

**ANNUAL REPORT 2013 - 2014**  
**KMC SPECIALITY HOSPITALS (INDIA) LIMITED**

**BANKS**

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

**AUDITORS**

M/s B S R & Co. LLP  
10, Mahatma Gandhi Road  
Chennai - 600034

**REGISTERED & CORPORATE HOSPITAL COMPLEX**

6, Royal Road, Cantonment  
Trichy - 620 001.

CIN : L85110TN1982PLC009781

E-mail : cs.kmcshil@kauveryhospital.com

**BOARD OF DIRECTORS**

Dr S Chandrakumar	Chairman Managing Director & CEO
Dr D Senguttuvan	Executive Director
Dr S Manivannan	Director
Mr A Krishnamoorthy	Director
CA S Chenthilkumar	Director
Mr B Pattabhiraman	Director
Mr S Krishnamurthy	Nominee Director
Dr S Vijayabaskaran	Director
Mr Pradipta K Mohapatra	Director
Mr N Balabaskar	Director
Smt N Jayanthi	Company Secretary & Compliance Officer

# KMC SPECIALITY HOSPITALS (INDIA) LIMITED

REGISTERED OFFICE: NO 6 ROYAL ROAD, TRICHY 620 001.

## NOTICE TO SHAREHOLDERS

Notice is hereby given that the Thirty First Annual General Meeting of the members of the Company will be held on Saturday, the 27th September, 2014 at 3 pm at Hotel Royal Southern-SRM, Kajamalai, Trichy to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Thirty First Annual Report of the Directors, the Audited Balance Sheet as at 31st March 2014, the Statement of Profit and Loss for the year ended 31st March 2014 and the Auditors' Report thereon.

2. To consider and if thought fit to pass with or without modifications the following resolution as ordinary resolution:

"Resolved Unanimously that Dr S Vijayabaskaran, the retiring Director of the Company, be and is hereby re-appointed as the Director of the Company."

3. To consider and if thought fit to pass with or without modifications the following resolution as an ordinary resolution:

"RESOLVED that pursuant to the provisions of section 139 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed there under, as amended from time to time, M/s B S R & Co. LLP, Chartered Accountants, (ICAI Firm Registration No. – 101248W/W-100022), No 10 Mahatma Gandhi Road, Nungambakkam, Chennai 600 034, be and is hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting ("AGM") for five years till the conclusion of the thirty sixth AGM of the Company ("Subject to ratification of their appointment at every AGM"), at remuneration and reimbursement of out of pocket expenses to be decided by the Board of Directors."

### Special Business

4. To consider and if thought fit to pass with or without modifications the following resolution as an ordinary resolution:

4a. "Resolved Unanimously That Mr A Krishnamoorthy, be and is hereby appointed as Independent Director of the Company for a term upto 31.03.2019."

4b. "Resolved Unanimously That CAS Chenthilkumar, be and is hereby appointed as Independent Director of the Company for a term upto 31.03.2019."

4c. "Resolved Unanimously That Mr B Pattabhiraman, be and is hereby appointed as Independent Director of the Company for a term upto 31.03.2019."

4d. "Resolved Unanimously That Mr Pradipta K Mohapatra, be and is hereby appointed as Independent Director of the Company for a term upto 31.03.2019."

4e. "Resolved Unanimously That Mr N Balabaskar, be and is hereby appointed as Independent Director of the Company for a term upto 31.03.2019."

### NOTES

i. The members are hereby informed that the pursuant to the provisions of the Companies Act, 2013, company has availed e-voting facilities from CDSL. The procedure to exercise the e-voting is annexed herewith the Notice.

ii. **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.**

iii. The Register of members of the Company will be closed from 16<sup>th</sup> September, 2014 to 27<sup>th</sup> September, 2014. (both days inclusive).

iv. Members desiring any information as regards the agenda items 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.

v. The members who holds shares in dematerialized form are requested to bring their Client Id and DP ID. Numbers for easier identification of attendance at the meeting.

vi. Corporate members are requested to send a duly certified copy of the Board Resolution / Power of Attorney authorizing their representative to attend and vote at the Annual General Meeting.

vii. As a measure of economy, copies of annual reports will not be distributed at the AGM. Members are therefore requested to bring their copies of Annual Report to the meeting.

Registered Office: (By Order of the Board)  
No.6 Royal Road, **N Jayanthe**  
TRICHY - 620 001. Company Secretary  
Date: 14, August, 2014

#### **Annexure to Notice**

Explanatory Statement annexed to the Notice convening the Thirty First Annual General Meeting of the Company as required under Section 173 (2) of the Companies Act, 1956 and Section 102 of the Companies Act, 2013 in respect of the Special Business.

#### **ITEM 4**

Pursuant to Section 149 of the Companies Act, 2013, Mr A Krishnamoorthy, CA S Chenthilkumar, Mr B Pattabhiraman, Mr Pradipta K Mohabatra and Mr N Balabaskar, the Independent Directors of the Company are to be appointed as Independent Directors of the Company for a term not exceeding five years. Hence the above cited resolutions from 4a to 4e are placed before the shareholders for their consideration and approval.

In the opinion of the Board the cited Directors are fulfilling the conditions specified in the Companies Act, 2013 for such an appointment.

## PROFILE OF THE DIRECTORS

### 1. Mr A Krishnamoorthy - MAMBA CAIIB - Director

He is Ex-Chairman and CEO of Lakshmi Vilas Bank. He is with 40 years of experience in Banking Industries rising to the position of General Manager in the banks where he was associated. He was the concurrent Chairman for the BSRB of Andhra Pradesh. He holds the membership of the Boards of many companies.

### 2. CAS Chenthilkumar – Director

Is a Fellow Member of the Institute of Chartered Accountants of India and is a renowned practitioner in Trichy. He is also qualified in Information Systems Audit. (ISA). He is also a Honorary Fellow Member of the Institute of Financial Accountants UK. He was invited as an international guest by the French Accounting Institute in 2007. He was the member of the International Affairs Committee of the ICAI(2003). He was invited by the US Government for the International Visitor Leadership Program. He is the National Vice-President Jesuit Alumni Association of India(JAAI).

### 3. Mr B Pattabhiraman – Director

Is the Managing Director of M/s G B Engineering Enterprises Private Limited an ISO 9001 and ASME Code authorized company. He is the past chairman of Confederation of Indian Industry. National President of Indian Welding Society. President of Thuvakudi Industrial Estate Manufacturers' Association. President of Tamilnadu Boilers and Components Manufacturers' and Users' Association. He holds Chairmanship and Directorship in various companies.

### 4. Mr Pradipta K Mohapatra – Director

Mr Pradipta K Mohapatra is a graduate of Behavioral Coaching Institute, U.K. and is a fellow of Chartered Management Institute, U.K. He is an Engineer from NIT, Rourkela and studied Management at Jamnalal Bajaj and Harvard Business School. He has been in the Board of companies across various sectors like IT&BPO, textiles, Hotels, Pharma and Bio-tech, cables, energy, retailing etc.

He has co-founded Executive and Business Coaching Foundation India Ltd and Chennai Business School Ltd promoting Executive Coaching as a new profession in India. He is the Executive Council Member of the All India Management Association and was the President of Madras Management Association.

Mr Mohapatra is a doyen of supervising the management of companies by holding first level positions in them. His guidance and advice to the companies are experimentally validated besides being supported by his academic accolades. During his career he has significant experience incubation of new businesses as well as nursing sick businesses back to health.

### 5. Mr N Balabaskar-Director

Mr N Balabaskar has more than three decades of rich experience in Public Finance, Planning and Financial Management, Project Management and Programme Implementation.

He is a retired IAS officer from the Government of India and superannuated from the post of Principal Adviser (Finance), Ministry of External Affairs, Government of India. Held positions at levels of Principal Secretary, Joint Secretary and General Manager in various Government Departments of India and Government Departments of Haryana.

Participated in many training programmes in the areas of organizational structures and organizational behavior conducted by the Indian Institutes of Management at Ahmedabad, Bangalore, Calcutta and Lucknow; Administrative Staff College of India, Hyderabad; LBS National Academy of Administration, Mussoorie; and the Tata Management Training Centre, Pune. Has undergone a course in Macroeconomic Management at International Monetary Fund – ITP Centre;

Underwent a training in National Security Issues in the Joint Civil and Defence Services Programme organized by the National Security Council and the Lal Bahadur Shastri National Academy of Administration.

None of the Directors are interested in any of the above cited resolutions except the Directors whose appointment / re-appointment are considered, are interested in the respective resolutions.

Registered Office:  
No.6 Royal Road,  
TRICHY - 620 001.  
Date: 14, August, 2014

(By Order of the Board)  
**N Jayanthe**  
Company Secretary

## E-VOTING PROCEDURE

### SHAREHOLDERS INSTRUCTIONS FOR E-VOTING

The instructions for shareholders voting electronically are as under:

- (i) The voting period begins on 21st September 2014 at 10.00 a.m. and ends on 23rd September 2014 at 5.00 p.m. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 22nd August 2014, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) The shareholders should log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com).
- (iii) Click on Shareholders.
- (iv) Now Enter your User ID
  - a. For CDSL: 16 digits beneficiary ID,
  - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
  - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

<b>For Members holding shares in Demat Form and Physical Form</b>	
PAN	<p>Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"><li>● Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field. (Sequence number has been provided as Serial Number (SL NO.) in the Address Label)</li><li>● In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.</li></ul>
DOB	<p>Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.</p>

## SHAREHOLDERS INSTRUCTIONS FOR E-VOTING

Dividend Bank Details	<p>Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.</p> <ul style="list-style-type: none"><li>● Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (v).</li></ul>
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- (VIII) After entering these details appropriately, click on “SUBMIT” tab.
- (IX) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (X) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (XI) Click on the EVSN for the relevant <Company Name> on which you choose to vote.
- (XII) On the voting page, you will see “RESOLUTION DESCRIPTION” and against the same the option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (XIII) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- (XIV) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- (XV) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (XVI) You can also take out print of the voting done by you by clicking on “Click here to print” option on the Voting page.
- (XVII) If Demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password& enter the details as prompted by the system.

## **SHAREHOLDERS INSTRUCTIONS FOR E-VOTING**

### **(XVIII) Note for Non – Individual Shareholders and Custodians**

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to [www.evotingindia.com](http://www.evotingindia.com) and register themselves as Corporates.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
- After receiving the login details they have to create a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
- The list of accounts should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

(XIX) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com), under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).

# **EVSN 140826072**

## DIRECTORS' REPORT

The Board of Directors of your company have pleasure in presenting the Thirty First Annual Report of the company together with the audited statements of accounts for the year ended 31<sup>st</sup> March, 2014.

### The financial results are as follows:

Particulars	As on 31.03.2014	As on 31.03.2013
Operating Income	3190.92	2884.77
Other Income	318.46	41.26
<b>Total Income</b>	<b>3509.38</b>	<b>2926.03</b>
Financial Expenses	215.85	369.78
Depreciation	421.93	109.88
<b>Profit/(Loss) before Tax</b>	<b>(154.80)</b>	<b>136.39</b>
Current Tax	.....	4.27
Provision for Deferred Tax	(125.21)	38.55
<b>Profit/(Loss) after Tax</b>	<b>(29.59)</b>	<b>93.57</b>

During the year under review your company's Operating revenue increased by 11%.

