsecured and Considered Good		
Debts outstanding for a period exceeding six months		
- Considered good	2,903,647	2,675,183
- Considered doubtful	107,413	360,067
Other debts		
- Considered good	8,234,097	11,401,442
- Considered doubtful	-	-
	11,245,157	14,436,692
Less: Provision for doubtful debts	107,412	360,067
Total	11,137,745	14,076,625
<u>Schedule H- Cash & Bank Balances</u>		
Cash in hand	277,171	231,898
Balances with Scheduled Banks		
- Current accounts	1,061,345	658,943
- Deposit accounts	30,400,000	-
Total	31,738,516	890,841
<u>Schedule I - Loans & Advances:</u>		
Unsecured and Considered Good		
Advances recoverable in cash or kind or for value to be received	4,334,368	2,016,590
Deposits with Government authorities	452,744	452,744
Deposit with others	1,519,395	15,995
Total	6,306,507	2,485,329
<u>Schedule J - Current Liabilities</u>		
Sundry Creditors		
- dues to micro and small enterprises	-	-
- dues to others	5,533,842	5,268,222
Book Overdraft	-	-
Advances received from patients	673,202	514,853
Security deposits	397,744	219,014
Other Liabilities	1,365,096	464,067
Total	7,969,884	6,466,156
<u>Schedule K - Provisions</u>		
Provision - Others	10,003,563	5,404,500
Total	10,003,563	5,404,500

SCHEDULES TO PROFIT & LOSS ACCOUNT

Particulars	For the Year Ended 31.03.2011	For the Year Ended 31.03.2010
	Rs.	Rs.
Schedule L		
Income from medical and healthcare services		
Income from hospital services	93,839,328	63,726,117
Sale of Pharma products	34,131,410	21,643,541
Total	127,970,738	85,369,658
Schedule M		
Other Income		
Interest on fixed deposits	191,173	35,877
Lease rental income	120,000	40,000
Miscellaneous income	1,326,862	541,504
Miscellaneous Balance Written Back	1,272,649	2,849,081
Total	2,910,684	3,466,462
Schedule N		
Surgical material, medical stores and pharmacy stock		
Opening Stock	2,990,673	1,563,848
Add: Purchases during the year	27,953,130	17,602,055
Less: Closing Stock	5,418,161	2,990,673
Total	25,525,642	16,175,230
Schedule O		
Hospital operating expenses		
Professional fees paid to consultants	30,941,223	14,016,157
Testing Fees	4,865,076	5,468,825
IP Services	2,237,737	1,864,243
Power and Fuel	5,735,607	3,227,112
House Keeping expenses	2,032,042	852,125
Rent	983,333	3,125,000
Repairs and Maintenance		
- Building	23,302	47,771
- Hospital equipment	773,782	390,433
- Others	1,451,381	1,190,033
Total	49,043,482	30,181,699
Schedule P		
Employee Costs		
Salaries, Wages and bonus	28,027,171	18,045,558
Contribution to provident and other funds	520,559	269,449
Gratuity	84,542	161,242
Staff welfare expenses	1,672,718	1,312,217
Total	30,304,990	19,788,466

SCHEDULES TO PROFIT & LOSS ACCOUNT

Particulars	For the	For the
	Year Ended 31.03.2011	Year Ended 31.03.2010
	Rs.	Rs.
Schedule Q		
Administrative Expenses		
Legal and professional fees	628,271	821,781
Advertisement and publicity	1,937,048	1,165,367
Printing and Stationery	1,215,389	989,903
Travelling and conveyance	493,937	513,661
Rates and taxes	1,561,913	1,170,563
Telephone and communication	903,470	1,082,678
Insurance	145,325	165,608
Provision for bad and doubtful debts	126,824	-
Directors' sitting fees	400,000	353,255
Miscellaneous expenses	723,940	200,033
Security Charges	492,011	368,430
Bad Debts Written Off	1,115,717	724,424
Profit or Loss on Sale of Asset	15,198	3,700,775
Capital Reduction Expenses	5,515	1,280,450
Property Tax Revision	-	5,000,000
Total	9,764,558	17,536,928
Schedule R		
Financial Expenses		
Interest paid on term loans	986,654	-
Interest paid on other loans	3,843,001	11,407,535
Bank charges	747,549	53,362
Total	5,577,204	11,460,897

