

## **BOARD OF DIRECTORS**

**Dr. Nalla G Palaniswami**

Chairman and Managing Director

**Dr. Thavamani Devi Palaniswami**

Vice Chairman and Joint Managing Director

**Dr. Mohan S Gounder**

Director

**Mr. Kasi K Goundan**

Director

**Mr. M. Manickam**

Director

**Dr. K.S.K. Murugaiyan**

Director

**Mr. A.M. Palanisamy**

Director

**Dr. P.R. Perumalswami**

Director

**Mr. K.N.V. Ramani**

Director (Upto 25.07.2009)

**Dr. M.A. Muthusethupathi**

Additional Director (w.e.f. 25.07.2009)

**Dr. M.C. Thirumoorthi**

Director

**Mr. A.K. Venkatasamy**

Director

**Mr. K. Saminathan**

Director

**Dr. S. Krishnasamy**

Director (Upto 05.06.2009)  
(Alternate to Mr. Kasi K Goundan)

**Mr. K.M. Subramaniam**

Director  
(Alternate to Dr. P.R. Perumalswami)

**Mr. P.K. Gopikrishnan**

Chief Financial Officer

**Mr. S.P. Chittibabu**

Company Secretary

**REGISTERED OFFICE &  
HOSPITAL COMPLEX**

Post Box No. 3209, Avanashi Road,

Coimbatore - 641 014

Tel : 91-422-4323800

Fax : 2627782

E-mail : kmch@vsnl.com

getwell@kmchonline.com

Website : www.kmchhospitals.com

**AUDITORS**

M/s. Suri & Co.

Chartered Accountants,

Coimbatore - 641 043.

**REGISTRAR & SHARE TRANSFER  
AGENT**

GNSA Infotech Ltd.

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

Pondy Bazar, T Nagar, Chennai - 600 017.

Phone : 044-42962222, 42962209

E-mail : sta@gnsaindia.com

**BANKERS**

Indian Bank

Indian Overseas Bank



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## NOTICE

Notice is hereby given that the **Twenty Fourth Annual General Meeting of the Members of Kovai Medical Center and Hospital Limited** will be held on **Thursday, the 12<sup>th</sup> August 2010 at 11.00 A.M. at "A.P. Kalyana Mandapam", 738/2 Avanashi Road, Goldwins, Coimbatore - 641 014** to transact the following business.

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts for the year ended 31<sup>st</sup> March 2010 and the Reports of the Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. Kasi K Goundan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. Mohan S Gounder, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. M. Manickam, who retires by rotation and being eligible, offers himself for re-appointment.
6. To Consider and, if thought fit, to pass with or without modification, the following resolution as an ordinary resolution :

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

### SPECIAL BUSINESS

#### Item No : 7

To consider and if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:

"RESOLVED THAT pursuant to provisions of Section 198, 269, 309, 310, 311 and other applicable provisions of the Companies Act 1956 (including any statutory modifications and re-enactments thereof, for the time being in force) read with Schedule XIII of the said Act, the consent of the Company be and is hereby accorded to the appointment of Dr. Thavamani Devi Palaniswami as Joint Managing Director of the Company for a period of five years with effect from 29.7.2010 on the terms and conditions as to remuneration, allowances, perquisites and other benefits including bonus etc., as specified and set out in the annexed Explanatory Statement, with the authority to the Board to alter or vary the same from time to time with effect from such date or dates as may be decided by it and agreed to by Dr. Thavamani Devi Palaniswami."

"RESOLVED FURTHER THAT in the absence or inadequacy of the profits in any year, Dr. Thavamani Devi Palaniswami shall be entitled to receive and be paid as minimum remuneration in that year by way of salary, allowances, perquisites and other benefits as stated in the Explanatory Statement, subject however, to the necessary approvals and ceiling specified under Schedule XIII of the Companies Act 1956."



**Item No : 8**

To consider and if thought fit, to pass with or without modification(s) the following resolution as an ordinary resolution:

“RESOLVED THAT Dr. M.A. Muthusethupathi, who was appointed as an Additional Director of the Company under section 260 of the Companies Act 1956 and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act 1956 from a member in writing, proposing the candidature for the office of Director be and is hereby appointed as a Director of the Company liable to retire by rotation”.

**NOTES**

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.
2. Proxies, in order to be effective, should be deposited with the Registered Office of the Company, not later than 48 hours before the commencement of the meeting.
3. Members / proxies should bring the attendance slips duly filled in and signed for attending the meeting.
4. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item No.7 & 8 of special business is annexed hereto.
5. The Register of members and Share Transfer Books of the Company will be closed from 2<sup>nd</sup> August 2010 to 12<sup>th</sup> August 2010 (both days inclusive) in connection with the 24<sup>th</sup> Annual General Meeting.
6. The dividend on equity shares as recommended by the Directors, if declared at the Annual General Meeting, will be paid within the statutory period of 30 days to those members whose name appear on the Register of Members of the Company as on 12<sup>th</sup> August 2010. In respect of shares held in electronic form, dividend will be paid to the beneficial holders as per the beneficiary list provided by the National Securities Depository Limited and Central Depository Services (India) Limited.
7. Pursuant to Section 205-C of the Companies (Amendment) Act 1999, all unclaimed dividends shall be transferred to the “Investor Education and Protection Fund” (IEPF) of the Central Government after a period of 7 years from the date of transfer to unclaimed dividend account of the Company. Accordingly the dividend unclaimed for the financial year ended 31st March 2002 was transferred by the company to IEPF. Shareholders who have not encashed the dividend warrants for any subsequent financial years are requested to write to the Company for claiming the dividend.
8. Members holding shares in physical form are requested to intimate the change of address if any and their bank account details such as Bank Name, Branch with Address, Account Number for incorporating the same in the dividend warrant and MICR No. details for Electronic Clearing Services (ECS) etc. to M/s. GNSA Infotech Limited, G.R. Mansion, No.11 Srinivasa Road, Pandy Bazar, T.Nagar, Chennai - 600 017 quoting their respective Folio No. Members holding shares in Demat form shall intimate the above details to their Depository Participant with whom they have Demat Account. Dividend as declared, shall be remitted through Electronic Clearing Services (ECS) at approved locations, wherever ECS details are available with the Company and in all other cases through warrants payable at par.



9. As a measure of economy, copies of Annual Reports will not be distributed at the Annual General Meeting. Members are therefore requested to bring their copies of Annual Report to the meeting.
10. Shareholders seeking any information with regard to accounts are requested to write to the Company 7 days prior to the meeting so as to enable the management to keep the information ready.

By order of the Board

COIMBATORE  
29.05.2010

**S.P. CHITTIBABU**  
COMPANY SECRETARY



**ANNEXURE TO THE NOTICE**

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT 1956 ANNEXED HERETO AND FORMS PART OF THE NOTICE DATED 29.5.2010**

**Item No : 7**

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

Dr.Thavamani Devi Palaniswami MD AB (USA) is one of the main promoters of the Company and she is actively associated with the growth of the Hospital since its inception. She is a qualified Paediatrician having worked in various Hospitals in USA for more than 15 years and gained valuable experience in Hospital Management. Considering her experience and contribution to the growth of the Company, the Board of Directors have re-appointed Dr.Thavamani Devi Palaniswami as Joint Managing Director of the Company for a further period of 5 years with effect from 29.07.2010. The terms and conditions of her re-appointment and payment of remuneration are subject to the approval of the shareholders in the General Meeting.

The proposed re-appointment of Dr.Thavamani Devi Palaniswami as Joint Managing Director and the payment of remuneration are in conformity with Schedule XIII of the Companies Act 1956.

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

**I. Salary**

Rs.1,10,000/- (Rupees One Lac and ten thousand only) per month.

(Annual increase in the salary as the Board may decide from time to time, however subject to a ceiling of Rs.15,000/- (Rupees Fifteen thousand only) per month. First increase to be effective from 29.7.2011 subject to the confirmation of the Board of Directors based on the recommendation of the remuneration committee of directors.)

**II. Commission**

2% (two percent) commission on the net profits of the Company subject to a maximum ceiling specified in Section 1 of Part II of Schedule XIII of the Companies Act 1956.

**III. Perquisites**

Perquisites as follows will be paid and / or provided in addition to salary. Perquisites shall be valued in terms of actual expenditure incurred by the Company. However in cases where the actual amount of expenditure cannot be ascertained with reasonable accuracy the perquisites shall be valued as per Income Tax Rules.

a. Medical Reimbursement

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

b. Leave Travel Concession / Allowance

For self and family, once in a year in accordance with the rules of the Company.

c. Club Fees

Fees of Club payable as per the rules of the Company.



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

**IV. Other benefits**

- A. Contribution to provident fund to the extent not taxable under the Income Tax Act.
- B. Gratuity at the rate of half months salary for each completed year of service.
- C. Encashment of leave at the end of the tenure as per the rules of the Company.
- D. The above benefits under (A) to (C) shall not be included in the computation of ceiling on remuneration or perquisites.

**V. Overall Remuneration**

That the total remuneration (i.e. salary, perquisites, commission and allowances) in any one financial year shall not exceed the limits prescribed from time to time under Section 198, 309 and other applicable provisions of the Companies Act 1956 read with Schedule XIII to the said Act, as may for the time being, be in force and any amendments thereto. In case of any doubt / discrepancy / clarification that may arise with respect to payment of remuneration the same shall be determined and decided by the Board of Directors on the recommendation of Remuneration Committee of Directors. Further, within the overall remuneration, the individual components may be changed as desired by Dr.Thavamani Devi Palaniswami and accepted by the Remuneration Committee.

**VI. Minimum Remuneration**

In the event of loss or inadequacy of profits, in any financial year during the currency of tenure of service, the payment of salary, commission, perquisites and other allowances shall be governed under Section II of part II of Schedule XIII to the Companies Act, 1956 including any statutory modifications of re-enactment thereof, as may, for the time being be in force.

Pursuant to Section 302 of the Companies Act 1956, this may be treated as an abstract of the terms and conditions of the contract and Memorandum of interest concerning the appointment and remuneration of Dr.Thavamani Devi Palaniswami as Joint Managing Director.

In terms of Article 103(b) of the Articles of Association of the Company, Dr.Thavamani Devi Palaniswami is not liable to retire by rotation.

None of the Directors except Dr.Nalla G Palaniswami, Dr.Thavamani Devi Palaniswami, Dr.Mohan S Gounder, Dr.P.R. Perumalswami, Dr.K.S.K. Murugaiyan and Mr. K.M. Subramaniam are interested or concerned in the proposed resolution.

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

**Item No : 8**

Pursuant to the provisions of Section 260 of the Companies Act 1956 and Article 75 of the Articles of Association of the Company Dr. M.A. Muthusethupathi was appointed as an Additional Director of the Company by the Board of Directors with effect from 25.7.2009. In terms of Section 260 of the Companies Act 1956, Dr. M.A. Muthusethupathi holds office upto the date of this Annual General Meeting.

The Company has received a notice in writing from a member along with requisite deposit proposing the candidature of Dr. M.A. Muthusethupathi for the office of Director of the Company under Section 257 of the Companies Act 1956.

None of the Directors except Dr. M.A. Muthusethupathi is concerned or interested in the resolution. The Directors recommend the resolution to the members for consideration and approval.

By order of the Board

COIMBATORE  
29.05.2010

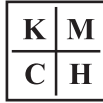
**S.P. CHITTIBABU**  
COMPANY SECRETARY

**KOVAI MEDICAL CENTER AND HOSPITAL LIMITED**

The details of Directors seeking re-appointment in the forthcoming Annual General Meeting (in pursuance of Clause 49(VI)(A) of the Listing Agreement) are as follows:

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



**DIRECTORS' REPORT**

To the Members,

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

**FINANCIAL RESULTS**

(Rs. in Lacs)

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

**DIVIDEND**

Your Directors are pleased to recommend the payment of dividend for the year ended 31<sup>st</sup> March 2010 at 12.50% (Rs.1.25 per share). The proposed dividend absorbs Rs.136.78 Lacs for dividend and Rs.22.72 Lacs for Dividend Tax. As per Indian Income Tax Act, the dividend payable by the Company is Tax free in the hands of shareholders.

**BUSINESS PERFORMANCE**

The results for the year 2009-10 is impressive. The Company has achieved an over all growth in revenue by 18% over the previous year. All the Hospital Centers have performed well. The improvement in performance of Erode Speciality Hospital has also contributed to the profitability of the Company. The profit after taxation stood at Rs.1158.58 Lacs for the year under review and the same was Rs.714.04 Lacs for the previous year.

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



### **TECHNOLOGY ABSORPTION**

During the year under review, your Company has added the latest Broncho Video Fiberscope, Endoscopy Unit with Accessories, Colour Doppler, Carl Zeiss Microscope, Hemodialysis Machines, Ventilators etc. to deliver quality health care at par with international standards. We have installed new medical equipments amounting to Rs.692 Lacs which are the best in medical world and we continue to make large investments in bringing the latest in the medical technology to India.

### **CONTINUOUS MEDICAL EDUCATION PROGRAMMES (CME)**

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

### **CORPORATE SOCIAL RESPONSIBILITIES**

In its role as a socially responsible corporate citizen, your Company reaches out to the needy sections of the society in many ways. We have been continuously organizing many free medical camps which provide free medical care besides health awareness and education. During the year, free consultation camp on Endoscopic Spine Surgery, Fertility Care, Cancer awareness Programme, Free camp of Diabetes were conducted.

### **FINANCE**

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

Finance continued to be a focus area. Regular project reviews with special focus on cash flow and good working capital management has helped the Company to manage the cash flows effectively. During the year we have availed a term loan of Rs.4406.49 Lacs.

### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

#### **Industry Structure and Development**

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

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

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

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



The spend on healthcare infrastructure in the country is projected to grow at 5.8% annually to reach \$14.2 billion by 2013, a near 50% increase over 2006 level, according to KPMG Report. This forecast on the expenditure includes spends both by the government and the private sector on construction and maintenance of buildings that house medical research, drug production and primary health care services.

## **OUTLOOK AND FUTURE PROSPECTS**

Indian economic resilience in the light of Global recession and Euro crisis is a success story around the world. United Nations agency department for Economic and social affairs in its global financial report has indicated that the pace of global economic recovery is too weak with just 3% GDP growth world wide but predicts 7.9% GDP growth for India. This impressive growth will bring in large income to state and central government exchequer by way of Tax revenues.

Further 67,000 crores of revenue from telecom sector through 3G auction is also expected to lessen financial deficit and leave more money in the hands of the government for spending on social sectors like Health, Education and poverty alleviation.

