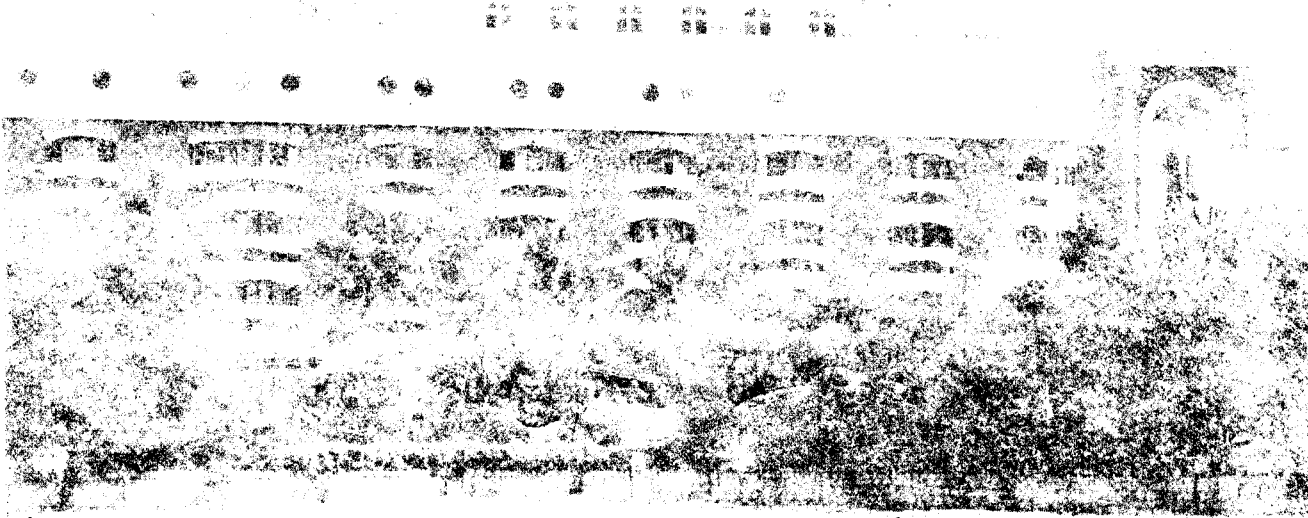


# KMC Speciality Hospitals (India) Ltd.

(Formerly Seahorse Hospital Limited)



## Annual Report 2008 - 2009

# **KMC Speciality Hospitals (India) Limited**

## ***Bankers***

ICICI Bank Ltd  
State Bank of India  
Punjab National Bank

## ***Auditors***

M/s Patel Mohan Ramesh & Co  
Block II D, Kences Enclave, Chari street  
T. Nagar, Chennai – 600 017.

## **REGISTERED OFFICE & CORPORATE HOSPITAL COMPLEX**

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

## **BOARD OF DIRECTORS**

Dr. A.K. Gandhi, Director (upto 30.05.2008)  
Capt. S.C. Batra, Director (upto 30.05.2008)  
Mr. A.S. Varadarajan, Director (upto 30.05.2008)  
Capt. A.C. Batra, Director (upto 30.05.2008)  
Capt. V.W.Katre, Director (upto 14.07.2008)

Er. R. Mohan, Chairman/Director (since 30.05.2008)  
Dr. S. Chandrakumar, Managing Director & CEO  
(since 30.05.2008)  
Mr. A. Krishnamoorthy, Director (since 30.05.2008)  
Er. D. Selvaraj, Director (since 30.05.2008)  
Dr. T. Senthilkumar, Director (since 30.05.2008)  
Dr. S. Manivannan, Director (since 30.05.2008)  
Mr. CA.S. Chenthilkumar, Director (since 26.03.2009)  
Mr. B. Pattabhiraman, Director (since 26.03.2009)

**Annual Report 2008 – 2009**  
**KMC SPECIALITY HOSPITALS (INDIA) LIMITED**  
(formerly Seahorse Hospitals Ltd.)  
**REGISTERED OFFICE: NO 6 ROYAL ROAD, TRICHY 620 001.**

**NOTICE TO SHAREHOLDERS**

Notice is hereby given that the Twenty Sixth Annual General Meeting of the members of the Company will be held on Friday, the 25<sup>th</sup> September, 2009 at 4 PM at Hotel Sangam, Cantonment, Trichy 620 001 to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Twenty Sixth annual Report of the Directors, the audited Balance sheet as at 31<sup>st</sup> March 2009, Profit and Loss Account for the year ended 31<sup>st</sup> March 2009 and the Auditors' Report thereon.
2. To appoint a Director in place of Dr S Manivannan who retires by rotation at this meeting and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Dr T Senthilkumar, who retires by rotation at this meeting and being eligible, offers himself for reappointment.
4. To appoint Auditors:

RESOLVED THAT the retiring auditors of the Company, M/s Patel, Mohan Ramesh & Co., Chartered Accountants, Chennai being eligible for reappointment, be and are hereby reappointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting, on such terms and conditions as to remuneration, out of pocket expenses etc., as may be fixed by the Board of Directors of the Company.

**SPECIAL BUSINESS:**

5. To consider and if thought fit to pass, with or without modification, the following Resolution as a Special Resolution:

RESOLVED THAT after the existing Article 49 of the Articles of Association of the Company the following be inserted as Article 49(2)

"49(2). The Company may, by Special Resolution, reduce in any manner and with, and subject to, any incident authorized and consent required by law, -

- a. Its share capital;
  - b. any capital redemption reserve account; or
  - c. any share premium account.
6. To consider and if thought fit to pass, with or without modification, the following resolutions as Special Resolutions:

"RESOLVED THAT pursuant to Sections 100 to 104 of the Companies Act, 1956 and other applicable provisions if any of the Companies Act, 1956, including any Statutory modifications or re-enactment thereof for the time being in force, Article 49A of the Articles of Association of the Company, Listing Agreement and subject to confirmation of the Hon'ble High Court of Judicature at Madras, the approval of the equity Shareholders of the Company be and is hereby accorded for reducing the paid-up share capital of the Company from Rs 12,54,50,000 divided into 1,25,45,000 Equity Shares of Rs 10 each to Rs 1,25,45,000 divided into 1,25,45,000 Equity shares of Re 1 each and that such reduction be effected by cancelling the paid-up share capital which has been lost or is unrepresented by available assets to the extent of Rs 9 per share upon each of the 1 25 45 000 Equity shares which have been issued and by reducing nominal amount of all the shares in the Company's Capital from Rs 10 to Re 1 per share and the same be utilized to set-off the accumulated losses of the Company (the debit balance in the Profit and Loss Account) which stood at Rs 14 00 68 083/- as on 31st March, 2009.

"RESOLVED FURTHER THAT for the purpose of giving effect to the above resolutions and for removal of any difficulties or doubts, the Board of Directors of the Company (hereinafter referred to as the 'Board' which term shall be deemed to include any committee or person, which the Board may constitute / nominate to exercise its powers conferred under this Resolution, be and is hereby authorized to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient and to settle any question or difficulty that may arise with regard to set-off the accumulated losses of the Company (the debit balance in the Profit and Loss Account) including passing of such accounting entries and/ or making such other adjustments in the books of accounts of the Company as are considered necessary, to give effect to the above resolution or to carry out such modifications / directions as may be ordered by the Hon'ble High Court of Judicature at Madras to implement the aforesaid resolution.

"RESOLVED FURTHER THAT any two of the members of the Committee consisting of the following persons, be and is hereby authorized for the above purposes –

1. Dr.S Chandrakumar - Managing Director & CEO
2. Mr D Selvaraj - Director
3. Ms N Jeyanthei - Company Secretary.

"RESOLVED FURTHER THAT in relation to set-off the accumulated losses of the Company (the debit balance in the Profit and Loss Account), the officers identified and nominated by the Board be and are hereby severally authorized to take such steps and to do all such acts, deeds and matters and things as they may deem fit and proper for the conduct of the process and to execute and sign necessary documents, agreements, applications, petitions, affidavits to the regulatory and other authorities and to do all such acts, deeds, matters and things, as they may deem fit and proper, including appointment of Advocate(s), filing and verifying the petition, affirming affidavits and appearing in Courts and designate or authorize one or more persons for the above purposes.

"RESOLVED FURTHER THAT in relation to set-off the accumulated losses of the Company (the debit balance in the Profit and Loss Account), the above said officers shall also have the power to withdraw, in full or in part, effect modification and modify any applications made to the regulatory authorities or the High Court / other authorities, should such action be considered necessary or as may be ordered by the High Court / other authorities."

7. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

RESOLVED that pursuant to the provisions of Section 94 and other applicable provisions, if any, of the Companies Act, 1956, each of the Equity Shares of the nominal value of Rs.10/- each in the capital of the company be converted into Equity Shares of Re. 1/- each.

RESOLVED FURTHER that the existing Clause V of the Memorandum of Association of the company be and is hereby deleted and in its place the following Clause V be substituted:

"The Authorised Share Capital of the Company is Rs.25,00,00,000/- (Rupees Twenty Five Crores only) divided into 25,00,00,000 Equity Shares of Re. 1/- each."

8. To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution –

RESOLVED that pursuant to the provisions of Section 31(1) of the Companies Act, 1956, the existing Article 3 of the Articles of Association of the company be and is hereby deleted and in its place the following Article 3 be substituted therefore:

"The Authorised Share Capital of the Company is Rs.25,00,00,000/- (Rupees Twenty Five Crores only) divided into 25,00,00,000 Equity Shares of Re. 1/- each."

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

RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, including any statutory modification or re-enactment thereof for the time being in force and subject to the approvals of the Central Government if necessary, the consent of the company be and is hereby accorded to the payment of remuneration, as detailed below, to Dr S Chandrakumar, the Managing Director of the Company with effect from 01.10.2009.

- |                          |                       |
|--------------------------|-----------------------|
| (a) Basic Salary         | Rs.1,75,000 per month |
| (b) House Rent Allowance | Rs. 17,500 per month  |
| (c) Provident Fund       | Rs. 21,000 per month  |

RESOLVED FURTHER THAT Dr S Chandrakumar, Managing Director shall also be eligible for the following perquisites:

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

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

RESOLVED FURTHER THAT A 15% increase on the basic salary proposed for the years 2010-2011 and 2011-2012 be and is hereby approved.