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

## 2. Highlights

### During the year under review :

Advanced Gastroenterology Procedures,

Bariatric Surgery for Obesity and Joint Replacement and Arthroscopy Surgical Procedures which were launched in the previous year performed satisfactorily.

### Departments launched during the year:

Inauguration of 24 hours treatment of Hand injury and micro surgery unit and

Inauguration of Geriatrics Department

## 3. DIRECTORS

NAME OF THE DIRECTORS	STATUS OF THE DIRECTOR
Dr S Chandrakumar (From 30th May, 2013)	Chairman Managing Director & CEO (Earlier Managing Director & CEO)
Dr D Senguttuvan (From 20th July, 2013)	Executive Director (Earlier Non Executive Director)
Dr S Manivannan	Non Executive Director
Mr A Krishnamoorthy	Independent Director
CA S Chenthilkumar	Independent Director
Mr B Pattabhiraman	Independent Director
Mr S Krishnamurthy	Nominee Director of the Holding Company's Investors
Dr S Vijayabaskaran	Non Executive Director
Mr Pardipta K Mohapatra (From 28th May, 2013)	Independent Director
Mr N Balabaskar (From 14th August, 2013)	Independent Director
Mr R Mohan (Upto 28th May, 2013)	Non Executive Independent Chairman
Mr D Selvaraj (Upto 20th July, 2013)	Non Executive Director

The details of re-constitution of the Board are narrated in the Notice of AGM, 2014.

## 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

Though 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 operations, the company takes all efforts to conserve energy and carries out periodical energy audits.

### ii. Technology Absorption

Inspite 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	2013-14	2012-13
a. Export and Foreign Exchanges Earned	NIL	NIL
b. Import of Equipments and Foreign Exchange (EURO) Outflow	NIL	16435
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 2013-2014, 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 the Companies Act, 1956 and the Companies Act, 2013.

Your Directors report as follows -

i. that in the preparation of the annual accounts relating to the financial year ending on 31st March, 2014, 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, 2014 and Profit of the company for the financial year ending 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) the directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

(vi) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

vii. 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.

Upon resignation of Mr R Mohan and Mr D Selvaraj, the Audit Committee has been re-constituted as follows –

### 7. Audit Committee

CA S Chentilkumar	Chairman
Mr A Krishnamoorthy	Member
Mr B Pattabhiraman	Member
Dr S Manivannan	Member

The Audit Committee met 4 times during the year.

### 8. Nomination and Remuneration Committee

The Remuneration committee consisted of the following members –

Mr A Krishnamoorthy
CA S Chentilkumar
Mr N Balabaskar

The Remuneration Committee with the then Members Mr A Krishnamoorthy, Mr R Mohan, Mr D Selvaraj and CA S Chentilkumar, met on 28th May, 2013 to consider and recommend the extension of term of office of Dr S Chandrakumar from 30th May, 2013 to the date of AGM of 2015 and elevate him from Managing Director to Chairman Managing Director which items were suitably included in the Notice of the AGM, 2013.

Pursuant to the provisions of Section 178 (1) of the Companies Act, 2013, on 6th June, 2014 the above cited Remuneration Committee was re-named as Nomination and Remuneration Committee with the same constitution.

### 9. Stake Holders Grievance Committee

Pursuant to the provisions of the Companies Act, 2013 the Stake Holders Grievance Committee was constituted with the following members –

Dr S Vijyabaskaran	Chairman
Dr S Chandrakumar	Member
Dr D Senguttuvan	Member

The Committee oversees the compliance of share transfer requirements and redressal of shareholders grievances, if any.

### 10. Deposits

As per Section 58A of the Companies Act, 1956 the company has not accepted any deposit from the public.

### 11. Personnel

Employer-employee relationship in your company continues to be cordial. Your directors look forward to the same in future. Recruitment of experienced corporate professionals to Head all major corporate functions at a group level is adopted.

### 12. Auditors and their Report

M/s B S R & Co. LLP, Chartered Accountants (FRN 101248W), Chennai, retire as Auditors of the company at the ensuing Annual General Meeting and are eligible for re-appointment. The company has received a letter from them stating that their re-appointment, if made, would be in conformity with the prescribed limits under Section 141 of the Companies Act, 2013.

The detailed Audit Report for the FY 2013-2014 is annexed with the Financials for the year ended 31<sup>st</sup> March, 2014.

### 13. Corporate Governance

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

### 14. Vigil Mechanism / Whistle Blower Policy

Your Company has adopted a Vigil Mechanism / Whistle Blower Policy as per Section 177(9) of the Companies Act, 2013 and Clause 49(IV) of the Listing Agreement and has established the necessary mechanism for employees to express to the management, their concerns and suggestions about the deficiencies in the systems and procedures or violation of any code of conduct or general ethics. No employee is denied access to the Audit Committee.

### 15. Acknowledgement

Your Directors wish to thank various Government Agencies, State Bank of India, Axis Bank, Indian Overseas Bank, Punjab National Bank and City Union 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.

For and on behalf of the Board

Place: Trichy

Date : 14th August, 2014

**Dr S Chandrakumar**

Chairman Managing Director & CEO

## **CORPORATE GOVERNANCE REPORT - 2014**

### **COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

Our corporate governance philosophy is built on the sound disciplinary mechanism driven by conscience, openness, transparency, fairness, professionalism and accountability leading to confident long term success. As a measure of going beyond the adherence to regulatory framework, highest priority is accorded in establishing performance oriented systems and system driven performances which are subject to constant review for continuous development. Our company's structure has been made positive and vibrant because of our systems blended with growth, efficiency, governance and ethics.

Sustained corporate growth and stake holders value maximization are ensured by our Mission statement formulated by our Board of Directors with an optimum combination of eminent individuals with diversified experience and efficiency aligned to the uncompromising business excellence.

### **MANAGEMENT DISCUSSION & ANALYSIS REPORT**

This Management Discussion and Analysis Report is a "forward looking statement" and forms part of the Annual Report of the Company. It Indicates the Company's movement in the external environment Vis-à-vis its own strengths and resources detailing the Company's objectives and expectations.

### **INDUSTRY STRUCTURE AND DEVELOPMENT**

Being one of the largest and fastest growing industries consuming considerable part of the GDP, the health care industry plays an important role in the socio-economic development of India. The health industry in India is instrumental in providing quality and affordable medical facilities to the vast population of India, generates huge employment opportunities for people of all caliber and provides great potential opportunities to domestic as well as foreign investors assuring high returns on the same.

There are different sectors such as the medical services, paramedical services, pharmacy, diagnostics and medical education, within the health industry that promise great business investment opportunities.

### **OPPORTUNITIES / STRENGTH**

Great potential for medical tourism.  
Encouraging avenues for attracting prospective investments.  
Established and expanding domestic markets.  
Increasing demand for health care services.  
Opportunity for horizontal and vertical growth.  
Huge Employment generation.  
The awareness for focusing on the health conditions  
Undivided commitment to society

### **THREATS / WEAKNESSES**

Competition.  
Increasing cost / scarcity -- of all kind of resources.  
Constant changes in technology requiring revamping of the existing systems.  
The challenging demands and high value expectations of the people using the services.  
Demanding safety / accountability factors against the risk in the services provided.  
The analysis also shows that the 'strengths' and 'opportunities' far outweigh 'weaknesses' and 'threats'. Strengths & opportunities are fundamental and weaknesses & threats are transitory.

### **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 up-gradation of a super structure depicts the standard positive transition in the financial and operational performance.

#### 4. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company has a proper and adequate system of internal controls to ensure that all the assets are safeguarded, protected from unauthorized use and the transactions are authorized, recorded and reported correctly. The company conducts audit of various departments with an annual audit plan through an independent Internal Auditor and report to an Independent professional Audit Committee on significant issues with Action Taken Report. Wherever necessary the inputs of the statutory auditors are also obtained to ensure efficiency of the operations and accounting.

#### 5. DEVELOPMENTS IN HUMAN RESOURCES

To cope up with growing needs of the Company, professionals and executives in various specialties are appointed to form tier-management in pyramid structure. Staff levels have been maintained as per requirements.

#### 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.

#### I. Board of Directors (FY 2013 – 2014)

Name of the Director	Executive / Non-Executive / Independent	No. of meetings attended	Attendance at last AGM held on 20.07.2013	No. of outside Directorship	No. of Chairmanship and Membership in other Committees of the Board	
					Chairman	Member
Dr S Chandrakumar (From 28th May, 2013)	Chairman Managing Director (Earlier Managing Director)	4	Present	6	Nil	1
Dr D Senguttuvan	Executive Director	3	Present	2	Nil	1
Dr S Manivannan	Non Executive Director	3	Present	6	Nil	2
Mr A Krishnamoorthy	Non Executive Director	4	Present	6	5	2
CA S Chenthilkumar	Independent	4	Present	Nil	1	1
Mr B Pattabhiraman	Independent	2	Present	12	Nil	1
Mr S Krishnamurthy	Nominee Director	3	Present	4	Nil	5
Dr S Vijayabaskaran	Non Executive Director	3	Present	Nil	Nil	1
Mr Pardipta K Mohapatra	Independent	0	LOA	12	1	6
Mr N Balabaskar	Additional Director	2	NA	3	Nil	Nil
Mr R Mohan (Upto 28th May, 2013)	Independent Chairman	1	NA	Nil	Nil	Nil
Mr D Selvaraj (Upto 20th July, 2013)	Non Executive Director	1	Present	2	Nil	3

The Total strength of the Board as on the date of the Report is 10. The details of re-constitution of the Board are included in the Notice of AGM 2014.

Board Meetings were held during the financial year 2013 – 2014 on the following dates : –

<b>Name / Date</b>	<b>28.05.2013</b>	<b>14.08.2013</b>	<b>13.11.2013</b>	<b>11.02.2014</b>
Dr S Chandrakumar	Present	Present	Present	Present
Dr D Senguttuvan	LOA	Present	Present	Present
Dr S Manivannan	NA	Present	Present	Present
Mr A Krishnamoorthy	Present	Present	Present	Present
CA S Chenthilkumar	Present	Present	Present	Present
Mr B Pattabhiraman	Present	LOA	Present	LOA
Mr S Krishnamurthy	LOA	Present	Present	Present
Dr S Vijayabaskaran	Present	Present	LOA	Present
Mr Pradipta K Mohapatra	NA	LOA	LOA	LOA
Mr N Bala Baskar	NA	NA	Present	Present
Mr R Mohan	Present	NA	NA	NA
Mr D Selvaraj	Present	NA	NA	NA

#### ii. AUDIT COMMITTEE

The Audit Committee consisted of the following Directors –

Dr S Chandrakumar	Chairman
Mr R Mohan	Member
Mr D Selvaraj	Member

Upon resignation of Mr R Mohan and Mr D Selvaraj, the Audit Committee has been re-constituted as follows –

CA S Chenthilkumar	Chairman
Mr A Krishnamoorthy	Member
Mr B Pattabhiraman	Member
Dr S Manivannan	Member

Yours being a Listed Company, the Audit Committee ensures proper compliance and implementation of the provisions of the Companies Act, 1956, the Companies Act 2013 as well as the stipulations provided by SEBI Regulations u/c 49 of the Listing Agreement.