Tamil Nadu Government with its Kalaigiar Health Insurance Scheme covering 1.6 crore families is also playing, the role of a payer and regulator in the Health care delivery system in addition to being a service provider in the state of Tamil Nadu. It is heartening to note more than 90,000 patients have been treated and Rs.250 crores have been paid to private service providers who were willing to be a part of the universal health insurance scheme.

In the light of these developments Rs.200 crores expansion programme at our main hospital seems to be very appropriate and need of the hour. As a part of this expansion program 170 beds have been to be added and have started yielding revenue. The new radiotherapy facility and upgrading of the existing Radiology services will be completed by January 2011. Work for building of 7 state of the art operation theaters is also in progress and will be operational by January 2011. Highly sophisticated procedures like Liver Transplant and Bone Marrow Transplant are expected to be done in the new complex. Three new Cardio Thoracic theaters and 18 beds Neonatal ICU are also being built which will be operational by September 2010.

New cancer treatment facility will have highly sophisticated Trilogy high energy linear accelerator equipment, PET CT, SPECT CT, Open bore 3 T MRI equipment, Gamma camera, Digital Mammography unit etc. All these equipments and our highly qualified, trained, experienced consultants will make our centre, as one of the best cancer treatment centres in the world by the end 2010.

## **Opportunities**

Rising incomes are expanding the rich and middle income groups and it is expected that they would form 49% of total households in the Financial Year 2009-10 vs 33% in the Financial Year 2004. This would definitely lead to a significant step up in healthcare spending. We expect private health care expenditure to continue to be driven by the higher income groups. Medical tourism market in India will increase to Rs.50 billion - 100 billion by 2012 as per joint study by CII - McKinsey. Cost advantage, quality standards, accreditation of hospitals, Government policy are the key growth drivers for medical tourism.

## **Health Insurance**

The Indian Health Insurance Industry stands at Rs. 51 billion with only 3% of population being covered so far. The health insurance is one of the fastest growing segment among other life insurance segments registering 37% CAGR from the Financial Year 2002 to 2008.



## **RISKS AND CONCERNS**

### **CAPITAL INTENSIVE NATURE OF BUSINESS**

Health care sector is highly capital intensive business due to the high per bed capital cost. India's population is expected to cross 1.27 billion by 2016 from 1.11 billion in 2006. The growing Indian population will translate into an incremental demand for additional beds in future.

Given the inadequate healthcare infrastructure in India, the sector requires substantial investment to bridge the increasing gap arising due to the growing Indian population.

### **COMPETITION**

The increase in dominance of private sector will result in regional competition. However, the quality of services and the brand equity of the Hospital will be the key differentiation.

### **SHORTAGE OF SKILLED MAN POWER**

Increasing demand for health services combined with the aggressive expansion by the Indian private health care players is expected to significantly increase the demand for medical professionals. Similarly there is a shortage of nurses and other para-medical staff.

We have large pool of talented and skilled manpower in terms of Doctors, Nurses and Para-medical staff. We continue to attract talented and skilled medical professionals from all over the world.

### **A. FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE**

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

### **B. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

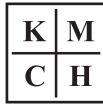
The Company has established an appropriate system of internal control to ensure that there exists a proper control over all the transactions and that all its assets are properly safeguarded and not exposed to risk arising out of unauthorized use or disposal. The Internal Audit conducted at all divisions for all the key areas of business. The Internal Control System is supplemented by a programme of Internal Audits to ensure that the assets are properly accounted for and the business operations are conducted in adherence to laid down policies and procedures. The Internal Audit is oriented towards review of controls and operational improvements.

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

Relations with the employees remained cordial throughout the year. In order to optimize the contribution of the employees to the Company's business and operations, in-house training is given to the employees to induce contribution to productivity increase and development programmes for all levels of employees have been devised. As on 31<sup>st</sup> March 2010 the employees strength of the Company was 1004.

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

In the preparation of Profit and Loss Account for the year ended 31<sup>st</sup> March 2010 and the Balance Sheet as on that date, all the applicable accounting standards have been followed. Accounting policies, that are reasonable and prudent, have been selected and applied consistently so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and the Profit and Loss Account of the Company for the year ended 31<sup>st</sup> March 2010. The said Profit and Loss Account and Balance Sheet have been prepared on a going concern basis. The Company maintains proper records in accordance with the provisions of the Companies Act 1956, for safeguarding the assets of the Company as also for preventing and detecting fraud and other irregularities.



## **DIRECTORS**

Mr.Kasi K Goundan, Dr.Mohan S Gounder and Mr. M. Manickam retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

In accordance with Section 260 of the Companies Act 1956, Dr.M.A.Muthusethupathi has been inducted as an Additional Director by the Board with effect from 25.7.2009.

Mr.K.N.V. Ramani who was appointed as Director of the Company with effect from 29.8.2008 resigned from the Board with effect from 25.7.2009.

Dr.S.Krishnasamy who was appointed as Alternate Director resigned from the Board with effect from 5.6.2009.

The Board of Directors places on record their deep appreciation of the valuable services rendered, advice and guidance provided by Mr.K.N.V.Ramani and Dr.S.Krishnasamy as Directors of the Company during their tenure.

## **APPOINTMENT OF JOINT MANAGING DIRECTOR**

The term of office of Dr.Thavamani Devi Palaniswami, Joint Managing Director of the Company expires on 28<sup>th</sup> July 2010. The Board of Directors have re-appointed Dr.Thavamani Devi Palaniswami as Joint Managing Director for a further period of five years from 29.7.2010. The terms and conditions of her re-appointment and payment of remuneration are subject to the approval of the members of the Company. Necessary resolution is placed before the members for their approval.

## **SUBSIDIARY COMPANY**

The entire Share Capital of Idhayam Hospitals Erode Limited was acquired on 23.4.2007 and in view of this Idhayam Hospitals Erode Limited has become wholly owned subsidiary of the Company effective from the above date.

The Ministry of Corporate Affairs, Govt. of India vide its order No.47/316/2010-CL-III dated 9<sup>th</sup> April 2010 has granted an exemption to the Company under Section 212(8) of the Companies Act 1956 from attaching the accounts along with the report of the Board of Directors as required by Section 212(1) of the Companies Act 1956, of its Subsidiary Company M/s Idhayam Hospitals Erode Limited to the Balance Sheet of the Company for the Financial Year ended on 31.3.2010. The Company will provide the annual accounts of its Subsidiary Company and the related detailed information on the specific request made by any investor and the said accounts are open for inspection at the registered office of the Company during office hours on all working days, except Sundays and holidays between 2.00 p.m. to 4.00 p.m. Particulars relating to the Subsidiary Company as per the condition (iii) of the above mentioned order of the Ministry of Corporate Affairs are annexed to the accounts of the Company.

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

## **PARTICULARS OF EMPLOYEES**

As on 31<sup>st</sup> March 2010, none of the employees were in receipt of remuneration in excess of the limits prescribed in sub-section 2A of Section 217 of the Companies Act 1956, read with Companies (Particulars of Employees) Amendment Rules 1994.



**INFORMATION AS PER SECTION 217(1)(E) OF THE COMPANIES ACT, 1956**

Since the Company is in service industry and does not do any manufacturing activity, the particulars regarding conservation of energy and technology absorption in the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 are not applicable. The particulars regarding foreign exchange inflow and outgo appear as item no.8 in Notes on Accounts.

**FIXED DEPOSITS**

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

**DELISTING OF EQUITY SHARES**

The Company has made an application to Madras Stock Exchange Limited for delisting of Shares. The application is still pending with the exchange.

**APPOINTMENT OF AUDITORS**

M/s. Suri & Co., Chartered Accountants have expressed their unwillingness to continue as Statutory Auditors of the Company.

The Board proposed M/s Haribhakti & Co., Chartered Accountants as Statutory Auditors of the Company in place of retiring auditors M/s Suri & Co. M/s Haribhakti & Co. to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting.

The Board of Directors places on record their warm appreciation of the valuable contribution made by M/s Suri & Co., Chartered Accountants during their association with the Company.

**REPORT ON CORPORATE GOVERNANCE**

The Company has already complied with the requirement of the corporate governance in terms of the listing agreement with the Stock Exchanges. The detailed report on corporate governance is annexed and forming part of this report.

**COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE**

A certificate from the Auditors of the Company regarding compliance of conditions of corporate governance as stipulated under Clause 49 of the Listing Agreement entered into with the Stock Exchanges is attached to this report.

**HUMAN RESOURCES DEVELOPMENT**

As your Company is in the service industry, human resource play a very crucial role in the operations and as such your Company accords great recognition therefore for its continuous development.

Your Company enjoys cordial relations with Doctors and Employees. Your Board places on record its appreciation for the dedicated services of all the Doctors and Employees.

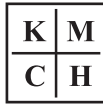
**ACKNOWLEDGMENTS**

Your Directors place on record their appreciation for the continued co-operation extended by the Bankers of the company and look forward to their continued support in the future.

For and on behalf of the Board

COIMBATORE  
29.05.2010

**Dr. NALLA G PALANISWAMI**  
**CHAIRMAN AND MANAGING DIRECTOR**



**REPORT ON CORPORATE GOVERNANCE**  
(Annexure to the Twenty Fourth Directors' Report 2009-10)

**INTRODUCTION**

The Securities and Exchange Board of India has introduced a Code of Corporate Governance (Code) by way of amendment to the listing agreement with the Stock Exchanges. The Company has complied with the mandatory requirements of the Code.

**1. PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE**

The fundamental objective of Kovai Medical Center and Hospital Limited is enhancement of the long-term shareholder value while at the same time protecting the interests of other stakeholders and adopting a methodology which enhance effectiveness, better utilization of resources, transparent and harmonious relations between various interest groups.

**2. BOARD OF DIRECTORS**

**(a) Composition**

The Board of Kovai Medical Center and Hospital Limited is comprised of 12 Directors and 1 Alternate Director of which 2 are Executive. In terms of Clause 49 of the listing agreement 6 Directors are independent. None of the Directors of the Company is a member in more than 10 Committees or Chairman of more than 5 Committees (as specified in Clause 49 of the Listing Agreement) The Board is primarily responsible for the over all management of Company's business. The composition of Board during the year is as under:

Sl. No.	Name of the Director	Category of Directors	Directorship in other Public Ltd. Companies	Membership and/ or Chairperson of Committees in other Public Ltd. Companies
1.	Dr. Nalla G Palaniswami	Promoter & Executive	2	---
2.	Dr. Thavamani Devi Palaniswami	Promoter & Executive	4	---
3.	Dr. Mohan S Gounder	Non-independent & Non-Executive	2	---
4.	Dr. M.C.Thirumoorthi	Promoter, Non-Executive & Non-independent	2	---
5.	Mr. Kasi K Goundan	Independent & Non- Executive	---	---
6.	Mr. M.Manickam	Independent & Non- Executive	14	---
7.	Mr. A.M. Palanisamy	Independent & Non- Executive	1	---
8.	Mr. A.K. Venkatasamy	Independent & Non- Executive	3	---
9.	Dr. K.S.K. Murugaiyan	Non-independent & Non-Executive	---	---
10.	Mr. K. Saminathan	Independent & Non-Executive	---	---
11.	Mr. K.N.V. Ramani (upto 25.7.2009)	Independent & Non- Executive	8	9
12.	Dr. M.A.Muthusethupathi (Additional Director w.e.f. 25.7.2009)	Independent & Non- Executive	---	---
13.	Mr. K.M. Subramaniam (Alternate to Dr. P.R. Perumalswami)	Non-independent & Non-Executive	1	---
14.	Dr. S. Krishnasamy (upto 5.6.2009) (Alternate Director)	Independent & Non-Executive	---	---

**(b) Meetings**

The Board met four times during the year i.e. on May 27, 2009, July 25, 2009, October 31, 2009 and January 30, 2010.

Sl. No.	Name of the Director	No. of Meetings held during the tenure	No. of Meetings Attended during the tenure	Attendance at the last AGM
1.	Dr. Nalla G Palaniswami	4	4	Yes
2.	Dr. Thavamani Devi Palaniswami	4	4	Yes
3.	Dr. Mohan S Gounder	4	---	No
4.	Dr. M.C. Thirumoorthi	4	---	No
5.	Mr. Kasi K Goundan	4	---	No
6.	Mr. M. Manickam	4	1	No
7.	Mr. A.M.Palanisamy	4	3	Yes
8.	Mr. A.K. Venkatasamy	4	3	No
9.	Dr. K.S.K. Murugaiyan	4	4	Yes
10.	Mr. K. Saminathan	4	4	Yes
11.	Mr. K.N.V. Ramani (upto 25.7.2009)	2	1	No
12.	Dr. M.A. Muthusethupathi (Additional Director w.e.f. 25.7.2009)	3	2	No
13.	Mr. K.M. Subramaniam (Alternate to Dr. P.R. Perumalswami)	4	4	No
14.	Dr. S. Krishnasamy (Alternate Director upto 5.6.2009)	1	1	---

**(c) General Meetings**

During the period one General Meeting was held as per the details hereunder:

Particulars	23 <sup>rd</sup> AGM 2009
Date of Meeting	31 <sup>st</sup> July 2009
No. of Members Attended	359
No. of Proxy Attended	6
Chairman of the Meeting	Dr. Nalla G Palaniswami
Chief Financial Officer	Mr. P.K. Gopikrishnan
Company Secretary	Mr. S.P. Chittibabu

**3. BOARD COMMITTEES**

For effective and efficient functioning of the Company the Board has formed the following Committees:

- A) Audit Committee
- B) Remuneration Committee / Compensation Committee
- C) Shareholders' / Investors' Grievance Cum Share Transfer Committee





**(A) AUDIT COMMITTEE**

The Board of Directors of the Company have formed a sub-committee of the Board as Audit Committee consisting of three Non-Executive Directors viz. Mr.A.M.Palanisamy, Dr.K.S.K.Murugaiyan and Mr.A.K.Venkatasamy. The constitution of Audit Committee also meets with the requirements under Section 292A of the Companies Act 1956 and Clause 49 II of the Listing Agreement with the Stock Exchanges.

Name of the Director / Members	Status	No. of meetings attended
1. Mr. A.M. Palanisamy (Chartered Accountant)	Chairman	4
2. Dr. K.S. K.Murugaiyan	Member	4
3. Mr.A.K. Venkatasamy	Member	4

The Statutory Auditors, Chief Financial Officer and Company Secretary have also attended the above meetings.

Any two members present shall constitute the quorum. Four meetings were held during the year.