RESOLVED FURTHER THAT the management is authorized to issue necessary advertisement in this regard and submit the required application to the Central Government (DCA) if necessary.

RESOLVED FURTHER THAT Ms. N Jeyanthei, Company Secretary, be and is hereby authorized to make necessary application to the Central Government for obtaining the approval of the Central Government if necessary for payment of remuneration as detailed above.

10. To consider and if thought fit to pass, with or without modification, the following resolution as an Ordinary Resolution –

RESOLVED THAT pursuant to Section 293(1)(d) of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors to borrow any sums or sums of monies from time to time, which power the Board may exercise by delegation to a duly constituted Committee of the Board, notwithstanding that the monies so borrowed (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of the paid up capital and its free reserves, that is to say, reserves not set apart for any specific purpose, provided however that the total amount so borrowed and remaining outstanding at any one time shall not exceed Rs.25 Crores (Rupees Twenty Five Crores only) in the aggregate.

11. To appoint Mr CA S Chenthilkumar as a Director of the company liable to retire by rotation and to consider and if thought fit, to pass the following resolution of which notice has been received from a member under

Section 257 of the Companies Act, 1956 as an Ordinary Resolution, with or without modification:

"RESOLVED that Mr CA S Chenthilkumar be and is hereby appointed as a Director of the company liable to retire by rotation."

12. To appoint Mr B Pattabhiraman as a Director of the company liable to retire by rotation and to consider and if thought fit, to pass the following resolution of which notice has been received from a member under Section 257 of the Companies Act, 1956 as an Ordinary Resolution, with or without modification:

"RESOLVED that Mr B Pattabhiraman be and is hereby appointed as a Director of the company liable to retire by rotation."

#### NOTES

- i. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself / herself and such proxy need not be the member of the company. Proxies in order to be valid must be lodged with the Company in its Registered Office at least 48 hours before the meeting.
- ii. The Register of members of the Company will be closed from 16<sup>th</sup> September, 2009 to 25<sup>th</sup> September, 2009 (both days inclusive). Queries on Agenda items shall reach the Registered Office at least 7 days before the AGM to facilitate detailed reply at the meeting.
- iii. Explanatory Statement as required under Sec.173(2) of the Companies Act 1956 in respect of item nos 5 to 12 of the notice is annexed.

Registered Office:  
**No.6 Royal Road,  
TRICHY 620 001.**

Date: 31-07-2009

(By Order of the Board)

**Dr S Chandrakumar**  
Managing Director & CEO

## **Annexure to Notice**

Explanatory Statement annexed to the Notice convening the Twenty Sixth Annual General Meeting of the Company as required under Section 173(2) of the Companies Act, 1956 in respect of items 5 to 12 of the Notice

### **Item 5**

In view of the proposed capital reduction process, there is a requirement of altering the Articles of Association (AOA) of the Company by passing a Special Resolution in the general body meeting, as per the provisions of the Companies Act, 1956.

The AOA of the Company does not contain any express provision for capital reduction under Section 100 of the Companies Act, 1956. To include such provision the AOA is to be altered by including such provisions. At present Article 49 of AOA depicts capital alteration provisions under other sections of the Companies Act, 1956. The required provision authorising the Company for capital reduction under Section 100 can be inserted as Article 49(2), subject to the special resolution to be passed in the ensuing AGM.

Hence, the above cited resolution is placed before the shareholders for their consideration and approval.

### **Item 6**

The Board of Directors in order to reflect the true financial position, proposed to resort to reduction in Share Capital within the meaning of Section 100 of Companies Act, 1956. Section 100 of the Act, mandates that a Company limited by shares if so authorized by its Articles by Special Resolution reduce its Share capital. The existing Articles of Association of the Company do not have an express power empowering the Company to reduce its Share Capital. Accordingly the Board of Directors commend the Special Resolution under item no 5 of the notice for the approval of the Shareholders to insert a suitable Article empowering the Company to reduce its Share capital.

Copy of the existing Memorandum and Articles of Association is available for inspection at the Registered office of the Company during business hours on any working day till the conclusion of the meeting.

The Shareholders are aware that KMC Speciality Hospitals (India) Limited (formerly Seahorse Hospitals Limited) was incorporated in

1982 with the Registrar of Companies, Chennai, Tamil Nadu. The Company was incorporated as a Private Limited Company and subsequently in the year 1988 was converted into a Public Limited Company. The Corporate Identification Number of the Company is L33111TN1982FLC009781. The shares of the Company at present are listed in Bombay Stock Exchange Limited. The Registered office of the Company is situated at No 6, Royal Road, Cantonment, Trichy - 620 001.

The Authorized share capital of the Company as on 31st March, 2009 is Rs. 25,00,00 000/- and the issued and paid up capital of the Company is Rs.12,54,50,000/-. The Balance Sheet as at 31st March, 2009 is reflecting a debit balance of Rs.14,00,68,083/- as against the Paid-up capital of Rs 12,54,50,000/-. Thus the true financial position is that the entire net worth of the Company has been eroded. However, the Capital structure of the Company does not reflect the realistic financial position of the Company. The Board of directors in order to reflect the true financial position have proposed to write off a sum of Rs 11,29,05,000/- from the accumulated losses with equal reduction in share capital without reducing the number of shares.

The financial position as on 31st March, 2009 presents that the Company has taken an unsecured loan to the tune of Rs 12,32,31,807/-. The Company envisages modernizing the facilities available in the hospital and provide state of art facilities at an affordable cost and improve the Turnover of the Company and the resultant profits.

The present proposal provides for writing off the accumulated losses to the tune of Rs 11,29,05, 000/- by reducing 90% of the paid up share capital to the extent of Rs 11,29,05,000/- under Section 100 of the Companies Act, 1956 is in accordance with Section 100 of the Companies Act, 1956.

If the proposal is approved the paid up share capital of the Company would become Rs 1,25,45,000/- comprising of 1,25,45,000 Equity shares of Re 1 each as the paid up value of the Equity shares will be reduced from Rs 10/- to Re 1/- per share with the number of shares remaining unaltered.

As required under the Listing Agreement entered into with the Stock Exchange, the capital structure and the share holding pattern (before and after share capital reduction proposal) of the Company is furnished below:

**CAPITAL STRUCTURE AND SHAREHOLDING PATTERN AS ON 31-07-2009 (BEFORE AND AFTER THE PROPOSED SHARE CAPITAL REDUCTION)**

Category	Number of shares Before the Proposed reduction	Percentage %	Paid up Share capital (rupees) before the proposed reduction	Paid up Share capital (rupees) after the proposed reduction	Number Of shares after the Proposed reduction
Promoters	50 02 245	39.87	5 00 22 450	50 02 245	50 02 245
Financial Institutions					
Mutual funds	900	0.01	9000	900	900
Commercial Banks					
Bodies Corporate	192700	1.54	19 27 000	192700	192700
Directors and their relatives					
NRI	878400	7.00	87 84 000	8 78 400	8 78 400
FIIS					
Public	64 70 755	51.58	6 47 07 550	64 70 755	64 70 755
Total	1 25 45 000	100.00	12 54 50 000	1 25 45 000	1 25 45 000

**PERCENTAGE OF SHAREHOLDING WILL REMAIN THE SAME BEFORE AND AFTER THE PROPOSED CAPITAL REDUCTION.**

Pursuant to Section 100 of the Companies Act, 1956, this resolution will be effective upon confirmation by the Hon'ble High Court of Judicature of Madras. After obtaining approval of the Shareholders, the Company would approach the Hon'ble High Court of Judicature of Madras for its confirmation. Therefore, the Special Resolution is recommended by the Board of Directors for adoption by the Shareholders.

As required under Clause 24(f) of the Listing Agreement the Copy of the proposed reduction has been forwarded to Bombay Stock Exchange where the Company's Shares are listed.

Hence, the above cited resolution is placed before the shareholders for their consideration and approval.

**Items 7 and 8**

Consequent to the proposed reduction of capital, the paid up value of the shares of the company will be reduced to Re. 1/- per share from Rs.10/- per share. It is therefore proposed to modify the nominal value of all the shares in the authorised capital to Re. 1/- per share. Consequently the relevant clauses of the Memorandum and Articles of Association of the company are sought to be suitably amended.

Hence, the above cited resolution is placed before the shareholders for their consideration and approval.

**Item 9**

As the shareholders are aware, since 30<sup>th</sup> May 2008, the management of the company has been taken over by Sri Kavery Medical Care (Trichy) Pvt Ltd. Dr S Chandrakumar, the Managing Director of Sri Kavery Medical Care (Trichy) Pvt Ltd. was appointed as the Managing Director of our company since the date of takeover. Considering the then weak financial position of our company, Dr S Chandrakumar, Managing Director was not paid any remuneration from the company though he has been spending his substantial time and efforts in spearheading the task of turning around the company and the results of the company for the current year is itself a testimony of his efforts. The revenues of the company has been increased substantially and the company is in the path of becoming a viable and profitable one. The Board of Directors thought it fit to recognise the contribution of Dr S Chandrakumar as Managing Director of the company and has considered to pay him remuneration with effect from 01.10.2009. The Remuneration Committee of the Company at its meeting held on 25<sup>th</sup> July 2009 has recommended the remuneration as detailed in the Notice under item No.9 to be paid to Dr S Chandrakumar, Managing Director. The Board of Directors at their meeting held on 31<sup>st</sup> July 2009 in recognition of the remarkable performance and contribution of Dr S Chandrakumar more specifically in uplifting a sick company into a viable one and in appreciation of his dedication in the endeavour has accepted the remuneration recommended by the Remuneration Committee.

As the Shareholders are aware, Dr S Chandrakumar, Managing Director of the company is also the Managing Director of Sri Kavery Medical Care (Trichy) Pvt Ltd. and the above remuneration will be paid to him subject to the approval of the Central Government, if required.

The Board of Directors hence recommend the above Special Resolution relating to the payment of remuneration to Dr S Chandrakumar, Managing Director under Item No.9 of the Notice for consideration and approval of the shareholders.

Dr S Chandrakumar is interested in the above resolution by virtue of the fact that it relates to payment of remuneration to him.