During the financial year 2013 - 2014 the Audit Committee met as per the details given hereunder -

<b>Name of the Director</b>	<b>Audit Committee Meetings</b>			
	<b>28.05.2013</b>	<b>14.08.2013</b>	<b>13.11.2013</b>	<b>11.02.2014</b>
CA S Chenthilkumar	Present	Present	Present	Present
Mr R Mohan	Present	NA	NA	NA
Mr D Selvaraj	Present	NA	NA	NA
Mr A Krishnamoorthy	NA	Present	Present	Present
Mr B Pattabhiraman	NA	LOA	Present	LOA
Dr S Manivannan	NA	Present	Present	Present

### iii. STAKE HOLDERS RELATIONSHIP COMMITTEE

The Committee consisting of the following members, was acting as the Shareholders' Grievance Committee as well as Share Transfer Committee :-

Dr S Chandrakumar	Chairman
Dr D Senguttuvan	Member
Dr S Vijayabaskaran	Member

Pursuant to the provisions of Section 178 (5) of the Companies Act, 2013 the above cited Committee is re-named as Stakeholders Relationship Committee on 6th June, 2014 with the following re-constituted structure:-

Dr S Vijayabaskaran	Chairman
Dr S Chandrakumar	Member
Dr D Senguttuvan	Member

The Stakeholders Relationship Committee oversees redressal of Shareholders and investor complaints on matters such as transfer of shares, non-receipt of share certificates, and non-receipt of Annual Reports, ensures expeditious transfer of shares and issue of duplicate share certificates, and approves sub-division/consolidation/transmission of shares and other activities as stipulated in the Companies Act, 2013.

Company Secretary is the compliance officer of the Company.

The total number of complaints received and pending during the financial year 2013 - 2014 are categorized as under -

Nature of Complaints	Number of Complaints	Action Taken
Non-Receipt of Annual Report	—	—
Others	—	—

M/s Cameo Corporate Services Limited, Subramanian Building, 1, Club House Road, Chennai - 600002 are the Registrar and Share Transfer Agents of the Company since June, 2008.

The Share Transfer Committee met twenty six times during the financial year 2013-2014 and ensured that all valid transfer deeds and transmission applications were acted upon and share certificates sent to the transferees promptly within 30 days of receipt of the Documents as required under the provisions of the Stock Exchange Listing Agreements

### IV. NOMINATION AND REMUNERATION COMMITTEE

Upon resignation of Mr D Selvaraj and Mr R Mohan, the Remuneration committee was re-constituted with the following members -

Mr A Krishnamoorthy
CA S Chenthilkumar
Mr N Balabaskar

The Remuneration Committee with the Members Mr A Krishnamoorthy, Mr R Mohan, Mr D Selvaraj and CA S Chenthilkumar, met on 28th May, 2013 to consider and recommend the extension of term of office of Dr S Chandrakumar from 30th May, 2013 to the date of AGM of 2015 and elevate him from Managing Director to Chairman Managing Director which items were suitably included in the Notice of the AGM, 2013.

Pursuant to the provisions of Section 178 (1) of the Companies Act, 2013, on 6th June, 2014 the above cited Remuneration Committee was re-named as Nomination and Remuneration Committee with the same constitution.

## 7. ANNUAL GENERAL MEETINGS

i. Location and time for the last three AGMs

YEAR	DATE	VENUE	TIME
2010-2011	21.09.2011	Hotel Sangam, Cantonment, Trichy-620 001.	3.30 PM
2011-2012	27.09.2012	Hotel Sangam, Cantonment, Trichy-620 001.	3.30 PM
2012-2013	20.07.2013	Hotel Sangam, Cantonment, Trichy-620 001.	10.30 AM

- ii. Special Resolutions passed in the previous AGM (2013) 2
- iii. Whether any special resolution passed during 2013-2014  
through postal ballot Nil
- iv. Whether any special resolution u/s 192A proposed to be conducted  
Through Postal ballot Nil

### DISCLOSURES

A. Necessary disclosures on Substantial Acquisition of Shares and Takeovers Regulations 1997 by the Promoters / Directors as required by SEBI Regulations have been made up to date and filed with Stock Exchange at (BSE) Mumbai.

### B. Related-Party Transactions

There have been no materially significant related-party transactions, pecuniary transactions or relationships between your Company and the Directors, the Management, subsidiary companies or related parties except for those disclosed in the financial statements for the year ended March 31, 2014.

### C. Details of Non-Compliance

There has been no instance of non-compliance of any legal requirements. Further, no conditions have been imposed by any Stock Exchange or Securities and Exchange Board of India (SEBI) or any statutory authority on any matter related to the capital markets during the last three years.

### D. Vigil Mechanism / Whistle Blower Policy

Your Company has adopted a Vigil Mechanism / Whistle Blower Policy as per Section 177(9) of the Companies Act, 2013 and Clause 49(IV) of the Listing Agreement and has established the necessary mechanism for employees to express to the management, their concerns and suggestions about the deficiencies in the systems and procedures or violation of any code of conduct or general ethics. No employee is denied access to the Audit Committee.

### E. Adoption of Mandatory

Your Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement and the Companies Act, 2013.

### F. Management Discussion and Analysis Report

The Management Discussion and Analysis Report is annexed and forms a part of the Corporate Governance Report.

### G. Auditors. Certificate on Corporate Governance

The certificate from the Practising Company Secretary with respect to compliance with Clause 49 of the Listing Agreement relating to Corporate Governance has been annexed to the Annual Report and will be sent to the Stock Exchange at the time of filing of the Annual Report.

### H. CEO/CFO Certification

As required under Clause 49 of the Listing Agreement, the CEO/CFO certificate has been provided to the Board members at every Board meeting.

#### I. Reconciliation of Share Capital Audit

As stipulated by SEBI, a Reconciliation of Share Capital Audit is carried out by an independent practising Company Secretary on a quarterly basis to confirm reconciliation of the issued and listed capital, shares held in dematerialized and physical mode, and the status of the Register of Members.

#### J. Means of Communications

The company is publishing Unaudited quarterly / Audited annual results in English and Tamil Newspapers promptly besides mailing the same to the Stock Exchange (BSE) 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.

In the following website of the company the Annual Report, shareholding pattern and other corporate information are published for the benefit of the shareholders -

[www.kauveryhospital.com](http://www.kauveryhospital.com)

#### K. The Distribution pattern of the shareholdings as on 31.03.2014 is as follows -

Pattern of Holding No. of Shares	No. of Share Holders	No. of Shares	% of Holding to Total No. of Shares
1 - 5000	50289	8464758	5.19
5001 - 10000	119	831135	0.51
10001 - 20000	70	993159	0.61
20001 - 30000	24	584086	0.36
30001 - 40000	4	141387	0.08
40001 - 50000	4	195227	0.12
50001 - 100000	19	1269469	0.78
Above 100001	51	150605779	92.35
<b>TOTAL</b>	<b>50580</b>	<b>163085000</b>	<b>100.00</b>

#### M. GENERAL SHAREHOLDER INFORMATION IN 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. Approximately 85% of the total number of shares are in dematerialized form. The Equity shares of the Company are presently listed in The Bombay Stock Exchange Limited. 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).

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 Thirty First Annual General Meeting is scheduled to be held on Saturday, the 27th September 2014 at 3 pm at Hotel Royal Southern-SRM, Kajamalai, Trichy - 620 020 as per the notice enclosed. The shares of the company are listed with Bombay Stock Exchange Limited and the listing fees is being paid to them duly. The share trades of the company in the stock exchange are not worth monitoring. The total number of physical shares transferred during the financial year 2013-2014 was 0.45% 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 requested to communicate in writing their complete address with pincode number and 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 [cs.kmcshil@kauveryhospital.com](mailto:cs.kmcshil@kauveryhospital.com) 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.

#### **N. CORPORATE SOCIAL RESPONSIBILITY: (CSR)**

Our Hospital is committed to maintaining the highest standards of corporate social responsibility in all the business activities. To meet this commitment we respect the rule of law and other relevant policies, adopt appropriate best practice standards, implement management systems and strive to:

- Deliver patient centered care to the highest standards in comfortable surroundings.
- Respect personal independence, patient's rights to make personal choices, decisions, and their right to privacy and to enjoy life in comfort and with dignity.
- Develop our workforce by appropriate recruitment and training.
- Respect the rights and dignity of every employee and treat them fairly and without discrimination.
- Encourage team building and the sharing of knowledge throughout the organization.
- Recognize employees individual and team contributions and reward them appropriately.
- Respect the rights of people in all communities in which we operate.
- Behave with honesty and integrity in all our dealings and relationship with others.
- Maintain internal controls and management systems adequate to ensure standards are met.

- Seek to be honest and fair in our relationship with suppliers and contractors.
- Encourage suppliers and contractors to abide by our standards.
- Reduce energy, waste, water and paper consumptions where possible.
- Use recycled products or products with a high recycled or reconditioned content where appropriate.
- Respecting the environmental sustainability by keeping up the pollution control protocols.
- Consciously undertaking programmes and activities towards public good and societal benefits.

#### **O. CODE OF CONDUCT**

The Code of Conduct for the Management/Directors of the company has been framed with ethical professionalism and is published in the website of the company to which prescriptions our Board of Directors strictly adhere.

#### **P. ADDRESS FOR CORRESPONDENCE**

<b>Registered Office</b>	6, Royal Road, Cantonment, Trichy – 620001 Ph: 0431 4077777   Fax : 0431 2415402
<b>Website address</b>	www.kauveryhospital.com
<b>E-mail</b>	cs.kmcshil@kauveryhospital.com

Place: Trichy  
Date :14<sup>th</sup> August, 2014

For and on behalf of the Board

**(Dr S Chandrakumar)**  
CHAIRMAN MANAGING DIRECTOR & CEO

**R. DEENADAYALU**, B.Com., BL., FCS,  
Company Secretary in Practice.

Flat No.'N', II Floor, "Mansi Residency",  
457/152, Velacheri Main Road,  
East Tambaram, Chennai-600059.

Mobile No.9283112100  
E-Mail: [deenu1949@yahoo.co.in](mailto:deenu1949@yahoo.co.in)

Compliance Certificate under Clause 49 of the Listing Agreement.

To

**The Members,**

M/S. KMC Speciality Hospitals (India) Limited,  
CIN: L85110TN1982PLC009781  
6, Royal Road, Cantonment, Trichy – 620001.

I have examined the compliance of conditions of Corporate Governance by M/s. KMC Speciality Hospitals (India) Limited, for the year ended 31<sup>st</sup> March, 2014 as stipulated in clause 49 of the Listing Agreement.