KMC SPECIALITY HOSPITALS (INDIA) LIMITED
Regd office: No. 6, Royal Road, Trichy-620 001

Schedule S: Significant Accounting Policies and Notes to Accounts forming part of financial statements for the year ended 31st March 2011

S1 Statement of Significant Accounting Policies

a) Basis of preparation

The financial statements have been prepared under the historical cost convention under accrual method of accounting except in case of assets for which provision for impairment is made and revaluation is carried out and as a going concern, in accordance with the Generally Accepted Accounting Principles (GAAP) prevalent in India and to comply in all material respects with the Notified accounting standard by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956.

b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

c) Fixed assets

Fixed assets are stated at cost (or revalued amounts, as the case may be), less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any cost attributed for bringing the asset to its working condition for its intended use. Capital Work in Progress comprises of outstanding advances paid to acquire fixed assets and amount expended on development/ acquisition of fixed assets that are not yet ready for their intended use as on the balance sheet date.

d) Depreciation

Depreciation is provided using the Straight Line Method at the rates prescribed under Schedule XIV of the Companies Act, 1956, which is management's estimate of the useful lives of the assets. Depreciation on new assets acquired during the year is provided at the rates applicable from the date of acquisition to the year end. Depreciation on assets sold or discarded is provided till the date of disposal. The rates of depreciation are as follows:-

Particulars	Rate
Buildings	1.63%
Medical, Surgical and Other Medical Equipment	7.07%
Vehicles	9.50%
Computers	16.21%
Furniture and Fixtures	6.33%
Office and Other Equipment	4.75%
Lifts	4.75%
Electrical Installations	4.75%

e) Intangibles

Intangible Assets are stated at cost of acquisition less accumulated amortization. Application Software is amortised over the license period of the software.

f) Impairment

- i) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.
- ii) After testing for impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

g) Inventories

- i) The inventories of all medicines, Medicare items traded and dealt with by the company are valued lower of cost and Net Realisable Value by applying the FIFO method.
- ii) The stock of stores, dental instruments, surgical instruments, dental and other Consumables are valued at cost. Cost of these inventories comprises of all costs of purchase and other cost incurred in bringing the assets to their present location.

h) Revenue Recognition

- i) Income from hospital services is recognized on accrual basis. At the yearend wherever services are not billed, the same is estimated and recognized as unbilled income. The hospital collections of the company are net of rebates, concessions etc.
- ii) Pharmacy sales are stated net of returns, discounts and inclusive of sales tax./vat.
- iii) Ambulance income is accounted on the basis of the contract entered between the parties on an accrual basis.

i) Leases

In respect of lease transactions entered into, the Lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

j) Prior Period Items and Extraordinary Items

Prior period item and extraordinary item are separately classified, identified and dealt with as required under Accounting Standard 5 on "Net Profit or Loss for the period, prior period items and changes in accounting policies".

k) Employee benefits

i. Defined Contribution Plan

Provident Fund:

Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon is paid at retirement. The company and employee make monthly contributions to provident fund equal to a specified percentage of the covered employee's salary. The contributions are made to a government administered provident fund. The monthly contributions are charged off to revenue.

ii. Defined benefit plan

Gratuity:

The Company makes contribution to a scheme administered and offered by the Life Insurance Corporation of India (LIC) to discharge gratuity liabilities to the employees. The premium /contribution paid to the Life Insurance Corporation of India towards gratuity scheme is charged off to revenue.