#### Item 10

The paid up share capital and reserves of the company as on 31<sup>st</sup> March 2009 is Rs.15.56 crores. Considering the volume of operations presently handled by the company and the future on-going plans for the development of the company, the company would be required to borrow from time to time. According to Section 293(1)(d) of the Companies Act, 1956, the consent of the members in General Meeting is required if the aggregate amount of the money borrowed is in excess of the paid up capital and free reserves. The Board of Directors thought it fit to seek the approval of the shareholders to borrow from time to time provided that the total amount outstanding at any one point of time does not exceed Rs.25 crores over and above the paid up capital and free reserves of the company. Accordingly, necessary Ordinary resolution is placed before the members under item No.10 of the Notice for their consideration and approval.

#### Items 11 and 12

Mr CA S Chenthilkumar and Mr B Pattabhiraman, who were co-opted as Additional Directors of the Company on 26<sup>th</sup> March 2009, to hold office upto the date of this Annual General Meeting and are eligible for reappointment.

Notices under Section 257 of the Companies Act, 1956 have been received from members proposing the appointments of Mr CA S Chenthilkumar and Mr B Pattabhiraman as directors of the company. Accordingly, resolutions under item Nos.11 and 12 of the Notice are submitted for the approval of the shareholders. Brief profile of the directors are given below:

#### Mr. CA S. CHENTHILKUMAR:

- i. Mr CA S Chenthilkumar is a Fellow Member of the Institute of Chartered Accountants of India and a renowned practicing auditor in Trichy. He is also qualified in Information Systems Audit (ISA). His other achievements are –

- a. Honorary Fellow Member of the Institute of Financial Accountants, UK
- b. One among the two international guests invited by the French Accounting Institute in 2007.
- c. Member of the International Affairs Committee of the ICAI.
- d. Invitee of the Government of United States of America under the aegis of International Visitor Leadership Program.

He has a wide auditing practice covering the accounting recording and compliances, at its entirety. His accounting knowledge accompanied with his insight on information systems will support the company in updating and developing its internal control systems and also in complying with the various provisional requirement of the statutes and regulatory authorities.

#### MR B PATTABHIRAMAN:

- ii. Mr B Pattabhiraman is the Managing Director of M/s G B Engineering Enterprises Private Limited, an ISO 9001 and ASME Code authorized, high pressure boilers manufacturing company established in the year 1980. He is a Engineering Graduate with hands on working experience of 16 years after which he has started his own company, one of the very well established companies in Trichy. His other achievements are –
  - a. Past Chairman of Confederation of Indian Industry
  - b. National President of Indian Welding Society
  - c. President of Thuvakudi Industrial Estate Manufacturers' Association.
  - d. President of Tamilnadu Boilers and Components Manufacturers' and Users' Association.
  - e. He holds Chairmanship and Directorship in various companies.

His contributions to our company, based on his wide knowledge about management of companies will definitely strengthen our efforts to attain our visions.

Copy of the existing Memorandum and Articles of Association is available for inspection at the Registered Office of the Company during business hours on any working day till the conclusion of the meeting.

Your Directors recommend the resolutions for your approval.

Registered Office:  
**No.6 Royal Road,  
TRICHY 620 001.**

(By Order of the Board)

Date: 31-07-2009

**Dr S Chandrakumar**  
Managing Director & CEO



## DIRECTORS' REPORT

The Board of Directors of your company have pleasure in presenting the Twenty Sixth Annual Report of the company together with the audited statements of account for the year ended 31.03.2009.

### 1. The financial results are as follows:

(Amount in lacs of Rupees)

	2008- 2009	2007- 2008
Operating Income	327.38	84
Other Income	45.05	4
Total Income	<u>372.43</u>	<u>88</u>
Operating and Administrative Expenses	405.01	196
Financial cost	139.81	101
Depreciation	91.03	98
Deferred Tax & FBT	(374.78)	1
	<u>261.07</u>	<u>396</u>
Net Profit (Loss)	111.36	(308)

Comparison of the current year's results with the previous year's results -

Particulars	% - Percentage Comparison	
	2008- 2009	2007- 2008
Operating & Admn. Expenses to Total expenses (Operating expenses inclusive of depreciation)	78	74
Operating & Admn. Expenses to Total expenses (Operating expenses excluding depreciation)	64	50
Operating & Admn. expenses to Operating Income (inclusive of depreciation)	152	350
Operating & Admn. expenses to Operating Income (excluding depreciation)	124	233
Net Profit / Loss to Total Income (Deferred Tax is not considered)	(71)	(449)
Increase in Operating Income compared to last year	290	
Increase in Operating Expenses compared to last year	107	
Increase in Total Income	323	
Increase in Total Expenses	61	

The profit for the current year shown above is mainly due to the financial adjustments made in the books of accounts in respect of Deferred Tax Asset.

The management of the company was taken over by the present promoters Sri Kavery Medical Care (Trichy) Pvt Ltd, from the previous promoters in May, 2008. The above cited figures clearly indicates that inspite of the phenomenal increase in the generation of revenues, the operating and administrative expenses are well controlled and regulated by the efficient measures adopted by the present management.

Due to the cumulative losses incurred the management is not able to recommend any dividend.

The company has suffered due to severe competition offered by the number of smaller nursing homes offering the same type of services as our hospital, at a lesser cost due to comparatively lower overheads. Being Corporate Hospital, our hospital has certain fixed type of statutory overheads. We are not able to match their cost without compromising with, quality and ethical standards of Medical care. Further many of the equipments have become old and obsolete requiring replacement. Strengthening of the other resources like human resources are also considered necessary.

In the light of the above the management is looking forward to restructure company in the best interest of the shareholders. All this would need a large input of funds and the present promoters are on the lookout for a suitable measure of reconstruction, besides injecting their own funds.

In the Twenty Fifth Annual Report the shareholders' permission was sought to change the name of the company from "Seahorse Hospitals Limited" to "KMC Speciality Hospitals (India) Limited". Our Directors are pleased to inform the shareholders that based on the shareholders' consent given in the 25<sup>th</sup> Annual General Meeting, the name of the company has been changed from Seahorse Hospitals Limited, to "KMC Speciality Hospitals (India) Limited" with effect from November, 2008.

### HIGHLIGHTS

- A number of obsolete equipments have been replaced by state of art equipments.
- A new world class dental facility has been established.
- ENT department has been upgraded with modern equipments.
- Ophthalmology sections have been revamped.

- An exclusive gynecology department has been established.
- Orthopedics section has been upgraded with facilities for knee / hip replacements.
- A new cardiology section with latest equipments has been commissioned.
- An exclusive diabetic care centre has been inaugurated.
- A Health Club has been established to take care of industrial and other accidents duly covered by insurance besides regular health check up.
- A number of corporate clients have been added to already existing list of corporate patients.
- Trauma care facilities have been revamped.
- As a part of CSR (Corporate Social Responsibility) of the company periodic free medical camps are being conducted in rural areas to create awareness among the rural public about the health care.
- Marketing activities have been strengthened as promotional activities.
- Organized Associations like Auto Rickshaw drivers' association, Lorry drivers' associations, Rice Mill owners' associations etc., are regularly contacted, so as to draw their attentions towards the various facilities available in our hospital.

## 2. Directors

At present the following is the constitution of the Board –

1. Mr A Mohan
2. Dr S Chandrakumar
3. Mr A Krishnamoorthy
4. Dr S Manivannan
5. Dr T Senthilkumar
6. Mr D Selvaraj
7. CA S Chenthilkumar
8. Mr B Pattabhiraman

CA S Chenthilkumar and Mr B Pattabhiraman have been inducted in the Board on 26.3.2009 as Additional and Independent Directors. These appointments have been recommended and approved by the Board of Directors in their meeting held on 26.3.2009. More details have been furnished in the Notice to the Shareholders and in the Annexure thereto.

As a sequence to change in the management, Capt.V.W Katre has submitted his resignation from the Board with effect from 14.7.2008. The same has been accepted by the Directors.

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

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

### i. Conservation of Energy

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

### ii. Technology Absorption

The company currently is forced to restrict the updation of technology on account of severe financial constraints. However within the limitation, everything possible was done to acquire, improve and update the technology in various fields of Medicine.

### iii. Foreign Exchange Earning and Outgo

	Current Year	Previous Year
a. Export and Foreign Exchanges Earned	Nil	Nil
b. Value of import of goods on CIF basis	Nil	Nil
c. Foreign Travel	Nil	Nil

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

There is no employee drawing a salary attracting the provisions of Section 217(2A) of the Companies Act, 1956.

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

Your Directors report as follows –

- i. that in the preparation of the annual accounts relating to the financial year ending on 31.03.2009, the applicable Accounting Standards had been followed and proper explanatory statements had been added relating to material departures, wherever necessary.
- ii. that the Directors had selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31.03.2009 and Profit of the company for the financial year ending on that date.
- iii. that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv. that the Directors had prepared the annual accounts on a going concern basis.

v. that a comprehensive Code of Conduct has been laid down for all the Board Members and Senior Management Personnel of the Company. Strict compliance of this Code of Conduct by the Board Members and Senior Management personnel is closely monitored. This code of conduct has also been posted on the website of the company.

#### 6. Audit Committee

In sequence of the change in the management the Audit Committee is re-constituted with the following members –

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

The Audit Committee met 4 times during the year.

#### 7. Deposits

The company has not accepted any deposit from the public.

#### 8. Personnel

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

#### 9. Auditors and their Report

M/s Patel, Mohan, Ramesh & Co, Chartered Accountants, Chennai, the present Statutory Auditors of the company have enclosed their Report.

They are willing and eligible for re-appointment. More details are included in the Notice to the shareholders.

The auditors in their report for the period 2008-2009 indicated the non maintenance of the Fixed Assets Register as per prescribed provisions of the Accounting Standards, non inclusion of terms of repayment of loans borrowed from the company under the same management and also increase of accumulated losses and incurring of cash losses.

Due to the poor functioning of the hospital before takeover by the new management, the assets were shuffled from place to place within the hospital as per the need of the hour, due to which locations of

the assets could not be identified and recorded. After takeover, in the course of efforts taken for revamping the civil areas as well as equipments, the proper fixed locations for the fixed assets could not be identified. The management is taking prudent measures to set right the deficiency. After the date of auditors' report most of the assets were recorded in the Fixed Assets register as per requirements. The management is also assuring a full compliance within a short while.

At the time of take over by the new management, our Company was in a condition which needed total renovation and revamping of all the resources including the human resource. Therefore the loans were borrowed from the company under the same management for the same purposes. As the future generation of revenues could not be predicted then, the management was not able to fix the terms of repayment. Once the conditions of revenue generations are promising, which is assured by the present performance of the hospital, the terms of repayment will be arranged with the lenders in the best interest of the Company.