The compliance of conditions of Corporate Governance is the responsibility of the management. My examination was carried out in accordance with the Guidance Note on Certificate of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement) of the said company with Stock Exchanges in India and was limited to procedures and implementation thereof, adopted by the Company of 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 my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

**(R. DEENADAYALU)**  
C.P.NO. 7697 FCS 3850

Place: Chennai  
Date: 14<sup>th</sup> August, 2014

**INDEPENDENT AUDITORS' REPORT**

To  
The Members,  
KMC Speciality Hospitals (India) Limited.,

**Report on the financial statements**

We have audited the accompanying financial statements of KMC Speciality Hospitals (India) Limited (the "Company"), which comprise the balance sheet as at March 31, 2014, the statement of profit and loss and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the financial statements**

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance of the Company and the cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ('the Act'). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement are free from material misstatement.

An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in case of the balance sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in case of the statement of profit and loss, of the loss for the year ended on that date; and
- (c) in case of the cash flow statement, of the cash flows for the year ended on that date.

**INDEPENDENT AUDITORS' REPORT**

To  
The Members,  
KMC Speciality Hospitals (India) Limited.,

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

2. Further to our comments in the Annexure referred to above, we report that:

(a) we have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;

(b) 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 the books of account;

(c) the balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;

(d) in our opinion, the balance sheet, statement of profit and loss and cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act; and

(e) on the basis of written representations received from the directors as at March 31, 2014, and taken on record by the board of directors, we report that none of the directors is disqualified as at March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

for **BSR & Co. LLP**  
*Chartered Accountants*  
Firm registration No. 101248W

**Chinnsamy Ganesan**  
*Partner*  
Membership No: 27501

Place: Chennai  
Date : June 6, 2014

**Annexure to the Independent Auditors' report to the Members of KMC Speciality Hospitals (India) Limited  
(referred to our report of even date)**

- I) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets, by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the aforesaid program, a portion of fixed asset has been physically verified by the management during the year and no material discrepancies have been noticed on such verification.
- (c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- (ii) (a) The inventory 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 verification between the physical stocks and the book records were not material.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraph 4 (iii) of the Order is not applicable.
- (iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of inventories and fixed assets are for the Company's specialised requirements and similarly certain goods sold and services rendered are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets, and with regard to sale of goods and services. We have not observed any major weakness in the internal control system during the course of audit.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in 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 according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs 5 lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

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**Chartered Accountants**

- (vi) The Company has not accepted any deposits from the public during the year.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) 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 services rendered by the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, customs duty, and other material statutory dues have generally regularly been deposited on a regular basis during the year by the Company with the appropriate authorities. As explained to us, Company did not have any dues on account of excise duty, wealth tax and investor education and protection fund.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, sales tax, service tax, customs duty and other material statutory dues were in arrears as at March 31, 2014 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, the following are the dues which have not been deposited by the Company on account of disputes:

<b>Nature of the Statute</b>	<b>Nature of the Dues</b>	<b>Amount Rs.</b>	<b>Period to which the amount relates</b>	<b>Forum where the dispute is pending</b>
Customs Act 1962	Customs Duty	8,524,905 *	1989 to 1993	Director General of Health Services

\* Includes amount paid under dispute amounting to Rs. 913,510

- (x) The accumulated losses are not more than 50% of the Company's net worth as at the end of the financial year. The Company has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers. The Company did not have any outstanding debentures and dues to any financial institutions during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

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**Chartered Accountants**

- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks are not prejudicial to the interest of the Company. The Company has not given any guarantee for loans taken by others from financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, *we are of the opinion that short-term funds estimated at Rs.33,682,844/- have been used for long-term purposes.*
- (xviii) The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under Section 301 of the Act.
- (xvix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

for **B S R & Co. LLP**  
Chartered Accountants  
Firm Registration No. 101248W

**Chinnsamy Ganesan**  
Partner  
Membership No: 27501

Place: Chennai  
Date : June 6, 2014

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No.10,Mahatma Gandhi Road, Nungambakkam, Chennai-600 034.  
Telephone No. : +91 44391450003 Fax : +91 4439145999



**KMC SPECIALITY HOSPITALS (INDIA) LIMITED**  
**Balance Sheet as at March 31, 2014**

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

Particulars	Note	As at March 31, 2014	As at March 31, 2013
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share capital	3	163,085,000	163,085,000
Reserves and surplus	4	(62,401,186)	(29,259,392)
		<b>100,683,814</b>	<b>133,825,608</b>
<b>Non-current liabilities</b>			
Long-term borrowings	5	122,617,208	131,774,851
Deferred tax liabilities (net)	6	-	12,520,607
Other long-term liabilities	7	1,240,810	1,187,463
Long-term provisions	8	15,654,559	6,344,257
		<b>139,512,577</b>	<b>151,827,178</b>
<b>Current liabilities</b>			
Short-term borrowings	9	8,849,572	9,935,973
Trade payables	10	29,181,316	16,103,320
Other current liabilities	11	55,211,188	30,136,306
Short-term provisions	8	229,071	25,030
		<b>93,471,147</b>	<b>56,200,629</b>
<b>TOTAL</b>		<b>333,667,538</b>	<b>341,853,415</b>
<b>ASSETS</b>			
<b>Non current assets</b>			
Fixed assets			
Tangible assets	12	282,189,652	287,979,621
Intangible assets	13	45,864	1
Capital work-in-progress		4,358,065	12,488,145
Long-term loans and advances	14	18,868,370	13,902,789
Other non-current assets	15	400,000	1,400,000
		<b>305,861,951</b>	<b>315,770,556</b>
<b>Current assets</b>			
Inventories	16	7,377,461	7,313,403
Trade receivables	17	9,591,685	13,727,690
Cash and bank balances	18	4,231,822	1,217,270
Short-term loans and advances	19	1,830,167	952,940
Other current assets	20	4,774,452	2,871,556
		<b>27,805,587</b>	<b>26,082,859</b>
<b>TOTAL</b>		<b>333,667,538</b>	<b>341,853,415</b>

Significant accounting policies 2

The notes referred to above form an integral part of the financial statements

As per our report of even date attached

for **B S R & Co. LLP**

Chartered Accountants

Firm registration No. 101248W

for and on behalf of the board of directors of

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED**

**Chinnsamy Ganesan**

Partner

Membership No: 27501

Place: Trichy

Date : June 6, 2014

**Dr. S Chandrakumar**

Managing Director

**CA. S Chenthil Kumar**

Director

**N Jayanthe**

Company Secretary

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED****Statement of profit and loss for the year ended March 31, 2014**

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

Particulars	Note	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>Income</b>			
Revenue from operations	21	319,091,734	288,477,407
Other income	22	31,845,735	4,126,031
		<b>350,937,469</b>	<b>292,603,438</b>
<b>Expenses</b>			
Cost of materials consumed	23	9,693,499	6,672,524
Purchases of stock-in-trade		46,981,911	38,428,993
Changes in inventory	24	35,204	511,026
Hospital operating expenses	25	118,968,948	99,684,029
Employee benefit expenses	26	84,677,876	65,012,849
Finance costs	27	21,584,671	36,977,609
Depreciation and amortisation	28	42,192,889	10,988,251
Other expenses	29	42,282,537	20,689,119
		<b>366,417,535</b>	<b>278,964,400</b>
<b>(Loss)/ profit before tax</b>		<b>(15,480,066)</b>	<b>13,639,038</b>
<b>Tax expense</b>			
Current tax		-	427,499
Deferred tax charge/(benefit)	31	(12,520,606)	3,854,901
<b>Total tax expense</b>		<b>(12,520,606)</b>	<b>4,282,400</b>
<b>(Loss)/ profit after tax</b>		<b>(2,959,460)</b>	<b>9,356,638</b>

<b>Earnings per share:</b>	38		
Basic and Diluted		(0.02)	0.06

**Significant accounting policies** 2

The notes referred to above form an integral part of the financial statements

As per our report of even date attached

for **B S R & Co. LLP**

Chartered Accountants

Firm registration No. 101248W

for and on behalf of the board of directors of  
**KMC SPECIALITY HOSPITALS (INDIA) LIMITED****Chinnsamy Ganesan**

Partner

Membership No: 27501

**Dr. S Chandrakumar**

Managing Director

**CA. S Chenthil Kumar**

Director

**N Jayanthe**

Company Secretary

Place: Trichy

Date : June 6, 2014

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED****Cash flow statement for the year ended March 31, 2014**

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

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>A Cash flows from operating activities</b>		
(Loss)/ profit before tax	(15,480,066)	13,639,038
<b>Adjustments:</b>		
Depreciation and amortisation	42,192,889	10,988,251
Subsidy on account of loan waiver	(30,182,334)	-
Bad debts written off	3,661,698	-
Provision for doubtful debts	1,638,192	-
Finance costs	21,584,671	21,353,349
Interest income	(339,441)	(1,614,095)
Assets written off	-	3,334,449
Profit on disposal of fixed assets, net	(898,400)	-
<b>Operating cash flow before working capital changes</b>	<b>22,177,209</b>	<b>47,700,992</b>
(Increase)/decrease in inventories	(64,058)	(1,518,011)
(Increase)/decrease in trade receivables	(1,163,885)	(3,665,011)
(Increase)/decrease in loans and advances and other current assets	(1,623,606)	(448,228)
Increase/(decrease) in current liabilities and provisions	29,934,483	28,203,746
<b>Cash generated from operating activities</b>	<b>49,260,143</b>	<b>70,273,488</b>
Taxes paid	(9,935,510)	(4,613,857)
<b>Net cash generated from operating activities</b>	<b>39,324,633</b>	<b>65,659,631</b>
<b>B Cash flow from investing activities</b>		
Purchase of fixed assets	(26,588,333)	(70,997,008)
Sale of fixed assets	3,158,247	3,698,561
Bank deposits (having original maturity of more than three months)	-	(1,000,000)
Interest received	215,982	1,614,095
<b>Net cash from/ (used in) investing activities</b>	<b>(23,214,104)</b>	<b>(66,684,352)</b>

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED****Cash flow statement for the year ended March 31, 2014**

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

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>C Cash flow from financing activities</b>		
Proceeds of loans and borrowings	23,200,306	67,274,339
Repayment of loans and borrowings	(15,790,129)	(73,586,390)
Interest paid	(21,506,154)	(21,353,349)
<b>Net cash from/ (used in) financing activities</b>	<b>(14,095,977)</b>	<b>(27,665,400)</b>
<b>Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>	<b>2,014,552</b>	<b>(28,690,121)</b>
Cash and cash equivalents at the beginning of the year	1,217,270	29,907,391
<b>Cash and cash equivalents at the end of the year (refer note below) 18</b>	<b>3,231,822</b>	<b>1,217,270</b>
<b>Note to cash flow statement :</b>		
<b>Components of Cash and cash equivalents</b>		
Cash on hand	2,422,931	974,584
Balances with banks		
- on current account	808,891	242,686
- on deposit account (with original maturity of 3 months or less)	-	-
	<b>3,231,822</b>	<b>1,217,270</b>

The notes referred to above form an integral part of the financial statements

As per our report of even date attached

for **B S R & Co. LLP**

Chartered Accountants

Firm registration No. 101248W

for and on behalf of the board of directors of

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED****Chinnsamy Ganesan**

Partner

Membership No: 27501

**Dr. S Chandrakumar**

Managing Director

**CA. S Chenthil Kumar**

Director

**N Jayanthe**

Company Secretary

Place: Trichy

Date : June 6, 2014

## **KMC SPECIALITY HOSPITALS (INDIA) LIMITED**

### **Notes to the financial statements for the year ended March 31, 2014**

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

#### **1 Company overview**

KMC Speciality Hospitals (India) Limited ("the Company") was originally incorporated as Advanced Medical Care Private Limited on December 31, 1982 under the Companies Act, 1956 and was converted into a Public Limited Company on July 15, 1988. The name of the Company was changed to Seahorse Hospitals Limited on March 21, 1995 and to its current name with effect from October 24, 2008. The Company is a super speciality hospital based in Trichy, belonging to the KMC group. The company is primarily engaged in the business of rendering medical and healthcare services.