**(B) REMUNERATION COMMITTEE / COMPENSATION COMMITTEE**

The Board of Directors of the Company have formed a Sub-Committee of the Board known as Remuneration Committee / Compensation Committee consisting of three Non-Executive Directors viz. Mr. A.M. Palanisamy, Dr. K.S.K. Murugaiyan and Mr. A.K. Venkatasamy. Mr. A.M. Palanisamy an independent Director is the Chairman of the Committee.

The remuneration for Chairman and Managing Director for the Financial Year ended 31.3.2010 is paid on the basis of the approval accorded by the Shareholders in the 23<sup>rd</sup> Annual General Meeting held on 31<sup>st</sup> July 2009 and in accordance with and subject to the limits laid down in Schedule XIII to the Companies Act 1956.

The remuneration for Joint Managing Director for the Financial Year ended 31.3.2010 is paid on the basis of the approval accorded by the Shareholders in the 20<sup>th</sup> Annual General Meeting held on November 11, 2005 and in accordance with and subject to the limits laid down in Schedule XIII to the Companies Act 1956. The Committee also recommends the remuneration and changes therein of Managing Director and Joint Managing Director within the limits approved by the Shareholders.

Non-executive Directors were paid Sitting Fees for attending Board Meetings / Committee Meetings. Details of remuneration paid / payable to Chairman and Managing Director and Joint Managing Director for the year ended 31<sup>st</sup> March 2010 are as follows: (Rs. in Lacs)

Name of the Directors	Total Remuneration	Fixed Component	Variable Component
Dr. Nalla G Palaniswami Chairman and Managing Director	36.44	10.20	26.24
Dr. Thavamani Devi Palaniswami Joint Managing Director	25.12	7.20	17.92



**(C) SHAREHOLDERS' / INVESTORS' GRIEVANCE CUM SHARE TRANSFER COMMITTEE**

❖ **Terms of Reference**

The Board of Kovai Medical Center and Hospital Limited constituted a Shareholders'/Investors' Grievance cum Share Transfer Committee to facilitate prompt effective redressal of shareholders complaints and the reporting of the same to the Board periodically.

❖ **Composition of Attendance**

This Committee meets approximately every fortnight to consider the request for transfer of shares and investors grievance received on regular basis.

Sl. No.	Name of the Director / Members	Status
1.	Dr. Nalla G Palaniswami	Member
2.	Mr. A.M. Palanisamy	Chairman
3.	Dr. K.S.K. Murugaiyan	Member
<b>Name of the Invitee</b>		
1.	Mr. S.P. Chittibabu	Company Secretary

During the year ended 31.3.2010 seventeen Meeting of Shareholders' / Investors' Grievance Cum Share Transfer Committee were held. All the Committee Members attended these Meetings.

To monitor investor servicing on a continuous basis the Committee has directed the Company Secretary to forward to the Committee Members a Report on investor servicing on a periodical basis.

During the year 17 complaints were received from shareholders which has been redressed within the specified time limit.

Mr. S.P. Chittibabu, Company Secretary of the Company is appointed as Compliance Officer.

**4. DISCLOSURES**

**(A) Related Party Transactions**

Related party transactions during the year have been disclosed in Point No.13 of Notes on Accounts forming part of the Accounts as required under Accounting Standard 18 issued by the Chartered Accountants of India and as specified under Clause 49 of the Listing Agreement with the Stock Exchanges. There were no materially significant related party transactions with Directors / Promoters / Management / Relatives or Related Companies etc. which had potential conflict with the interests of the Company at large.

**(B) Compliance by the Company**

The Company has fairly complied with the requirements of the Stock Exchanges and SEBI. During the last three years, no penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI on any matter.

**(C) Insider Trading Policy**

The code of conduct for prevention of Insider Trading as suggested under the SEBI (Prohibition of Insider Trading) Regulations, 1992 has been introduced with effect from 25.11.2002. The Company Secretary has been designated as the Compliance Officer for this purpose. The Board monitors the adherence to the various requirements as set out in the code. No violation of the code has taken place during the year.

**(D) CEO / CFO Certification**

Pursuant to the provisions of Sub Clause V of the revised Clause 49 of the Listing Agreement with the Stock Exchanges, the Chairman and Managing Director (CEO) and Chief Financial Officer (CFO) have issued a Certificate to the Board as required for the Financial Year ended 31<sup>st</sup> March 2010.

**(E) Code of Conduct**

The Company's Board has laid down code of conduct for the employees at all level including Senior Management and Directors of the Company. All Board Members and Senior Management Personnel have affirmed compliance with the code of conduct.

A declaration signed by the Chairman and Managing Director to this effect is enclosed at the end of the Report.

**(F) Unpaid / Unclaimed Dividend**

In view of the amendment to Section 205A(5) of the Companies Act 1956 and introduction of Section 205C by the Companies (Amendment) Act 1999, the dividend remaining unpaid or unclaimed for a period of seven years, the dividend will be transferred to Investor Education and Protection Fund set up by the Govt. of India and no payments shall be made in respect of any such claims.

<b>S.No.</b>	<b>Financial year</b>	<b>Date of Declaration of Dividend</b>	<b>Due date for transfer to Investor Education and Protection Fund of Govt. of India</b>
1.	2003-04	October 4, 2004	November 2, 2011
2.	2004-05	November 11, 2005	December 9, 2012
3.	2005-06	September 29, 2006	October 27, 2013
4.	2006-07	September 28, 2007	October 26, 2014
5.	2007-08	August 29, 2008	September 27, 2015
6.	2008-09	July 31, 2009	August 29, 2016

**5. MEANS OF COMMUNICATION**

- ❖ Full Annual Report is sent to each shareholder every year at their registered address regularly.
- ❖ Kovai Medical Center and Hospital Limited has been regularly sending quarterly / half-yearly / annual financial results to stock exchanges. These results are also sent to those shareholders who request for the same.
- ❖ The quarterly results are published regularly in one Tamil and one English Newspaper having circulation in the region where the Registered Office of the Company is situated.
- ❖ The quarterly financial results and Annual Report are also sent to Financial Institutions / analysts / institutional investors on demand. The Management Discussion & Analysis Report forms part of the Directors' Report.

**6. SHAREHOLDERS' MEETING**

- ❖ Details of last three AGMs held:

<b>Year</b>	<b>Date</b>	<b>Venue</b>	<b>Time</b>
2008-2009	31.07.2009	A.P.Kalyana Mandapam, Goldwins, Coimbatore	3.30 P.M.
2007-2008	29.08.2008	A.P.Kalyana Mandapam, Goldwins, Coimbatore	3.30 P.M.
2006-2007	28.09.2007	A.P.Kalyana Mandapam, Goldwins, Coimbatore	3.30 P.M.



- i. Whether any special resolution were put through postal ballot last year - No.
- ii. Any voting proposal to be considered through postal ballot this year - No.

**7. GENERAL SHAREHOLDER INFORMATION**

a. Annual General Meeting for the year 2010

Date and time : 12<sup>th</sup> August 2010 at 11.00A.M  
Place : A.P. Kalyana Mandapam, 738/2, Avanashi Road,  
Goldwins, Coimbatore 641 014

b. Financial Calender

<b>Financial reporting for</b>	<b>Date of Reporting</b>
Quarter ended June 2009 (Unaudited)	25 <sup>th</sup> July 2009
Quarter ended September 2009 (Unaudited)	31 <sup>st</sup> October 2009
Quarter ended December 2009 (Unaudited)	30 <sup>th</sup> January 2010
Quarter ended March 2010 (Audited)	29 <sup>th</sup> May 2010

c. Dates of Book closure : 2<sup>nd</sup> August 2010 to 12<sup>th</sup> August 2010 (Both days inclusive)

d. Dividend Payment date : On or after 13<sup>th</sup> August 2010

e. Hospital Branches : 1. KMCH City Center  
18, Vivekananda Road,  
Ram Nagar,  
Coimbatore - 641 009.  
2. KMCH Erode Center  
68, Perundurai Road,  
Erode - 638 011.  
3. KMCH Speciality Hospital  
15, Palaniappa Street,  
Erode - 638 009.

Hospital Address : Post Box No.3209  
Avanashi Road.  
Coimbatore - 641 014.

f. The shares of the Company are listed and traded at Bombay Stock Exchange Limited.

Scrip Code : 523323  
Scrip ID : KOVAIMD  
Demat ISIN Number : NSDL - INE 177F01017  
: CDSL - INE 177F01017

g. Listing Fee to Bombay Stock Exchange

The Annual Listing Fee for the year 2010-11 has been paid to Bombay Stock Exchange Limited.



#### h. Custodial Fees to Depositories

Pursuant to Securities and Exchange Board of India, Circular No.MRD/POP/SE/DEP/CIR-2005 the Issuer Companies are required to pay custodial fees to the depositories with effect from April 1, 2005. Accordingly the Company has paid custodial fees for the year 2010-11 to NSDL and CDSL on the basis of number of beneficial accounts maintained by them as on March 31, 2010.

### 8. COMPULSORY DEMATERIALIZED TRADING

The Company has already entered into agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to enable members of the Company to select the Depository of their choice for holding and dealing in shares in electronic form. The shareholders are requested to make use of such facility for maximizing their convenience in the dealing of Company's shares. The ISIN (International Securities Identification Number) of the Company is INE 177F01017. As on 31.3.2010, 28.58% of the Company's paid-up equity capital was held in dematerialized form. The Company has not issued any ADRs/GDRs/Warrants or any Convertible Instruments during the year.

### 9. SECRETARIAL AUDIT

For each of the quarter in the Financial Year 2009-2010, a qualified Practicing Company Secretary carried out Secretarial Audits to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and total issued and listed capital. The Audit Reports confirm the total issued/paid-up capital is in agreement with total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

### 10. STOCK MARKET DATA

Monthly high and low quotations of shares traded on Bombay Stock Exchange Limited for the period April 2009 to March 2010 is given below:

Name of the Stock Exchange	Month	High Rs.	Low Rs.	No. of Shares Traded	No. of Trades
Mumbai	April 2009	74.00	56.50	28805	320
	May 2009	90.00	57.30	72143	627
	June 2009	105.00	77.75	94001	730
	July 2009	94.75	78.00	79393	525
	August 2009	90.00	82.55	74368	480
	September 2009	92.25	76.85	110080	594
	October 2009	99.80	67.50	58382	397
	November 2009	108.80	75.10	379239	4389
	December 2009	140.00	85.10	325220	3246
	January 2010	140.90	114.25	389792	4429
	February 2010	126.95	89.00	144729	1648
	March 2010	142.00	89.95	1454141	17572



### 11. REGISTRAR & TRANSFER AGENTS AND DEPOSITORY REGISTRAR

For shares held in physical mode as well as demat segments were handled by M/s GNSA Infotech Limited, G.R.Mansion, No.11 Srinivasa Road, Pondy Bazar, T.Nagar, Chennai - 600 017, Phone : 044-42962222, 044-42962209, Fax: 044-42962230.

### 12. SHARE TRANSFER SYSTEM

- ❖ A shareholder's request is normally attended and reply is sent within 15 days time and the certificates after transfer of shares are returned within one month period except in the cases that are constrained for technical reasons.
- ❖ Shares are being transferred and demat option letter in their respect are despatched within 15 days from the date of receipt, so long as the documents have been clear in all respects.

### 13. INVESTOR RELATIONS

All complaints received from the shareholders have been cleared within the financial year. The complaints are generally replied to within 10 days from their lodgements with the Company. The investors/members may write for their queries to the Secretarial Department of the Company.

### 14. DISTRIBUTION OF SHAREHOLDERS

a. Distribution of shareholding as at 31<sup>st</sup> March 2010.

Sl. No.	Slab of shareholdings (No. of shares)	No. of Shareholders	% of shareholders	No. of Equity Shares	% of Shareholding
1.	1 - 500	5747	85.19	840631	7.68
2.	501 - 1000	526	7.80	490559	4.48
3.	1001 - 2000	146	2.16	248188	2.27
4.	2001 - 3000	78	1.15	202675	1.85
5.	3001 - 4000	22	0.33	81886	0.75
6.	4001 - 5000	28	0.42	135772	1.24
7.	5001 - 10000	70	1.04	604860	5.53
8.	Above 10000	129	1.91	8337691	76.20
<b>Total</b>		<b>6746</b>	<b>100.00</b>	<b>10942262</b>	<b>100.00</b>

b. According to categories of shareholders as on 31<sup>st</sup> March 2010

Sl.No.	Categories	No. of shares	%
1.	Promoters	5040026	46.07
2.	Bodies Corporate	1223963	11.19
3.	General Public	2845357	25.99
4.	Non-Resident Indians	1832916	16.75
<b>Total</b>		<b>10942262</b>	<b>100.00</b>



**15. DECLARATION BY THE CHAIRMAN AND MANAGING DIRECTOR UNDER CLAUSE 49 OF THE LISTING AGREEMENT REGARDING ADHERENCE TO THE CODE OF CONDUCT**

In accordance with Sub-Clause I (D)(ii) of Clause 49 of the Listing Agreement with the Stock Exchanges, I hereby confirm that all the Directors and Senior Management personnel of the Company have affirmed compliance with their respective code of conduct, as applicable to them, for the Financial Year ended 31<sup>st</sup> March 2010.

For Kovai Medical Center and Hospital Limited

Place : Coimbatore

Date : 29.05.2010

**Dr. NALLA G PALANISWAMI**  
**CHAIRMAN AND MANAGING DIRECTOR**



**COMPLIANCE CERTIFICATE FROM AUDITORS OF THE COMPANY  
(Under Clause 49 of the Listing Agreement)**

To

The Members of KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

We have examined the compliance of conditions of Corporate Governance by KOVAI MEDICAL CENTER AND HOSPITAL LIMITED, for the year ended on 31.3.2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

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

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

**For SURI & CO.**

Chartered Accountants  
Firm Reg No. 04283S

**C.S. SATHYANARAYANAN**

Partner

Membership No.028328

Coimbatore  
29.05.2010





**SURI & CO.,**  
Chartered Accountants

II Floor, AMM Buildings  
354, Mettupalayam Road  
Coimbatore - 641 043

**REPORT OF THE AUDITORS' TO THE SHAREHOLDERS**

We have audited the attached Balance Sheet of **KOVAI MEDICAL CENTER AND HOSPITAL LIMITED**, Coimbatore, as at 31st March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto and the cash flow statement for the period ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies' (Auditor's Report) Order 2003, and according to the information and explanations given to us during the course of the audit and on the basis of such checks as were considered appropriate, we enclose in the Annexure a statement on the matters specified in paragraph 4 of the said Order.