The substantially whole part of the accumulated losses are the legacy of the previous management. The present management is applying all strategies to reduce these accumulations within the shortest possible period.

The cash losses shown by the financial results are due to the huge expenditures incurred in revamping and renovating the hospital, over which much control could not be exercised considering the state of the hospital in which it was taken over by the new management. However the management is not leaving even a single stone unturned, to increase the revenues and to control the costs.

#### 10. Corporate Governance

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

#### 11. Acknowledgement

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

Place: Trichy  
Date : 13.05.2009

**CORPORATE GOVERNANCE REPORT**

For and on behalf of the Board  
Dr S Chandrakumar  
Managing Director

**COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

KMC Speciality Hospitals (India) Limited, a company in the KMC group is committed in adopting the best possible practices of corporate governance. Corporate Governance envisages commitment of the Company towards the attainment of rendering the best medical facilities to the society at large at moderate cost, attaining the goal of making itself transparent and accountable with the ultimate objective of protecting the long-term interest of the Shareholders and other stakeholders.

<b>Name of the Director</b>	<b>Executive / Non-Executive/ Independent</b>	<b>No.of Meetings Attended</b>	<b>Attendance at last AGM held on 14.7.08</b>	<b>No.of outside Directorship</b>	<b>No.of Membership / Chairmanship in other Board / Committees</b>
Mr R Mohan	NE / Independent	6	P	1	1
Dr S Chandrakumar	Managing Director	6	P	4	Nil
Mr D Selvaraj	Non-Executive	5	P	3	Nil
Mr A Krishnamoorthy	Non-Executive	6	P	2	Nil
Dr S Manivannan	Non-Executive	4	P	3	Nil
Dr T Senthilkumar	Non-Executive	5	P	3	Nil
Captain V W Katre (upto 14.7.2008)	Non-Executive	1	P	6	Nil
Mr A S Varadarajan (upto 30.5.2008)	Independent	1	---	1	Nil
Captain S C Batra (upto 30.5.2008)	Independent	---	---	17	Nil
Captain A C Batra (upto 30.5.2008)	Independent	---	---	19	Nil
Dr A K Gandhi (upto 30.5.2008)	Independent	---	---	1	Nil
CA S Chenthilkumar (from 26.3.2009)	Independent	---	---	--	Nil
Mr B Pattabhiraman (from 26.3.2009)	Independent	---	---	6	Nil

The Total strength of the Board as on the date of the Report is 8

Name of the Director	Dates of Meetings					
	30.05.2008	24.06.2008	28.07.2008	25.10.2008	25.01.2009	26.03.2009
Mr. R. Mohan	Present	Present	Present	Present	Present	Present
Dr. S. Chandrakumar	Present	Present	Present	Present	Present	Present
Mr. D. Selvaraj	Present	Present	Present	Present	Present	----
A. Krishnamoorthy	Present	Present	Present	Present	Present	Present
Dr. S. Manivannan	Present	Present	Present	----	----	Present
Dr. T. Senthilkumar	----	Present	Present	Present	Present	Present
Captain V.W. Katre	Present	----	----	----	----	----
Captain S.C. Batra	----	----	----	----	----	----
Captain A.C. Batra	----	----	----	----	----	----
Dr. A.K. Gandhi	----	----	----	----	----	----
Mr. A.S. Varadharajan	Present	----	----	----	----	----

#### AUDIT COMMITTEE

An Audit Committee consisting of the following independent directors has been constituted in accordance with Section 292 of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

- |    |                      |          |
|----|----------------------|----------|
| 1. | Capt. V W Katre      | Chairman |
| 2. | Shri A S Varadarajan | Member   |
| 3. | Capt S C Batra       | Member   |

With effect from 30.05.2008 due to the change in the management, the Audit Committee is reconstituted with the following members –

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

Since September, 2008 as Mr A Krishnamoorthy became the Chairman of Sri Kavary Medical Care (Trichy) Pvt Ltd, which company is the promoter of M/s KMC Speciality Hospitals (India) Ltd, he loses his independent director characteristic in KMC Speciality Hospitals (India) Limited.

Therefore to comply with the provisions of Clause 49 of the Listing Agreement, the Audit Committee is reconstituted on 26.03.2009 with the following members –

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

Keeping in mind the Whistle Blower Policy as per Clause 49(IV) of the Listing Agreement, no personnel are denied access to the Audit Committee for sharing their views, suggestions or deficiencies in systems and procedures.

During the financial year 1.4.2008 to 31.3.2009 the Audit Committee met as per the details given hereunder –

Name of the Director	Dates of Meetings			
	30.05.2008	28.07.2008	25.10.2008	25.01.2009
Captain V.W. Katre	Present	----	----	---
Shri. A.S. Varadharajan	Present	----	----	----
Captain S.C. Batra	----	----	----	----
Mr. A. Krishnamoorthy	----	Present	Present	Present
Mr. R. Mohan	----	Present	Present	Present
Mr. D. Selvaraj	----	Present	Present	Present

Upto 28.02.2009, in the absence of the Company Secretary, the Financial Controller was appointed by the Board as the Compliance Officer to redress all the genuine grievances of the Shareholders and also to bring to the notice of the Board any matter of importance for the purpose of taking policy decisions in the best interest of the shareholders. From 1.3.2009 our company has appointed a Company Secretary cum Compliance Officer, who is handed over such responsibilities, hitherto shouldered by the Financial Controller. At present the Shareholders' / Investors' Grievance Committee consists of the following members –

Dr S Chandrakumar  
Dr S Manivannan  
Dr T Senthilkumar

The committee met two times during the year with full attendance, on 30.6.2008 and 26.3.2009 respectively, to discuss the normal communications from the shareholders like change of address, non receipt of Annual Report etc and non receipt of DD (only 4 complaints) relevant to open offer, for which immediate actions were taken. A separate email ID has been created to enable the share holders to register their grievances.

Upon reconstitution of the Board by induction of two Independent Directors all the committees are re-constituted for efficient operational purposes.

The total number of complaints received during the financial year 1.4.2008 to 31.3.2009 are categorized as under –

Nature of Complaints	Number of Complaints
1. Non-receipt of Annual Report and Accounts Annual Reports were duly sent in time. However for shareholders who haven't received, copies were sent.	20
2. Non-Receipt of share certificates The Duplicate share certificates were issued, wherever needed	
3. Non receipt of Refund of Share Application Money	Nil
4. Non receipt of dividend The shareholders were informed that no dividend was declared so far.	5
5. Others (Non receipt of DD relevant to open offer) (suitable action has been taken)	4

## Share Transfer Committee

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

At present the Share Transfer Committee consists of the following members—

- |    |                   |          |
|----|-------------------|----------|
| 1. | Dr S Chandrakumar | Chairman |
| 2. | Dr S Manivannan   | Member   |
| 3. | Dr T Senthilkumar | Member   |

The committee met thirteen times during the financial year 2008-2009 and ensured that all valid transfer deeds and transmission applications were acted upon and share certificates sent to the transferee promptly within 30 days of receipt of the Documents as required under the provisions of the Stock Exchange Listing Agreements.

## Remuneration Committee

At present the Remuneration committee consists of the following members –

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

There was no necessity of meeting, as no remuneration was paid to any of the Directors, except the sitting fees paid to the Independent / Non-Executive Directors.

## ANNUAL GENERAL MEETINGS

1. Location and time for the last three AGMs

Year	Date	Venue	Time
2005-2006	29.09.2006	Registered Office No. 6, Royal Road Trichy – 620 001	2.00 p.m
2006-2007	16.09.2007	-- do--	12.00 Noon
2007-2008	14.07.2008	--do--	4.30 p.m

- |    |   |                |
|----|---|----------------|
| 2. | Special Resolutions passed in the previous AGMs (2007-2008)                   | 3              |
| 3. | Whether any special resolution passed last year through postal ballot         | Nil            |
| 4. | Person who conducted the postal ballot exercise                               | Not Applicable |
| 5. | Whether any special resolution proposed to be conducted through postal ballot | NIL            |

## DISCLOSURE

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

## MEANS OF COMMUNICATIONS

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

## **CORPORATE SOCIAL RESPONSIBILITY**

The Corporate Social Responsibility of Corporate hospital industry is four-dimensional and can be thought of, in terms of service, profitability, ecological friendly and outreach.

1. Service – The slogan of the company itself is 'People Caring for People'. The Management is determined to maintain a culture of Customer Service Excellence, respecting their diversified feelings and treating them with dignity. A wide land space is covered for providing services taking the services to the doorsteps of the patients when required. The management is striving its best to provide to the patient customers more and more comfort and convenience, thus paving way to a positive healthcare experience.

2. Profitability—The core policy of the management is to protect and enhance the value of the organization's assets while maximizing the shareholders' and stakeholders' benefit.

The financial figures depicted by the Directors' Report are self explanatory to speak about the efforts taken by the present management to enhance the status of all the shareholders and stakeholders of the company. All the resources are put to judicious use to benefit all in need of care, by generating fourfold revenue when compared to the previous year, within a short period of ten months of takeover of management. Not only this but also, controlling the cost and improving the efficiency are also some of the basic concerns of the management.

3. Ecological friendly – The management considers ethically, the organization's obligation to protect the environment as per the ecological protocols prescribed by the authorities. At this juncture the management is following prudently the waste management protocols prescribed by the Pollution Control Boards. The waste is segregated and disposed off as per the provisions of the protocols.

Moreover as a simple gesture of bringing out the difference and reducing the alarming global warmth, the management has made arrangements to participate in the green revolution by implanting and maintaining trees in various places in and around Trichy. At present it has become an accelerated stride with strong anti-carbon footprints of the company aiming at a low carbon economy.

4. Outreach – The management is committed to the general public through expending for public programs to the extent possible. Free health check-ups and medical advices are provided to the rural and ignorant people, by various outreaching programmes conducted independently and also with other medical associations.

Various Medical, Paramedical and Hospital Management Programmes are being conducted by the company. Diversified projects are being considered by the management to bring into its ambit multi-dimensional medical services under one roof.

With all the above committed and dedicated measures of philanthropy our hospital company is assured of an unprecedented winning edge.