#### **2 Significant accounting policies**

##### **2.1 Basis of accounting and preparation of financial statements**

The financial statements have been prepared and presented in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention using the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under Section 211(3C) of the Companies Act, other pronouncements of Institute of Chartered Accountants of India, the provisions of Companies Act, 1956 and guidelines issued by Securities and Exchange Board of India (SEBI).

##### **2.2 Use of estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles in India requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements. Management believes that the estimates made in the preparation of financial statements are prudent and reasonable. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

##### **2.3 Revenue recognition**

The Company derives its revenue primarily from rendering medical and healthcare services. Income from medical and healthcare services comprises of income from hospital services and sale of pharmacy products. Revenue from hospital services to patients is recognised as revenue when the related services are rendered unless significant future uncertainties exist relating to the ultimate collection. Revenue is also recognised in relation to the services rendered to the patients who are undergoing treatment/ observation on the balance sheet date to the extent of services rendered. Revenue is recognised net of discounts and concessions given to the patients.

Revenue from sale of pharmacy products within hospital premises is recognised on sale of medicines and similar products to the buyer. The amount of revenue recognised is net of sales returns and exclusive of sales tax and trade discounts, wherever applicable.

'Unbilled revenue' represents value of medical and healthcare services rendered in excess of amounts billed to the patients as at the balance sheet date.

Interest income is recognised using the time-proportion method, based on underlying interest rates.

Dividend income is recognised when the Company's right to receive dividend is established.

## **KMC SPECIALITY HOSPITALS (INDIA) LIMITED**

### **Notes to the financial statements for the year ended March 31, 2014**

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

#### **2.4 Fixed assets, depreciation and amortisation**

Fixed assets are stated at cost of acquisition or construction, less accumulated depreciation. Cost includes inward freight, duties, taxes and incidental expenses related to acquisition and installation of the asset. Borrowing costs directly attributable to acquisition or construction of fixed assets, which necessarily take a substantial period of time to be ready for their intended use, are capitalized. Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date, are disclosed as Capital advances.

Depreciation is provided on the straight line method from the date of asset being put to use on a pro-rata basis. The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the asset, or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on management's estimate of the useful life/remaining useful life.

Pursuant to this policy, depreciation is provided in respect of certain assets at rates which are higher than the corresponding rates prescribed in Schedule XIV to the Companies Act, 1956 as detailed below:

<b>Description</b>	<b>Depreciation rates</b>
Surgical and other equipments	10.00%
Electrical installations	20.00%
Computers	33.33%
Books	10.00%
Furniture and fixtures	20.00%
Vehicles	25.00%

Buildings on leasehold land are being depreciated over the term of the lease, or its estimated useful life, whichever is lower on a straight line basis. Leasehold improvements are depreciated over the period of 10 years or the estimated useful life of the assets, whichever is lower on a straight line basis.

Assets individually costing Rs 5,000 and less are fully depreciated in the year of purchase. Depreciation is charged on a proportionate basis for all fixed assets purchased and sold during the year.

Intangible assets are recorded at the consideration paid for acquisition and are amortised over their estimated useful lives of 3 years on a straight line basis, commencing from the date the asset is available to the Company for its use.

The cost of assets not ready to be put to use before the yearend is disclosed under capital work in progress.

#### **2.5 Impairment of assets**

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount (higher of net realisable value and value in use) of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than the carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

## **KMC SPECIALITY HOSPITALS (INDIA) LIMITED**

### **Notes to the financial statements for the year ended March 31, 2014**

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

#### **2.6 Inventories**

Inventory comprises of pharmacy stock and consumables. Pharmacy stock is valued at the lower of cost and net realisable value. Consumables are valued at cost. Cost comprises purchase price and all incidental expenses incurred in bringing the inventory to its present location and condition. The Company follows the first-in first-out method for determining the cost of inventories.

#### **2.7 Leases**

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalised at fair value of the assets or present value of the minimum lease payments at the inception of the lease, whichever is lower.

Lease payments are apportioned between finance charges and reduction of the lease liability at the implicit rate of return. Finance charges are charged to the statement of profit and loss.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases.

Operating lease payments are recognised as an expense in the statement of profit and loss on a straight line basis over the period of the lease or as and when the payments are made over the lease term.

#### **2.8 Employee benefits**

**Provident fund:** Eligible employees receive benefits from the provident fund, which is a defined contribution plan. Both the employee and the Company make monthly contributions to the provident fund plan equal to specified percentage of the covered employee's basic salary. The Company has no further obligations under the plan beyond its monthly contributions. Contributions to provident fund are charged to the statement of profit and loss on accrual basis.

**Gratuity:** The Company provides gratuity, a defined benefit retirement plan covering eligible employees. Liabilities related to the gratuity plan are determined by actuarial valuation using projected unit credit method carried out by an independent actuary as at the balance sheet date. Actuarial gains or losses are recognised immediately in the statement of profit and loss. The Company's gratuity scheme is administered by Life Insurance Corporation of India.

**Compensated absences:** The obligation in respect of long term compensated absences is measured on the basis of independent actuarial valuation using the projected unit credit method. The obligations in respect of short term compensated absences is measured on the actual liability basis.

#### **2.9 Foreign currency transactions**

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at yearend rates. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

## **KMC SPECIALITY HOSPITALS (INDIA) LIMITED**

### **Notes to the financial statements for the year ended March 31, 2014**

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

#### **2.10 Taxation**

Income tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income tax law) and deferred tax charge or credit (reflecting the tax effects of the timing differences between accounting income and taxable income for the year). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably and virtually certain respectively to be realised.

#### **2.11 Earnings per share**

Basic earnings per share is computed by dividing net profit or loss for the period attributable to equity shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share amounts are computed after adjusting the effects of all dilutive potential equity shares. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share, and also the weighted average number of equity shares, which could have been issued on the conversion of all dilutive potential shares. In computing dilutive earnings per share, only potential equity shares that are dilutive and that decrease profit per share are included.

#### **2.12 Cash Flows**

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, financing and investing activities of the Company are segregated.

#### **2.13 Provisions, contingent liabilities and contingent assets**

The Company creates a provision when there is present obligation as a result of past events that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are neither recognised nor disclosed in the financial statements.



**KMC SPECIALITY HOSPITALS (INDIA) LIMITED****Notes to the financial statements for the year ended March 31, 2014**

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

**3 Share Capital**

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Authorised</b>		
250,000,000 (Previous year: 250,000,000) equity shares of Rs. 1/- each	250,000,000	250,000,000
	<b>250,000,000</b>	<b>250,000,000</b>
<b>Issued, subscribed and paid up</b>		
163,085,000 (Previous year: 163,085,000) equity shares of Rs. 1/- each fully paid up	163,085,000	163,085,000
	<b>163,085,000</b>	<b>163,085,000</b>

**a. Reconciliation of shares outstanding at the beginning and at the end of the reporting period**

Particulars	As at March 31, 2014		As at March 31, 2013	
	No. of shares	Amount	No. of shares	Amount
<b>Equity shares of Rs. 1/- each fully paid up</b>				
At the beginning of the year	163,085,000	163,085,000	163,085,000	163,085,000
Add: Issued during the year	-	-	-	-
<b>Outstanding at the end of the year</b>	<b>163,085,000</b>	<b>163,085,000</b>	<b>163,085,000</b>	<b>163,085,000</b>

**b. Rights, preferences and restrictions attached to shares**

The company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the company's residual assets. The equity shares are entitled to receive dividend as declared from time to time subject to payment of dividend to preference shareholders. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of the paid-up equity capital of the company. Voting rights cannot be exercised in respect of shares on which any call or other sums presently payable have not been paid.

On winding up of the company, the holders of equity shares will be entitled to receive the residual assets of the company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

**c. Shares held by holding company and / or their subsidiaries / associates**

Particulars	As at March 31, 2014		As at March 31, 2013	
	No. of shares	Amount	No. of shares	Amount
Equity shares of Rs. 1/- each fully paid up				
Sri Kavery Medical Care (Trichy) Limited, the Holding Company	122,313,750	122,313,750	122,313,750	122,313,750

**d. Details of share holders holding more than 5% of shares of Rs. 1/- each fully paid in the Company**

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number of shares	% of total equity shares	Number of shares	% of total equity shares
Equity shares of Rs. 1/- each fully paid up				
Sri Kavery Medical Care (Trichy) Limited, the Holding Company	122,313,750	75.00%	122,313,750	75.00%

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED****Notes to the financial statements for the year ended March 31, 2014**

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

**4 Reserves and surplus**

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
<b>Capital reserve</b>		
At the commencement of the year	30,182,334	30,182,334
Add: Additions during the year	-	-
Less: Utilised / transferred during the year (refer note 31)	(30,182,334)	-
At the end of the year	-	<b>30,182,334</b>
<b>Deficit in the statement of profit and loss</b>		
At the commencement of the year	(59,441,726)	(68,798,364)
Profit for the year	(2,959,460)	9,356,638
At the end of the year	<b>(62,401,186)</b>	<b>(59,441,726)</b>
	<b>(62,401,186)</b>	<b>(29,259,392)</b>

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED****Notes to the financial statements for the year ended March 31, 2014**

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

**5 Long-term borrowings**

Particulars	Non-Current		Current*	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
<b>Secured</b>				
Term loans from banks	122,556,570	131,603,284	31,871,784	14,230,049
Other loans	60,638	171,567	110,932	98,446
	<b>122,617,208</b>	<b>131,774,851</b>	<b>31,982,716</b>	<b>14,328,495</b>

\* Amount disclosed under 'Other current liabilities' (refer note 11)

**Terms of repayment of term loans from banks and the nature of security**

- a) Term loans availed from Axis Bank:
- (i) Term loan-I was availed during October 2010 and is repayable in 60 monthly installments of INR 833,334/- along with interest, commencing from November 30, 2012, being 24 months from the date of sanction.
  - (ii) Term loan-II was availed during February 2012 and is repayable in 60 monthly installments of INR 833,334/- along with interest, commencing from January 31, 2014, being 24 months from the date of sanction.
  - (iii) Term loan-III was availed during the financial year 2013-14 and is repayable in 60 monthly installments of INR 500,000/- along with interest, commencing from April 30, 2014, being 10 months from the date of sanction.
- b) Term loan from City Union Bank was availed on January 2, 2013 and is repayable in 84 equated monthly installments (EMIs) of INR 923,244/- commencing from August 01, 2013, being 6 months after the date of availment.