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

1. 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;
2. In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;
3. The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
4. In our opinion the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
5. On the basis of the written representation received from the Directors, as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010 from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
6. In our opinion and to the best of our information, and according to the explanations given to us, the said financial statements, read together with the attached schedules and notes forming part of accounts give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2010;
  - b) In the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
  - c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**For SURI & CO.**  
Chartered Accountants  
Firm Reg No. 04283S

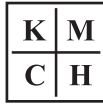
**C.S. SATHYANARAYANAN**  
Partner  
Membership No.028328

Coimbatore  
29.05.2010



**ANNEXURE TO THE AUDITORS' REPORT**

- 1) a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - b) The assets have been physically verified by the management in accordance with a phased programme of verification, which in our opinion, is reasonable, considering the size and the nature of business. The frequency of verification is reasonable and discrepancies noticed on such physical verification were not material and have been properly dealt with in books of accounts.
  - c) There is no disposal of substantial part of Fixed Assets during the year.
- 2) a) The inventories have been physically verified by the management during the year at reasonable intervals.
  - b) The procedures of physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
  - c) The company has maintained proper records of inventories and discrepancies noticed on physical verification of inventories as compared to book records were not material and have been appropriately dealt with.
- 3) During the year the company has neither granted nor taken any loan, secured or unsecured, to or from companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956.
- 4) There are adequate internal control systems commensurate with the size of the Company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of goods and services. There is no major weakness in the internal control system.
- 5) a) 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 such contracts or arrangements have been made at prices, which are reasonable having regard to prevailing market prices at the relevant time.
- 6) The Company has no deposits from the public. Hence the requirement of the compliance of Section 58A and 58AA of the Companies Act, 1956 does not arise.
- 7) The Company has an adequate Internal Audit system commensurate with its size and nature of its business.
- 8) We were informed that the maintenance of cost records are not applicable to the hospital industry.
- 9) a) According to the information and explanations given to us and the records examined by us, the company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues. According to the information and explanations given to us, no undisputed arrears of statutory dues that were outstanding as at 31st March 2010 for a period of more than six months from the date they became payable.



b) The details of disputed statutory dues are as under :

Sl.No.	Name of the Statute	Period to which the amount relates	Nature of the Dues	Amount disputed Rs. in Lacs	Amount paid Rs. in Lacs	Forum where dispute is pending
1.	Customs Act	1999-2000 & 2000-2001	Customs Duty	11.49	Nil	High Court, Chennai

- 10) There are no accumulated losses of the Company as at 31st March 2010. The company has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- 11) The Company has not defaulted in repayment of its dues to financial institution, banks and debenture holders.
- 12) During the year, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
- 13) The provisions of Special Statutes applicable to Chit Fund, Nidhi or Mutual Benefit Fund / Societies are not applicable to the Company.
- 14) The Company is not dealing or trading in shares, securities, debentures or other investments.
- 15) The Company has applied term loan for the purposes for which they were obtained.
- 16) According to the information and explanations given to us and on an overall examination of the Source and Application of the Funds of the company, we report that no funds raised on short-term basis have been used for long-term investments by the company.
- 17) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- 18) During the year, the Company has not issued Debentures.
- 19) During the year, the Company has not raised money by Public issue.
- 20) According to the information and explanation given to us, and the books and records examined by us, there are no frauds on or by the Company that has been noticed or reported during the year.
- 21) The other clauses of the Order are not applicable.

**For SURI & CO.**  
Chartered Accountants  
Firm Reg No. 04283S

**C.S. SATHYANARAYANAN**  
Partner  
Membership No.028328

Coimbatore  
29.05.2010


**KOVAI MEDICAL CENTER AND HOSPITAL LIMITED**
**BALANCE SHEET**

As at March 31,

(Rs. in Lacs)

	Sch.No	2010	2009
<b>I. SOURCES OF FUNDS</b>			
1. Shareholders' Funds			
a. Share Capital	1	<b>1094.23</b>	1094.23
b. Reserves & Surplus	2	<b>2930.67</b>	1931.59
		<b>4024.90</b>	3025.82
2. Loan Funds:			
a. Secured Loans	3	<b>10806.49</b>	7003.91
b. Unsecured Loan	4	<b>11.37</b>	34.44
		<b>10817.86</b>	7038.35
3. Deferred Tax Liability (Net)	5	<b>785.87</b>	695.47
<b>TOTAL CAPITAL EMPLOYED</b>		<b>15628.63</b>	10759.64
<b>II. APPLICATION OF FUNDS:</b>			
1. Fixed Assets:	6		
a. Gross Block		<b>13946.67</b>	9702.56
b. Less: Accumulated Depreciation		<b>4100.69</b>	3633.38
c. Net Block		<b>9845.98</b>	6069.18
d. Capital work in progress		<b>4221.46</b>	2009.42
		<b>14067.44</b>	8078.60
2. Investments	7	<b>360.27</b>	360.27
3. Current Assets, Loans & Advances			
A. Current Assets	8		
a. Inventories		<b>500.37</b>	394.65
b. Sundry Debtors		<b>431.55</b>	327.63
c. Cash & Bank Balances		<b>1283.09</b>	2133.43
d. Other Current Assets		<b>37.27</b>	4.51
B. Loans & Advances	9	<b>670.56</b>	726.79
	(A)	<b>2922.84</b>	3587.01
Less:			
4. Current Liabilities & Provisions	10		
a. Current Liabilities		<b>1339.96</b>	934.78
b. Provisions		<b>381.96</b>	331.46
	(B)	<b>1721.92</b>	1266.24
Net Current Assets	(A - B)	<b>1200.92</b>	2320.77
<b>Notes on Accounts</b>	11		
<b>TOTAL ASSETS</b>		<b>15628.63</b>	10759.64

**SCHEDULES 1 TO 11 FORM PART OF THIS BALANCE SHEET**

Vide our report of even date attached

For Suri &amp; Co.,

Chartered Accountants

Firm Reg No. 04283S

**C.S.SATHYANARAYANAN**
*Partner*
*Membership No. 028328*

Coimbatore

29.05.2010

**Dr. NALLA G PALANISWAMI**
*Chairman and Managing Director*
**A.M. PALANISAMY**
*Director*
**P.K. GOPIKRISHNAN**
*Chief Financial Officer*
**S.P. CHITTIBABU**
*Company Secretary*



**PROFIT AND LOSS ACCOUNT**

For the year ended March 31,

(Rs. in Lacs)

	Sch. No	2010	2009
<b>INCOME</b>			
Operating Income	A	13007.29	11035.90
Other Income	B	186.12	117.04
<b>Total Income</b>		<b>13193.41</b>	<b>11152.94</b>
<b>EXPENDITURE</b>			
Cost of Goods sold (Pharmacy)	C	2045.15	1751.89
Hospital Consumables	D	2159.27	1991.18
Operating Expenses	E	4157.69	3656.32
Personnel Cost	F	1702.42	1344.49
Administrative & Other expenses	G	453.22	470.77
<b>Total Expenditure</b>		<b>10517.75</b>	<b>9214.65</b>
<b>Profit Before Finance cost, Depreciation &amp; Tax</b>		<b>2675.66</b>	<b>1938.29</b>
Less : Finance Cost	H	483.71	443.43
<b>Profit Before Depreciation and Tax</b>		<b>2191.95</b>	<b>1494.86</b>
Less : Depreciation	6	468.80	391.54
<b>Profit Before Tax</b>		<b>1723.15</b>	<b>1103.32</b>
Less : Provision for Taxation - Current Tax		484.40	311.00
- Deferred Tax		90.40	67.93
- Fringe Benefit Tax		0.00	10.35
- Earlier Year Tax		(10.23)	0.00
<b>Profit after Tax</b>		<b>1158.58</b>	<b>714.04</b>
Add : Surplus from the Previous year		486.64	432.63
<b>Amount available for Appropriation</b>		<b>1645.22</b>	<b>1146.67</b>
Appropriations			
- Proposed Dividend @ Rs. 1.25 per Share		136.78	136.78
- Tax on Dividend		22.72	23.25
- Transfer to General Reserve		900.00	500.00
- Surplus in Profit & Loss Account transferred to Balance Sheet		585.72	486.64
		<b>1645.22</b>	<b>1146.67</b>
<b>Notes on Accounts</b>	11		
<b>Earnings per share (Basic and Diluted) (in Rs.)</b>		<b>10.59</b>	<b>6.53</b>
Face value of Rs.10/- each (see note no.16)			

**SCHEDULES A TO H, 6 & 11 FORM PART OF THIS PROFIT AND LOSS ACCOUNT**

Vide our report of even date attached

For Suri & Co.,

Chartered Accountants

Firm Reg No. 04283S

**C.S. SATHYANARAYANAN**

Partner

Membership No. 028328

Coimbatore

29.05.2010

**Dr. NALLA G PALANISWAMI**

Chairman and Managing Director

**A.M. PALANISAMY**

Director

**P.K. GOPIKRISHNAN**

Chief Financial Officer

**S.P. CHITTIBABU**

Company Secretary



**KOVAI MEDICAL CENTER AND HOSPITAL LIMITED**

**SCHEDULES TO THE BALANCE SHEET**

As at March 31,

(Rs. in Lacs)

	<b>2010</b>	<b>2009</b>
<b>SCHEDULE No. : 1. SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
1,50,00,000 Equity Shares of Rs.10/- each	<u>1500.00</u>	<u>1500.00</u>
<b>Issued, Subscribed &amp; Paid-up</b>		
1,09,42,262 Equity Shares of Rs.10/- each	<u>1094.23</u>	<u>1094.23</u>
	<u>1094.23</u>	<u>1094.23</u>
<b>SCHEDULE No. : 2. RESERVES &amp; SURPLUS</b>		
<b>GENERAL RESERVE</b>		
Opening Balance	<u>1444.95</u>	944.95
Add : Transfer From Profit and Loss Account	<u>900.00</u>	<u>500.00</u>
	<b>2344.95</b>	1444.95
<b>Surplus in Profit and Loss Account</b>	<b>585.72</b>	486.64
	<u>2930.67</u>	<u>1931.59</u>
<b>SCHEDULE No. : 3. SECURED LOANS</b>		
<b>Term Loan from Banks:</b>		
Indian Bank	<u>5692.75</u>	3352.26
Indian Overseas Bank	<u>4949.10</u>	<u>3538.10</u>
	<b>10641.85</b>	6890.36
<b>Secured Overdraft From Bank :</b>		
Indian Bank	<u>164.64</u>	113.55
	<u>10806.49</u>	<u>7003.91</u>



**SCHEDULES TO THE BALANCE SHEET**

As at March 31,

(Rs. in Lacs)

	<b>2010</b>	<b>2009</b>
<b>SCHEDULE No. : 4. UNSECURED LOANS</b>		
<b>From Banks</b>		
ICICI Bank Limited	1.80	8.08
Kotak Mahindra Bank Limited	1.86	10.94
HDFC Bank Limited	0.00	4.40
	<u>3.66</u>	<u>23.42</u>
<b>From Others</b>		
Kotak Mahindra Prime Limited	8.54	14.66
	<u>12.20</u>	<u>38.08</u>
Less : Unmatured Finance Charges	0.83	3.64
	<u>11.37</u>	<u>34.44</u>
	<u>11.37</u>	<u>34.44</u>
<b>SCHEDULE No. : 5. DEFERRED TAX LIABILITY (NET)</b>		
Deferred Tax Liability on account of Accumulated Depreciation	873.20	764.08
Less: Deferred Tax Asset on account of Provision for Bonus, Gratuity and Long Term compensated absence	87.33	68.61
	<u>785.87</u>	<u>695.47</u>



## KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

### SCHEDULE No. : 6 FIXED ASSETS

(Rs. in Lacs)

Description of Assets	GROSS BLOCK			DEPRECIATION		NET BLOCK				
	Cost as at 01.04.09	Additions During the year	Sale/ Adjustments	Cost as at 31.03.10	Up to 31.03.09	For the year	With drawn / Adjustments	Up to 31.03.10	As at 31.03.10	As at 31.03.09
Land	416.89	211.98	-	628.87	-	-	-	-	628.87	416.89
Buildings	2177.36	2292.94	-	4470.30	301.95	45.17	-	347.12	4123.18	1875.41
Medical Equipments	5167.87	691.93	2.28	5857.52	2144.35	293.07	1.49	2435.93	3421.59	3023.52
Surgical Instruments	135.22	-	-	135.22	135.22	-	-	135.22	-	-
Electrical Instruments & Generators	349.73	482.98	-	832.71	191.15	24.51	-	215.66	617.05	158.58
Furniture, Fixtures & Projectors	421.91	270.22	-	692.13	306.52	25.80	-	332.32	359.81	115.39
Air conditioners & Refrigerators	217.98	206.65	-	424.63	105.44	11.60	-	117.04	307.59	112.54
Plant & Machinery	194.63	23.45	-	218.08	84.77	18.65	-	103.42	114.66	109.86
Computer Installations	355.18	47.18	-	402.36	262.55	30.05	-	292.60	109.76	92.63
Vehicles	192.73	16.56	-	209.29	62.43	15.78	-	78.21	131.08	130.30
Fire Fighting Installations & Extinguishers	12.75	1.62	-	14.37	11.10	0.65	-	11.75	2.62	1.65
Telephone Installations & Instruments	37.37	0.88	-	38.25	19.22	2.78	-	22.00	16.25	18.15
Office Equipments & Library Books	22.94	-	-	22.94	8.68	0.74	-	9.42	13.52	14.26
<b>Total (A)</b>	9702.56	4246.39	2.28	13946.67	3633.38	468.80	1.49	4100.69	9845.98	6069.18
<b>Capital Work-in-Progress (B)</b>	2009.42	4487.85	2275.81	4221.46	-	-	-	-	4221.46	2009.42
<b>Total for the Year (A) + (B)</b>	11711.98	8734.24	2278.09	18168.13	3633.38	468.80	1.49	4100.69	14067.44	8078.60
Previous Year	9189.15	3078.00	555.17	11711.98	3247.84	391.54	6.00	3633.38	8078.60	5941.31
Includes Assets costing less than Rs.5000/- each aggregating to Rs. 11.94 Lacs										




**SCHEDULES TO THE BALANCE SHEET**

As at March 31,

(Rs. in Lacs)

