



23rd Annual Report
2008-2009

KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

Avanashi Road, Coimbatore - 641 014, India.



BOARD OF DIRECTORS

Dr. Nalla G Palaniswami
Chairman and Managing Director

Dr. Thavamani Devi Palaniswami
Vice Chairman and Joint Managing Director

Dr. Mohan S Gounder
Director

Mr. Kasi K Goundan
Director

Mr. M. Manickam
Director

Dr. K.S.K. Murugaiyan
Director

Mr. A.M. Palanisamy
Director

Dr. P.R. Perumalswami
Director

Mr. S.A. Murali Prasad
Director (upto 29.8.2008)

Mr. K.N.V. Ramani
Director (w.e.f. 29.8.2008)

Dr. M.C. Thirumoorthi
Director

Mr. A.K. Venkatasamy
Director

Mr. K. Saminathan
Director

Dr. S. Krishnasamy
Director
(Alternate to Mr. Kasi K Goundan)

Mr. K.M. Subramaniam
Director
(Alternate to Dr. P.R. Perumalswami)

Mr. P.K. Gopikrishnan
Chief Financial Officer

Mr. S.P. Chittibabu
Company Secretary

REGISTERED OFFICE & HOSPITAL COMPLEX

Post Box No. 3209, Avanashi Road,
Coimbatore - 641 014

Tel : 91-422-4323800, 2627784

Fax : 2627782

E-mail : kmch@vsnl.com
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Website : www.kmchonline.com

AUDITORS

M/s. Suri & Co.
Chartered Accountants
Coimbatore - 641 043.

REGISTRAR & SHARE TRANSFER AGENT

GNSA Infotech Pvt. Ltd.
G.R. Mansion, No.11 Srinivasa Road,
Pondy Bazar, T. Nagar, Chennai - 600 017.
Phone : 044-42962222, 42962209
Email : sta@gnsaindia.com

BANKERS

Indian Bank
Indian Overseas Bank



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NOTICE

Notice is hereby given that the **Twenty Third Annual General Meeting of the Members of Kovai Medical Center and Hospital Limited** will be held on **Friday, the 31st day of July 2009 at 3.30 P.M. at "A.P. Kalyana Mandapam", 738/2 Avanashi Road, Goldwins, Coimbatore – 641 014** to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts for the year ended 31st March 2009 and the Reports of the Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. A.K. Venkatasamy, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. A.M. Palanisamy, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Dr. P.R. Perumalswami, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint M/s Suri & Co., Chartered Accountants, Coimbatore, retiring Auditors as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

Item No: 7

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

"RESOLVED THAT pursuant to provisions of Section 198, 269, 309, 310, 311 and other applicable provisions of the Companies Act 1956 (including any statutory modifications and re-enactments thereof, for the time being in force) read with Schedule XIII of the said Act, the consent of the Company be and is hereby accorded to the appointment of Dr. Nalla G Palaniswami as Managing Director of the Company for a period of five years with effect from 1.10.2009 on the terms and conditions as to remuneration, allowances, perquisites and other benefits as specified and set out in the annexed Explanatory Statement, with the authority to the Board to alter or vary the same from time to time with effect from such date or dates as may be decided by it and agreed to by Dr. Nalla G Palaniswami."

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

Item No: 8

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

"RESOLVED THAT pursuant to the provisions of Section 61 of the Companies Act 1956 and regulation 6 (a) of Securities and Exchange Board of India (Delisting of Securities) Guildelines, 2009 and/or other statutory provisions as may be applicable from time to time, the consent of the Company be and is hereby accorded to the Board to get the equity shares of the Company delisted from Madras Stock Exchange Limited, Chennai."



“RESOLVED FURTHER THAT the Chairman and Managing Director and/or Directors/Company Secretary of the Company be and are hereby severally authorised to do all such acts, deeds and things and to sign all such documents, papers and writings as may be necessary to give effect to this resolution.”

NOTES

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.
2. Proxies in order to be effective should be deposited with the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
3. Members / proxies should bring the attendance slips duly filled in and signed for attending the meeting.
4. An explanatory statement pursuant to Section 173(2) of the Companies Act 1956 in respect of Item No.7 & 8 of special business is annexed hereto.
5. The Register of members and Share Transfer Books of the Company will be closed from 20th July 2009 to 31st July 2009 (both days inclusive) in connection with the 23rd Annual General Meeting.
6. The dividend on equity shares as recommended by the Directors, if declared at the Annual General Meeting, will be paid within the statutory period of 30 days to those members whose name appear on the Register of Members of the Company as on 31st July 2009. In respect of shares held in electronic form, dividend will be paid to the beneficial holders as per the beneficiary list provided by the National Securities Depository Limited and Central Depository Services (India) Limited.
7. Pursuant to Section 205-C of the Companies (Amendment) Act 1999, all unclaimed dividends shall be transferred to the “Investor Education and Protection Fund” of the Central Government after a period of 7 years from the date of transfer to unclaimed dividend account of the Company. Shareholders who have not encashed the dividend warrants are requested to write to the Company for claiming the dividend.
8. Members holding shares in physical form are requested to intimate the change of address if any and their bank account details such as Bank Name, Branch with Address, Account Number for incorporating the same in the dividend warrant and MICR No. details for Electronic Clearing Services (ECS) etc. to M/s GNSA Infotech Pvt. Ltd., G.R. Mansion, No.11 Srinivasa Road, Pundy Bazar, T.Nagar, Chennai – 600 017 quoting their respective Folio No. Members holding shares in Demat form shall intimate the above details to their Depository Participant with whom they have Demat Account. Dividend as declared, shall be remitted through Electronic Clearing Services (ECS) at approved location, wherever ECS details are available with the Company and in all other cases through warrants payable at par.
9. As a measure of economy, copies of Annual Reports will not be distributed at the Annual General Meeting. Members are therefore requested to bring their copies of Annual Report to the meeting.
10. Shareholders seeking any information with regard to accounts are requested to write to the Company 7 days prior to the meeting so as to enable the management to keep the information ready.

By order of the Board

COIMBATORE
27.05.2009

S. P. CHITTIBABU
COMPANY SECRETARY



ANNEXURE TO THE NOTICE

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT 1956
ANNEXED HERETO AND FORMS PART OF THE NOTICE DATED 27.05.2009**

Item No: 7

The members of the Company vide the Annual General Meeting held on 4.10.2004 had appointed Dr. Nalla G Palaniswami as Managing Director for a period upto 30th September 2009. The Board in its meeting held on 27.5.2009 had resolved to re-appoint Dr. Nalla G Palaniswami for a period of five years with effect from 1.10.2009. The Remuneration Committee in its meeting held on 15.5.2009 had recommended the remuneration of Dr. Nalla G Palaniswami for a period of five years subject to approval of members.

During the tenure of Dr. Nalla G Palaniswami, Kovai Medical Center and Hospital Limited has established itself as one of the leading health care provider in India. Dr. Nalla G Palaniswami has made substantial and significant contribution to the development of the Company, from its inception to the establishment of a world class hospital. His vast experience in health care industry spanning over more than four decades would take the Company to newer heights in delivering quality health care at par with international standards.

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

I. Salary

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

(Annual increase in the salary as the Board may decide from time to time, however subject to a ceiling of Rs.15,000/- (Rupees Fifteen thousand only) per month. First increase to be effective from 1.10.2010 subject to the confirmation of the Board.

II. Commission

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

III. Perquisites

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

a. Medical Reimbursement

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

b. Leave travel Concession / Allowance

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

c. Club Fees

Fees of Club subject to a maximum of two clubs excluding admission and Life Membership fees.

d. Car

Use of Company's car with driver for business / official purpose.

e. Telephone

Free Telephone / Communication facilities at residence for business purposes.

IV. Other benefits

A. Contribution to provident fund to the extent not taxable under the Income Tax Act.



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

V. Overall remuneration

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

VI. Minimum Remuneration

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

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

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

None of the Directors except Dr. Nalla G Palaniswami, Dr. Thavamani Devi Palaniswami and Dr. Mohan S Gounder are interested or concerned in the proposed resolution.