The above loans are secured by way of the following:

- (i) Hypothecation of all movable assets, both present and future, comprising of medical equipments, machineries, furnitures, etc.
  - (ii) Equitable mortgage on the commercial lands situated at Old TS no. 132, New TS No. 2-part and New TS no. 3/2 part, Old Ward No. 1, New Ward No. K, Old block no. 25, New block no. 17, K.Abishekapuram Village, Cantonment, Trichy and commercial building in the leasehold land situated at No.6, Royal Road, Cantonment, Trichy.
  - (iii) Corporate guarantee from Sri Kavery Medical Care (Trichy) Limited, the Holding Company
  - (iv) Personal guarantees of (a) Dr. S Chandrakumar, the Managing Director and Dr. S Manivannan, Director for the Term Loans availed from Axis Bank and (b) Dr. S Chandrakumar, the Managing Director and Dr D Senguttuvan, Executive Director for the Term Loans availed from City Union Bank.
- C) Other loans represents vehicle loan availed during October 2012 and is repayable in 36 EMI of INR 10,463/-. The loan is secured by hypothecation of fixed asset acquired thereunder.

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED****Notes to the financial statements for the year ended March 31, 2014**

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

**6 Deferred tax liabilities (net)**

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
<b>Deferred tax liabilities on account of</b>		
<b>Fixed Assets</b>	<u>(25,910,770)</u>	<u>(29,766,733)</u>
	<b>(25,910,770)</b>	<b>(29,766,733)</b>
<b>Deferred tax asset on account of :</b>		
Unabsorbed carry forward losses/ depreciation (refer note below)	16,691,193	14,801,592
Provision for employee benefits	544,775	4,008
Provision for property tax	4,854,070	1,699,500
Provision for bad and doubtful debts	574,155	17,333
Expenditure covered by section 43B of Income-tax Act, 1961	<u>3,246,577</u>	<u>723,693</u>
	<b>25,910,770</b>	<b>17,246,126</b>
<b>Net deferred tax liability/ (asset)</b>	<b>-</b>	<b>12,520,607</b>

**Note :** Since the Company has carried forward losses and unabsorbed depreciation as per taxation laws, the recognition of deferred tax asset has been scaled down to the extent that the aggregate of the deferred tax asset matches with the aggregate of the deferred tax liability as at the year end.

**7 Other long-term liabilities**

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
Security deposits	1,240,810	1,187,463
	<b>1,240,810</b>	<b>1,187,463</b>

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED****Notes to the financial statements for the year ended March 31, 2014**

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

**8 Provisions**

Particulars	Non-Current		Current*	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
<b>Provision for employee benefits</b>				
Gratuity (refer note 36)	977,090	1,298,657	182,049	25,030
Compensated absences	396,591	45,600	47,022	-
<b>Other provision</b>				
Provision for property tax	14,280,878	5,000,000	-	-
	<b>15,654,559</b>	<b>6,344,257</b>	<b>229,071</b>	<b>25,030</b>

Particulars	Provision for property tax	
	As at March 31, 2014	As at March 31, 2013
<b>Additional disclosure relating to provisions</b>		
At the commencement of the year	5,000,000	5,000,000
Add : Provision made during the year	11,026,010	-
Less : Provision utilised during the year	(1,745,132)	-
<b>At the end of the year</b>	<b>14,280,878</b>	<b>5,000,000</b>

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED****Notes to the financial statements for the year ended March 31, 2014**

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

**9 Short-term borrowings**

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
Loans repayable on demand		
Cash credit facilities from banks (Secured) (refer note below)	8,849,572	9,935,973
	<b>8,849,572</b>	<b>9,935,973</b>

**Terms of repayment of term loans from banks and the nature of security**

The cash credit facilities are secured by way of the following:

- (i) Hypothecation of current assets of the Company, both present and future;
- (ii) Hypothecation of all movable assets, both present and future, comprising of medical equipments, machineries, furnitures, etc.
- (iii) Equitable mortgage on the commercial lands situated at Old TS no. 132, New TS No. 2-part and New TS no. 3/2 part, Old Ward No. 1, New Ward No. K, Old block no. 25, New block no. 17, K.Abishekapuram Village, Cantonment, Trichy and commercial building in the leasehold land situated at No.6, Royal Road, Cantonment, Trichy; and
- (iv) Corporate guarantee from Sri Kavery Medical Care (Trichy) Limited, the Holding Company and personal guarantees of Dr.S.Chandrakumar, Managing Director, Dr. S Manivannan, Director of the Company.

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED****Notes to the financial statements for the year ended March 31, 2014**

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

**10 Trade payables**

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
Trade payables	29,181,316	16,103,320
	<b>29,181,316</b>	<b>16,103,320</b>

For dues to micro and small suppliers, refer to note 35

**11 Other current liabilities**

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
Current maturities of long-term borrowings ( also refer note 5 )	31,982,716	14,328,495
Interest accrued but not due on borrowings	1,204,110	1,095,802
Interest accrued and due on borrowings	532,881	562,672
Liabilities towards purchase of fixed assets	4,762,999	4,895,356
Advance from patients	3,579,094	2,255,481
Statutory liabilities	2,621,607	4,002,319
Employee benefits payable	3,956,288	2,996,181
Other liabilities	6,571,493	-
	<b>55,211,188</b>	<b>30,136,306</b>

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED**  
**Notes to the financial statements for the year ended March 31, 2014**  
 (All amounts are in Indian Rupees except share data or as stated)

**12 Tangible assets**

Particulars	Land	Buildings	Leasehold improvements	Surgical and other equipments	Electrical installation	Computers	Books	Furniture and fixtures	Vehicles	Total
<b>GROSS BLOCK</b>										
Balance as at April 1, 2012	4,043,397	160,604,135	-	129,729,217	50,299,555	8,394,616	510,932	7,756,684	1,411,083	362,749,619
Additions	-	51,888,664	-	6,807,800	13,841,069	2,191,591	-	5,120,163	436,198	80,285,485
Deletions/ adjustments	-	-	-	(27,261,145)	(9,886,477)	(4,081,282)	(460,219)	(1,962,693)	(792,519)	(44,444,335)
<b>Balance as at March 31, 2013</b>	<b>4,043,397</b>	<b>212,492,799</b>	<b>-</b>	<b>109,275,872</b>	<b>54,254,147</b>	<b>6,504,925</b>	<b>50,713</b>	<b>10,914,154</b>	<b>1,054,762</b>	<b>398,590,769</b>
Additions	-	-	20,404,172	6,374,486	8,838,045	737,594	-	2,270,768	-	38,625,065
Deletions/ adjustments	-	-	-	(2,830,000)	(1,615,135)	-	-	-	-	(4,445,135)
Other adjustments	-	(68,494,338)	68,494,338	-	-	-	-	-	-	-
- Transfers*	-	-	-	-	-	-	-	-	-	-
<b>Balance as at March 31, 2014</b>	<b>4,043,397</b>	<b>143,998,461</b>	<b>88,898,510</b>	<b>112,820,358</b>	<b>61,477,057</b>	<b>7,242,519</b>	<b>50,713</b>	<b>13,184,922</b>	<b>1,054,762</b>	<b>432,770,699</b>
<b>ACCUMULATED DEPRECIATION</b>										
Balance as at April 1, 2012	-	26,275,492	-	71,991,738	30,226,126	5,262,446	449,911	1,872,555	955,961	137,034,229
Depreciation for the year	-	2,768,007	-	5,330,281	1,336,830	815,339	13,836	610,094	113,864	10,988,251
Deletions	-	-	-	(22,999,599)	(7,902,245)	(4,016,701)	(444,763)	(1,255,506)	(792,518)	(37,411,332)
<b>Balance as at March 31, 2013</b>	<b>-</b>	<b>29,043,499</b>	<b>-</b>	<b>54,322,420</b>	<b>23,660,711</b>	<b>2,061,084</b>	<b>18,984</b>	<b>1,227,143</b>	<b>277,307</b>	<b>110,611,148</b>
Depreciation for the year	-	4,034,337	13,773,967	7,797,958	9,217,088	2,465,137	4,505	4,585,358	276,802	42,155,152
Deletions	-	-	-	(824,718)	(1,360,535)	-	-	-	-	(2,185,253)
Other adjustments	-	(1,742,908)	1,742,908	-	-	-	-	-	-	-
- Transfers*	-	-	-	-	-	-	-	-	-	-
<b>Balance as at March 31, 2014</b>	<b>-</b>	<b>31,334,928</b>	<b>15,516,875</b>	<b>61,295,660</b>	<b>31,517,264</b>	<b>4,526,221</b>	<b>23,489</b>	<b>5,812,501</b>	<b>554,109</b>	<b>150,581,047</b>
<b>NET BLOCK</b>										
Balance as at March 31, 2013	4,043,397	183,449,300	-	54,953,452	30,593,436	4,443,841	31,729	9,687,011	777,455	287,979,621
Balance as at March 31, 2014	4,043,397	112,663,533	73,381,635	51,524,698	29,959,793	2,716,298	27,224	7,372,421	500,653	282,189,652

\* During the current year, the Company has identified leasehold improvements amounting to Rs. 68.49 million, which were accounted as part of Buildings in the earlier year and has appropriately classified as 'Leasehold improvements'.