Short term benefits

Short term employee benefits are benefits which are payable within twelve months after the end of the period in which the employees render service and these are measured at cost.

l) Income Tax

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will not be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

m) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average numbers of equity shares outstanding during the period are adjusted for events of bonus issue; rights issue to existing shareholders; share split; and reverse share split, if any.

n) Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

o) Borrowing cost (As-16)

Any Interest paid on the amount borrowed for the purpose of capital expenditure are generally charged to revenue, if the relevant capital asset is brought to use within 12 months. Whenever the time taken is more than 12 months such interest attributable to the fixed asset is capitalized and added to the cost of the fixed asset.

S2 Notes forming Part of Accounts

a) Significant Events during the year

- i) During the year the company has issued 15,05,40,000 shares of Re.1 each as right entitlement to the existing shareholders at the ratio of 12 shares for every share held. The issue was fully subscribed and on account of this right issue, the paid up capital stood at Rs16,30,85,000 as on 31st March 2011.
- ii) The company is funded by borrowings from holding company. A sum of Rs 15.54 crores was outstanding as on 1 st April 2010 and a sum of Rs 11.75 crores was repaid during the year.out of the proceeds of right issue .The amount payable to the other company as on 31 st March 2011 amounts to Rs 5.67 crores. On account of improvement in cash flow position, consequent to the right issue and as demanded by the other company, interest of Rs 164917/- was paid from 8th March 2011 onwards.In addition to this, the waiver of interest on the earlier outstandings was limited to the period up to 17th November 2009.

b) Contingent Liability:

- i) The company has received a show cause notice from The Department of Customs demanding a sum of Rs.85,24,905.00(Previous Year Rs.85,24,905), towards customs duty for the medical equipment imported during the years 1989-93 and the said amount is not provided as the company is taking appropriate legal steps regarding this issue.
- ii) The company has received a show cause notice from The Municipal Corporation, Trichy contending the construction of the 4th, 5th & 6th floors of the hospital building have no approval. The financial effect of the same could not be ascertained. The company has filed application before the appropriate authorities for the regularization of the construction.
- iii) The company has received a show cause notice from Trichy Municipal Corporation demanding a sum of Rs. 9,17,260 being the arrears of rent on poramboke land. Of the said sum, a sum of Rs. 3,79,000 has been provided in the books of accounts.
- iv) The company has received a demand notice from Trichy Corporation for an amount of Rs. 1,08,31,767 being arrears of property tax for the period 2005-2010. The company in reply has filed an appeal with the District Munsif Court in the year 2003. A provision of Rs.50,00,000 has been made which is based on the management's estimate likely settlement of the above dues.
- v) Claims against the company not acknowledged as debt Rs. 4,35,000 (Previous year Rs.6,76,000)
- vi) The company has given corporate guarantee for Rs 6 crores to Axis Bank for the loan given to M/s Sri Kaveri Medical Care (Trichy) Limited ,which is the holding company. At the time of giving the guarantee, the company has exceeded the limits prescribed u/sec 372A of the companies Act 1956.However as on 31 st March 2011, consequent to the right issue, the net worth of the company has gone up and the guarantee given is well within the limits prescribed u/sec 372A of the companies Act 1956.

c) Capital Commitment

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs.3739553/- (Previous year- 59,14,142/-)

d) Sundry Debtors and Loans and Advances

Sundry Debtors, Creditors are yet to be confirmed. The confirmation of balances have not been obtained. The auditors have relied on the balance as per books of accounts maintained in the absence of confirmation from the debtors/creditors. The balances adopted are as appearing in the books of accounts.

e) Prior Period Item

Prior period item is shown net of income and expense, the same during the year amounts to Rs. 79,632 (Previous Year – Rs. 3,52,965)

f) The company provides hospital services and also sells drugs and Pharmaceutical products. The quantitative particulars as per Para 3(ii) d of Part-II of Schedule-VI of the companies act, 1956 with respect to the total value of turnover, purchases, goods traded, sales etc for the financial year ended 31st March 2011 as required under the Companies Act,1956 are not disclosed. In the opinion of the management, such disclosure is practically difficult.