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

Item No: 8

The equity shares of the Company are presently listed at Bombay Stock Exchange Limited, Mumbai and Madras Stock Exchange Limited, Chennai.

As per the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2009, a Company may seek voluntary delisting of its shares from any Stock Exchange (including Regional Stock Exchange).

As per the available trends, the Company's equity shares are being mostly traded at Bombay Stock Exchange Limited, Mumbai. The trading at Madras Stock Exchange Limited is nil / negligible over the last three years. Moreover, Bombay Stock Exchange Limited has its presence in more than 200 cities covering the whole of India and also expanding its activities to cover more and more places.

As such in view of the above facts and the cost-benefit analysis and due to other administrative reasons it is proposed to delist the Company's shares from Madras Stock Exchange Limited.

The Company has no intention to give an exit option to those shareholders of the region where the stock exchange is situated from which delisting is sought.

The proposed delisting does not in any way affect the interest of the investors in the respective regions in view of the facility of continued listing at Bombay Stock Exchange Limited at Mumbai.

None of the Directors are interested or concerned in the proposed resolution.

The Board recommends this resolution set out in No.8 for the approval of the members.

By order of the Board

COIMBATORE
27.05.2009

S. P. CHITTIBABU
COMPANY SECRETARY



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

S.No.	Name	Qualification	Experience (in Yrs)	Directorship in Other Public Companies	Committee Membership Shares in other Public Companies	No. of Shares
1.	Mr. A.K. Venkatasamy	LEE, DBA	34	Genau Extrusions Limited Biomed Hitech Industries Ltd. Idhayam Hospitals Erode Ltd.	—	2500
2.	Mr. A.M. Palanisamy	B.Com., FCA	23	—	—	4000
3.	Dr. P.R. Perumalswami	B.E. (Mech)	36	—	—	24258



DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting the Twenty Third Annual Report together with the Audited Statement of Accounts for the Financial Year ended 31st March 2009.

FINANCIAL RESULTS

PARTICULARS	(Rs. in Lacs)	
	31.3.2009	31.3.2008
Revenues	11152.94	8892.32
Profit before interest and depreciation	1938.29	1510.30
Less: Finance cost	443.43	311.59
Depreciation	391.54	385.07
Profit Before tax	1103.32	813.64
Less: Provision for		
Current Taxation	311.00	212.23
Fringe Benefit Tax	10.35	8.30
Deferred Tax	67.93	68.34
Profit After Tax	714.04	524.77
Add: Balance brought forward	432.63	467.89
Amount available for appropriation	1146.67	992.66

DIVIDEND

Your Directors are pleased to recommend the payment of dividend for the year ended 31st March 2009 at 12.50% (Rs.1.25 per share). The proposed dividend absorbs Rs.137 Lacs for dividend and Rs.23 Lacs for Dividend Tax. As per Indian Income Tax Act, the dividend payable by the Company is Tax free in the hands of shareholders.

BUSINESS PERFORMANCE

The Company has delivered impressive results for the year 2008-09. Revenues registered robust growth of 25%. All the Hospital Centers have reported increase in revenue. Similarly there is improvement in the profitability of all the centers except Erode Speciality. The profit after taxation stood at Rs. 714.04 Lacs for the year under review as compared to Rs. 524.77 Lacs as compared to previous year.

Excellence in patient care, Quality Medical Services, various cost cutting measures and increase in surgeries in all medical disciplines contributed to the improved performance in terms of both turnover and profit. The Cardiology Department and Nephrology Department are the widely acclaimed speciality which continues to attract large patients from neighbouring states.

TECHNOLOGY ABSORPTION

During the year under review, your Company has added the latest Broncho Video Fiberscope, Endoscopy Unit with Accessories, Carl Zeiss Microscope, Heamodialysis Machine, Ventilators etc. to deliver quality health care at par with international standards. We have installed new medical equipments amounting to Rs.539.65 Lacs which are the best in medical world and we continue to upgrade and make large investments in bringing the latest in the medical technology for the health care of the patients.



CONTINUOUS MEDICAL EDUCATION PROGRAMMES (CME)

During the year under review, your Company has conducted National Medical Programmes such as ICU Update 2008 and TIP 2008. In these programmes internationally reputed Consultants served as faculties and imparted the latest trend in medical technology to the seminar participants. Your Company has organized many Seminars, Conferences, Workshops and Exhibitions in the field of Cardiology Critical Care, Reumatology etc. Your Company has conducted many CME Programmes outside Coimbatore for the benefit of medical professionals who always play a vital role in informing the patients and community at large about the latest developments in the health care industry.

CORPORATE SOCIAL RESPONSIBILITIES

In its role as a socially responsible corporate citizen, your Company reaches out to the needy sections of the society in many ways. In line with this policy, your Company has been continuously organizing many free medical camps to provide free medical care besides health awareness and education. The trauma care units established in National Highway 47 and Rural Health Centers provides immediate life saving medical care to accident victims. We have organized health awareness programmes to disseminate information about preventive health care, active life style, infectious diseases etc.

FINANCE

Finance continued to be a focus area. Regular project reviews with special focus on cash flow and good working capital management has helped the Company to manage the cash flows effectively. During the year we have availed total term loan of Rs. 3940.95 Lacs against the sanctioned limit of Rs.16562 Lacs in connection with the expansion project.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure and Development

India's rapid growth has brought about many changes in demographics and lifestyle. Rising incomes, hectic pace of life and stress have resulted in a change in disease patterns, even as there is greater awareness about health and a demand for quality healthcare.

According to Technopak Advisors Report – India Healthcare Trends 2008, healthcare is a US\$ 35 billion industry and is expected to grow up to US\$ 75 billion by 2012, likewise to US\$ 150 billion industry by 2017. Indian healthcare industry has distinct merits of clinical excellence and low costs. This sector tenders much potential to healthcare players as there are frequent lifestyle-related and other diseases in the country. The increasing elderly population and increase in income levels are also urging for better facilities in the industry.

The health-conscious middle class who can afford and wants quality healthcare is the main driver of the growing sector. The earnings of the people in the business services sector goes up to US\$ 20,000 a year while that of nearly 150 million Indians have annual income of more than US\$1,000. At the current growing rate of literacy and economy, by 2020, the western and southern India will become middle class.

Health Insurance

There is a tremendous scope for growth in the health insurance sector, as the sector at present covers only 10% of the entire Indian population. According to a study by the Chamber of Commerce and Industry, the health insurance sector is expected to grow to US\$ 5.75 billion by 2010.

Healthcare and IT

Hospitals have realised that information technology (IT) can be an effective tool towards efficient systems. According to a report by Springboard Research, India has the fastest growing healthcare IT



market in Asia, with an expected growth rate of 22 per cent, followed closely by China and Vietnam. In fact, the Indian healthcare technology market is poised to be worth more than US\$ 254 million by 2012.

OUTLOOK AND FUTURE PROSPECTS

Despite severe global recession and meltdown Indian economy seems to be doing reasonably well. Economists predict a sustained but reduced 6% to 8% growth for the next two years. The recent general elections have also contributed to the renewed customer and investor confidence in the Indian economy. Already many companies have started mobilising their plans for rising capital for new ventures through various methods. This augurs well for the Indian healthcare. It is believed that the world economy is reviving and FDI and FII are expected to flow into the country even though US and the Western economies will be still struggling with negative growth or marginal growth rates. Even at the height of recession the sectors like food, health and education were insulated and they have continued to grow. It is also interesting to note that the State and Central Government has realised that enough was not done during the last 50 years after independence for the social sectors like higher education and health. This led to the huge investments in the sectors during the last two budgets. It is expected that in the ensuing budget, lot of impetus will be given to health care.