## **GENERAL SHAREHOLDER INFORMATION**

In the Twenty Fifth Annual Report the shareholders' permission was sought to change the name of the company from "Seahorse Hospitals Limited" to "KMC Speciality Hospitals (India) Limited". Based on the shareholders' consent given in the 25<sup>th</sup> Annual General Meeting, the name of the company has been changed to "KMC Speciality Hospitals (India) Limited" with effect from November, 2008.

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

The Twenty Sixth Annual General Meeting is scheduled to be held on Friday, the 25<sup>th</sup> September, 2009 at 4.00 p.m at Hotel Sangam, Cantonment, Trichy – 620 001 as per the notice enclosed. The shares of the company are at present listed with Bombay Stock Exchange Limited and the listing fees for the year 2008-2009 were paid to them duly. The share trades of the company in the stock exchanges are not worth monitoring and



are at a price less than Rs 2 per share. The total number of shares transferred during the financial year 2008-2009 was 50 14 445 which constitutes 40.26% of the total shares of the company. In May 2008 the management of the company was taken over by Sri Kavary Medical Care (Trichy) Pvt Ltd, which company acquired the shares to the tune of 50 02 145 shares which is included in the above cited 50 14 445 shares, from the then existing promoters belonging to the Seahorse group as well as from the general shareholders through open offer. This information is already informed to the shareholders in the Annual Report for the year 2007-2008.

The communications sent to many of the shareholders are reverted back to the company for want of proper addresses. Hence the shareholders who are receiving this Annual Report are requested to advise any of the other shareholders known to them who have not received the Annual Report, to communicate to the company their current addresses where the communications are to be sent. The shareholders can also send their addresses to the email id referred at the end of this report. The Distribution pattern of the shareholdings as on 31.03.2009 is as follows –

	<b>No.of shares</b>	<b>No.of shareholders</b>	<b>No.of shares</b>	<b>% of Total Shares</b>
01 - 500		49359	59 92 745	47.77
501 - 1000		770	6 18 210	4.93
1001 - 2000		210	3 03 800	2.42
2001 - 3000		55	1 34 400	1.07
3001 - 4000		11	38 500	0.31
4001 - 5000		11	52 800	0.42
5001 - 10000		10	72 300	0.58
10001 & above		11	53 32 245	42.50
<b>TOTAL</b>		<b>50 437</b>	<b>1 25 45 000</b>	<b>100.00</b>

#### **PATTERN OF SHAREHOLDING AS ON 31.03.2009**

<b>PARTICULARS</b>	<b>No.of shares held</b>	<b>% of shares held</b>
1. Promoters & persons acting in concert	50 02 145	39.87
2. Mutual Funds and UTI	900	0.01
3. Banks, Financial Institutions and Insurance COs	----	----
4. Foreign Institutional Investors	----	----
5. Corporate Bodies	1 93 000	1.54
6. Indian Public	64 70 555	51.58
7. NRI / OCBs	8 78 400	7.00
<b>TOTAL</b>	<b>1 25 45 000</b>	<b>100.00</b>

#### **ADDRESS FOR CORRESPONDENCE**

Registered Office

No 6, Royal Road, Cantonment

Tiruchirapalli – 620 001

Phone – 0431 4077777

Fax -- 0431 2415402

Email id – info@kmcspecialityhospital.in

-- do --

Email id – [finance@kmcspecialityhospital.in](mailto:finance@kmcspecialityhospital.in)

Hospital Complex  
For Complaints

Place: Trichy

Date :13.05.2009

For and on behalf of the Board

Dr S Chandrakumar

MANAGING DIRECTOR



**Auditors Report on Corporate Governance**

To  
The Members  
KMC Speciality Hospitals (India) Ltd  
(Formerly Seahorse Hospitals Ltd)

We have examined the compliance of conditions of Corporate Governance by KMC Speciality Hospitals (India) Ltd (Formerly Seahorse Hospitals Ltd), for the year ended 31<sup>st</sup> March 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

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

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

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

**For Patel Mohan Ramesh & Co**  
*Chartered Accountants*

**S.Mohan**  
Partner

Membership No: 019695  
Place: Trichy  
Date: 13<sup>th</sup> May 2009



**Auditors' Report**

**To**

**The Members of KMC Speciality Hospitals (India) Ltd  
(Formerly Seahorse Hospitals Ltd)  
Trichy- 620 001**

1. We have audited the attached Balance Sheet of KMC Speciality Hospitals (India) Ltd (formerly Seahorse Hospitals Ltd) as at March 31, 2009, and the related Profit and Loss account of the company for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii. The balance sheet, the profit and loss account and the cash flow statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the balance sheet, the profit and loss account and the cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.



- v. On the basis of the written representations received from the directors, as on March 31, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
- a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2009; and
  - b) in the case of the profit and loss account, of the Loss for the period ended on that date.
  - c) in case of the cash flow statement, of the cash flows of the company for the year ended on that date.

**For Patel Mohan Ramesh & Co.**  
*Chartered Accountants*

**S Mohan**  
Partner  
Membership No.: 019695

Place: Trichy  
Date: 13<sup>th</sup> May 2009



**Annexure Referred to in paragraph 3 of our report of even date to the members of KMC Speciality Hospitals (India) Limited (Formerly Seahorse Hospitals Limited)**

**i) In respect of its Fixed Assets:**

- a) The fixed assets register maintained by the company is not in proper format. The company was found to be maintaining records relating to fixed assets in an electronic format in which location and identification details are not furnished.
- b) As explained to us, the management has a verification programmed for fixed assets in a phased manner and all the assets are covered by physical verification once in three years. According to the information and explanation given to us no material discrepancies were noticed by the management on such verification.
- c) In our opinion and according to the information and explanation given to us, the fixed assets that have been sold/ disposed off during the year under audit do not constitute a substantial part of the total fixed assets of the company. Hence the going concern assumption has not been affected by such disposal.

**ii) In respect of its Inventories:**

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

**iii)**

- a) The company has not granted any loans to companies, firms or other parties covered in the register maintained under Sec 301 of the companies act, 1956. Hence sub clauses (b), (c) and (d) are not applicable.
- b) The company has taken unsecured loan from another company under the same management. In respect of the said loan the balance as at year end amounts to Rs.12.25 Crores which is inclusive of the interest accrual.
- c) In our opinion and according to the explanation given to us, the terms and conditions of loans taken by the company are prima facie not prejudicial to the interest of the company.
- d) *There was no repayment terms fixed as per the records produced.*

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

- v)
- a) In our opinion and according to the information and explanation given to us, the contracts or arrangements referred to section 301 of the companies act, 1956 have been entered in the register required to be maintained under that section.
  - b) In our opinion and to the information and explanation given to us the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable, having regard to the prevailing market prices. *In respect of the some of the services received from the group company, the group company has waived the fees payable for their services.*
- vi) The company has neither accepted any deposits during the year nor having outstanding liability against interest payable on deposits thereon. Hence the provisions of this clause are not applicable.
- vii) The company has appointed a firm of Chartered Accountants as Internal Auditors. On the basis of the reports submitted by them to the management, in our opinion the internal audit system is reasonable having regard to its size and nature of its business.
- viii) According to the information and explanations given to us, the central government has not prescribed the maintenance of cost records under Section 209(1) (d) of the companies act, 1956 for any of the activities of the company.
- ix) **In respect of Statutory Dues:**
- a) According to the records of the Company, undisputed statutory dues including Income Tax, Sales Tax, PF, Service Tax, Customs Duty, Excise Duty, Cess, Gratuity and other material statutory dues, to the extent applicable, have been generally regularly deposited with the appropriate authorities. According to the information and explanations given to us, there are no undisputed amounts payable in respect of the aforesaid dues were outstanding as at March 31, 2009 for a period of more than six months from the date they became payable.
  - b) In our opinion and information and explanation given to us there are no disputes pending regarding dues of Income Tax, Sales Tax, PF, Service Tax, Excise Duty, Cess and Gratuity payable to the Government Authorities except for Customs Duty. The details are as follows:-

Name of the Statute	Nature of the Dues	Amt involved in Rs	Period to which the amount relates	Forum where the dispute is Pending
Customs Act, 1962	Customs Duty	85,24,905	1989 to 1993	Madras High Court

- x) *The accumulated losses of the company have exceeded fifty percent of its net worth. The company has incurred cash losses during the financial year and also immediately preceding the current financial year.*
- xi) The company has not taken any loans from financial institutions and banks. Hence the question of default of repayment of dues does not arise. The company has not issued any debenture.

- xii) In our opinion and the information and explanation given to us and based on the information available, no loans and advances have been granted by the company on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion and according to the information and explanation given to us, the company is not a chit fund or a nidhi/mutual benefits/society. Therefore, provisions of any special statute applicable to Chit Funds Nidhi or Mutual Benefit Fund Society do not apply to this Company. Hence the provisions of clause (xiii) (a), (b), (c) and (d) are not applicable to this Company.
- xiv) The company is not trading in shares, securities, debentures and other investments. Also the company is not having investment in the nature of shares, securities, debentures and other investments.
- xv) According to the information and explanation given to us, the company has not given any guarantee for loans taken by others from banks and financial institutions
- xvi) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, the term loans raised were prima facie been used for the purpose for which they were raised.
- xvii) According to the information and explanation given to us funds raised on short-term basis by the company have, prima facie not been used during the year for long term investments.
- xviii) The company has not made any preferential allotments of shares to the parties and companies covered in the register maintained u/s 301 of the Act.
- xix) According to the information and explanation given to us, the company has not issued any debentures during the year under audit.
- xx) The company has not raised any money by way of public issue during the year.
- xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, no instance of fraud on or by the company is reported.