g) Payment to Managing Director - Dr.S. Chandrakumar - Monthly Remuneration – Rs.2,13,500 pm (including Provident Fund Contribution)

h) Earnings in Foreign Currency – Nil (Previous Year- Nil)

i) Expenditure in Foreign Currency- Nil (Previous Year- Nil)

j) Remittance during the period of foreign currency on account of Import of Raw Materials- Nil (Previous Year- Nil)

k) Micro, Small and Medium Enterprises Development Act, 2006

In accordance with the Notification No.GSR 719 (E) dt 16.11.2007, issued by the Ministry of Corporate Affairs, certain disclosures are required to be made relating to Micro, small and Medium Enterprises as defined under the Micro, Small and Medium Development Act, 2006. The Company has not yet compiled the relevant information from its suppliers under the said act. Since the relevant information is not readily available, no disclosures as required as per statutory provisions as stated above have been made in the accounts.

l) Payment to Auditors

Particulars	FY 2010-11	FY 2009-10
Audit Fees	1,65,450	88,240
Taxation Matters	—	22,060
Other Services	—	55,150
Total (incll.Service Tax)	1,65,450	1,65,450

m) Disclosure as required by Accounting Standard - 15

Changes in the present value of the defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:-

Particulars	As at 31st March 2011 Gratuity (Funded)	As at 31st March 2010 Gratuity (Funded)
Opening Defined Benefit Obligation	140990	83,627
Interest Cost	10805	12,834
Current Services Cost	44529	44,529
Benefits Paid	(18750)	-
Actuarial (Gain)/ Losses on Obligation	26267	-
Closing Defined Benefit Obligation	2,03,841	1,40,990

Defined Benefit Obligation liability as at the balance sheet is wholly funded by the company.

Particulars	As at 31st March 2011 Gratuity (Funded)	As at 31st March 2010 Gratuity (Funded)
Change in Plan Assets		
Fair Value of Plan Assets as on 1 st April 2010	1,97,790	83,627
Expected Return on Plan Assets	18492	8,340
Contributions	78321	1,05,823
Benefits Paid	(18750)	-
Actuarial Gain/ (Loss)	Nil	-
Fair Value of Plan Assets as on 31 st March 2011	275853	1,97,790
Reconciliation of Present Value of the obligation and the fair value of the Plan assets		
Fair Value of the defined benefit	197790	1,40,990
Fair Value of the plan assets at the end of the year	275853	1,97,790
Liability/ (Assets)	(78063)	(56,800)
Unrecognised past service cost	78063	56,800
Liability/ (Assets) recognised in the balance sheet	-	-
Expenses to be recognised in Profit and Loss A/c		
Current Service Cost	44529	44,529
Interest Cost	10805	12,834
Expected Return on Plan Assets	-	-
Actuarial (Gain)/ Loss	-	-
Unrecognised past service cost	78063	56,800
Expenses recognised in the Income Statement	133397	1,14,163
Opening Net Liability	140990	83,627
Expenses as above	55334	57363
Actuarial (Gain)/ Loss	26267	-
Benefits paid	-18750	-
Employers Contribution	203841	140990
Actuarial (Gain)/ Loss	-	-
Amount recognised in the Balance Sheet	-	-

Actuarial assumptions used:-

Particulars	2010-11	2009-10
Mortality	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate
Discount Rate	8% p.a	8% p.a
Withdrawal Rate (depending on age)	1-3%	1-3%
Salary Escalation	5%	5%
Method used for Present value of plan liability	Projected Unit Credit Method	Projected Unit Credit Method

n) Managerial Remuneration-

The company has paid a sum of Rs 30,00,000/- in the aggregate to Managing director Dr.S.Chandrakumar during the year.

o) Related Party Transactions under AS-18 and disclosure under SEBI (Substantial Acquisition of Shares & Takeovers) regulations, 1997:-

A list of related parties where control exists and other related parties with whom the company had transactions and their relationships:

Sl.No	Name of the Related Party	Nature of Relationships
1	Dr.S. Chandrakumar	Key Management Personnel
2	Dr.S. Manivannan	Key Management Personnel
3	Dr. T. Senthil Kumar	Key Management Personnel
4	D. Selvaraj	Key Management Personnel
5	Sri Kavery Medical Care (Trichy) Ltd	Enterprise in which KMP are interested (promoters)

Sl.No	Name of the Related Parties	Nature of Transactions	31st March 2011 (Rs.)	31st March 2010 (Rs.)
1	Dr. S. Chandrakumar	Remuneration	30,00,000	1281100
2	Sri Kavery Medical Care (Trichy) Ltd	Land Lease Paid	210000	300000
		Land Lease Received	120000	
		Loan Received	18800000	140600000
		Loan Repaid	117500000	84400000
		Assets sold	1197	1357834
		Assets purchased	87606	1568234
		Interest Paid on Loan	3843001	0
		Interest Waiver	0	11407535
		Services Received	2709627	4524927
		Services Rendered	0	2021187
		Reimbursement of Expenses	0	0
		Sale of goods	0	0
		Payment during the year (net)	2617891	4987473
		Balance due	28202(Dr.)	49381(cr)
		Balance of loan outstanding	56700969	155400969
		Management fees	600137	0
		Guarantee	60000000	0

Promoters of the company & Persons Acting in Concert (PAC):

Sri Kavery Medical Care (Trichy) Ltd

p) Disclosure under Accounting Standard – 22

The company recognises deferred tax on timing differences arising in an accounting period and reversing in subsequent accounting periods. Also, Deferred Tax is the case of losses was recognised only on Unabsorbed depreciation loss as the company was of the opinion that there will be sufficient profits in future available for set off such losses. However, deferred tax assets on business loss are not recognised as a matter of prudence.

On 23rd March 2011 the company received a notice u/s 148 of the Income tax Act,1961 seeking to reopen the assessment for the Assessment year 2007-08 and disallow the carry forward depreciation loss to an extent of Rs.13,71,60,209 The company has recognised deferred tax asset for the carry forward depreciation loss allowed earlier on this amount. Consequent to this notice, the above Deferred Tax Asset has been reversed during the year. The details are as below:

Particulars	Amount (Rs)	Amount (Rs)
Opening Deferred Tax Assets		3,69,60,649
Deferred Tax Liability on Depreciation Differences	(9,97,946)	
Deferred Tax Asset on Depreciation Loss of current year	17,63,139	
Deferred Tax Asset on Other Timing Differences	4,17,547	
Net Deferred Tax asset for the year		11,82,738
Reversal of deferred Tax asset	4,23,82,505	(4,23,82,505)
Closing Deferred Tax Liability		(42,39,118)

q) Travelling, Conveyance and Business Promotion expenses include expenditure incurred by the directors of the company for the purpose of the business of the company.

r) Business Segments (Accounting Standard – 17)

The company is engaged only in one business segment, that is hospital service and hence no reporting is done under Accounting Standard – 17 (Segment Reporting) on segment revenue, expenses etc.

s) Earnings per Share (Accounting Standard – 20)

Particulars	As on 31 st March 2011	As on 31 st March 2010
Profit/(Loss) before extraordinary items attributable to equity shareholders (A1)	(3874829)	14960406
Profit/(Loss) after extraordinary items attributable to equity shareholders (A2)	(45154228)	4513393
Weighted average equity shares outstanding during the year (B1)	24918151	12545000
Weighted average equity shares outstanding during the year for diluted earnings per share(B2)	24918151	12545000
Basic earnings per share (before extraordinary items) (A1)/(B1)	(1.81)	(1.27)
Basic earnings per share (after extraordinary items) (A2)/(B1)	(1.81)	(.36)
Diluted earnings per share (before extraordinary items) (A1)/(B2)	(1.81)	(1.27)
Diluted earnings per share (after extraordinary items) (A2)/(B2)	(1.81)	(.36)

- t) Previous year's figures have been regrouped wherever found necessary to conform to the current year's presentation.
- u) The figures given in the Profit and Loss account and balance sheet have been rounded off to the nearest rupee.