	2010	2009	
<b>SCHEDULE No. : 7. INVESTMENTS - AT COST</b>			
<b>Long Term - Non-Trade, Quoted</b>			
a. 6100 Equity Shares of Rs.10/- each Fully paid in <b>Canara Bank</b> (Market Value - Rs.25,02,220/-, Previous Year - Rs.10,10,770/-)	2.14	2.14	
b. 2300 Equity Shares of Rs.10/- each Fully Paid in <b>Indian Overseas Bank</b> (Market Value - Rs.2,11,485/-, Previous year - Rs.1,04,880/- ) (Aggregate cost of Quoted Investments - Rs.2,68,700/-) (Aggregate Market value of Quoted Investments - Rs.27,13,705/-)	0.55	0.55	
<b>Long Term - Trade, UnQuoted</b>			
372440 Equity Shares of Rs.100/- each Fully Paid in Idhayam Hospitals Erode Limited (Aggregate cost of UnQuoted Investments - Rs.3,57,58,000/-)	357.58	357.58	
	<u>360.27</u>	<u>360.27</u>	
<b>SCHEDULE No. : 8. CURRENT ASSETS</b>			
<b>a. INVENTORIES (at Lower of cost and Net realisable value)</b>			
(as per inventories taken, valued and certified by management)			
Hospital Consumables	269.56	211.47	
Pharmacy	198.28	157.84	
Stores & Spares	14.97	10.19	
Others	17.56	15.15	
	<u>500.37</u>	394.65	
<b>b. SUNDRY DEBTORS</b>			
Unsecured & Considered Good			
Outstanding for period exceeding six months	19.45	24.68	
Other debts	412.10	302.95	
	<u>431.55</u>	327.63	
Unsecured & Considered doubtful			
Outstanding for period exceeding six months	6.71	0.00	
	<u>438.26</u>	327.63	
Less: Provision for Doubtful Debts	6.71	0.00	327.63
<b>c. CASH AND BANK BALANCES</b>			
Cash & Stamps on Hand	28.51	39.70	
Balance with Scheduled Banks in			
Deposit Account	1126.66	2057.69	
Current Account	101.95	12.80	
Unpaid Dividend account	25.97	23.24	2133.43
	<u>1283.09</u>	<u>23.24</u>	


**KOVAI MEDICAL CENTER AND HOSPITAL LIMITED**
**SCHEDULES TO THE BALANCE SHEET**

As at March 31,

(Rs. in Lacs)

	2010	2009	
<b>d. OTHER CURRENT ASSETS</b>			
Rent Receivable	1.72		1.31
Other Charges Recoverable	<u>35.55</u>		<u>3.20</u>
		<u>37.27</u>	4.51
		<u>2252.28</u>	<u>2860.22</u>
<b>SCHEDULE No. : 9. LOANS &amp; ADVANCES</b>			
(Recoverable in cash or in kind or for value to be received)			
(Unsecured Considered Good)			
Advance for Purchase	3.98		69.21
Advance for Expenses	0.68		11.73
Other Advances	551.82		570.29
Tax Payment Pending Adjustments ( Net of Provisions )	37.54		0.00
Prepaid Expenses	34.67		36.94
Deposit with EB & Govt.Depts.	38.00		34.78
Deposit with others	<u>3.87</u>	<u>670.56</u>	<u>3.84</u> <u>726.79</u>
		<u>670.56</u>	<u>726.79</u>
<b>SCHEDULE No. : 10. CURRENT LIABILITIES &amp; PROVISIONS</b>			
<b>a. CURRENT LIABILITIES</b>			
Creditors - Capital Items			
Small and Medium Enterprises	17.34		0.52
Others	<u>425.94</u>	443.28	<u>71.30</u> 71.82
(Refer Note No.4)			
Creditors - Purchase			
Small and Medium Enterprises	16.56		13.43
Others	<u>217.30</u>	233.86	<u>219.52</u> 232.95
(Refer Note No.4)			
Creditors - Expenses			
Small and Medium Enterprises	3.68		0.00
Others	<u>33.81</u>	37.49	<u>72.63</u> 72.63
(Refer Note No.4)			
Deposits received		6.86	6.64
Liabilities - Others		592.50	527.50
Unpaid Dividend account		<u>25.97</u>	<u>23.24</u>
(Investor Education and Protection Fund item Not Due)		<u>1339.96</u>	934.78
<b>b. PROVISIONS</b>			
For Gratuity	195.82		149.52
For Long Term Compensated Absence	26.64		17.43
For Income Tax ( Net of Advance Tax & TDS )	0.00		4.48
For Dividend	136.78		136.78
For Dividend Tax	22.72	<u>381.96</u>	23.25 <u>331.46</u>
		<u>1721.92</u>	<u>1266.24</u>



**SCHEDULES TO THE PROFIT AND LOSS ACCOUNT**

For the Year Ended March 31,

(Rs. in Lacs)

	<b>2010</b>	<b>2009</b>	
<b>SCHEDULE A : OPERATING INCOME</b>			
Inpatients Revenue	7397.38	6245.15	
Outpatients Revenue	2639.66	2222.26	
Pharmacy Sales	2543.89	2166.79	
Dietary Sales	<u>426.36</u>	<u>401.70</u>	
	<b>13007.29</b>		11035.90
<b>SCHEDULE B : OTHER INCOME</b>			
Rent received ( TDS Rs. 4.02 Lacs )	33.66	17.45	
Other Receipts	68.71	17.76	
Profit on Sale of Assets	0.00	0.64	
Dividend income	0.59	0.57	
Interest Income ( TDS Rs. 15.07 Lacs )	83.16	77.78	
Excess Provision for taxation no longer required written back	<u>0.00</u>	<u>2.84</u>	
	<b>186.12</b>		117.04
<b>SCHEDULE C : COST OF GOODS SOLD ( PHARMACY )</b>			
Opening Stock	157.84	139.98	
Add : Purchase of Medicines	<u>2085.59</u>	<u>1769.75</u>	
	<b>2243.43</b>	1909.73	
Less: Closing Stock	<u>198.28</u>	<u>157.84</u>	
	<b>2045.15</b>		1751.89
<b>SCHEDULE D : HOSPITAL CONSUMABLES</b>			
Opening Stock	211.47	236.15	
Add: Purchases	<u>2217.36</u>	<u>1966.50</u>	
	<b>2428.83</b>	2202.65	
Less: Closing Stock	<u>269.56</u>	<u>211.47</u>	
	<b>2159.27</b>		1991.18
<b>SCHEDULE E : OPERATING EXPENSES</b>			
Power & Fuel Consumed	385.20	356.76	
Dietary Consumption	410.92	338.54	
Consultant Charges	2203.85	1942.35	
Hospital Upkeep Expenses	384.95	321.21	
Stores & Spares Consumed	13.33	12.46	
Water Charges	93.72	91.77	
Repairs & Maintenance - Building	105.17	85.36	
Repairs & Maintenance - Machinery	284.99	254.57	
Repairs & Maintenance - Others	122.68	99.99	
Lab Test Charges	88.15	86.03	
Lease Rent - Equipments	<u>64.73</u>	<u>67.28</u>	
	<b>4157.69</b>		3656.32



**SCHEDULES TO THE PROFIT AND LOSS ACCOUNT**

For the Year Ended March 31,

(Rs. in Lacs)

	<b>2010</b>	<b>2009</b>
<b>SCHEDULE F : PERSONNEL COST</b>		
Salaries, Allowances & Bonus	1535.12	1217.99
Contribution to Provident and Other Funds	56.28	33.96
Staff Welfare Expenses	52.96	43.64
Gratuity	48.86	40.77
Long Term Compensated absence	9.20	8.13
	<b>1702.42</b>	1344.49
<b>SCHEDULE G : ADMINISTRATIVE &amp; OTHER EXPENSES</b>		
Traveling & Conveyance	35.17	33.81
Printing & Stationery	75.16	80.91
Rent	82.98	86.02
Licence fees, rates & taxes	23.82	15.67
Telephone, Telex & Postage	27.51	32.44
Advertisement	61.74	54.01
Conference, Seminar & Exhibition Expenses	7.86	6.51
Insurance	9.32	8.15
Security Service Charges	58.79	46.88
Audit Remuneration ( inclusive of Service Tax )		
For Statutory Audit	7.49	5.52
For Tax Audit	0.81	1.12
For Expenses	0.00	0.21
For Other Service	0.00	0.22
	<b>8.30</b>	7.07
Hire Charges - Vehicle	19.92	11.40
Professional Charges	22.48	68.51
Subscription & Donation	6.18	15.85
Legal Fees	6.21	2.81
Directors' Sitting Fees	0.58	0.73
Loss on Sale of Fixed Assets	0.49	0.00
Provision for Bad & Doubtful Debts	6.71	0.00
	<b>453.22</b>	470.77
<b>SCHEDULE H : FINANCE COST</b>		
<b>Interest on Fixed Loans</b>		
Term Loans	458.83	326.28
	<b>458.83</b>	326.28
<b>Interest on Other Loans</b>		
Interest on Working Capital Loan	8.63	15.00
Bank Charges	13.44	14.33
HP Finance Charges	2.81	4.94
Other Finance Charges	0.00	82.88
	<b>24.88</b>	117.15
	<b>483.71</b>	443.43



**SCHEDULE No. : 11**

**NOTES ON ACCOUNTS**

**I. SIGNIFICANT ACCOUNTING POLICIES:**

**(i) ACCOUNTING CONVENTION**

The Financial statements have been prepared under the Historical Cost Convention on the basis of a going concern and in accordance with the accounting standards referred to in Section 211 (3C) of the Companies Act, 1956, wherever applicable.

**(ii) FIXED ASSETS**

Fixed Assets are stated at original cost net of tax / duty credits availed, if any, less accumulated depreciation and accumulated amortization. Cost includes preoperative expenses and all expenses related to acquisition and installation of the concerned assets.

**(iii) BORROWING COSTS**

Borrowing Costs attributable to the acquisition or construction of qualifying assets are capitalized as part of such assets. All the other borrowing costs are charged to revenue.

A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale.

**(iv) IMPAIRMENT OF ASSETS**

As at each Balance Sheet date, the carrying amount of fixed assets is tested for impairment so as to determine.

- a) the provision for impairment loss, if any, required or
- b) the renewal, if any, required of impairment loss recognized in previous periods.

Impairment of loss is recognized when the carrying amount of an asset exceeds its recoverable amount.

**(v) INVESTMENTS**

Current Investments are carried at lower of cost and market value. Long Term Investments are stated at cost. Provisions for diminution in value of long-term investments are made, if the diminution is other than temporary.

**(vi) DEPRECIATION**

Depreciation is provided on Straight Line Method in the manner and at the rates specified in Schedule XIV to the Companies Act, 1956.

**(vii) INVENTORIES**

- a) Inventories are valued at lower of cost and estimated net realizable value.
- b) Cost is arrived at on First-in-First Out basis.

**(viii) FOREIGN CURRENCY TRANSACTIONS**

- a) Foreign Currency Transactions are recorded at exchange rates prevailing on the date of such transaction.
- b) Foreign Currency monetary assets and liabilities at the year end are realigned to the exchange rate prevailing at the year end and the difference on realignment is adjusted in the cost of the respective assets.
- c) Non-monetary foreign currency items are carried at cost.



**(ix) REVENUE RECOGNITION**

- a) Income and Expenditure are generally accounted on accrual basis except those with significant uncertainties.
- b) The income by way of Doctors' Consultancy Fees is considered as accrued as and when the amounts are finalized and certainty of recovery from Patients is ascertained. The liability towards Consultant Charges is considered as accrued as and when the claim is accepted and the liability is crystallised.
- c) The insurance claims are accounted as and when the claims are settled or accepted by the insurance company whichever is earlier.

**(x) TAXES ON INCOME**

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act 1961, and based on the expected outcome of assessments/appeals.

Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year, and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

**(xi) RETIREMENT BENEFITS**

- a) Payments to defined contribution schemes are charged as expense as and when incurred.
- b) Post employment and other long term benefits which are defined benefit plans are recognized based on the present value of the obligation determined in accordance with Accounting Standard 15 on "Employee Benefits".

**(xii) ACCOUNTING STANDARDS**

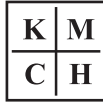
Accounting Standards prescribed by the Department of Corporate Affairs (Formerly Known as Department of Company Affairs) and referred to in Companies Act, 1956 have been followed wherever applicable.

**II. NOTES ON ACCOUNTS**

**1. Security Particulars of Secured Loans**

- I. The term loans availed from Indian Bank and Indian Overseas Bank are primarily secured by:
  - a. Charge on the immovable properties of the company situated at Kalapatti Village at Coimbatore and Erode.
  - b. Charge on the movable fixed assets including medical equipments.
  - c. Charge on the leasehold rights of the building at Erode in the name of M/s Idhayam Hospitals Erode Limited, Erode.
  - d. Charge on the leasehold rights of the medical equipments in the name of M/s Idhayam Hospitals Erode Limited, Erode.

The above facilities are also collaterally secured by stock and book debts of the Company.



- II. The Company has availed working capital facility from Indian Bank which is primarily secured by:
- Hypothecation of stocks, book debts and other current assets.
  - The above working capital facility is collaterally secured by all fixed assets mentioned in item No.11(a) to (d) above.
- III. In addition to the above, the subsidiary company has given corporate guarantee to the limits availed by the company.
- IV. The term loans and working capital facilities are further guaranteed by the personal guarantees of the Chairman and Managing Director and Vice Chairman and Joint Managing Director of the Company.

**2. Deposits with Bank and other include:**

- Rs. 4,000/- under lien to Sales Tax authorities towards sales tax deposit and
  - Rs.41,91,454/- under lien to Indian Bank towards margin for outstanding Letters of Credit and Bank Guarantee. (Previous Year Rs. 35,56,454/-)
  - Rs. 5,43,425/- under lien to Indian Overseas Bank towards margin for Bank Guarantee.
3. Quantitative Particulars in respect of operations and inventories in accordance with the requirements of schedule VI to the Companies Act, 1956 have not been furnished in view of the practical difficulties relating to this specific industry.
4. The company has initiated the process of obtaining confirmation from suppliers who have registered themselves under the “Micro, Small and Medium Enterprises Act, 2006”. Based on the evidence and declarations obtained, there are no dues warranting interest payment under the “Micro, Small and Medium Enterprises Act, 2006”.
5. The Company has provided for employee benefits as per Accounting Standard 15 in respect of defined benefit plan (Gratuity and Long Term compensated absence).

**a) Description of the company's defined benefit plan:**

The Company operates a defined benefit plan for payment of post employment benefits in the form of Gratuity and Long Term compensated absence. Benefits under the plan are based on pay and years of service and are vested on completion of five years of service, as provided for in the Payment of Gratuity Act, 1972. The terms of the benefits are common for all the employees of the company.