**For Patel, Mohan, Ramesh & Co**  
*Chartered Accountants*

S MOHAN (M.No.019695)  
Partner  
Place: Trichy  
Date: 13<sup>th</sup> May 2009

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED, TIRUCHIRAPALLI  
(FORMERLY SEAHORSE HOSPITALS LIMITED)  
BALANCE SHEET AS AT 31.03.2009**

Particulars	Schedule		As at 31.03.2009		As at 31.03.2008
<b>I. Sources of Funds</b>			Rs.		Rs.
(1) Shareholders Funds:					
(a) Share Capital	<b>A</b>		125,450,000		125,450,000
(b) Reserves & Surplus	<b>B</b>		30,182,334		30,182,334
(2) Loan Funds:					
Unsecured Loans	<b>C</b>		123,231,807		89,219,007
<b>Total</b>			<b>278,864,141</b>		<b>244,851,341</b>
<b>II. Application of Funds</b>					
(1) Fixed Assets	<b>D</b>				
(a) Gross Block		243,570,177		242,719,058	
(b) Less: Depreciation/amortisation		142,088,383		144,818,183	
(c) Net Block			101,481,794		97,900,875
(2) Net Deferred Tax Asset [Refer notes to accounts M.2 (n)]			37,567,691		
(3) Current Assets and Loans & Advances					
Inventory	<b>E</b>	1,563,848		753,829	
Sundry Debtors	<b>F</b>	5,048,341		1,001,360	
Cash & Bank Balances	<b>G</b>	860,493		1,864,443	
Loans and Advances	<b>H</b>	2,064,891		2,337,257	
			9,537,573		5,956,889
Less: Current Liabilities and Provisions	<b>I</b>	9,791,000		10,210,190	
Net Current Assets			(253,427)		(4,253,301)
(4) Miscellaneous Expenditure (to the extent not written off)					
Profit & Loss Account			140,068,083		151,203,767
<b>Total</b>			<b>278,864,141</b>		<b>244,851,341</b>

**Schedules "A" to "I" and notes in Schedule "M" form part of this Balance Sheet**

As per our report annexed

**For Patel Mohan Ramesh & Co**  
*Chartered Accountants*

**For KMC Speciality Hospitals ( India ) Ltd**

S.Mohan  
Partner  
Membership No. 019695

Dr. S.Chandrakumar.M.D.  
Managing Director

CA. S.Chenthilkumar  
Director

N.Jayanthi  
Company Secretary

Place: Trichy

Date: 13th May 2009



**KMC SPECIALITY HOSPITALS (INDIA) LIMITED**  
**(FORMERLY SEAHORSE HOSPITALS LIMITED)**  
**PROFIT & LOSS ACCOUNT FOR THE PERIOD FROM 01.04.2008 TO 31.03.2009**

Particulars	Schedule	For the Year	For the Year
		Ended 31.03.2009	Ended 31.03.2008
<b>I. Income</b>		<b>Rs.</b>	<b>Rs.</b>
Hospital Collection		32,737,919	8,399,636
Interest Received		163,945	62,110
Miscellaneous Income		1,731,785	187,301
Miscellaneous Balances Written Back		2,510,833	181,852
Net Prior period item		98,577	-
<b>Total</b>		<b>37,243,059</b>	<b>8,830,899</b>
<b>II. Expenditure</b>			
Hospital Operative Expenses	<b>J</b>	15,030,976	4,599,298
Personnel Cost	<b>K</b>	10,339,895	5,074,572
Administrative & Other Expenses	<b>L</b>	15,129,881	9,888,308
Financial Expenses		13,980,865	10,162,969
<b>Total</b>		<b>54,481,617</b>	<b>29,725,147</b>
Profit / (Loss) before Depreciation		<b>(17,238,558)</b>	<b>(20,894,248)</b>
Depreciation	<b>D</b>	9,103,449	9,840,164
Profit / (Loss) before Extraordinary Income & Taxes		<b>(26,342,007)</b>	<b>(30,734,412)</b>
Less: Provision for Taxes			
Current Tax		-	-
Deferred Tax		(37,567,691)	-
Fringe Benefit Tax		90,000	88,348
<b>Profit / (Loss) for the Year</b>		<b>11,135,684</b>	<b>(30,822,760)</b>
Profit / (Loss) Brought Forward		(151,203,767)	(120,381,007)
<b>Profit / (Loss) carried to Balance Sheet</b>		<b>(140,068,083)</b>	<b>(151,203,767)</b>
<b>Basic earnings per share</b>		0.89	(2.46)
<b>Diluted earnings per share</b>		0.89	(2.46)

**Schedules "J" to "L" and notes in Schedule "M" form part of this Profit and Loss account**

As per our report annexed

**For Patel Mohan Ramesh & Co**  
Chartered Accountants

**For KMC Speciality Hospitals ( India ) Ltd**

S.Mohan  
Partner  
Membership No. 019695

Dr.S.Chandrakumar.M.D.  
Managing Director

CA. S.Chenthiikumar  
Director

N.Jayanthi  
Company Secretary

Place: Trichy  
Date : 13th May 2009

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED, TIRUCHIRAPALLI  
(FORMERLY SEAHORSE HOSPITALS LIMITED)  
SCHEDULES FORMING PART OF BALANCE SHEET**

Particulars		As at 31.03.2009	As at 31.03.2008
<b><u>Schedule A - Share Capital:</u></b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>Authorised Share Capital</b>			
2,50,00,000 Equity Shares of Rs. 10/- each		250,000,000	250,000,000
<b>Issued &amp; Subscribed &amp; Paid up Capital</b>			
<b>Paid up Capital</b>		125,450,000	125,450,000
(1,25,45,000 Equity Shares of Rs. 10/- each (Previous Year 1,25,45,000). Of this 2,59,270 equity Shares (Previous Year 2,59,270) were issued for consideration other than cash.)			
<b>Total</b>		<b>125,450,000</b>	<b>125,450,000</b>
<b><u>Schedule B - Reserves &amp; Surplus:</u></b>			
Capital Reserve		30,182,334	30,182,334
<b>Total</b>		<b>30,182,334</b>	<b>30,182,334</b>
<b><u>Schedule C - Unsecured Loans:</u></b>			
<b>Principal</b>			
Term Loan	72,000,000		
Working capital Loan	35,600,000	107,600,000	84,400,000
Interest accrued on the above Loans		14,931,807	4,119,007
Working capital Loan		700,000	700,000
<b>Total</b>		<b>123,231,807</b>	<b>89,219,007</b>

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED,(FORMERLY SEAHORSE HOSPITALS LTD) No:6, ROYAL ROAD,CANTONMENT, TRICHY - 620001.**

**Schedule - D Fixed Assets as at 31.03.2009.**

Sl. No.	Particulars	Gross Block				Rate	Depreciation Block				Net Block	
		As on 01.04.2008	Addition	Deletion	As on 31.03.2009		As on 01.04.2008	Depn for the Year	Depn on Deletion	As on 31.03.2009	As on 31.03.2009	As on 31.03.2008
1	Land	4,043,397	-	-	4,043,397	-	-	-	-	-	4,043,397	4,043,397
2	Buildings	82,561,634	490,556	-	83,052,190	1.63%	20,246,166	1,350,278	-	21,596,444	61,455,746	62,315,468
3	Medical & Surgical Equipments	97,329,745	3,347,595	600,000	100,077,340	7.07%	73,464,658	5,831,927	227,334	79,069,251	21,008,090	23,865,088
4	Electrical Installation & Generators	25,348,069	744,998	-	26,093,067	4.75%	24,371,719	<del>282,861,103</del>	1,431,965	976,350	-	-
5	Air Conditioners	11,856,561	500,350	11,067,133	1,289,778	4.75%	11,347,959	113,360	11,021,028	440,291	849,488	508,602
6	Office Equipments	1,495,648	347,369	16,000	1,827,017	4.75%	1,024,155	82,020	14,886	1,091,289	735,728	471,493
7	Furniture & Fixtures	2,172,224	972,454	-	3,144,678	6.33%	1,132,559	177,080	-	1,309,639	1,835,040	1,039,665
9	Lab Equipments	4,113,406	-	-	4,113,406	7.07%	2,609,105	290,459	-	2,899,564	1,213,842	1,504,301
10	Vehicles	792,519	276,078	-	1,068,597	9.50%	458,967	95,409	-	554,376	514,221	333,552
11	Books	484,133	-	-	484,133	4.75%	361,983	22,996	-	384,979	99,153	122,150
12	Other Equipments	4,798,671	12,670	-	4,811,341	4.75%	3,494,930	228,278	-	3,723,208	1,088,133	1,303,741
13	Lift	3,383,802	1,353,000	750,000	3,986,802	4.75%	2,497,719	160,879	570,000	2,088,598	1,898,203	886,083
14	Computers	4,081,282	843,330	-	4,924,612	16.21%	3,590,218	265,017	-	3,855,235	1,069,376	491,064
15	Dental Equipments	-	3,301,497	-	3,301,497	7.07%	-	167,726	-	167,726	3,133,771	-
16	Intangible Assets -	-	100,000	-	100,000	33.33%	-	25,020	-	25,020	74,980	-
17	Capital WIP	-	994,355	-	994,355	-	-	-	-	-	994,355	-
<b>Total</b>		<b>242,719,058</b>	<b>13,284,252</b>	<b>12,433,133</b>	<b>243,570,177</b>		<b>144,818,183</b>	<b>9,103,449</b>	<b>11,833,248</b>	<b>142,088,383</b>	<b>101,481,794</b>	<b>97,900,875</b>

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED, TIRUCHIRAPALLI  
(FORMERLY SEAHORSE HOSPITALS LIMITED)  
SCHEDULES FORMING PART OF BALANCE SHEET**

Particulars	As at 31.03.2009	As at 31.03.2008
<b><u>Schedule E – Inventory</u></b>	Rs.	Rs.
Inventories of Medicines, Stores, Lab Chemicals, Instruments, Etc.,	1,563,848	753,829
<b>Total</b>	<b>1,563,848</b>	<b>753,829</b>
<b><u>Schedule F - Sundry Debtors</u></b> (Unsecured and Considered Good)		
More than Six Months	759,545	232,186
Less than Six Months	4,288,796	769,174
<b>Total</b>	<b>5,048,341</b>	<b>1,001,360</b>
<b><u>Schedule G- Cash &amp; Bank Balances</u></b>		
Cash on Hand	59,758	29,305
Balances in Current account in Scheduled Banks	800,735	1,835,138
<b>Total</b>	<b>860,493</b>	<b>1,864,443</b>
<b><u>Schedule H- Loans &amp; Advances:</u></b>		
<b>(a) Advances:</b> (Unsecured and Considered Good)		
Other Advances	782,024	1,500,854
Income Tax Payments	550,070	293,359
Prepaid Expenses	169,837	
Income Receivable	50,551	32,000
<b>(b) Deposits:</b>		
with Government Departments	496,414	495,749
with Others	15,995	15,295
<b>Total</b>	<b>2,064,891</b>	<b>2,337,257</b>
<b><u>Schedule I - Current Liabilities &amp; Provisions:</u></b>		
<b>Current Liabilities:</b>		
Sundry Creditors for Goods & Services	3,767,908	3,661,706
Creditors for Capital Expenses	2,308,644	584,280
Other Creditors	3,005,063	4,477,129
Due to Director	-	1,346,690
<b>Provisions:</b>		
Provision for Rent Revision and Other Claims	479,000	-
Provision for Fringe Benefit Tax	230,385	140,385
<b>Total</b>	<b>9,791,000</b>	<b>10,210,190</b>