S.3 Notes forming part of Cash Flow Statements

1. Cash and Cash Equivalents includes Cash and Bank Balances
2. The Cash Flow Statement has been prepared under the "Indirect Method" as per Accounting Standard 3 issued by ICAI.
3. Previous Years figures have been regrouped wherever necessary.
4. Figures in bracket represent outflow.

As per our report of even date

For Patel Mohan Ramesh & Co
Chartered Accountants
FRN: 002597 S

For KMC Speciality Hospitals (India) Ltd

N.Ramesh
Partner
M. No: 019136

Dr. S.Chandrakumar
Managing Director

CA S Chenthilkumar
Director

N.Jayanthi
Company
Secretary

Place: Trichy
Date: May 23,2011

KMC SPECIALITY HOSPITALS (INDIA) LIMITED
Regd Office: No.6, Royal Road, Trichy - 620 001
Balance Sheet Abstract And Company's General Business Profile:
As per Part IV of Schedule VI to the Companies Act, 1956.

I Registration Details

Registration No.

				9	7	1	8
--	--	--	--	---	---	---	---

 State Code

1	8
---	---

Balance Sheet Date

3	1	0	3	2	0	1	1
---	---	---	---	---	---	---	---

II Capital Raised during the year (Amount in Rs. Thousands)

Public Issue	Right Issue
N I L	1 5 0 5 4 0 0 0 0
Bonus Issue	Private Placement
N I L	N I L

III Position of Mobilisation and Deployment of Funds (Amount in Rs.)

Sources of Funds	Application of Funds																		
Paid up capital <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>6</td><td>3</td><td>0</td><td>8</td><td>5</td><td>0</td><td>0</td><td>0</td></tr></table>	1	6	3	0	8	5	0	0	0	Net Fixed Assets <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>7</td><td>6</td><td>0</td><td>9</td><td>1</td><td>1</td><td>2</td><td>7</td></tr></table>	1	7	6	0	9	1	1	2	7
1	6	3	0	8	5	0	0	0											
1	7	6	0	9	1	1	2	7											
Share application money <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>	N	I	L							Investments <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>	N	I	L						
N	I	L																	
N	I	L																	
Reserves & Surplus <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>3</td><td>0</td><td>1</td><td>8</td><td>2</td><td>3</td><td>3</td><td>4</td></tr></table>		3	0	1	8	2	3	3	4	Net Current Assets <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>3</td><td>6</td><td>6</td><td>2</td><td>7</td><td>4</td><td>8</td><td>2</td></tr></table>		3	6	6	2	7	4	8	2
	3	0	1	8	2	3	3	4											
	3	6	6	2	7	4	8	2											
Secured Loans <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>3</td><td>5</td><td>3</td><td>4</td><td>1</td><td>8</td><td>9</td><td>2</td></tr></table>		3	5	3	4	1	8	9	2	Deferred tax assets <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>	N	I	L						
	3	5	3	4	1	8	9	2											
N	I	L																	
Unsecured Loans <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>5</td><td>6</td><td>7</td><td>0</td><td>0</td><td>9</td><td>6</td><td>9</td></tr></table>		5	6	7	0	0	9	6	9	Miscellaneous Exp. <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>	N	I	L						
	5	6	7	0	0	9	6	9											
N	I	L																	
Deferred Tax Liability <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>4</td><td>2</td><td>3</td><td>9</td><td>1</td><td>1</td><td>8</td></tr></table>			4	2	3	9	1	1	8	Profit & Loss Acc. <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>7</td><td>6</td><td>8</td><td>3</td><td>0</td><td>7</td><td>0</td><td>4</td></tr></table>		7	6	8	3	0	7	0	4
		4	2	3	9	1	1	8											
	7	6	8	3	0	7	0	4											
Total Liabilities <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>2</td><td>8</td><td>9</td><td>5</td><td>4</td><td>9</td><td>3</td><td>1</td><td>3</td></tr></table>	2	8	9	5	4	9	3	1	3	Total Assets <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>2</td><td>8</td><td>9</td><td>5</td><td>4</td><td>9</td><td>3</td><td>1</td><td>3</td></tr></table>	2	8	9	5	4	9	3	1	3
2	8	9	5	4	9	3	1	3											
2	8	9	5	4	9	3	1	3											