**b) Reconciliation in respect of the changes in the Present value of the obligation:**

(Rs. In Lacs)

Particulars	Gratuity	Long Term compensated absence
Present Value of the obligation as on 01.04.09	149.52	17.43
<b>Add:</b>		
Current service cost	20.53	2.69
Interest Cost	9.93	1.17
Benefits paid	-2.56	-
Actuarial gains and losses	18.40	5.35
Present value of the obligation as on 31.03.10	195.82	26.64

**c) Reconciliation in respect of the changes in the fair value of Plan assets:**

(Rs. in Lacs)

Particulars	Gratuity	Long Term compensated absence
Fair Value of the plan assets as on 01.04.09	Nil	-
<b>Add :</b>		
Expected rate of return	Nil	-
Contributions by employer	Nil	-
Benefits paid	Nil	-
Actuarial gains and losses	Nil	-
Fair value of the assets as on 31.03.10	Nil	-

No Reimbursement rights were available as at the beginning or end of the year for recognition as an asset.

**d) The total expenses recognized in the profit and loss account as follows:**

(Rs. in Lacs)

Particulars	Gratuity	Long Term compensated absence
Current service cost	20.53	2.69
Interest cost	9.93	1.17
Expected return on plan assets	Nil	Nil
Net Actuarial (Gain)/Loss recognized in the year	18.40	5.35
Transitional Liability recognized in the year	Nil	Nil
Past service cost - Non - vested benefits	Nil	Nil
Past service cost - Vested benefits	Nil	Nil
Amount recognized in the profit and loss account	<b>48.86</b>	<b>9.20</b>

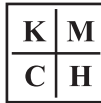
The expenses has been included under the head "Provision for gratuity" under "Personnel cost" in the profit and loss account

**e) The major category of plan assets as percentage of total plan assets are as follows:**

(Rs. in Lacs)

Particulars	Gratuity	Long-Term compensated absence
Investments Made	0%	Nil
Amounts held in current account with bank	0%	Nil
Investment in Company's own financial instruments	-	-
Investment in property or other assets used by the company	-	-





**f) Principal actuarial assumptions used as at the balance sheet date:**

Particulars	Gratuity	Long Term compensated absence
Discount rate	6.80%	6.80%
Salary Escalation rate	10.00%	10.00%
Attrition rate	30.00%	30.00%
Expected return on plan assets	0.00%	0.00%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

**g) Particulars for the current annual period ending 31.03.10.**

(Rs in Lacs)

Particulars	Gratuity 2009-10	Gratuity 2008-09	Gratuity 2007-08
Present value of obligation	195.81	149.52	113.61
Plan assets	Nil	Nil	Nil
Surplus/(Deficit) in Plan assets	-195.81	149.52	113.61
The experience adjustments arising on the plan liabilities as on amount	-23.63	-14.91	-21.05
The experience adjustments arising on the plan assets as on amount	Nil	Nil	Nil

Particulars	Long Term Compensated Absence 2009-10	Long Term Compensated Absence 2008-09	Long Term Compensated Absence 2007-08
Present value of obligation	26.63	17.43	9.30
Plan assets	Nil	Nil	Nil
Surplus/(Deficit) in Plan assets	-26.63	-17.43	9.30
The experience adjustments arising on the plan liabilities as on amount	-7.14	2.04	-1.79
The experience adjustments arising on the plan assets as on amount.	Nil	Nil	Nil

**6. Personnel Cost include :**

(Rs. In Lacs)

Remuneration to	Chairman & Managing Director	Joint Managing Director
Salary	10.20	7.20
Perquisites	<u>3.23</u>	<u>3.50</u>
	13.43	10.70
Commission on Net Profit (1% from 01.04.09-30.09.09 and 2% from 01.10.09-31.03.10 - CMD 1% from 01.04.09-31.03.10 - JMD)	26.24	17.92
	<u>39.67</u>	<u>28.62</u>



**KOVAI MEDICAL CENTER AND HOSPITAL LIMITED**

7. Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956 and the calculation of Chairman & Managing Director's Commission for the year ended 31<sup>st</sup> March, 2010:

(Rs. in Lacs)

**31.03.2010**

Profit Before Tax as per Profit & Loss Account		<b>1723.15</b>
Add : Director's Sitting Fees	<b>0.58</b>	
Director's Remuneration	<b>17.40</b>	
Perquisites	<b>6.73</b>	
Director's Commission	<b>44.16</b>	<b>68.87</b>
Net Profit as per Section 198 of Companies Act, 1956		<b>1792.02</b>
<b>Commission :</b>		
To CMD (1% from 01.04.09 - 30.09.09 & 2% from 01.10.10 - 31.03.10)	<b>26.24</b>	
To JMD (1% from 01.04.09 - 31.03.10)	<b>17.92</b>	<b>44.16</b>
Commission on Net Profit		<b>44.16</b>

8. (i) **CIF value of imports** (Rs.in Lacs)

	<u>2009-2010</u>	<u>2008-2009</u>
a. Capital goods	<b>854.14</b>	238.59
b. Spares	<b>2.05</b>	9.11
(ii) Earnings in Foreign Currency	<b>NIL</b>	NIL
(iii) Expenditure in Foreign Currency (Travel and Medical Journals)	<b>15.73</b>	10.25
(iv) Dividend paid in Foreign Currency		
a. Dividend (in Lacs)	<b>23.70</b>	28.72
b. No of Non Resident Share Holders (in Nos.)	<b>92</b>	96
c. No of Shares of Rs.10 each held by them (in Nos)	<b>1896498</b>	2297585

9. The Ministry of Corporate Affairs through its notification dated 31.03.09 has relaxed the provisions of Accounting Standard 11 "The Effects of changes in Foreign Exchange Rates" for treating the exchange gain / loss arising on restatement of Long Term Foreign currency monetary items. Accordingly, companies are permitted to adjust the carrying cost of depreciable assets by the exchange differences arising out of exchange rate fluctuation. The company has exercised the option provided in the said notification and consequently an amount of Rs.12,86,558/- representing exchange gain has been adjusted in the cost of the asset during the year. The adjusted cost has been considered for depreciation purposes.

10. In-patients and out patients revenue is net of discount / free / concessional treatment / claims.

11. a) The legality of the title of a land belonging to the Company, admeasuring 6.44 acres, which was challenged legally, has been adjudicated in favour of the Company by the Honourable Madras High Court. Thus the title of the said land is clear and marketable.



- b) The title of a piece of land belonging to the Company admeasuring 5000 sq.ft. is challenged legally by a third party which the company is defending.

**12. Contingent Liabilities:**

	<b>As at 31.3.2010</b>	(Rs. in Lacs) As at 31.3.2009
a) Estimated amount of contracts remaining to be executed on capital account	<b>3718.20</b>	2976.34
b) Letters of Credit for capital equipments	<b>1868.92</b>	25.81
c) Demand of Customs Duty raised by the authorities disputed and not acknowledged as due	<b>11.49</b>	11.49
d) Claims of various nature made against the Company not acknowledged as debt	<b>99.21</b>	150.00

**13. Related parties disclosure under Accounting Standard (AS) - 18.**

The list of related parties as identified by the management are as under

**(i) Names of related parties and description of relationship**

- a. Key Management Personnel : 1. Dr. Nalla G Palaniswami  
2. Dr. Thavamani Devi Palaniswami
- b. Subsidiary Company : Idhayam Hospitals Erode Ltd.
- c. Other Related Parties : Purani Hospital Supplies Limited.
- Entities in which the : Aosta Software Technologies India Limited.  
Directors are interested : ABT Industries Limited.  
: Sakthi Sugars Limited.  
: K Pharmacy  
: NGP Estate motors Agencies  
: Dr. K.S.K. Murugaiyan

**(ii) Related Party Transactions :**

The Company has identified all related parties and details of transactions are given below. No provision for doubtful debts or advances is required to be made and no amounts have been written off or written back during the year in respect of debts due from or to related parties. There are no other related parties where control exists that need to be disclosed. Following transactions were carried out with the related parties.


**KOVAI MEDICAL CENTER AND HOSPITAL LIMITED**

(Rs. in Lacs)

Nature of Business	Subsidiary Company	Key Mgmt Personnel	Other Related Parties	Total
Lease Rent paid	89.12	-	-	89.12
Interest on Lease advance-Received	30.00	-	-	30.00
Purchase of Hospital Consumables - Medicines & Drugs, Dietary, Sprit, Rent etc.,	-	-	2103.62	2103.62
Rent Receipts	-	-	4.90	4.90
IT Software & Hardware Maintenance Charges	-	-	13.24	13.24
Consultant charges	-	-	6.23	6.23
Directors Remuneration, Commission & Perquisites.	-	68.29	-	68.29
Directors Sitting Fees	-	0.58	-	0.58
Amount payable	-	44.70	86.25	130.95
Amount Receivable	-	-	0.12	0.12

**(iii) Sundry Creditors includes the following amount due as on the closing date:**

a) Due to directors	-	Rs. 44.70 lacs
b) Payable to Related Parties	-	Rs. 86.25 lacs
c) Receivables from Related Parties	-	Rs. 0.12 lacs

**15. Segment Reporting**

Running of Hospitals is the only operating segment for the company . The entire financials and profit given are related only to this segment.

**16. Earnings per Share (EPS) computed in accordance with Accounting Standard AS20**

	31.03.2010	31.03.2009
Profit after tax (Rs. in lacs)	<b>1158.58</b>	714.04
Number of Shares issued in lacs	<b>109.42</b>	109.42
The nominal Value per equity Share (Rs.)	<b>10.00</b>	10.00
Basic / Diluted EPS (Rs.)	<b>10.59</b>	6.53

17. Provision for taxation includes provision for Wealth Tax. Income tax assessments have been provisionally completed upto the assessment year 2007-08.



**18. Borrowing cost capitalized**

- Building Rs.2,27,74,110/-
- Work in progress Rs.3,30,65,880 /-

19. Figures of the previous year have been regrouped, reclassified and rearranged wherever necessary to confirm to current year's classification.

20. Figures have been rounded off to the nearest thousands.

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**SIGNATURES TO SCHEDULES 1 TO 11 & A TO H**

Vide our Report of even Date attached

For Suri & Co

Chartered Accounts

Firm Regn No. 04283S

**C.S. SATHYANARAYANAN**

*Partner*

*Membership No. 028328*

**Dr. NALLA G PALANISWAMI**

*Chairman and Managing Director*

**P.K. GOPIKRISHNAN**

*Chief Financial Officer*

Coimbatore

29.05.2010

**A.M. PALANISAMY**

*Director*

**S.P. CHITTIBABU**

*Company Secretary*



**CASH FLOW STATEMENT**

For the year ended March 31,

(Rs.in Lacs)

	<b>2010</b>	<b>2009</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Profit before taxation and exceptional items</b>	<b>1723.15</b>	<b>1103.32</b>
Adjustment for :		
Depreciation	<b>468.80</b>	391.54
Interest Expense	<b>483.71</b>	443.43
Interest Income	<b>(83.16)</b>	(47.78)
Loss on sale of Fixed Asset	<b>0.49</b>	(0.64)
Foreign Exchange gain on restatement of foreign currency liability	<b>8.27</b>	0.00
Dividend Income	<b>(0.59)</b>	(0.57)
	<u><b>877.52</b></u>	<u><b>785.98</b></u>
<b>Operating Profit before Working Capital Changes</b>		
<b>Capital Changes</b>	<b>2600.67</b>	<b>1889.30</b>
Inventories	<b>(105.72)</b>	4.99
Trade & Other Payables	<b>457.93</b>	(409.08)
Trade & Other Receivables	<b>(42.91)</b>	317.45
	<u><b>309.30</b></u>	<u><b>(86.64)</b></u>
<b>Cash generated from Operations</b>	<b>2909.97</b>	<b>1802.66</b>
Income Tax/Wealth Tax Paid	<b>(516.17)</b>	(309.83)
Fringe Benefit Tax Paid	<b>0.00</b>	(11.05)
	<u><b>(516.17)</b></u>	<u><b>(320.88)</b></u>
<b>Net Cash from Operating Activities: - A</b>	<u><b>2393.80</b></u>	<u><b>1481.78</b></u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of Fixed Assets	<b>(6466.69)</b>	(2369.50)
Sale of Fixed Assets	<b>0.30</b>	1.72
Interest Income	<b>83.16</b>	47.78
Dividend Income	<b>0.59</b>	0.57
	<u><b>(6382.64)</b></u>	<u><b>(2319.43)</b></u>
<b>Net cash from investing activities - B</b>	<u><b>(6382.64)</b></u>	<u><b>(2319.43)</b></u>

**CASH FLOW STATEMENT**

For the year ended March 31,

(Rs.in Lacs)

	2010	2009
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Long term Borrowings (Net of repayment)	3751.49	3316.24
Unsecured Loans	(23.07)	(11.00)
Working Capital borrowings	51.09	(43.06)
Dividend & Tax on Dividend Paid	(157.30)	(154.52)
Interest Paid	(483.71)	(443.43)
	<u>3138.50</u>	<u>2664.23</u>
<b>Net cash used in financing activities - C</b>	<u>3138.50</u>	<u>2664.23</u>
Net increase in cash and cash equivalents(A+B+C)	(850.34)	1826.58
Cash and Cash equivalent at beginning of Period	2133.43	306.85
Cash and Cash equivalent at end of Period	<u>1283.09</u>	<u>2133.43</u>

As per our report of even date attached  
For Suri & Co.,  
Chartered Accountants  
Firm Regn No. 04283S

**C.S. SATHYANARAYANAN**  
*Partner*  
Membership No. 028328

**Dr. NALLA G PALANISWAMI**  
*Chairman and Managing Director*

**P.K. GOPIKRISHNAN**  
*Chief Financial Officer*

Coimbatore  
29.05.2010

**A.M. PALANISAMY**  
*Director*

**S.P. CHITTIBABU**  
*Company Secretary*



**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I. Registration Details:**

Registration No	:	L85110TZ1985PLC001659
State Code	:	18
Balance Sheet Date	:	31.03.2010

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

Public Issue	:	NIL
Right Issue	:	NIL
Bonus Issue	:	NIL
Private Placement	:	NIL

**III. Position of Mobilisation and Deployment of funds:**

(Amount in Rs. Lacs)

Total Liabilities	:	15628.63
Total Assets	:	15628.63

**Sources of Funds**

Paid up Capital	:	1094.23
Reserves and Surplus	:	2930.67
Secured Loans	:	10806.49
Unsecured Loans	:	11.37
Deferred Tax	:	785.87

**Application of Funds**

Net fixed Assets	:	14067.44
Investments	:	360.27
Net Current Assets	:	1200.92
Misc. Expenditure	:	-

**IV. Performance of Company ( Amount in Rs. Lacs)**

Total Income	:	13193.41
Total Expenditure	:	11470.26
Profit before Tax	:	1723.15
Profit after Tax	:	1158.58
Earning per share in Rs	:	10.59
Dividend	:	136.78

**V. Generic Names of Three Principal Products / Services of Company** : **Hospital Services to In-Patients and Out-Patients**  
(As per monetary terms)





**Statement in pursuant to Section 212 of the Companies Act, 1956**

1. Name of the Subsidiary	Idhayam Hospitals Erode Limited
2. Financial Year ending	31.03.2010
3. No. of shares (fully paid up) held by the company on the above dates	372440 shares of Rs.100 each
4. Extent of holding company's Interest	100%
5. Net aggregate amount of Subsidiary's Profit / (Losses) (Rs. in Lacs)	
a) Not dealt within the accounts of the company	
i. For the current Financial year ended 31 st March, 2010	1.46
ii. For the previous Financial years	0.07
b) Dealt within the accounts of the company	
i. For the current Financial year ended 31st March, 2010	Nil
ii. For the previous Financial years	Nil

Notes: a) There has been no change in the Holding company's interest in the Subsidiary between the end of the financial year of the Subsidiary and the end of the financial year of the Holding Company.  
b) No material changes have occurred between the end of the financial year of the Subsidiary and the Holding Company's financial year in respect of the Subsidiary's (i) fixed assets, (ii) investments, (iii) moneys lent and (iv) moneys borrowed for any purpose other than that of meeting current liabilities.