**KMC SPECIALITY HOSPITALS (INDIA) LIMITED****Notes to the financial statements for the year ended March 31, 2014**

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

**13 Intangible assets**

<b>Particulars</b>	<b>Software</b>	<b>Total</b>
<b>GROSS BLOCK</b>		
<b>Balance as at April 1, 2012</b>	100,000	100,000
Additions	-	-
Deletions/ adjustments	-	-
<b>Balance as at March 31, 2013</b>	<b>100,000</b>	<b>100,000</b>
Additions	83,600	83,600
Deletions/ adjustments	-	-
<b>Balance as at March 31, 2014</b>	<b>183,600</b>	<b>183,600</b>
<b>ACCUMULATED AMORTISATION</b>		
<b>Balance as at April 1, 2012</b>	99,999	<b>99,999</b>
Amortisation for the year	-	-
Deletions	-	-
<b>Balance as at March 31, 2013</b>	<b>99,999</b>	<b>99,999</b>
Amortisation for the year	37,737	37,737
Deletions	-	-
<b>Balance as at March 31, 2014</b>	<b>137,736</b>	<b>137,736</b>
<b>NET BLOCK</b>		
<b>Balance as at March 31, 2013</b>	1	1
<b>Balance as at March 31, 2014</b>	<b>45,864</b>	<b>45,864</b>

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED****Notes to the financial statements for the year ended March 31, 2014**

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

**14 Long-term loans and advances (Unsecured, considered good)**

Particulars	Non-Current		Current*	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
<b>To parties other than related parties</b>				
<b>Security deposits</b>				
Capital advances	134,615	4,124,867	-	-
Balances/ deposits with government authorities	1,995,656	1,990,260	-	93,193
Security deposits	150,000	845,224	-	-
	<u>2,280,271</u>	<u>6,960,351</u>	-	<u>93,193</u>
<b>Other loans and advances</b>				
Advance taxes (net of provision)	16068099	6,422,438	-	-
	<u>16068099</u>	<u>6,422,438</u>	-	-
<b>To related parties</b>				
Advances to related parties	520,000	520,000	436,423	-
	<u>520,000</u>	<u>520,000</u>	<u>436,423</u>	-
	<b>18,868,370</b>	<b>13,902,789</b>	<b>436,423</b>	<b>93,193</b>

\* Amount disclosed under Short-term loans and advances (refer note 19)

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED****Notes to the financial statements for the year ended March 31, 2014**

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

**15 Other non-current assets**

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
Bank deposits (due to mature after 12 months from the reporting date) (refer note 18)	400,000	1,400,000
	<b>400,000</b>	<b>1,400,000</b>

**16 Inventories \***

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
Traded goods - Pharmacy items	2,516,671	2,551,875
Consumables - Surgical material and medical stores * (also refer note 2.6)	4,860,790	4,761,528
	<b>7,377,461</b>	<b>7,313,403</b>

**17 Trade receivables**

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
Receivables outstanding for a period exceeding six months from the date they became due for payment		
Unsecured - Considered good	614,176	3,294,904
Unsecured - Considered doubtful	1,689,188	50,996
Less: Provision for doubtful debts	<u>(1,689,188)</u>	<u>(50,996)</u>
	<b>614,176</b>	<b>3,294,904</b>
Other receivables		
Unsecured - Considered good	<u>8,977,509</u>	<u>10,432,786</u>
	<b>8,977,509</b>	<b>10,432,786</b>
	<b>9,591,685</b>	<b>13,727,690</b>

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED****Notes to the financial statements for the year ended March 31, 2014**

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

**18 Cash and bank balances**

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
Cash and cash equivalents		
Cash on hand	2,422,931	974,584
Balances with banks		
- on current account	808,891	242,686
- on deposit account (with original maturity of 3 months or less)	-	-
	<u>3,231,822</u>	<u>1,217,270</u>
Other bank balances	1,000,000	-
	<b>4,231,822</b>	<b>1,217,270</b>
Deposits under lien	1,400,000	1,400,000
<b>Details of bank balances/ deposits</b>		
Bank balances available on demand/deposits with original maturity of 3 months or less included under 'Cash and cash equivalents'	808,891	242,686
Bank deposits due to mature within 12 months of the reporting date included under 'other bank balances'	1,000,000	-
Bank deposits due to mature after 12 months of the reporting date included under 'other non-current assets' (refer note 15)	400,000	1,400,000

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED****Notes to the financial statements for the year ended March 31, 2014**

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

**19 Short-term loans and advances (Unsecured, considered good)**

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
<b>Current portion of long-term loans and advances (refer note 14)</b>		
To parties other than related parties	-	93,193
To related parties	436,423	-
<b>Other short-term loans and advances</b>		
To parties other than related parties		
Employee advances	110,400	87,576
Advance for availment of services	500,000	158,172
Prepaid expenses	783,344	613,999
	<b>1,830,167</b>	<b>952,940</b>

**20 Other current assets (Unsecured, considered good)**

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
Unbilled revenue	4,541,706	2,762,269
Interest accrued on fixed deposits	232,746	109,287
	<b>4,774,452</b>	<b>2,871,556</b>

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED****Notes to the financial statements for the year ended March 31, 2014**

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

**21 Revenue from operations**

<b>Particulars</b>	<b>For the year Ended March 31, 2014</b>	<b>For the year Ended March 31, 2013</b>
<b>Revenue from medical and healthcare services</b>		
Income from hospital services	238,162,415	221,132,846
Sale of pharmacy products	80,193,162	66,298,416
	<u>318,355,577</u>	<u>287,431,262</u>
<b>Other operating revenues</b>		
Sale of scrap	307,347	446,736
Others	428,810	599,409
	<u>736,157</u>	<u>1,046,145</u>
	<u>319,091,734</u>	<u>288,477,407</u>
<b>Breakup of revenue from medical and healthcare services</b>		
Revenue from in-patient services	193,479,221	181,592,845
Revenue from out-patient services	41,824,484	35,684,058
Sales of pharmacy products	80,193,162	66,298,416
Others	2,858,710	3,855,943
	<u>318,355,577</u>	<u>287,431,262</u>

**22 Other income**

<b>Particulars</b>	<b>For the year Ended March 31, 2014</b>	<b>For the year Ended March 31, 2013</b>
Interest income from banks	339,441	1,614,095
Rental income	120,000	120,000
Subsidy on account of loan waiver (refer note 31)	30,182,334	-
Liabilities no longer required written back	21,118	1,332,685
Profit on disposal of fixed assets, net	898,400	-
Miscellaneous income	284,442	1,059,251
	<u>31,845,735</u>	<u>4,126,031</u>

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED****Notes to the financial statements for the year ended March 31, 2014**

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

**23 Cost of materials consumed**

<b>Particulars</b>	<b>For the year Ended March 31, 2014</b>	<b>For the year Ended March 31, 2013</b>
Inventory at the beginning of the year	4,761,528	2,732,491
Add: Purchases	9,792,761	8,701,561
Inventory at the end of the year	(4,860,790)	(4,761,528)
	<b>9,693,499</b>	<b>6,672,524</b>

**24 Changes in inventory**

<b>Particulars</b>	<b>For the year Ended March 31, 2014</b>	<b>For the year Ended March 31, 2013</b>
Opening stock		
Traded goods - Pharmacy items	2,551,875	3,062,901
Closing stock		
Traded goods - Pharmacy items	(2,516,671)	(2,551,875)
	<b>35,204</b>	<b>511,026</b>

**25 Hospital operating expenses**

<b>Particulars</b>	<b>For the year Ended March 31, 2014</b>	<b>For the year Ended March 31, 2013</b>
Professional fees paid to consultants	71,555,863	59,154,690
Power and fuel	14,726,788	14,302,941
Repairs and maintenance		
- Buildings	5,834,854	183,871
- Plant and machinery	2,498,076	1,865,447
- Others	5,481,838	5,673,824
Testing fees	10,798,702	10,679,038
Medical gas	2,276,736	1,785,040
Rent	2,226,924	1,538,323
Blood and medical record scan charges	1,789,146	2,204,140
Health club expenses	1,780,021	2,296,715
	<b>118,968,948</b>	<b>99,684,029</b>

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED****Notes to the financial statements for the year ended March 31, 2014**

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

**26 Employee benefit expenses**

<b>Particulars</b>	<b>For the year Ended March 31, 2014</b>	<b>For the year Ended March 31, 2013</b>
Salaries, wages and bonus	73,740,892	57,424,187
Contribution to provident and other funds	7,225,735	4,231,152
Staff welfare expenses	3,711,249	3,357,510
	<b>84,677,876</b>	<b>65,012,849</b>

**27 Finance Costs**

<b>Particulars</b>	<b>For the year Ended March 31, 2014</b>	<b>For the year Ended March 31, 2013</b>
Interest		
- on term loan	21,297,083	14,663,070
- on others	27,098	22,054,029
Other processing charges	260,490	260,510
	<b>21,584,671</b>	<b>36,977,609</b>

**28 Depreciation and amortisation**

<b>Particulars</b>	<b>For the year Ended March 31, 2014</b>	<b>For the year Ended March 31, 2013</b>
Depreciation of tangible assets (refer note 12)	42,155,152	10,988,251
Amortisation of intangible assets (refer note 13)	37,737	-
	<b>42,192,889</b>	<b>10,988,251</b>

Also, refer note 31



**KMC SPECIALITY HOSPITALS (INDIA) LIMITED****Notes to the financial statements for the year ended March 31, 2014**

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

**29 Other expenses**

<b>Particulars</b>	<b>For the year Ended March 31, 2014</b>	<b>For the year Ended March 31, 2013</b>
Rates and taxes	16,181,407	714,312
Business promotion & Publicity	6,521,987	4,729,790
Travelling and communication expenses	2,963,997	2,045,046
Printing and stationery	2,168,010	2,504,151
Legal and professional charges (refer note below)	2,860,017	1,265,863
Security charges	1,249,711	1,004,915
Bad debts written off	3,661,698	915,258
Provision for doubtful debts	1,638,192	1,994
Deposits written off	1,276,361	-
Insurance	204,326	213,659
Bank charges	470,755	375,740
Directors sitting fees	438,204	546,968
Loss on disposal of fixed assets, net	-	3,923,646
Miscellaneous expenses	2,647,872	2,447,777
	<b>42,282,537</b>	<b>20,689,119</b>
<b>Payment to auditors (excluding service tax)</b>		
Statutory audit	1,300,000	175,000
Quarterly limited reviews	450,000	75,000
Other matters	-	50,000
Reimbursement of expenses	206,386	47,951
	<b>1,956,386</b>	<b>347,951</b>

**30 Value of imports on C.I.F. basis**

<b>Particulars</b>	<b>For the year Ended March 31, 2014</b>	<b>For the year Ended March 31, 2013</b>
Capital goods	-	1,116,341
	-	<b>1,116,341</b>

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED****Notes to the financial statements for the year ended March 31, 2014**

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

**31 Prior period (income)/ expenses**

<b>Particulars</b>	<b>For the year Ended March 31, 2014</b>	<b>For the year Ended March 31, 2013</b>
Deferred tax benefit for earlier years	(10,260,519)	-
Subsidy on account of loan waiver	(30,182,334)	-
Depreciation on fixed assets relating to earlier years	11,140,000	-
Provision towards property tax	9,310,000	-
Others	4,780,000	-
	<b>(15,212,853)</b>	-

**32 Contingent liabilities and commitments**

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
Contingent liabilities		
<b>Claims against the Company not acknowledged as debt</b>		
- disputed customs duty	8,524,905	8,524,905
- disputed municipal rent	917,260	917,260
<b>Guarantees given</b>		
- Guarantees given to bankers on behalf of Sri Kavery Medical Care (Trichy) Limited	615,000,000	615,000,000
<b>Others</b>	46,334,861	3,616,400
<b>Commitments</b>		
Estimated value of contracts remaining to be executed on capital account and not provided for	3,044,562	56,700,000

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED****Notes to the financial statements for the year ended March 31, 2014**

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

**33 Transfer Pricing**

The Company has domestic transactions with related parties. For the year ended March 31, 2014, the Company maintains documents as prescribed by the Income-tax Act to prove that these domestic transactions are at arm's length and the aforesaid legislation will not have any material impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

**34 Segment reporting**

The Company's sole business segment is 'Medical and Healthcare services' and the principal geographical segment is India. Consequently, the management believes that there are no reportable segments as required under AS 17 – "Segment Reporting".