In light of the above and as reported earlier the Rs. 200 crore expansion plan for adding 250 beds and 7 operation theaters along with a cancer therapy unit covering an estimated 4 lac square feet is on course and the construction activity is making steady progress. However in order to meet the urgent demand we added 35 beds during January 2009. The next phase of 110 beds is expected to be ready by September 2009. The cancer unit is expected to be ready by April 2010. It is also planned to have exclusive outpatient block to house all the consultant rooms and service areas like reception, outpatient pharmacy with about 80000 Sq.ft area in the final phase by end 2010.

Your hospital has acquired 5000 square feet of land adjacent to the Speciality Hospital at Erode. It is planned to merge the existing Hospital at Erode with Speciality Hospital to optimize the resources and to exploit the synergy to provide improved services to patients. There has been persistent requests from the patients in Coimbatore city to expand the facilities at our City Center in Coimbatore Ramnagar area. Therefore we have planned to build a good outpatient clinic facility with the state of the art radiology and laboratory investigation equipments with good outpatient consultant rooms. This new facility will be ready during the year 2010.

Opportunities

According to a study by Mckinsey and the Confederation of Indian Industry, medical tourism in India could become a US \$2-billion industry by 2012. Credit Suisse estimates medical tourism to be growing at about 25-30 per cent annually. Indian hospitals are fast becoming the first choice for an increasing number of foreign tourists.

According a report by Deloitte, a financial advisory, audit and consulting firm, in 2007, about 450,000 patients from abroad have visited India for medical treatment. The main reason behind, would be cost-cutting because medical costs are four to five times lesser in India than US.

Unlike developed economies, India will continue to have more cosmetic surgeries and non-surgical cosmetic procedures in 2009. Anti-aging procedures such as neck lifts and face lifts and liposuction procedures are some of the most sought-after cosmetic procedures in India and on an average, cost barely 25 per cent of what they cost in the UK.

India has some of the best hospitals and treatment centres that are equipped with infrastructure and technology, which are at par with those in the US, the UK and Europe, at a fraction of the cost. We need to leverage this more effectively in the coming years.



Beyond Cost Advantage

However, the Indian healthcare is not about cost advantage only. It has a high success rate and a growing credibility.

- * Indian specialists have performed over 500,000 major surgeries and over a million other surgical procedures including cardio-thoracic, neurological and cancer surgeries, with success rates at par with international standards.
- * The success rate of cardiac bypass in India is 98.7 per cent against 97.5 per cent in the U.S.
- * India's success in 110 bone marrow transplants is 80 per cent.
- * The success rate in 6,000 renal transplants is 95 per cent.
- * India has the second highest number of qualified doctors in the world.

RISKS AND CONCERNS

INVESTMENTS

According to a study of Confederation of Indian Industry (CII), the Indian healthcare industry will need US\$ 50 billion annually for the next 20 years. Similarly, the Technopak Advisor's report says it may require immediate investments of US\$ 82 billion for making additional beds in the industry.

In order to meet the demand for healthcare in India and improve the availability of hospital beds and doctors, India's infrastructure will need to be improved significantly. CII-McKinsey also estimates that 20% of the additional beds will be required for specialty healthcare needs such as cancer and cardiac diseases in view of the growing incidence of such diseases. Since the Company is fundamentally strong, the required finance for the expansion / modernization programmes can be mobilised from Banks / Financial Institutions.

COMPETITION

The competition from the un-organised sector would be met by delivering quality health care on par with international standards which the un-organised sector lacks in view of constraints in investment to create a quality hospital.

Because of increased opportunities, many private players are entering into this sector. Your Company can counter this challenge because it has the early bird advantage and also by providing focused health care delivery and by deploying the state of the art equipments backed up by panel of expert Doctors.

A. FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

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

B. INTERNAL CONTROL STSTEMS AND THEIR ADEQUACY

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



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

Relations with the employees remained cordial throughout the year. In order to optimize the contribution of the employees to the Company's business and operations, in-house training is given to the employees to induce contribution to productivity increase and development programmes for all levels of employees have been devised. As on 31st March 2009 the employee strength of the Company was 527.

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

In the preparation of Profit and Loss Account for the year ended 31st March 2009 and the Balance Sheet as on that date, all the applicable accounting standards have been followed. Accounting policies, that are reasonable and prudent, have been selected and applied consistently so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and the Profit and Loss Account of the Company for the year ended 31st March 2009. The said Profit and Loss Account and Balance Sheet have been prepared on a going concern basis. The Company maintains proper records in accordance with the provisions of the Companies Act 1956, for safeguarding the assets of the Company as also for preventing and detecting fraud and other irregularities.

DIRECTORS

In terms of Section 257 and other applicable provisions of the Companies Act 1956, Mr. K.N.V. Ramani had been appointed as Director of the Company with effect from 29.8.2008.

In accordance with Section 260 of the Companies Act 1956, Mr. K. Saminathan was inducted as an Additional Director of the Company and pursuant to Section 257 of the Companies Act 1956, he was appointed as Director of the Company with effect from 29.8.2008.

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

APPOINTMENT OF MANAGING DIRECTOR

The term of office of Dr. Nalla G Palaniswami, Managing Director of the Company expires on 30th September 2009. The Board of Directors have re-appointed Dr. Nalla G Palaniswami as Managing Director for a further period of five years from 1.10.2009. The terms and conditions of his re-appointment and payment of remuneration are subject to the approval of the members of the Company. Necessary resolution is placed before the members for their approval.

SUBSIDIARY COMPANY

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

The Ministry of Corporate Affairs, Govt. of India vide its order No.47/309/2009-CLIII dated 24th April 2009 has granted an exemption to the Company under Section 212(8) of the Companies Act 1956 from attaching the accounts along with the report of the Board of Directors as required by Section 212(1) of the Companies Act 1956, of its Subsidiary Company M/s Idhayam Hospitals Erode Limited to the Balance Sheet of the Company for the Financial Year ended on 31.3.2009. The Company will provide the annual accounts of its Subsidiary Company and the related detailed information on the specific request made by any investor and the said accounts are open for inspection at the registered office of the Company during office hours on all working days, except Sundays and holidays between 2.00 p.m. to 4.00 p.m. Particulars relating to the Subsidiary Company as per the condition (iii) of the above mentioned order of the Ministry of Corporate Affairs are annexed to the accounts of the Company.



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

PARTICULARS OF EMPLOYEES

As on 31st March 2009, none of the employees were in receipt of remuneration in excess of the limits prescribed in sub-section 2A of Section 217 of the Companies Act 1956, read with Companies (Particulars of Employees) Amendment Rules 1994.

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

Since the Company is in service industry and does not do any manufacturing activity, the particulars regarding conservation of energy and technology absorption in the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 are not applicable. The particulars regarding foreign exchange inflow and outgo appear as item no.9 in Notes on Accounts.

FIXED DEPOSITS

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

AUDITORS

M/s Suri & Co., Chartered Accountants, the Auditors of the Company retire at the ensuing Annual General Meeting, have confirmed their eligibility and willingness to accept the office of Statutory Auditors, if re-appointed.