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**Dr. NALLA G PALANISWAMI**  
*Chairman and Managing Director*

**P.K. GOPIKRISHNAN**  
*Chief Financial Officer*

Coimbatore  
29.05.2010

**A.M. PALANISAMY**  
*Director*

**S.P. CHITTIBABU**  
*Company Secretary*

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# **CONSOLIDATED FINANCIAL STATEMENTS**



### **Auditors' Report on Consolidated Financial Statements**

We have examined the attached Consolidated Balance Sheet of Kovai Medical Center and Hospital Limited ("the Company") and its subsidiary as at 31st March, 2010, and the Consolidated Profit and Loss Account for the year ended on that date annexed thereto, and the consolidated cash flow statement for the year ended on that date. These Consolidated financial statements are the responsibility of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiary included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit report on individual audited financial statements of the Company and its aforesaid subsidiary, in our opinion the consolidated financial statements read together with the attached schedules and Note on consolidation and other Notes thereon, give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiary as at 31st March, 2010;
- (b) In the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiary for the year ended on that date; and
- (c) In the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its subsidiary for the year ended on that date.

**For SURI & CO.**

Chartered Accountants  
Firm Regn No. 04283S

**C.S. SATHYANARAYANAN**

Partner  
Membership No.028328

Coimbatore  
29.05.2010


**KOVAI MEDICAL CENTER AND HOSPITAL LIMITED**
**CONSOLIDATED BALANCE SHEET**

As at March 31,

(Rs.in Lacs)

	Schedule No	2010	2009
<b>I. SOURCES OF FUNDS</b>			
1. Shareholders' Funds			
a. Share Capital	1	<b>1094.23</b>	1094.23
b. Reserves & Surplus	2	<b>2902.76</b>	1902.22
		<b>3996.99</b>	2996.45
2. Loan Funds:			
a. Secured Loans	3	<b>10806.49</b>	7003.91
b. Unsecured Loan	4	<b>11.37</b>	34.44
		<b>10817.86</b>	7038.35
3. Deferred Tax Liability (Net)	5	<b>785.87</b>	695.47
<b>TOTAL CAPITAL EMPLOYED</b>		<b>15600.72</b>	10730.27
<b>II. APPLICATION OF FUNDS:</b>			
1. Fixed Assets:	6		
a. Gross Block		<b>15073.93</b>	10829.82
b. Less: Accumulated Depreciation		<b>4454.02</b>	3936.73
c. Net Block		<b>10619.91</b>	6893.09
d. Capital work in progress		<b>4221.46</b>	2009.42
		<b>14841.37</b>	8902.51
2. Investments	7	<b>2.69</b>	2.69
3. Current Assets, Loans & Advances			
A. Current Assets	8		
a. Inventories		<b>500.37</b>	394.65
b. Sundry Debtors		<b>431.55</b>	327.64
c. Cash & Bank Balances		<b>1302.76</b>	2156.87
d. Other Current Assets		<b>37.27</b>	4.51
		<b>2271.95</b>	2883.67
B. Loans & Advances	9	<b>209.60</b>	758.54
	(A)	<b>2481.55</b>	3642.21
Less:			
4. Current Liabilities & Provisions	10		
a. Current Liabilities		<b>1342.93</b>	1485.68
b. Provisions		<b>381.96</b>	331.46
	(B)	<b>1724.89</b>	1817.14
Net Current Assets	(A - B)	<b>756.66</b>	1825.07
Notes on Accounts	11		
<b>TOTAL ASSETS</b>		<b>15600.72</b>	10730.27

**SCHEDULE 1 TO 11 FORM PART OF THIS BALANCE SHEET**

Vide our report of even date attached

For Suri &amp; Co.,

Chartered Accountants

Firm Regn No. 04283S

**C.S.SATHYANARAYANAN**
*Partner*
*Membership No.028328*

Coimbatore

29.05.2010

**Dr. NALLA G PALANISWAMI**
*Chairman and Managing Director*
**A.M.PALANISAMY**
*Director*
**P.K.GOPIKRISHNAN**
*Chief Financial Officer*
**S.P.CHITTIBABU**
*Company Secretary*



**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

For the Year Ended March 31,

(Rs.in Lacs)

	Schedule No	2010	2009
<b>INCOME</b>			
Operating Income	A	13007.29	11035.90
Other Income	B	156.12	87.04
<b>Total Income</b>		<b>13163.41</b>	<b>11122.94</b>
<b>EXPENDITURE</b>			
Cost of Goods sold (Pharmacy)	C	2045.15	1751.89
Hospital Consumables	D	2159.27	1991.18
Operating Expenses	E	4097.69	3596.32
Personnel Cost	F	1702.42	1344.49
Administrative & Other expenses	G	431.42	449.63
<b>Total Expenditure</b>		<b>10435.95</b>	<b>9133.51</b>
<b>Profit Before Finance cost, Dep.&amp; Tax</b>		<b>2727.46</b>	<b>1989.43</b>
Less : Finance Cost	H	483.81	443.64
<b>Profit Before Depreciation and Tax</b>		<b>2243.65</b>	<b>1545.79</b>
Less : Depreciation	6	518.77	442.40
<b>Profit Before Tax</b>		<b>1724.88</b>	<b>1103.39</b>
Less : Provision for Taxation - Current Tax		484.67	311.00
- Deferred Tax		90.40	67.93
- Fringe Benefit Tax		0.00	10.35
- Earlier Year Tax		(10.23)	-
<b>Profit after Tax</b>		<b>1160.04</b>	<b>714.11</b>
Add : Surplus from the Previous year		457.27	403.19
<b>Amount available for Appropriation</b>		<b>1617.31</b>	<b>1117.30</b>
Appropriations			
- Proposed Dividend @ Rs.1.25 per Share		136.78	136.78
- Tax on Dividend		22.72	23.25
- Transfer to General Reserve		900.00	500.00
- Surplus in Profit & Loss Account transferred to Balance Sheet		557.81	457.27
		<b>1617.31</b>	<b>1117.30</b>
<b>Notes on Accounts</b>	11		
<b>Earnings per share (Basic and Diluted) (in Rs.)</b>			
Face value of Rs.10/- each		10.60	6.53

**SCHEDULES A TO H, 6 & 11 FORM PART OF THIS PROFIT AND LOSS ACCOUNT**

Vide our report of even date attached

For Suri & Co.,

Chartered Accountants

Firm Regn No. 04283S

**C.S.SATHYANARAYANAN**

Partner

Membership No. 028328

Coimbatore

29.05.2010

**Dr. NALLA G PALANISWAMI**

Chairman and Managing Director

**A.M. PALANISAMY**

Director

**P.K. GOPIKRISHNAN**

Chief Financial Officer

**S.P. CHITTIBABU**

Company Secretary



**CONSOLIDATED SCHEDULES TO THE BALANCE SHEET**

As at March 31,

(Rs.in Lacs)

	2010	2009
<b>SCHEDULE No. : 1. SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
1,50,00,000 Equity Shares of Rs.10/- each	<u>1500.00</u>	1500.00
<b>Issued, Subscribed &amp; Paid-up</b>		
1,09,42,262 Equity Shares of Rs.10/- each	<u>1094.23</u>	1094.23
	<u>1094.23</u>	<u>1094.23</u>
<b>SCHEDULE No. : 2. RESERVES &amp; SURPLUS</b>		
<b>GENERAL RESERVE</b>		
Opening Balance	1444.95	944.95
Add : Transfer From Profit and Loss Account	<u>900.00</u>	<u>500.00</u>
	<u>2344.95</u>	1444.95
Surplus in Profit and Loss Account	<u>557.81</u>	<u>457.27</u>
	<u>2902.76</u>	<u>1902.22</u>
<b>SCHEDULE No. : 3. SECURED LOANS</b>		
<b>Term Loan from Banks:</b>		
Indian Bank	5692.75	3352.26
Indian Overseas Bank	<u>4949.10</u>	<u>3538.10</u>
	<u>10641.85</u>	6890.36
<b>Secured Overdraft From Bank</b>		
Indian Bank	<u>164.64</u>	113.55
	<u>10806.49</u>	<u>7003.91</u>
<b>SCHEDULE No. : 4. UNSECURED LOANS</b>		
<b>From Banks</b>		
ICICI Bank Limited	1.80	8.08
Kotak Mahindra Bank Limited	1.86	10.94
HDFC Bank Limited	0.00	4.40
	<u>3.66</u>	<u>23.42</u>
<b>From Others</b>		
Kotak Mahindra Prime Limited	<u>8.54</u>	<u>14.66</u>
	<u>12.20</u>	38.08
Less : Unmatured Finance Charges	<u>0.83</u>	<u>3.64</u>
	<u>11.37</u>	<u>34.44</u>
	<u>11.37</u>	<u>34.44</u>
<b>SCHEDULE No. : 5. DEFERRED TAX LIABILITY (NET)</b>		
Deferred Tax Liability on account of Accumulated Depreciation	<u>873.20</u>	764.08
Less: Deferred Tax Asset on account of Provision for Bonus, Gratuity & Long Term compensated absence	<u>87.33</u>	<u>68.61</u>
	<u>785.87</u>	<u>695.47</u>

## KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

### SCHEDULE No. : 6 FIXED ASSETS ( CONSOLIDATED )

(Rs. in Lacs)

Description of Assets	GROSS BLOCK			DEPRECIATION BLOCK			NET BLOCK			
	Cost as at 01.04.09	Additions During the year	Sale/ Adjustments	Cost as at 31.03.10	Up to 31.03.09	For the year	With drawn/ Adjustments	Up to 31.03.10	As at 31.03.10	As at 31.03.09
Good Will	124.46	-	-	124.46	-	-	-	-	124.46	124.46
Land	416.89	211.98	-	628.87	-	-	-	-	628.87	416.89
Buildings	2515.72	2292.94	-	4808.66	337.04	50.67	-	387.71	4420.95	2178.68
Medical Equipments	5668.59	691.93	2.28	6358.24	2351.62	327.57	1.49	2677.70	3680.54	3316.98
Surgical Instruments	149.28	-	-	149.28	139.39	0.67	-	140.06	9.22	9.89
Electrical Instruments & Generators	391.29	482.98	-	874.27	203.80	26.52	-	230.32	643.95	187.49
Furniture, Fixtures & Projectors	465.32	270.22	-	735.54	323.52	28.55	-	352.07	383.47	141.80
Air conditioners & Refrigerators	217.98	206.65	-	424.63	105.44	11.60	-	117.04	307.59	112.54
Plant & Machinery	194.63	23.45	-	218.08	84.77	18.64	-	103.41	114.67	109.86
Computer Installations	367.91	47.18	-	415.09	274.08	32.11	-	306.19	108.90	93.83
Vehicles	192.73	16.56	-	209.29	62.45	15.78	-	78.23	131.06	130.28
Fire Fighting Installations & Extinguishers	12.26	1.62	-	13.88	11.10	0.65	-	11.75	2.13	1.16
Telephone Installations & Instruments	37.37	0.88	-	38.25	19.22	2.78	-	22.00	16.25	18.15
Office Equipments & Library Books	75.39	-	-	75.39	24.31	3.23	-	27.54	47.85	51.08
<b>Total (A)</b>	<b>10829.82</b>	<b>4246.39</b>	<b>2.28</b>	<b>15073.93</b>	<b>3936.74</b>	<b>518.77</b>	<b>1.49</b>	<b>4454.02</b>	<b>10619.91</b>	<b>6893.09</b>
<b>Capital Work-in-Progress (B)</b>	<b>2009.42</b>	<b>4487.95</b>	<b>2275.81</b>	<b>4221.46</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4221.46</b>	<b>2009.42</b>
<b>Total for the Year (A)+(B)</b>	<b>12839.24</b>	<b>8734.24</b>	<b>2278.09</b>	<b>19295.39</b>	<b>3936.73</b>	<b>518.77</b>	<b>1.48</b>	<b>4454.02</b>	<b>14841.37</b>	<b>8902.51</b>
<b>Previous Year</b>	<b>10316.41</b>	<b>3080.00</b>	<b>557.17</b>	<b>12839.24</b>	<b>3500.31</b>	<b>442.40</b>	<b>6.00</b>	<b>3936.73</b>	<b>8902.51</b>	<b>6816.09</b>
Includes Assets less than Rs.5000/- each aggregating to Rs. 11.94 Lacs										


**CONSOLIDATED SCHEDULES TO THE BALANCE SHEET**

As at March 31,

(Rs.in Lacs)