**35 Dues to micro and small enterprises**

The management has identified the enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. Such determination/ identification has been done on the basis of information received and available with the Company and relied upon by the auditors. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at March 31, 2014, has been made in the financial statements based on information received and available with the Company.

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
(i) The amounts remaining dues to micro and small suppliers as at the end of the year		
- Principal amount	2,515,288	1,275,233
- Interest due on the above amount	6,791	-
(ii) Amount of interest paid in terms of section 16 of the Micro, Small and Medium Enterprises Act, 2006 and amounts of payment made to the suppliers beyond the appointed day during the year.	-	-
(iii) Amount of interest due and payable for the period of delay in making payment but without adding the interest specified under this Act.	-	-
(iv) Amount of interest accrued and remaining unpaid at the end of the year.	6,791	-
(v) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises.	-	-

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED**  
**Notes to the financial statements for the year ended March 31, 2014**  
(All amounts are in Indian Rupees except share data or as stated)

**36 Employee benefits**

The following table set out the status of the gratuity plan as required under Accounting Standard 15 - Employee benefits

Particulars	Gratuity	
	Year ended March 31, 2014	Year ended March 31, 2013
<b>(a) Change in present value defined benefit obligation</b>		
Projected benefit obligations at the beginning of the year	2,184,444	559,745
Service cost	1,188,989	737,403
Interest cost	171,747	44,780
Actuarial (gain) / loss	603,429	842,516
Benefits settled	(75,202)	-
<b>Projected benefit obligations at the end of the year</b>	<b>4,073,407</b>	<b>2,184,444</b>
<b>(b) Change in fair value of plan assets</b>		
Fair value of plan assets at beginning of the year	860,757	615,165
Expected return on plan assets	181,676	55,412
Contributions	1,947,037	190,180
Benefits paid	(75,202)	-
<b>Fair value of plans assets at end of the year</b>	<b>2,914,268</b>	<b>860,757</b>
<b>(c) Reconciliation of present value of defined benefit obligation and the fair value of plan assets</b>		
Present value of defined benefit obligation at the end of the year	4,073,407	2,184,444
Fair value of plan assets at the end of the year	2,914,268	860,757
<b>Funded status amount of liability recognized in balance sheet</b>	<b>1,159,139</b>	<b>1,323,687</b>
<b>Classification into current/non current</b>		
Classified as long term provision	977,090	1,298,657
Classified as short term provision	182,049	25,030

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED**

**Notes to the financial statements for the year ended March 31, 2014**

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

Particulars	Gratuity	
	Year ended March 31, 2014	Year ended March 31, 2013
<b>(d) Expenses recognised in the statement of profit and loss</b>		
Current service cost	1,188,989	737,403
Interest cost	171,747	44,780
Expected return on plan assets	(181,676)	(55,412)
Actuarial (gain) / loss	603,429	842,516
<b>Net gratuity cost</b>	<b><u>1,782,489</u></b>	<b><u>1,569,287</u></b>
<b>(e) Financial assumptions at Balance sheet date:</b>		
Discount rate	8.25%	8.25%
Attrition rate	5% - 10%	1% - 3%
Estimated rate of return on plan assets	9.00%	9.00%
Long term rate of compensation increase	5%	7%

The estimates of rate of escalation in salary considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market.

**(f) Five year information**

Amounts of the current year and previous four periods are as follows:

Particulars	As at March 31, 2014	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011	As at March 31, 2010
Defined benefit obligation	4,073,407	2,184,444	436,774	203,841	140,990
Plan asset	2,914,268	860,757	615,165	275,853	197,790
Surplus/(deficit)	(1,159,139)	(1,323,687)	178,391	72,012	56,800
Experience adjustments in plan liabilities - (loss) / gain	-	-	-	-	-
Net asset/ liability recognised in Balance sheet	(1,159,139)	(1,323,687)	178,391	72,012	56,800

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED****Notes to the financial statements for the year ended March 31, 2014**

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

**37 Related party disclosures****a) Names of related parties and nature of relationship are as follows:**

<b>Nature of relationship</b>	<b>Name of the related party</b>
Holding company	Sri Kavery Medical Care (Trichy) Limited
Fellow subsidiaries	Kaveri Medi CT Scan (Thuraiyur) Private Limited Kavery Hospital (Hosur) Limited Kavery Medical Care (Karaikudi) Limited
Key management personnel (KMP)	Dr. S. Chandrakumar, Chairman and Managing Director Dr. D. Senguttuvan, Executive Director (w.e.f. July 20, 2013) Mr.D. Selvaraj, Director (till July 20, 2013) Dr. S. Vijayabaskaran, Director

**b) Transaction with related parties during the year**

<b>Particulars</b>	<b>For the year ended March 31, 2014</b>	<b>For the year ended March 31, 2013</b>
<b>Holding company - Sri Kavery Medical Care (Trichy) Limited</b>		
Revenue from hospital services rendered	4,726,899	1,606,509
Hospital services availed	1,716,708	4,288,512
Sale of fixed assets	2,068,424	3,040,874
Purchase of fixed assets	72,650	1,109,596
Sale of goods	123,880	55,000
Purchase of goods	26,233	-
Rental income	120,000	120,000
Rental expenses	210,000	210,000
Interest expenses	-	21,831,431
Management contracts including for deputation of employees	-	1,138,562
Advance received (net of payments and TDS)	3,363,546	-
Claims made on behalf of the Holding Company	41,910,229	-
Reimbursement of claims received on behalf of the Holding Company	38,466,575	-
Repayment of loan	-	56,618,917
<b>Fellow subsidiary - Kavery Medical Centre (Karaikudi) Limited</b>		
Sale of fixed assets	436,423	-
<b>Key managerial personnel</b>		
<b>Remuneration *</b>		
- Dr. S. Chandrakumar, Managing Director	3,272,912	2,946,250
- Dr. D.Senguttuvan, Director	1,750,117	-

\* The obligation towards gratuity and leave encashment are calculated for the company as a whole and hence not included above

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED****Notes to the financial statements for the year ended March 31, 2014**

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

**c) Balances outstanding as at the yearend**

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>Holding Company</b>		
Loans and advances	520,000	520,000
Trade payables	619,039	2,987,328
Claims received payable	4,868,170	-
Trade receivable	-	4610
Guarantees and collaterals	615,000,000	615,000,000
<b>Fellow subsidiary</b>		
Kavery Medical Care (Karaikudi) Limited		
Loans and advances	436,423	-

**38 Earnings per share**

The computation of earnings per share is set out below:

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Profit/ (loss) attributable to the equity share holders (Rs.)	(2,959,460)	9,356,638
Weighted average number of equity shares outstanding during the year	163,085,000	163,085,000
Face value of share (Rs.)	1	1
Basic and diluted earnings per share (Rs.)	(0.02)	0.06

**39 Operating lease obligations**

The Company has taken land for its hospital building and premises for staff accomodation, under cancellable and non-cancellable operating lease arrangements. The land lease was taken for a period of 42 years and premises for staff accomodation are, in general, taken for a period ranging between 1 - 2 years and the lease arrangements are subject to renewal at mutual consent thereafter. The lease rent expense recognised during the year amounts to Rs. 2,226,924 (Previous year: 1,538,323). The schedule for future minimum lease payments in respect of non-cancellable operating lease is set out below:

Particulars	As at March 31, 2014	As at March 31, 2013
Not later than one year	210,000	210,000
Later than one year but not later than five years	840,000	761,250
Later than five years	7,140,000	-

**40 Earnings / Expenditure in foreign currency**

- -

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED**

**Notes to the financial statements for the year ended March 31, 2014**

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

**41. Changes in accounting estimates**

During the current year, the Company revised the estimated economic useful life of the fixed assets to align with the accounting policy of the holding company. In the opinion of the management, this revision in the estimated useful life would result in a more appropriate presentation of the financial statements of the Company. Consequent to the said change, the depreciation charge for the year and loss before tax for the year are higher by Rs. 12,205,413/- with a corresponding impact on the fixed assets and reserves and surplus.

**42. Prior year comparatives**

Prior year figures have been reclassified/ regrouped wherever necessary to confirm to the current year's classification. Previous year financial statements have been audited by a firm other than B S R & Co. LLP.

As per our report of even date attached

for **B S R & Co. LLP**

Chartered Accountants

Firm Registration No. 101248W

for and on behalf of the board of directors of

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED**

**Chinnsamy Ganesan**

Partner

Membership No: 27501

**Dr. S Chandrakumar**

Managing Director

**CA. S Chenthil Kumar**

Director

**N Jayanthe**

Company Secretary

Place: Trichy

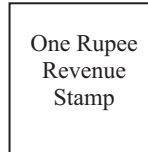
Date : June 6, 2014



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

**PROXY FORM**

I / We ..... in the district of .....  
..... being a Member/members of KMC SPECIALITY HOSPITALS  
(INDIA) LIMITED hereby appoint ..... of..... as  
my/our proxy to vote for me/ us on my/our behalf at the Thirty First Annual General Meeting of the Company to  
be held on 27<sup>th</sup> September 2014 at 3.00 pm at Hotel Royal Southern-SRM, Kajamalai, Trichy – 620 020 and at  
any adjournment thereof.



Signature

Signed this..... Day of .....2014

Address.....

.....

**NOTE: The proxy form duly signed across the revenue stamp of Rs.1/- should reach the Company's Registered Office at least 48 hours before the commencement of the meeting.**

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED**

Registered Office: No.6, Royal Road, Cantonment, Trichy - 620 001.

**Admission Slip**

I/We hereby record my/our presence at the Thirty First Annual General Meeting of the Company at  
**Hotel Royal Southern-SRM**, Kajamalai, Trichy – 620 020 at 3 pm on Saturday the 27<sup>th</sup> September, 2014.

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 ( ✓ )]	Savings A/c		Current A/c		Cash Credit A/c
Core Banking Account Number					
Name of the Bank					
Branch Name					
IFSC Code *					
Full Address of the Bank					
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)

**Form – A**

Name of the Company : KMC Speciality Hospitals (India) Limited

Corporate Identity Number : L85110TN1982PLC009781

Registered Office : No 6 Royal Road, Cantonment, Trichy – 620 001

Annual Financial Statements  
for the year ended : 31<sup>st</sup> March 2014

Type of Audit Observation : Unqualified

Frequency of Observation : Not Applicable

*For B S R & Co. LLP*  
*Chartered Accountants*  
Firm registration No. 101248W

**For & On behalf of Board of Directors**



**Chinnsamy Ganesan**  
*Partner*  
Membership No: 27501



**Dr S Chandrakumar**  
*Managing Director*



**CA S Chenthil Kumar**  
*Chairman, Audit Committee*



**N Jayanthe**  
*Company Secretary*

Trichy, 6<sup>th</sup> June 2014