REPORT OF CORPORATE GOVERNANCE

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

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

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

HUMAN RESOURCES DEVELOPMENT

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

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

ACKNOWLEDGEMENTS

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

For and on behalf of the Board

COIMBATORE
27.05.2009

DR. NALLA G PALANISWAMI
CHAIRMAN AND MANAGING DIRECTOR



REPORT ON CORPORATE GOVERNANCE
(Annexure to the Twenty Third Directors' Report 2008-09)

INTRODUCTION

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

1. PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

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

2. BOARD OF DIRECTORS

(a) Composition

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

No.	Name of the Director	Category of Directors	Directorship in other Public Companies	Membership and / or Chairperson of Committees in other Public Companies
1.	Dr. Nalla G Palaniswami	Promoter & Executive	2	—
2.	Dr. Thayamani Devi Palaniswami	Promoter & Executive	4	—
3.	Dr. Mohan S Gounder	Non-independent & Non-Executive	2	—
4.	Dr. M.C. Thirumoorthi	Promoter, Non-Executive & Non-independent	2	—
5.	Mr. M. Manickam	Independent & Non-Executive	12	—
6.	Mr. A.M. Palanisamy	Independent & Non-Executive	—	—
7.	Mr. A.K. Venkatasamy	Independent & Non-Executive	3	—
8.	Dr. K.S.K. Murugaiyan	Non-independent & Non-Executive	—	—
9.	Mr. S.A. Murali Prasad (Upto 29.8.2008)	Independent & Non-Executive	2	—
10.	Mr. K.N.V. Ramani (From 29.8.2008)	Independent & Non-Executive	8	9
11.	Mr. K. Saminathan	Independent & Non-Executive	—	—
12.	Mr. K.M. Subramaniam (Alternate to Dr. P.R. Perumalswami)	Non-independent & Non-Executive	1	—
13.	Dr. S. Krishnasamy (Alternate to Mr. Kasi K Goundan)	Independent & Non-Executive	—	—



(b) Meetings

The Board met five times during the year i.e. on April 29, 2008, June 30, 2008, July 31, 2008, October 30, 2008 and January 31, 2009.

No.	Name of the Directors	No. of Meetings held during the tenure	No. of Meetings Attended during the tenure	Attendance at the last AGM
1.	Dr. Nalla G Palaniswami	5	4	Yes
2.	Dr. Thavamani Devi Palaniswami	5	4	Yes
3.	Dr. Mohan S Gounder	5	—	No
4.	Dr. M.C. Thirumoorthi	5	—	No
5.	Mr. M. Manickam	5	1	No
6.	Mr. A.M. Palanisamy	5	5	Yes
7.	Mr. A.K. Venkatasamy	5	4	Yes
8.	Dr. K.S.K. Murugaiyan	5	3	No
9.	Mr. S.A. Murali Prasad (Upto 29.8.2008)	3	1	No
10.	Mr. K.N.V. Ramani (From 29.8.2008)	2	2	Yes
11.	Mr. K. Saminathan	5	5	Yes
12.	Mr. K.M. Subramaniam (Alternate to Dr. P.R. Perumalswami)	5	3	No
13.	Dr. S. Krishnasamy (Alternate to Mr. Kasi K Goundan)	5	5	Yes

(c) General Meetings

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

Particulars	22 nd AGM 2008
Date of Meeting	29 th August 2008
No. of Members Attended	291
No. of Proxy Attended	6
Chairman of the Meeting	Dr. Nalla G Palaniswami
Chief Financial Officer	Mr. P.K. Gopikrishnan
Company Secretary	Mr. S.P. Chittibabu

3. BOARD COMMITTEES

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

- ❖ Audit Committee
- ❖ Remuneration Committee / Compensation Committee
- ❖ Shareholders' / Investors' Grievance Cum Share Transfer Committee



(A) AUDIT COMMITTEE

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

Name of the Directors	Status	No. of meetings attended
1. Mr. A.M. Palanisamy (Chartered Accountant)	Chairman	5
2. Dr. K.S.K. Murugaiyan	Member	5
3. Mr. A.K. Venkatasamy	Member	5
Name of the Invitees		
1. Mr. C.S. Sathyanarayanan	Statutory Auditor	5
2. Mr. P.K. Gopikrishnan	Chief Financial Officer	5
3. Mr. S.P. Chittibabu	Company Secretary	5

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

(B) REMUNERATION COMMITTEE

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

The remuneration for Chairman and Managing Director for the Financial Year ended 31.3.2009 is paid on the basis of the approval accorded by the Shareholders in the 18th Annual General Meeting held on October 4, 2004 and in accordance with and subject to the limits laid down in Schedule XIII to the Companies Act 1956. The Committee also recommends the remuneration and changes therein of Joint Managing Director within the limits approved by the Shareholders.

Non-executive Directors were paid Sitting Fees for attending Board Meetings / Committee Meetings. Details of remuneration paid / payable to Chairman and Managing Director and Joint Managing Director for the year ended 31st March 2009 are as follows:

Name of the Directors	Total Remuneration Rs.	Fixed Component Rs.	Variable Component Rs.
Dr. Nalla G Palaniswami Chairman and Managing Director	18,72,939/-	7,20,000/-	11,52,939/-
Dr. Thavamani Devi Palaniswami Joint Managing Director	18,72,938/-	7,20,000/-	11,52,938/-



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

❖ **Terms of Reference**

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

❖ **Composition of Attendance**

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

Name of the Directors	Status
1. Dr. Nalla G Palaniswami	Member
2. Mr. A.M. Palanisamy	Chairman
3. Dr. K.S.K. Murugaiyan	Member
Name of the Invitee	
1. Mr. S.P. Chittibabu	Company Secretary

During the year ended 31.3.2009 ten Meeting of Shareholders' / Investors' Grievance Cum Share Transfer Committee were held. All the Committee Members attended these Meetings.

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

During the year 9 complaints were received from shareholders which has been redressed within 15 days.

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

4. DISCLOSURES

(A) Related Party Transactions

Related party transactions during the year have been disclosed in Point No.14 of Notes on Accounts forming part of the Accounts as required under Accounting Standard 18 issued by the Chartered Accountants of India and as specified under Clause 49 of the Listing Agreement with the Stock Exchanges. There were no materially significant related party transactions with Directors / Promoters / Management / Relatives or Related Companies etc. which had potential conflict with the interests of the Company at large.

(B) Compliance by the Company

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

(C) Insider Trading Policy

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



(D) CEO / CFO Certification

Pursuant to the provisions of Sub Clause V of the revised Clause 49 of the Listing Agreement with the Stock Exchanges, the Chairman and Managing Director (CEO) and Chief Financial Officer (CFO) have issued a Certificate to the Board as required for the Financial Year ended 31st March 2009.

(E) Code of Conduct

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

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

(F) Unpaid / Unclaimed Dividend

In view of the amendment to Section 205A(5) of the Companies Act 1956 and introduction of Section 205C by the Companies (Amendment) Act 1999; the dividend remaining unpaid or unclaimed for a period of seven years and 30 days from the date of declaration of dividend will be transferred to Investor Education and Protection Fund set up by the Govt. of India and no payments shall be made in respect of any such claims.

S.No.	Financial year	Date of Declaration of Dividend	Last date for claiming Unpaid dividend	Due date for transfer to Investor Education and Protection Fund of Govt. of India
1.	2001-02	October 29, 2002	October 28, 2009	November 27, 2009
2.	2003-04	October 4, 2004	October 3, 2011	November 2, 2011
3.	2004-05	November 11, 2005	November 10, 2012	December 9, 2012
4.	2005-06	September 29, 2006	September 28, 2013	October 27, 2013
5.	2006-07	September 28, 2007	September 27, 2014	October 26, 2014
6.	2007-08	August 29, 2008	August 28, 2015	September 27, 2015

5. MEANS OF COMMUNICATION

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

6. SHAREHOLDERS' MEETING

- ❖ Details of last three AGMs held:

Year	Date	Venue	Time
2007-2008	29.08.2008	A.P. Kalyana Mandapam, Goldwins, Coimbatore	3.30 P.M.
2006-2007	28.09.2007	A.P. Kalyana Mandapam, Goldwins, Coimbatore	3.30 P.M.
2005-2006	29.09.2006	A.P. Kalyana Mandapam, Goldwins, Coimbatore	3.30 P.M.