	2010	2009
<b>SCHEDULE No. : 7 INVESTMENTS -AT COST</b>		
<b>Long Term - Non-Trade,Quoted</b>		
a. 6100 Equity Shares of Rs.10/- each Fully paid in <b>Canara Bank</b> (Market Value - Rs.25,02,220/-, Previous Year - Rs.10,10,770/-)	2.14	2.14
b. 2300 Equity Shares of Rs.10/- each Fully Paid in <b>Indian Overseas Bank</b> (Market Value - Rs.2,11,485/-, Previous year - Rs.1,04,880/- ) (Aggregate cost of Quoted Investments - Rs.2,68,700/-) (Aggregate Market value of Quoted Investments - Rs.27,13,705/-)	0.55	0.55
	<u>2.69</u>	<u>2.69</u>
<b>SCHEDULE No. : 8 CURRENT ASSETS</b>		
<b>a. INVENTORIES (at Lower of cost and Net realisable value)</b> (as per inventories taken, valued and certified by management)		
Hospital Consumables	269.56	211.47
Pharmacy	198.28	157.84
Stores & Spares	14.97	10.19
Others	<u>17.56</u>	<u>15.15</u>
	500.37	394.65
<b>b. SUNDRY DEBTORS</b>		
Unsecured & Considered Good		
Outstanding for period exceeding six months	19.45	24.68
Other debts	<u>412.10</u>	<u>302.95</u>
	431.55	327.63
Unsecured & Considered doubtful		
Outstanding for period exceeding six months	<u>6.71</u>	0.00
	438.26	327.63
Less: Provision for Doubtful Debts	<u>6.71</u>	<u>0.00</u>
	431.55	327.63
<b>c. CASH AND BANK BALANCES</b>		
Cash & Stamps on Hand	28.65	39.84
Balance with Scheduled Banks in		
Deposit Account	1126.66	2057.69
Current Account	121.48	36.10
Unpaid Dividend account	<u>25.97</u>	<u>23.24</u>
	1302.76	2156.87
<b>d. OTHER CURRENT ASSETS</b>		
Rent Receivable	1.72	1.31
Other Charges Recoverable	<u>35.55</u>	<u>3.20</u>
	<u>37.27</u>	4.51
	<u>2271.95</u>	<u>2883.66</u>





**CONSOLIDATED SCHEDULES TO THE BALANCE SHEET**

As at March 31,

(Rs.in Lacs)

	<b>2010</b>	<b>2009</b>
<b>SCHEDULE No. : 9 LOANS &amp; ADVANCES</b>		
(Recoverable in cash or in kind or for value to be received)		
(Unsecured Considered Good)		
Advance for Purchase	3.98	69.21
Advance for Expenses	0.68	11.73
Other Advances	51.82	570.29
Tax Payment Pending Adjustments ( Net of Provisions )	72.54	27.71
Prepaid Expenses	34.67	36.94
Deposit with EB & Govt.Depts.	41.66	38.44
Deposit with others	4.25	4.22
	<u>209.60</u>	758.54
<b>SCHEDULE No. : 10 CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>a. Current Liabilities</b>		
Creditors - Capital Items		
Small and Medium Enterprises	17.34	0.52
Others	425.94	71.30
(Refer Note No.4)	443.28	71.82
Creditors - Other Supplies		
Small and Medium Enterprises	16.56	13.43
Others	217.30	228.27
(Refer Note No.4)	233.86	241.70
Creditors - Expenses		
Small and Medium Enterprises	3.68	0.00
Others	35.80	72.63
(Refer Note No.4)	39.48	72.63
Deposits received	6.86	506.64
Liabilities - Others	593.48	569.65
Unpaid Dividend account		
(Investor Education and Protection Fund item Not Due)	25.97	23.24
	<u>1342.93</u>	1485.68
<b>b. Provisions</b>		
For Gratuity	195.82	149.52
For Long Term Compensated Absence	26.64	17.43
For Income Tax (Net of Advance Tax & TDS)	0.00	4.48
For Dividend	136.78	136.78
For Dividend Tax	22.72	23.25
	<u>381.96</u>	331.46
	<u>1724.89</u>	1817.14


**KOVAI MEDICAL CENTER AND HOSPITAL LIMITED**
**CONSOLIDATED SCHEDULES TO THE PROFIT AND LOSS ACCOUNT**

For the year ended March 31,

(Rs.in Lacs)

	2010	2009	
<b>SCHEDULE A : OPERATING INCOME</b>			
Inpatients Revenue	7397.38	6245.15	
Outpatients Revenue	2639.66	2222.26	
Pharmacy Sales	2543.89	2166.79	
Dietary Sales	<u>426.36</u>	<u>401.70</u>	
	<b>13007.29</b>		11035.90
<b>SCHEDULE B : OTHER INCOME</b>			
Rent received ( TDS Rs. 4.02 Lacs )	33.66	17.45	
Other Receipts	38.71	17.76	
Profit on Sale of Assets	0.00	0.64	
Dividend income	0.59	0.57	
Interest Income ( TDS Rs.10.17 Lacs )	83.16	47.78	
Excess Provision for taxation no longer required written back	<u>0.00</u>	<u>2.84</u>	
	<b>156.12</b>		87.04
<b>SCHEDULE C : COST OF GOODS SOLD ( PHARMACY )</b>			
Opening Stock	157.84	139.98	
Add : Purchase of Medicines	<u>2085.59</u>	<u>1769.75</u>	
	2243.43	1909.73	
Less: Closing Stock	<u>198.28</u>	<u>157.84</u>	
	<b>2045.15</b>		1751.89
<b>SCHEDULE D : HOSPITAL CONSUMABLES</b>			
Opening Stock	211.47	236.15	
Add: Purchases	<u>2217.36</u>	<u>1966.50</u>	
	2428.83	2202.65	
Less: Closing Stock	<u>269.56</u>	<u>211.47</u>	
	<b>2159.27</b>		1991.18
<b>SCHEDULE E : OPERATING EXPENSES</b>			
Power & Fuel Consumed	385.20	356.76	
Dietary Consumption	410.92	338.54	
Consultant Charges	2203.85	1942.35	
Hospital Upkeep Expenses	384.95	321.21	
Stores & Spares Consumed	13.33	12.46	
Water Charges	93.72	91.77	
Repairs & Maintenance - Building	105.17	85.35	
Repairs & Maintenance - Machinery	284.99	254.57	
Repairs & Maintenance - Others	122.68	100.00	
Lab Test Charges	88.15	86.03	
Lease Rent -Equipments	<u>4.73</u>	<u>7.28</u>	
	<b>4097.69</b>		3596.32



**CONSOLIDATED SCHEDULES TO THE PROFIT AND LOSS ACCOUNT**

For the year ended March 31,

(Rs.in Lacs)

	2010		2009
<b>SCHEDULE F : PERSONNEL COST</b>			
Salaries, Allowances & Bonus	1535.12	1217.99	
Contribution to Provident and Other Funds	56.28	33.96	
Staff Welfare Expenses	52.96	43.64	
Gratuity	48.86	40.77	
Long Term Compensated absence	<u>9.20</u>	<u>8.13</u>	
	<b>1702.42</b>		1344.49
<b>SCHEDULE G : ADMINISTRATIVE &amp; OTHER EXPENSES</b>			
Traveling & Conveyance	35.17		33.81
Printing & Stationery	75.22		80.91
Rent	56.58		59.62
Licence fees, rates & taxes	26.20		18.04
Telephone, Telex & Postage	27.51		32.66
Advertisement	61.74		54.01
Conference, Seminar & Exhibition Expenses	7.86		6.51
Insurance	9.32		8.15
Security Service Charges	58.79		46.88
Audit Remuneration (inclusive of Service Tax)			
For Statutory Audit	8.93	6.89	
For Tax Audit	1.36	2.35	
For Expenses	0.00	0.21	
For Other Service	<u>0.00</u>	<u>0.22</u>	
	<b>10.29</b>		9.67
Hire Charges - Vehicle	19.92		11.40
Professional Charges	22.65		68.57
Subscription & Donation	6.18		15.85
Legal Fees	6.21		2.82
Directors' Sitting Fees	0.58		0.73
Loss on Sale of Fixed Assets	0.49		0.00
Provision for Bad & Doubtful Debts	<u>6.71</u>		<u>0.00</u>
	<b>431.42</b>		449.63
<b>SCHEDULE H : FINANCE COST</b>			
<b>Interest on Fixed Loans</b>			
Term Loans	458.83	326.28	
	<b>458.83</b>		326.28
<b>Interest on Other Loans</b>			
Interest on Working Capital Loan	8.63	14.99	
Bank Charges	13.54	14.55	
HP Finance Charges	2.81	4.94	
Other Finance Charges	<u>0.00</u>	<u>82.88</u>	
	<b>24.98</b>		117.36
	<b>483.81</b>		443.64



**SCHEDULE No. : 11 NOTES ON ACCOUNTS**

**I. SIGNIFICANT ACCOUNTING POLICIES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

**1. Principles of consolidation**

The consolidated financial statements relate to Kovai Medical Center Hospital Limited ("the Company") and Idhayam Hospitals Erode Limited. The Consolidated financial statements have been prepared on the following basis.

- i. The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profit or losses in accordance with Accounting Standard (AS) 21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
- ii. The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognized in the financial statements as Goodwill.
- iii. As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

**2. Accounting of Investments :**

Investments other than in subsidiaries and associates have been accounted as per Accounting Standard 13 on Accounting for Investments.

**3. Other Significant Accounting Policies:**

These are set out under "Significant Accounting Policies" as given in the Unconsolidated Financial Statements of Kovai Medical Center and Hospital Limited.

**II. NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2010**

1. The Subsidiary company considered in the Consolidated Financial Statements is

S.No	Name of the subsidiary	% of Holdings
1	Idhayam Hospitals Erode Limited	100%

- 2. The value of Investments made by the wholly owned subsidiary company Idhayam Hospitals Erode Limited has been accounted in compliance with Accounting standard (AS - 23).
- 3. Figures have been rounded off to nearest thousands.
- 4. The company has initiated the process of obtaining confirmation from suppliers who have registered themselves under the "Micro, Small and Medium Enterprises Act, 2006". Based on the evidence and declarations obtained, there are no dues warranting interest payment under the "Micro, Small and Medium Enterprises Act, 2006".
- 5. Other Notes Forming part of Accounts :

These are set out in and under "Notes forming part of accounts for the year ended 31<sup>st</sup> March, 2010" as given in the Unconsolidated Financial Statements of Kovai Medical Center and Hospital Limited.

Signatures to Schedules 1 to 11 & A to H  
Vide Our Report of even Date Attached  
For Suri & Co.,  
Chartered Accountants  
Firm Regn No. 04283S

**C.S.SATHYANARAYANAN**  
Partner  
Membership No.028328  
Coimbatore  
29.05.2010

**Dr. NALLA G PALANISWAMI**  
Chairman and Managing Director  
**A.M.PALANISAMY**  
Director

**P.K.GOPIKRISHNAN**  
Chief Financial Officer  
**S.P.CHITTIBABU**  
Company Secretary



**CONSOLIDATED CASH FLOW STATEMENT**

For the year ended March 31,

(Rs. in Lacs)

	<b>2010</b>	<b>2009</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net Profit before Taxation &amp; Extraordinary items</b>	<b>1724.88</b>	1103.39
Adjustment for :		
Interest Expense	483.81	443.64
Interest Income	(83.16)	(17.78)
Depreciation	518.77	442.40
Loss on sale of Fixed Asset	0.49	(0.64)
Foreign Exchange gain on restatement of foreign currency liability	8.27	
Dividend Income	<u>(0.59)</u>	<u>(0.57)</u>
	<b><u>927.59</u></b>	<u>867.05</u>
	<b>2652.47</b>	1970.44
<b>Operating Profit before Working Capital Changes</b>		
Inventories	(105.72)	4.99
Trade & Other Payables	410.02	(367.69)
Trade & Other Receivables	<u>(50.47)</u>	<u>240.88</u>
	<b><u>253.83</u></b>	<u>(121.82)</u>
<b>Cash generated from Operations</b>	<b>2906.30</b>	1848.62
Income Tax Paid	(516.17)	(309.83)
Fringe Benefit Tax Paid	<u>0.00</u>	<u>(11.05)</u>
	<b><u>(516.17)</u></b>	<u>(320.88)</u>
<b>Net Cash from Operating Activities: - A</b>	<b>2390.13</b>	1527.74
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of Fixed Assets	(6466.69)	(2369.50)
Sale of Fixed Assets	0.30	1.72
Interest Income	83.16	17.78
Dividend Income	<u>0.59</u>	<u>0.57</u>
	<b><u>(6382.64)</u></b>	<u>(2349.43)</u>
<b>Net Cash from Investing Activities - B</b>	<b>(6382.64)</b>	(2349.43)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Long Term Borrowings (Net of repayments)	3751.49	3316.24
Unsecured Loans	(23.07)	(11.00)
Working capital Borrowings	51.09	(43.06)
Dividend Paid	(157.30)	(154.52)
Interest Paid	(483.81)	(443.64)
	<b>3138.40</b>	2664.02



**CONSOLIDATED CASH FLOW STATEMENT**

For the year ended March 31,

(Rs. in Lacs)

	<b>2010</b>	2009
<b>Net Cash used in financing activities - C</b>	<b><u>3138.40</u></b>	<u>2664.02</u>
Net increase in cash and cash equivalents (A+B+C)	<b><u>(854.11)</u></b>	<u>1842.33</u>
Cash and Cash equivalent at beginning of Period	<b><u>2156.87</u></b>	<u>314.54</u>
Cash and Cash equivalent at end of Period	<b><u>1302.76</u></b>	<u>2156.87</u>

As per our report of even date attached

For Suri & Co.,  
Chartered Accountants  
Firm Regn No. 04283S

**C.S. SATHYANARAYANAN**  
*Partner*  
*Membership No.028328*

**Dr. NALLA G PALANISWAMI**  
*Chairman and Managing Director*

**P.K. GOPIKRISHNAN**  
*Chief Financial Officer*

Coimbatore  
29.05.2010

**A.M.PALANISAMY**  
*Director*

**S.P. CHITTIBABU**  
*Company Secretary*



Disclosure of information relating to the subsidiary companies as required by the Ministry of Corporate Affairs, Government of India vide their approval letter No. 47/316/2010-CL-III dated 9th April 2010.

<b>Particulars</b>	<b>Idhayam Hospitals Erode Limited (Rs in lacs)</b>
a) Share Capital	372.44
b) Reserves & surplus	0.00
c) Total Assets	372.44
d) Total liabilities	372.44
e) Details of investment	0.00
f) Operating income on lease basis	86.40
g) Profit / (loss) before tax	1.73
h) Provision for taxation	0.27
i) Profit / (loss) after tax	1.46
j) Proposed Dividend	0.00
k) Reporting Currency	Indian Rupee (INR)