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED  
(FORMERLY SEAHORSE HOSPITALS LIMITED)  
SCHEDULES TO PROFIT & LOSS ACCOUNT**

Particulars	For the Year Ended 31.03.2009	For the Year Ended 31.03.2008
	Rs.	Rs.
<b>Schedule J - Hospital Operative Expenses:</b>		
Consumptions - Medicine, Films, etc.,	6,103,137	3,058,645
Lab Charges	2,488,152	500,397
Doctors Professional Charges	4,491,241	995,281
IP service	1,948,446	-
Diet Expenses		44,975
<b>Total</b>	<b>15,030,976</b>	<b>4,599,298</b>
<b>Schedule K - Personnel Cost:</b>		
Salaries & Wages (Includes Bonus)	9,601,744	4,783,105
Contribution to Provident Fund	142,445	291,467
Staff Welfare Expenses	290,916	-
Gratuity	304,790	-
<b>Total</b>	<b>10,339,895</b>	<b>5,074,572</b>
<b>Schedule L - Administrative &amp; Other Expenses:</b>		
Power & Fuel	2,383,116	2,354,614
Rent (Office)	3,000,000	223,776
Municipal Rent - Provision for rent revision	379,000	-
Claim against court case	100,000	-
Rates & Taxes	417,650	424,467
Sales Tax Expenses	94,558	52,164
Printing & Stationery	691,453	214,605
Postage , Telegram & Telephone	600,653	442,351
Publicity & Advertisements	1,294,442	941,036
Business Promotion	353,906	-
Travelling & Conveyance	430,338	165,876
Audit Fees - Statutory Audit	55,150	56,180
Tax Audit	5,515	5,618
Other Service	55,150	50,000
Internal Audit Fees	21,000	40,450
Uniform & Liveries	142,027	49,686
Director's Sitting Fees/Meeting Expenses	271,700	25,000
Security Charges	323,424	189,609
Freight	47,702	2,105
Miscellaneous Expenses	41,518	75,834
Listing Fees	103,681	75,600
Professional Charges	493,318	722,089
Books & Periodicals	12,974	4,664
Insurance	33,293	23,743
Seminars & Conference	-	3,750
Loss on Sale of Assets	-	47,658
Bank Charges	38,246	45,086
Bad Debts Written Off	-	79,264
Repairs & Maintenance	3,740,067	3,573,083
<b>Total</b>	<b>15,129,881</b>	<b>9,888,308</b>

## SCHEDULE M - NOTES TO ACCOUNTS

### M.1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of preparation

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

#### b) Use of estimates

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

#### c) Fixed assets

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

#### d) Depreciation

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

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

#### e) Intangibles

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

**f) Impairment**

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

**g) Inventory**

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

**h) Revenue Recognition**

- i) Income from healthcare services is recognized on completed service contract method. The hospital collections of the company are net of rebates, concessions etc.
- ii) Pharmacy sales are stated net of returns and discounts and inclusive of sales tax.
- iii) Ambulance income is accounted on the basis of the contract entered between the parties on an accrual basis.

**i) Leases**

The Company has entered into a Land Lease arrangement for a period of 10 years with a further option to extend the lease. The Lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

**j) Prior Period Items and Extraordinary Items**

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

**k) Employee benefits**

**i. Defined Contribution Plan -- Provident Fund:**

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

**ii. Defined benefit plan -- Gratuity:**

The Company makes contribution to a scheme administered by the Life Insurance Corporation of India (LIC) to discharge gratuity liabilities to the employees. The Company accounts its liability for future gratuity benefits based on actuarial valuation as at the balance sheet, using Projected Unit Credit Method.

### **iii. Short term benefits**

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

### **l) Income Tax**

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

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

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

The Company has filed its return of income under the income tax act up to assessment year 2008-09 and the assessments have been completed up to assessment year 2006-07.

### **m) Earnings per share**

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

### **n) Provisions**

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



## **M.2. NOTES FORMING PART OF ACCOUNTS**

### **a) Contingent Liability:**

- i) The company has received a show cause notice from The Department of Customs demanding a sum of Rs.85,24,905.00(Previous Year Rs.85,24,905), towards customs duty for the medical equipment imported during the years 1989-93 and the said amount is not provided as the company is taking appropriate legal steps regarding this issue.
- ii) The company has received a show cause notice from The Municipal Corporation, Trichy contending that the construction of the 4<sup>th</sup>, 5<sup>th</sup> & 6<sup>th</sup> floors of the hospital building have no approval. The financial effect of the same could not be ascertained. The company has filed application before the appropriate authorities for the regularization of the construction.
- iii) Claims against the company not acknowledged as debts: Rs.6,76, 000/-.

### **Capital Commitment**

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 2,26,145/- (Previous year- Nil)

### **b) Sundry Debtors and Loans and Advances**

Sundry Debtors, Creditors and deposits with Government authorities are yet to be confirmed. The company has sent letters of confirmation. The auditors have relied on the balance as per books of accounts maintained in the absence of confirmation from the debtors/creditors. The balances adopted are as appearing in the books of accounts.

### **c) Prior Period Item**

Prior period item is shown net of income and expense, the same during the year amounts to Rs.98, 577/-

- d) The company provides hospital services and also trades in drugs and Pharmaceutical products. The quantitative particulars as per Para 3(ii) d of Part-II of Schedule-VI of the companies act, 1956 with respect to the total value of turnover, purchases, goods traded, sales etc for the financial year ended 31<sup>st</sup> March 2009 as required under the Companies Act, 1956 are not disclosed due to the nature of the products dealt by the company.

- e) The Company has no employees drawing remuneration in excess of Rs.24, 00,000/- p.a. or Rs 2 00 000 p.m.

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

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

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

### **i) Micro, Small and Medium Enterprises Development Act, 2006**

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

j) Auditor's Remuneration: (including Service Tax and education cess)

Amt in Rs

Sl.No	Particulars	2008-09	2007-08
1	Towards Statutory Audit	55,150	56,180
2	Towards Tax Audit	5,515	5,618
3	Towards other Services	55,150	50,000
	<b>Total</b>	<b>115,815</b>	<b>111,798</b>

- k) The Company has adopted Accounting Standard 15 on Employee Benefits effective from April 01, 2008. Pursuant to this, the Company has reassessed the liability on various employee benefits as on date. Changes in the present value of the defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:-

Particulars	As at 31st March 2009 Gratuity (Funded)
Opening Defined Benefit Obligation	66,411
Interest Cost	-
Current Services Cost	17,216
Benefits Paid	-
Actuarial (Gain)/ Losses on Obligation	-
Closed Defined Benefit Obligation	<b>83,627</b>

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

Particulars	As at 31st March 2009 Gratuity (Funded)
<b>Change in Plan Assets</b>	
Fair Value of Plan Assets as on 1 <sup>st</sup> April 2008	-
Expected Return on Plan Assets	-
Contributions	83,627
Benefits Paid	-
Actuarial Gain/ (Loss)	-
Fair Value of Plan Assets as on 31 <sup>st</sup> March 2009	<b>83,627</b>
<b>Reconciliation of Present Value of the obligation and the fair value of the Plan assets</b>	
Fair Value of the defined benefit	83,627
Fair Value of the plan assets at the end of the year	83,627
Liability/ (Assets)	-
Unrecognised past service cost	-
Liability/ (Assets) recognised in the balance sheet	-
<b>Expenses to be recognised in Profit and Loss A/c</b>	
Current Service Cost	17,216
Interest Cost	-
Expected Return on Plan Assets	-
Actuarial (Gain)/ Loss	-
Expenses recognised in the Income Statement	<b>17,216</b>
<b>Balance Sheet Reconciliation</b>	
Opening Net Liability	66,411
Expenses as above	17,216
Employers Contribution	83,627
Amount recognised in the Balance Sheet	-

Actuarial assumptions used:-

Particulars	Gratuity
Mortality	LIC (1994-96) Ult
Discount Rate	8%
Withdrawal Rate	1-3%
Salary Escalation	7%
Method used for Present value of plan liability	Projected Unit Credit Method

### Related Party Disclosures

Related party disclosures, as required by Accounting Standard - AS 18 "Related Party Disclosures" as notified by Companies Accounting Standards Rules, 2006 are given below for the financial years ended 31<sup>st</sup> March 2009 and onwards.

<b>A)</b>	<b>Enterprise with Common Key Management Personnel</b> Sri Kavery Medical Care (Trichy) Private Limited
<b>B)</b>	<b>Key Management Personnel</b> Dr S. Chandrakumar (Managing Director and CEO) Dr S. Manivannan (Director) Dr T. Senthil Kumar (Director) Er. D. Selvaraj (Director)

### Details of transactions with Enterprises having Common Key Management Personnel

(Amt in Rs. 000's)

Nature of Transactions	For the Year Ended 31 <sup>st</sup> March 2009
Loan taken	23,200.00
Loan Repaid	Nil
Interest Provided	13,980.87
Services received	3,633.78
Purchase of Goods	23.27
Land Lease Rental Paid	3,000.00
Balance of Loan as on date	1,22,531.81
Balance Others as on date	708.44

### Details of transactions with Key Management Personnel- Nil

#### a) Disclosure under AS-22

The company has adopted Accounting Standard- 22 ~~effective~~ from this year, the impact on account of this is charged to Profit & Loss account. The company has recognised net Deferred Tax Asset amounting to Rs.3,75,67,691/- and the same is credited to Profit & Loss Account for the current financial year. The management did not recognise the Deferred Tax Asset in the earlier years on account of the fact that deferred tax asset on carry forward losses and depreciation as in the opinion of the management there was no virtual certainty that the company will have sufficient taxable income in the near future. After the change in the management of the company there has been a significant turnaround in the operations and increase in the revenues could be seen and in view of this development the management is confident that there will be adequate income to set off the past depreciation accumulated. However as a prudent policy the management of the company has not considered the business loss carried forward for this purpose.