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

7. GENERAL SHAREHOLDER INFORMATION

a. Annual General Meeting for the year 2009

Date and time : 31st July 2009 at 3.30 PM

Place : A.P. Kalyana Mandapam
738/2 Avanashi Road, Goldwins
Coimbatore – 641 014

b. Financial Calender

Financial reporting for	Date of Reporting
Quarter ended June 2008 (Unaudited)	31 st July 2008
Quarter ended September 2008 (Unaudited)	30 th October 2008
Quarter ended December 2008 (Unaudited)	31 st January 2009
Quarter ended March 2009 (Audited)	27 th May 2009

c. Dates of Book closure : 20th July 2009 to 31st July 2009
(Both days inclusive)

d. Dividend Payment date : On or after 1st August 2009

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

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

f. The shares of the Company are listed and traded on the Stock Exchanges at Bombay and Madras.

i. Bombay Stock Exchange Limited
(Scrip Code: 523323 Scrip Name: KOVAI MEDI)

ii. Madras Stock Exchange Limited
(MSE – KOVAI MEDICALS)
Demat ISIN Number : NSDL – INE 177F01017
: CDSL – INE 177F01017

g. Listing Fees to the Exchanges

The Annual Listing Fee for the year 2008-09 has been paid to Bombay and Madras Stock Exchanges respectively.



h. Custodial Fees to Depositories

Pursuant to Securities and Exchange Board of India, Circular No.MRD/POP/SE/DEP/CIR-2005 the Issuer Companies are required to pay custodial fees to the depositories with effect from April 1, 2005. Accordingly the Company has paid custodial fees for the year 2008-09 to NSDL and CDSL on the basis of number of beneficial accounts maintained by them as on March 31, 2009.

8. COMPULSORY DEMATERIALIZED TRADING

The Company has already entered into agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to enable members of the Company to select the Depository of their choice for holding and dealing in shares in electronic form. The shareholders are requested to make use of such facility for maximizing their convenience in the dealing of Company's shares. The ISIN (International Securities Identification Number) of the Company is INE 177F01017. As on 31.3.2009, 27.73% of the Company's paid-up equity capital was held in dematerialized form. The Company has not issued any ADRs/GDRs/Warrants or any Convertible Instruments during the year.

9. SECRETARIAL AUDIT

For each of the quarter in the Financial Year 2008-2009, a qualified Practicing Company Secretary carried out Secretarial Audits to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and total issued and listed capital. The Audit Reports confirm the total issued/paid-up capital is in agreement with total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

10. STOCK MARKET DATA

Monthly high and low quotations of shares traded on Mumbai Stock Exchange for the period April 2008 to March 2009 is given below:

Stock Exchange	Month	High Rs.	Low Rs.	No. of Shares Traded	No. of Trades
Mumbai	April 2008	55.00	35.00	87334	453
	May 2008	56.65	41.10	69570	428
	June 2008	53.00	39.00	53789	450
	July 2008	47.10	36.05	23763	241
	August 2008	53.00	39.80	75259	468
	September 2008	48.85	37.55	150962	871
	October 2008	44.90	32.65	148277	763
	November 2008	44.45	39.00	75727	282
	December 2008	54.95	42.00	49620	420
	January 2009	60.90	43.00	46506	484
	February 2009	62.50	50.00	44113	386
	March 2009	62.60	47.00	44963	486

11. REGISTRARS & TRANSFER AGENTS AND DEPOSITORY REGISTRAR

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

**12. SHARE TRANSFER SYSTEM**

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

13. INVESTOR RELATIONS

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

14. DISTRIBUTION OF SHAREHOLDERS

1. Distribution of shareholding as at 31st March 2009.

S.No.	Slab of shareholdings (No. of shares)	No. of Shareholders	% of shareholders	No. of Equity Shares	% of Shareholding
1.	1 – 500	5387	84.77	818419	7.48
2.	501 – 1000	515	8.10	487367	4.45
3.	1001 – 2000	134	2.11	228724	2.09
4.	2001 – 3000	78	1.23	204215	1.87
5.	3001 – 4000	24	0.38	88710	0.81
6.	4001 – 5000	20	0.31	97674	0.89
7.	5001 – 10000	63	0.99	549765	5.02
8.	Above 10000	134	2.11	8467388	77.39
Total		6355	100.00	10942262	100.00

2. Categories of shareholders as on 31st March 2009

Categories	No. of shares	%
1. Promoters, Directors, Relatives	4805945	43.92
2. Bodies Corporate	1096403	10.02
3. General Public	3141514	28.71
4. Non-Resident Indians	1898400	17.35
Total	10942262	100.00

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

In accordance with Sub-Clause I (D)(ii) of Clause 49 of the Listing Agreement with the Stock Exchanges, I hereby confirm that all the Directors and Senior Management personnel of the Company have affirmed compliance with their respective code of conduct, as applicable to them, for the Financial Year ended 31st March 2009.

For Kovai Medical Center and Hospital Limited

Place : Coimbatore
Date : 27.05.2009

Dr. NALLA G PALANISWAMI
CHAIRMAN AND MANAGING DIRECTOR



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

To

The Members of KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

We have examined the compliance of conditions of Corporate Governance by KOVAI MEDICAL CENTER AND HOSPITAL LIMITED, for the year ended on 31.3.2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

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

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

For SURI & CO.
Chartered Accountants

C.S. SATHYANARAYANAN
Partner
Membership No.028328

Coimbatore
27.05.2009



SURI & CO.,
Chartered Accountants

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

REPORT OF THE AUDITORS' TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of **KOVAI MEDICAL CENTER AND HOSPITAL LIMITED**, Coimbatore, as at 31st March 2009 and also the Profit and Loss Account for the year ended on that date annexed thereto and the cash flow statement for the period ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books.
3. The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.
4. In our opinion the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
5. On the basis of the written representation received from the Directors, as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2009 from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
6. In our opinion and to the best of our information, and according to the explanations given to us, the said financial statements, read together with the attached schedules and notes forming part of accounts give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2009; and
 - b) In the case of the Profit and Loss Account, of the Profit for the year ended on that date, and
 - c) In the case of cash flow statement, of the cash flows for the year ended on that date.

For SURI & CO.
Chartered Accountants

C.S. SATHYANARAYANAN
Partner
Membership No.028328

Coimbatore
27.05.2009

ANNEXURE TO AUDITORS' REPORT

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



state insurance, income-tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues. According to the information and explanations given to us, no undisputed arrears of statutory dues that were outstanding as at 31st March, 2009 for a period of more than six months from the date they became payable.

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

Sl.No.	Name of the Statute	Period to which the amount relates	Nature of the Dues	Amount disputed Rs. in Lacs	Amount paid Rs. in Lacs	Forum where dispute is pending
1.	Sales Tax Act	1997-98 & 1998-99	Sales Tax	5.82	5.82	STAT (AB), Coimbatore
2.	Customs Act	1999-2000 & 2000-2001	Customs Duty	11.49	Nil	High Court, Chennai

- 10) There are no accumulated losses of the Company as at 31st March 2009. The company has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- 11) The Company has not defaulted in repayment of its dues to financial institution, banks and debenture holders.
- 12) During the year, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
- 13) The provisions of Special Statutes applicable to Chit Fund, Nidhi or Mutual Benefit Fund / Societies are not applicable to the Company.
- 14) The Company is not dealing or trading in shares, securities, debentures or other investments.
- 15) The Company has applied term loan for the purposes for which they were obtained.
- 16) According to the information and explanations given to us and on an overall examination of the Source and Application of the Funds of the company, we report that no funds raised on short-term basis have been used for long-term investments by the company.
- 17) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- 18) During the year, the Company has not issued Debentures.
- 19) During the year, the Company has not raised money by Public issue.
- 20) According to the information and explanation given to us, and the books and records examined by us, there are no frauds on or by the Company that has been noticed or reported during the year.
- 21) The other clauses of the Order are not applicable.