IV Performance of Company (Amount in Rs. Thousands)

Net Turnover	Total Expenditure												
1 3 0 8 8 1 4 2 2	1 3 4 8 3 5 8 8 4												
(Please tick Appropriate box + for Profit, - for Loss)													
Profit/Loss before Tax +/-	Profit / Loss after Tax +/-												
- 3 9 5 4 4 6 1	- 4 5 1 5 4 2 2 8												
Basic +/-	Diluted +/-												
Earnings Per Share in Rs. <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>-</td><td>1</td><td>.</td><td>8</td><td>1</td></tr></table>		-	1	.	8	1	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>-</td><td>1</td><td>.</td><td>8</td><td>1</td></tr></table>		-	1	.	8	1
	-	1	.	8	1								
	-	1	.	8	1								

V Generic Names of Principal Products of the Company

Item Code No. (ITC Code)

N	O	T		A	P	P	L	I	C	A	B	L	E
---	---	---	--	---	---	---	---	---	---	---	---	---	---

Product Description

H	O	S	P	I	T	A	L
---	---	---	---	---	---	---	---

For KMC Speciality Hospitals (India) Ltd

Dr. S.Chandrakumar Managing Director	CA. S.Chenthilkumar Director	N.Jayanthi Company Secretary
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KMC SPECIALITY HOSPITALS (INDIA) LIMITED
Regd Office: No. 6, Royal Road, Trichy-620 001
Cash Flow Statement

Particulars	For the year ended 31 st March 2011 (Rs.)	For the year ended 31 st March 2010 (Rs.)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and prior items	(3,874,829)	(14,960,406)
Prior period items (net of investments)	(79,632)	(352,965)
	(3,954,461)	(15,313,371)
Adjustments for		
Depreciation	(8,538,775)	8,653,304
(Profit) / Loss on sale of assets	15,198	3,700,775
Provision for doubtful debts	107,413	360,067
Interest on bank deposits	(191,173)	(35,877)
Interest expense	4,829,655	11,407,535
Rights issue expenses	6,001,600	-
Operating Profit Before Working Capital Changes	15,347,007	8,772,433
(Increase)/Decrease in Sundry debtors	2,831,468	(9,388,351)
(Increase)/Decrease in inventories	(2,427,488)	(1,426,825)
(Increase)/Decrease in loans and advances	(1,683,450)	(420,437)
Increase/(Decrease) in current liabilities and Provisions	6,102,790	2,310,039
Cash generated from operations	20,170,327	(153,141)
Income taxes paid	(2,137,728)	(230,898)
Net Cash Flow From Operating Activities	18,032,599	(384,039)
Cash Flow From Investing Activities		
Purchase of fixed assets	(63,872,624)	(33,820,192)
Sale of fixed assets	145,889	2,029,540
Interest received	191,173	35,877
Net Cash (used in) / investing activities	(63,535,562)	(31,754,775)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	150,540,000	-
Rights issue expenses	(6,001,600)	-
Availment / (Repayment) of secured loans	35,341,892	-
Availment / (Repayment) of unsecured loans	(98,700,000)	32,169,162
Interest Paid	(4,829,655)	(11,407,535)
Interest waived	-	11,407,535
Net Cash (used in) / generating by financing activities	76,350,638	32,169,162
Net (Decrease)/Increase in Cash & Cash Equivalents	30,847,675	30,348
Cash and cash equivalents at the beginning of the year	890,841	860,493
Cash and cash equivalents at the end of the year	31,738,516	890,841

Significant accounting policies and notes to the financial statements

For Patel Mohan Ramesh & Co

FRN : 002597 S
Chartered Accountants
N.Ramesh
Partner
M. No: 019136
Place : Trichy
Date: 23-5-2011

For KMC Speciality Hospitals (India) Ltd

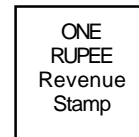
Dr. S.Chandrakumar CA. S.Chenthilkumar N.Jayanthi
Managing Director Director Company Secretary

KMC SPECIALITY HOSPITALS (INDIA) LIMITED
Regd Office : No. 6, Royal Road, Trichy – 620 001.