Particulars	Amt in Rs	Amt in Rs
<b>Deferred Tax Liability on the Opening WDV</b>		
Opening WDV as per Books	9,79,00,883	
Opening WDV as per Income Tax	2,67,27,672	
WDV Difference	7,11,73,211	
Deferred Tax Liability on above @ 33.99% (A)		<b>2,41,91,774</b>
<b>Current year Deferred Tax Liability on Depreciation Difference</b>		
Current year Depreciation as per books	91,03,450	
Current Year Depreciation as per Income tax	50,33,935	
Depreciation Difference	40,69,515	
Deferred Tax Liability Reversal @ 33.99% (B)		<b>13,83,228</b>
<b>Deferred Tax Liability as on 31<sup>st</sup> March 2009 (A)-(B) (1)</b>		<b>2,28,08,546</b>
<b>Deferred Tax Asset on Carry Forward Losses</b>		
Carry forward of Depreciation Loss from Assessment Years 1990-2009 as per Income Tax Return Filed	17,25,95,477	
Current Year Depreciation as per Income Tax	50,33,935	
Deferred Tax Asset on above @ 33.99%		<b>6,03,76,237</b>
<b>Deferred Tax Asset as on 31<sup>st</sup> March 2009 (2)</b>		<b>6,03,76,237</b>
<b>Net Deferred Tax Asset as on 31<sup>st</sup> March 2009 (2)-(1)----</b>		<b>3,75,67,691</b>

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

c) **Business Segments**

The company is engaged only in the business of hospital service and hence this constitutes only one single primary segment under Accounting Standard-17 on Segment Reporting.

d) **Earnings per Share**

Particulars	As on 31 <sup>st</sup> March 2009	As on 31 <sup>st</sup> March 2008
Profit attributable to equity shareholders (A1)	11,135,684	(30,822,760)
Weighted average equity shares outstanding during the year (A2)	12,545,000	12,545,000
Basic earnings per share (A1)/(A2)	0.89	(2.46)
Diluted earnings per share (A1)/(A2)	0.89	(2.46)

e) Previous year's figures have been regrouped wherever found necessary to conform to the current year's presentation.

f) The figures given in the Profit and Loss account and balance sheet have been rounded off to the nearest rupee.

**For Patel Mohan Ramesh & Co**

Chartered Accountants

S. Mohan

Partner

Membership No: 19695

Place: Trichy

Date: 13<sup>th</sup> May 2009.

**For and on behalf of the Board of Directors**

Dr.S.Chandrakumar.M.D.

Managing Director

CA. S.Chenthilkumar

Director

N.Jayanthi

Company Secretary

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED**  
**(formerly Seahorse Hospitals Ltd)**

**INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956**

**1 REGISTRATION DETAILS**

REGISTRATION NO	9781	STATE CODE
BALANCE SHEET DATE	31.03.2009	18

**2 CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS.THOUSANDS)**

PUBLIC ISSUE		RIGHTS ISSUE
NIL		NIL
(NIL)		(NIL)
BONUS ISSUE		PRIVATE PLACEMENT
NIL		NIL
(NIL)		(NIL)

**3 ACADEMIC GUIDANCE  
POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS  
(AMOUNT IN Rs Thousands)**

<b>TOTAL LIABILITIES</b>		<b>TOTAL ASSETS</b>
278864		278864
(244851)		(244851)
 <b>SOURCE OF FUNDS</b>		
<b>PAID UP CAPITAL</b>		<b>RESERVES AND SURPLUS</b>
125450		30182
(125450)		(30182)
 <b>SECURED LOANS</b>		<b>UNSECURED LOANS</b>
		123232
		(89219)
 <b>APPLICATION OF FUNDS</b>		
<b>NET FIXED ASSETS</b>		<b>INVESTMENTS</b>
101482		NIL
(97901)		<b>MISC.EXPENDITURE</b>
 <b>NET DEFERRED TAX ASSETS</b>		.....
37568		
(Nil)		
 <b>NET CURRENT ASSETS</b>		
-253		
(-4253)		

ACCUMULATED  
LOSSES

-140068  
(-151204)

PERFORMANCE OF THE COMPANY (amount in  
Rs.Thousands)

TURNOVER  
37243  
(8831)

TOTAL EXPENDITURE

63585  
(39565)

PROFIT/LOSS BEFORE TAX

EXTRA ORDINARY  
INCOME  
PROFIT/LOSS AFTER  
TAX

11136

(-30823)

EARNING PER SHARE IN Rs

11136  
(-30823)

0.89  
(-2.46)

DIVIDEND RATE %

NIL  
(NIL)

GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF COMPANY

ITEM CODE NO

: .....

PRODUCT

DESCRIPTION

: HOSPITAL SERVICES

(PREVIOUS YEAR FIGURES INDICATED  
IN BRACKET)

**FOR PATEL, MOHAN, RAMESH. & CO**  
**Chartered Accountants**

**FOR KMC SPECIALITY HOSPITALS (INDIA) LTD**

**(S.Mohan)**  
Partner

**S.Chandrakumar., M.D.**  
Managing Director

**CA.S. Chenthilkumar**  
Director

**N. Jayanthi**  
Company Secretary

**PLACE : TRICHY**  
**DATE : 13.05.2009**

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED**  
**(FORMERLY SEAHORSE HOSPITALS LIMITED)**  
**TIRUCHIRAPALLI**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31-3-2009**

Particulars	For the year ended 31-03-2009	For the year ended 31-03-2008
	Rs	Rs
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit Before Tax as per Profit & Loss A/c	(26,342,007)	(30,734,412)
<b>Adjustments for</b>		
Depreciation for the Year	9,103,449	9,840,164
Net Profit on Sale of Fixed Assets	(661,578)	-
Loss on Sale of Fixed Assets	-	47,658
Interest on Unsecured Loans	13,980,865	10,162,969
Interest received on Deposits	(163,945)	(62,110)
Provision for Rent Revision and Other Claims	479,000	-
<b>Operating Profit Before Working Capital Changes</b>	<b>(3,604,216)</b>	<b>(10,745,731)</b>
<b>Working Capital Adjustments</b>		
Inventories	(810,019)	579,710
Loans & Advances	272,366	190,271
Sundry Debtors	(4,046,981)	(208,819)
Current Liabilities	(988,190)	(9,802,641)
Taxes Paid	-	(108,303)
<b>Net Cash Flow From Operating Activities</b>	<b>(9,177,040)</b>	<b>(20,095,513)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Interest Received on Deposits	163,945	62,110
Sale of Fixed Assets	1,261,462	335,000
Purchase of Fixed Assets	(13,284,252)	(510,178)
<b>Net Cash Flow From Investing Activities</b>	<b>(11,858,845)</b>	<b>(113,068)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Long Term Borrowings	23,200,000	85,100,000
Repayment of Long Term Borrowings	-	(57,146,603)
Interest Paid on Long Term Borrowings	(3,168,065)	(6,043,963)
<b>Net Cash Flow From Financing Activities</b>	<b>20,031,935</b>	<b>21,909,434</b>
<b>D. Net Decrease in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>(1,003,950)</b>	<b>1,700,853</b>
<b>E. ADD : Opening Cash and Cash Equivalents</b>	<b>1,864,443</b>	<b>163,590</b>

<b>F. Closing Cash and Cash Equivalents (D+E)</b>	<b>860,493</b>	<b>1,864,443</b>
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**Notes to Cash Flow Statements**

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

**As per our report annexed**

**For PATEL MOHAN RAMESH & CO.**

**For KMC Speciality Hospitals (India) Ltd**

*Chartered Accountants*

S.MOHAN (M.No.19695)

S.CHANDRAKUMAR M.D

CA.S.CHENTHILKUMAR

N.JAYANTHI

Partner

Managing Director

Director

Company Secretary

Place : Trichy

Date: 13th May 2009

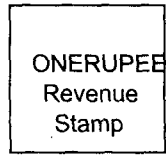


**KMC SPECIALITY HOSPITALS (INDIA) LIMITED**

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

**PROXY FORM**

I/We \_\_\_\_\_ in the district of \_\_\_\_\_  
being a Member/members of KMC SPECIALITY HOSPITALS (INDIA) LIMITED hereby appoint  
\_\_\_\_\_ of \_\_\_\_\_ in the  
\_\_\_\_\_ of \_\_\_\_\_ as my/our  
proxy to vote for me/ us on my/our behalf at the Twenty Sixth Annual General Meeting of the  
Company to be held on Friday 25<sup>th</sup> day of September 2009 at 4.00 pm at Hotel Sangam,  
Cantonment, Trichy – 620 001 and at any adjournment thereof.



Signature \_\_\_\_\_

Signed this \_\_\_\_\_ Day of \_\_\_\_\_ 2009

Address \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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

**KMC SPECIALITY HOSPITALS (INDIA) LIMITED**

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

**Admission Slip**

I/We hereby record my/our presence at the Twenty Sixth Annual General Meeting of  
the Company at Sangam Hotel, Cantonment, Trichy – 620 001 at 4.00 pm on Friday the 25<sup>th</sup>  
September 2009. Full Name of the Shareholder (in block letters) \_\_\_\_\_

Signature \_\_\_\_\_ Folio Number \_\_\_\_\_

Full Name of the Proxy (in block letters) \_\_\_\_\_

Signature \_\_\_\_\_

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

## **FACILITIES**

- Neurosurgery and Neurology
- Urology and Nephrology with Renal Transplant
- Cardiac Surgery and Cardiology
- Advanced Biochemistry with Auto Analyzer
- Haematology with Ultra Modern Blood Bank
- Multi-Disciplinary ICU
- Orthopaedics Department
- Modern Trauma Centre and Burns Ward
- Internal Medicine and General Surgery
- Gastroenterology with Video Endoscope
- Endocrinology
- Stem Cell Therapy
- Psychiatry Department
- Diet Department
- Radiology
- CT scan
- Color Doppler
- Laparoscopic Surgery
- Genetic Lab
- Stroke Unit
- Infertility Unit
- Dental Unit (Dencity)
- Ophthalmology
- Dermatology & Skin Related Diseases



If undelivered please return to:  
**KMC SPECIALITY HOSPITALS (INDIA) LTD.,**  
No.6, Royal Road, Cantonment,  
Trichy – 620 001.