For SURI & CO.
Chartered Accountants

C.S. SATHYANARAYANAN
Partner
Membership No.028328

Coimbatore
27.05.2009



BALANCE SHEET

As at March 31,

(Rs. in Lacs)

	Schedule No	2009	2008
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a. Share Capital	1	1094.23	1094.23
b. Reserves & Surplus	2	1931.59	<u>1377.58</u>
		3025.82	2471.81
2. Loan Funds:			
a. Secured Loans	3	7003.91	3730.73
b. Unsecured Loan	4	34.44	<u>45.44</u>
		7038.35	3776.17
3. Deferred Tax Liability (Net)	5	695.47	<u>627.54</u>
TOTAL CAPITAL EMPLOYED		<u>10759.64</u>	<u>6875.52</u>
II. APPLICATION OF FUNDS:			
1. Fixed Assets:	6		
a. Gross Block		9702.56	8542.96
b. Less: Accumulated Depreciation		3633.38	<u>3247.84</u>
c. Net Block		6069.18	<u>5295.12</u>
d. Capital work in progress		1849.00	<u>646.19</u>
		7918.18	5941.31
2. Investments	7	360.27	360.27
3. Current Assets, Loans & Advances			
A. Current Assets	8		
a. Inventories		394.65	399.64
b. Sundry Debtors		327.63	324.79
c. Cash & Bank Balances		2133.43	306.85
d. Other Current Assets		4.51	5.61
B. Loans & Advances	9	1481.05	<u>1479.36</u>
		4341.27	<u>2516.25</u>
Less:			
4. Current Liabilities & Provisions	10		
a. Current Liabilities		934.78	962.80
b. Provisions		925.30	<u>979.51</u>
		1860.08	<u>1942.31</u>
Net Current Assets	(A-B)	2481.19	573.94
Notes on Accounts	11		
TOTAL ASSETS		<u>10759.64</u>	<u>6875.52</u>

SCHEDULES 1 TO 11 FORM PART OF THIS BALANCE SHEET

Vide our report of even date attached

For Suri & Co.,

Chartered Accountants

C.S. SATHYANARAYANAN

Partner

Membership No. 028328

Coimbatore

27.05.2009

Dr. NALLA G PALANISWAMI

Chairman and Managing Director

A.M. PALANISAMY

Director

P.K. GOPIKRISHNAN

Chief Financial Officer

S.P. CHITTIBABU

Company Secretary

**PROFIT AND LOSS ACCOUNT**

For the year ended March 31

(Rs. in Lacs)

	Schedule No	2009	2008
INCOME			
Operating Income	A	11035.90	8754.15
Other Income	B	117.04	138.17
Total Income		11152.94	8892.32
EXPENDITURE			
Cost of Goods sold	C	1751.89	1436.32
Hospital Consumables	D	1991.18	1473.50
Operating Expenses	E	3656.32	2964.98
Personnel Cost	F	1344.49	1014.99
Administrative & Other expenses	G	470.77	492.23
Total Expenditure		9214.65	7382.02
Profit Before Finance cost, Depreciation and Tax		1938.29	1510.30
Less : Finance Cost	H	443.43	311.59
Profit Before Depreciation and Tax		1494.86	1198.71
Less : Depreciation	6	391.54	385.07
Profit Before Tax		1103.32	813.64
Less : Provision for Current Tax		311.00	212.23
Provision for Fringe Benefit Tax		10.35	8.30
Provision for Deferred Tax		67.93	68.34
Profit after Tax		714.04	524.77
Add : Surplus from the Previous year		432.63	467.89
Amount available for Appropriation		1146.67	992.66
Appropriations			
- Proposed Dividend		136.78	136.78
- Tax on Dividend		23.25	23.25
- Transfer to General Reserve		500.00	400.00
- Surplus in Profit & Loss Account transferred to Balance Sheet		486.64	432.63
		1146.67	992.66
Earnings Per Share (Basic and Diluted) (in Rupees)		6.53	4.80
Face value of Rs.10/- each (see note no.16)			

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

Vide our report of even date attached

For Suri & Co.,

Chartered Accountants

C.S. SATHYANARAYANAN

Partner

Membership No. 028328

Coimbatore

27.05.2009

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Company Secretary



SCHEDULES TO THE BALANCE SHEET

(Rs. in Lacs)

As at March 31, **2009** **2008**

SCHEDULE No. : 1 SHARE CAPITAL

AUTHORISED

1,50,00,000 Equity Shares of Rs.10/- each **1500.00** 1500.00

Issued, Subscribed & Paid-up

1,09,42,262 Equity Shares of Rs.10/- each **1094.23** 1094.23

SCHEDULE No. : 2. RESERVES & SURPLUS

General Reserve

Opening Balance **944.95** 544.95

Add : Transfer From P&L A/c **500.00** 400.00

1444.95 944.95

Surplus In Profit & Loss A/c **486.64** 432.63

1931.59 1377.58

SCHEDULE No. : 3. SECURED LOANS

Term Loan from Banks:

HDFC Bank Limited - 404.50

Punjab National Bank - 725.80

Indian Overseas Bank **3538.10** -

Indian Bank **3352.26** 2443.82

6890.36 3574.12

Secured Overdraft From Bank:

Indian Bank **113.55** 156.61

7003.91 3730.73

**SCHEDULES TO THE BALANCE SHEET**

(Rs. in Lacs)

As at March 31,	2009	2008
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SCHEDULE No. : 4 UNSECURED LOANS**From Banks**

ICICI Bank Limited	8.08	14.10
Kotak Mahindra Bank Limited	10.94	22.13
HDFC Bank Limited	4.40	11.94
	<u>23.42</u>	<u>48.17</u>

From Others

Kotak Mahindra Prime Limited	14.66	2.99
	<u>38.08</u>	<u>51.16</u>
Less : Unmatured Finance Charges	3.64	5.72
	<u>34.44</u>	<u>45.44</u>
	<u>34.44</u>	<u>45.44</u>

SCHEDULE No. : 5 DEFERRED TAX LIABILITY

Deferred Tax Liability on account of Accumulated Depreciation	764.08	676.69
Less : Deferred Tax Asset on account of Provision for Gratuity & Long Term compensated absence	68.61	49.15
	<u>695.47</u>	<u>627.54</u>


KOVAI MEDICAL CENTER AND HOSPITAL LIMITED
SCHEDULE No : 6 FIXED ASSETS

(Rs. in Lacs)

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as at 01.04.2008	Additions During the Year	Sale / Adjustments	Cost as at 31.03.2009	Up To 31.03.2008	For The Year	Withdrawn / Adjustments	Upto 31.03.2009	As at 31.03.2009	As at 31.03.2008
Land	310.63	106.26	—	416.89	—	—	—	—	416.89	310.63
Buildings	1842.42	334.94	—	2177.36	270.67	31.28	—	301.95	1875.41	1572.54
Medical Equipmnets	4628.22	539.65	—	5167.87	1891.82	252.53	—	2144.35	3023.52	2736.89
Surgical Instruments	135.22	—	—	135.22	135.22	—	—	135.22	—	—
Electrical Instruments & Generators	327.66	22.07	—	349.73	174.22	16.93	—	191.15	158.58	152.65
Furniture, Fixtures & Projectors	351.52	70.39	—	421.91	291.42	15.10	—	306.52	115.39	60.10
A.C. Plant, Cold Storage, Airconditioners & Refrigirators	201.96	16.02	—	217.98	95.35	10.09	—	105.44	112.54	106.61
Plant & Machinery	167.95	26.68	—	194.63	63.19	21.58	—	84.77	109.86	104.76
Computer Installations	331.26	23.92	—	355.18	236.11	26.44	—	262.55	92.63	95.15
Vehicles	179.90	19.92	7.09	192.73	52.99	15.44	6.00	62.43	130.30	126.91
Fire Fighting Installations & Extinguishers	12.75	—	—	12.75	10.53	0.57	—	11.10	1.65	1.73
Telephone Installations & Instruments	36.99	0.38	—	37.37	18.28	0.94	—	19.22	18.15	18.71
Office Equipments & Library Books	16.48	6.46	—	22.94	8.04	0.64	—	8.68	14.26	8.44
TOTAL (A)	8542.96	1166.69	7.09	9702.56	3247.84	391.54	6.00	3633.38	6069.18	5295.12
Capital Work-in-Progress :-										
Buildings	640.05	1744.90	535.94	1849.00	—	—	—	—	1849.00	640.04
Medical Equipments	6.15	7.99	14.14	—	—	—	—	—	—	6.15
TOTAL (B)	646.19	1752.89	550.08	1849.00	—	—	—	—	1849.00	646.19
TOTAL for the Year (A)+(B)	9189.15	2919.58	557.17	11551.56	3247.84	391.54	6.00	3633.38	7918.18	5941.31
Previous Year	7771.59	1644.34	226.78	9189.15	2862.77	385.07	—	3247.84	5941.31	4908.82
Includes Assets costing less than Rs.5000/- each aggregating to Rs.10.51 Lacs										