PROXY FORM

Folio No. _____
To be filled by the Shareholders

I/We _____
_____ in the district of _____ being a member/members of KMC
SPECIALITY HOSPITALS (INDIA) LIMITED, hereby appoint _____
of _____ in the _____ of _____ as my /our
proxy to vote for me/us on my/our behalf at the Twenty Eighth Annual General Meeting of the Company
to be held on Wednesday, 21st day of September 2011 at 3.30 pm at Hotel Sangam, Cantonment,
Trichy 620 001 and at any adjournment thereof.



Signature

Signed this _____ day of _____ 2011

Address _____

Note: The Proxy form duly signed across the revenue stamp of Re. 1 should reach the Company's
Registered Office at least 48 hours before the commencement of the meeting.

KMC SPECIALITY HOSPITALS (INDIA) LIMITED
Regd Office : No. 6, Royal Road, Trichy – 620 001.

Admission Slip

I/We hereby record my/our presence at the Twenty Eighth Annual General Meeting of the
Company at Hotel Sangam, Cantonment, Trichy – 620 001 at 03.30 pm on Wednesday the 21st
September 2011.

Full Name of the Shareholder (in block letters) _____ Signature _____

Folio Number _____

Full name of the Proxy (in block letters) _____ Signature _____

Note: Share holders attending the meeting in person or by proxy are requested to complete
admission slip and hand it over at the entrance of the Meeting Hall.

From :

Date

To:

M/s. Cameo Corporate Services Limited
Unit : KMC Speciality Hospitals India Ltd
'Subramanian Building ' , No.1 Club House Road
Chennai – 600002

Dear Sir (s),

Ref: PAYMENT OF DIVIDEND THROUGH NATIONAL ELECTRONIC CLEARING SERVICES (NECS)

Name of First Holder (In Block Letter)				
Folio no				
No of shares				
Bank A/c Type [Please tick (✓)]				
Core Banking Account Number				
Name of the Bank				
Branch Name				
IFSC Code *				
Full Address of the Bank	Savings A/c	Savings A/c	Cash Credit A/c	
9- Digit Code number of the Bank & Branch appearing on the MICR cheque issued by the Bank (Please attach Photocopy of a cheque or a blank cancelled cheque issued by your bank relating to your above account for verifying the accuracy of the code.				
Email id				
Phone no.				
PAN				
Latest Address for Communication				

I agree to avail of the Electronic Clearing Service, as and when implemented by KMC Speciality Hospitals (India) Ltd for payment of dividend to me.

I hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete or incorrect information, I would not hold KMC Speciality Hospitals India Ltd/ Registrar responsible .

(Signature of the First / Sole shareholder)

ACCEPTANCE FOR SENDING COMMUNICATION IN ELECTRONIC MODE

From :

Date

To:

M/s. Cameo Corporate Services Limited
Unit : KMC Speciality Hospitals India Ltd
'Subramanian Building ' , No.1 Club House Road
Chennai – 600002

Dear Sir (s),

Ref: COMMUNICATIONS IN ELECTRONIC FORM

Name of First Holder (In Block Letter)	
Folio no	
No of shares	
Email id	
Phone no.	
PAN	
Latest Address for Communication	

I agree / do not agree, to receive the Annual Report and other communications from KMC Speciality Hospitals (India) Limited in my above cited e-mail id.

I hereby declare that the particulars given above are correct and complete.

(Signature of the First / Sole shareholder)