SCHEDULES TO THE BALANCE SHEET

(Rs. in Lacs)

As at March 31, **2009** **2008**

SCHEDULE NO: 7 INVESTMENTS - AT COST

Long Term - Non-Trade, Quoted

6100 Equity Shares of Rs.10/- each Fully paid
in **Canara Bank**

(Market Value - Rs.10,10,7700/-, Previous Year -
Rs.13,72,500/-)

2300 Equity Shares of Rs.10/- each Fully Paid **2.14** **2.14**

in **Indian Overseas Bank**

(Market Value - Rs.1,04,880/-, Previous year -
Rs.3,10,730/-)

(Aggregate cost of Quoted Investments - **0.55** **0.55**
Rs.2,68,700/-)

(Aggregate Market value of Quoted Investments -
Rs.11,15,650/-)

Long Term - Trade, UnQuoted

372440 Equity Shares of Rs.100/- each Fully Paid
in **Idhayam Hospitals Erode Limited**

(Aggregate cost of UnQuoted Investments - **-** **-**
Rs.3,57,58,000/-)

357.58 **357.58**

360.27 **360.27**

SCHEDULE NO : 8 CURRENT ASSETS

**a. INVENTORIES (at Lower of cost and Net
realisable value)**

(as per inventories taken, valued
and certified by Management)

Hospital Consumables	211.47	235.97	
Pharmacy	157.84	139.98	
Stores & Spares	10.19	11.82	
Others	15.15	11.87	
	394.65	399.64	

b. SUNDRY DEBTORS

Unsecured & Considered Good
Debts Outstanding for period exceeding
six months

24.68 **109.29**

Other debts **302.95** **215.50**

327.63 **324.79**

c. CASH & BANK BALANCES

Cash & Stamps on Hand **39.70** **30.87**

Balance with Scheduled Banks in

1. Deposit Account **2057.69** **64.58**

2. Current Account **12.80** **193.24**

3. Unpaid Dividend **23.24** **18.16**

2133.43 **306.85**



SCHEDULES TO THE BALANCE SHEET

(Rs. in Lacs)

As at March 31, **2009** **2008**

d. OTHER CURRENT ASSETS

Rent Receivable	1.31		1.76	
Other Charges Recoverable	<u>3.20</u>		<u>3.85</u>	
		<u>4.51</u>		<u>5.61</u>
		<u>2860.22</u>		<u>1036.89</u>

SCHEDULE NO. : 9 LOANS & ADVANCES

(Recoverable in cash or in kind or for value to be received)

Unsecured Considered Good

Advance for Capital Items	62.67		10.85	
Other Advances	249.01		157.93	
Tax Payment Pending Adjustments	593.84		689.60	
Prepaid Expenses	36.94		83.87	
Deposit with EB & Govt. Depts.	34.78		33.32	
Deposit with others	<u>503.81</u>		<u>503.79</u>	
		1481.05		1479.36

SCHEDULE NO. : 10 CURRENT LIABILITIES & PROVISIONS

a. CURRENT LIABILITIES

Creditors - Capital Items

Small and Medium Enterprises	0.52		0.19	
Others	<u>71.30</u>	71.82	<u>74.00</u>	74.19

(Refer Note No. 5)

Creditors - Other Supplies

Small and Medium Enterprises	13.43		19.57	
Others	<u>219.52</u>	232.95	<u>247.76</u>	267.33

(Refer Note No. 5)

Creditors - Expenses

Deposits received	6.64		8.27	
-------------------	------	--	------	--

Liabilities - Others

Unpaid Dividend	23.24		18.16	
-----------------	-------	--	-------	--

(Investor Education and Protection fund item Not Due)

		<u>934.78</u>		<u>962.80</u>
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b. PROVISIONS :

Provision for Gratuity	149.52		113.61	
Provision for Long Term Compensated Absence	17.43		9.31	
Provision for Taxation	598.32		696.56	
Proposed Dividend	136.78		136.78	
Provision for Dividend Tax	<u>23.25</u>		<u>23.25</u>	
		<u>925.30</u>		<u>979.51</u>
		<u>1860.08</u>		<u>1942.31</u>

**SCHEDULES TO THE PROFIT AND LOSS ACCOUNT**

(Rs. in Lacs)

For the year ended March 31, **2009** **2008****SCHEDULE A : OPERATING INCOME**

Inpatients Revenue	6245.15	4942.46
Outpatients Revenue	2222.26	1726.15
Pharmacy Sales	2166.79	1782.52
Dietary Sales	401.70	303.02
	11035.90	8754.15

SCHEDULE B : OTHER INCOME

Rent received (TDS 1.58 lacs)	17.45	18.89
Other Receipts	47.76	46.83
Profit on sale of Asset	0.64	—
Dividend Income	0.57	0.50
Interest Income (TDS Rs. 9.69 lacs)	47.78	71.95
Excess Provision for taxation no longer required written back	2.84	—
	117.04	138.17

**SCHEDULE C : COST OF GOODS SOLD
(Pharmacy)**

Opening Stock	139.98	114.14
Add: Purchases of Medicines	1769.75	1462.16
	1909.73	1576.30
Less: Closing Stock	157.84	139.98
	1751.89	1436.32

SCHEDULE NO D : HOSPITAL CONSUMABLES

Opening Stock	236.15	126.89
Add: Purchases	1966.50	1582.76
	2202.65	1709.65
Less: Closing Stock	211.47	236.15
	1991.18	1473.50

SCHEDULE E : OPERATING EXPENSES

Power & Fuel Consumed	356.76	315.23
Dietary Consumption	338.54	280.75
Consultant Charges	1942.35	1485.48
Hospital Upkeep Expenses	321.21	263.44
Stores & Spares Consumed	12.46	11.58
Water Charges	91.77	84.27
Repairs & Maintenance - Building	85.36	132.61
Repairs & Maintenance - Machinery	254.57	200.17
Repairs & Maintenance - Others	99.99	76.07
Lab Test Charges	86.03	53.28
Lease Rent -Equipments	67.28	62.10
	3656.32	2964.98



SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

(Rs. in Lacs)

For the year ended March 31, **2009** **2008**

SCHEDULE F : PERSONNEL COST

Salaries, Allowances & Bonus	1217.99	904.70
Contribution to Provident and Other Funds	33.96	25.17
Staff Welfare Expenses	43.64	39.45
Gratuity	40.77	36.37
Long Term Compensated absence	8.13	9.30
	1344.49	1014.99

SCHEDULE G : ADMINISTRATIVE & OTHER EXPENSES

Travelling & Conveyance	33.81	31.35
Printing & Stationery	80.91	63.56
Rent	86.02	75.14
Licence fees, rates & taxes	15.67	18.59
Telephone, Telex & Postage	32.44	31.36
Advertisement	54.01	100.83
Conference, Seminar & Exhibition Expenses	6.51	2.25
Insurance	8.15	9.83
Security Service Charges	46.88	34.97
Audit Remuneration (inclusive of Service Tax)		
For Statutory Audit	5.52	4.49
For Tax Audit	1.12	0.28
For Expenses	0.21	0.03
For Other Service	0.22	-
	7.07	4.80
Hire Charges - Vehicle	11.40	7.82
Professional Charges	68.51	89.98
Subscription & Donation	15.85	13.46
Legal Fees	2.81	7.66
Directors' Sitting Fees	0.73	0.63
	470.77	492.23

SCHEDULE H : FINANCE COST

Interest on Fixed Loans

Term Loans	326.28	284.56
	326.28	284.56

Interest on Other Loans

Working Capital Loan	97.87	9.92
Bank Charges	14.34	12.97
HP Finance Charges	4.94	4.14
	117.15	27.03
	443.43	311.59



SCHEDULE NO. : 11

NOTES ON ACCOUNTS

I. SIGNIFICANT ACCOUNTING POLICIES:

(i) ACCOUNTING CONVENTION

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

(ii) FIXED ASSETS

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

(iii) BORROWING COSTS

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

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

(iv) IMPAIRMENT OF ASSETS

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

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

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

(v) INVESTMENTS

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

(vi) DEPRECIATION

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

(vii) INVENTORIES

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

(viii) FOREIGN CURRENCY TRANSACTIONS

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



(ix) REVENUE RECOGNITION

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

(x) TAXES ON INCOME

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

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

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

(xi) RETIREMENT BENEFITS

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

(xii) ACCOUNTING STANDARDS

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

II. NOTES ON ACCOUNTS

1. Security Particulars of Secured Loans

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

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



- II. The Company has availed working capital facility from Indian Bank which is primarily secured by :
 - a. Hypothecation of stocks, book debts and other current assets.
 - b. The above working capital facility is collaterally secured by all fixed assets mentioned in item No.1 I (a) to (d) above.
 - III. In addition to the above, the subsidiary company has given corporate guarantee to the limits availed by the company.
 - IV. The term loans and working capital facilities are further guaranteed by the personal guarantees of the Chairman and Managing Director and Vice Chairman and Joint Managing Director of the Company.
2. Deposits with Bank and other include:
 - i. Rs.4,000/- under lien to Sales Tax authorities towards sales tax deposit and
 - ii. Rs.35,56,454/-under lien to Indian Bank towards margin for outstanding Letters of Credit. (Previous Year Rs. 8,58,454)
 - iii. Rs.36,06,600/- under lien to Indian Overseas Bank towards margin for Bank Guarantee
 3. Other advances include Rs.5,81,765/- paid to Sales Tax Authorities as advance against demand pending finality of a legal suit.
 4. Quantitative Particulars in respect of operations and inventories in accordance with the requirements of schedule VI to the Companies Act, 1956 have not been furnished in view of the practical difficulties relating to this specific industry.
 5. The company has initiated the process of obtaining confirmation from suppliers who have registered themselves under the "Micro, Small and Medium Enterprises Act, 2006". Based on the evidence and declarations obtained, there are no dues warranting interest payment under the "Micro, Small and Medium Enterprises Act, 2006".
 6. The Company has provided for employee benefits as per Accounting Standard 15 in respect of defined benefit plan (Gratuity and Long Term compensated absence).
 - a) Description of the company's defined benefit plan:

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

(Rs. In Lacs)

Particulars	Gratuity	Long Term compensated absence
Present Value of the obligation as on 01.04.08	113.61	9.31
Add:		
Current service cost	16.89	2.79
Interest Cost	8.68	0.72
Benefits paid	-4.86	-
Actuarial gains and losses	15.20	4.61
Present value of the Obligation as on 31.03.09	149.52	17.43

c) Reconciliation in respect of the changes in the fair value of Plan assets: (Rs. In Lacs)

Particulars	Gratuity	Long Term compensated absence
Fair Value of the plan assets as on 01.04.08	Nil	-
Add:		
Expected rate of return	Nil	-
Contributions by employer	Nil	-
Benefits paid	Nil	-
Actuarial gains and losses	Nil	-
	Nil	
Fair value of the assets as on 31.03.09	Nil	-

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

d) The total expenses recognized in the profit and loss account is as follows: (Rs. In Lacs)

Particulars	Gratuity	Long Term compensated absence
Current service cost	16.89	2.79
Interest cost	8.68	0.73
Expected return on plan assets	Nil	Nil
Net Actuarial (Gain)/Loss recognized in the year	15.20	4.61
Transitional Liability recognized in the year	Nil	Nil
Past service cost – Non – vested benefits	Nil	Nil
Past service cost – Vested benefits	Nil	Nil
Amount recognized in the profit and loss account	40.77	8.13

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

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

(Rs. In Lacs)

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



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

Particulars	Gratuity	Long Term compensated absence
Discount rate	6.70%	6.70%
Salary Escalation rate	10.00%	10.00%
Attrition rate	25.00%	25.00%
Expected return on plan assets	0.00%	0.00%

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

g) Particulars for the current annual period ending 31.03.09 (Rs. In Lacs)

Particulars	Gratuity	Long Term compensated absence
Present value of obligation	149.52	17.43
Plan assets	Nil	Nil
Surplus/(Deficit) in Plan assets	149.52	-17.43
The experience adjustments arising on the plan liabilities as on amount	-14.91	2.04
The experience adjustments arising on the plan assets as on amount	Nil	Nil
Company's best estimate of contributions to be paid to the plan for the year 2008-09	Nil	Nil

7. Personnel Cost include :

Remuneration to	Chairman & Managing Director	Joint Managing Director
		(Rs. In Lacs)
Salary	7.20	7.20
Perquisites	6.07	6.00
	<u>13.27</u>	<u>13.20</u>
Commission @ 1% on Net Profit	11.53	11.52
	<u>24.80</u>	<u>24.72</u>

8. Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956 and the calculation of Chairman & Managing Director Commission for the year ended 31st March, 2009: (Rs. In Lacs)

		31.03.2009
Profit Before Tax as per Profit & Loss Account		1103.32
Add : Directors' Sitting Fees	0.72	
Add : Directors' Remuneration	14.40	
Add : Perquisites	12.07	
Add : Directors' Commission	23.05	
	<u>50.24</u>	
Less : Profit on sale of Assets	0.64	49.60
Net Profit as per Section 198 of Companies Act, 1956		<u>1152.92</u>



2% Commission on Net Profit		23.06
Commission to CMD – 1 %		11.53
Commission to JMD – 1 %		11.53
9. (i) CIF value of imports		(Rs. in Lacs)
	2008-2009	2007-2008
a. Capital goods	238.59	856.82
b. Spares	9.11	15.91
(ii) Earnings in Foreign Currency	NIL	NIL
(iii) Expenditure in Foreign Currency (Travel and Medical Journals)	10.25	6.89
(iv) Dividend paid in Foreign Currency		
a. Dividend (in Lacs)	28.72	29.01
b. No of Non Resident Share Holders (in Nos.)	96	98
c. No of Shares of Rs.10 each held by them (in Nos)	2297585	2321143
10. The Ministry of Corporate Affairs through its notification dated 31.03.09 has relaxed the provisions of Accounting Standard 11 "The Effects of changes in Foreign Exchange Rates " for treating the exchange gain/loss arising on restatement of Long Term Foreign currency monetary items. Accordingly, companies are permitted to adjust the carrying cost of depreciable assets by the exchange differences arising out of exchange rate fluctuation. The company has exercised the option provided in the said notification and consequently an amount of Rs.810151/- representing exchange gain has been adjusted in the cost of the asset during the year. The adjusted cost has been considered for depreciation purposes. To this extent, there is a change in the Accounting policy of the company as compared to the previous years.		
11. Inpatients and outpatients revenue is net of discount/free/ concessional treatment / Claims amounting to Rs. 1,92,89,493. (Previous year Rs.1,16,04,166)		
12. Land includes 6.44 acres (value Rs.19,53,000/-) the transfer of which to the Company by the last owners is being objected legally by some intermediary owners and the matter is still under legal proceedings. However, the plaintiff has filed a memo before the subordinate judge of Coimbatore, exonerating the company from the suit and all further proceedings.		
13. Contingent Liabilities :		(Rs. in Lacs)
	As at	As at
	31.3.2009	31.3.2008
a. Estimated amount of contracts remaining to be executed on capital account	2976.34	807.20
b. Letters of Credit for capital equipments	25.81	10.00
c. Demand of Customs Duty raised by the authorities disputed and not acknowledged as due	11.49	11.49
d. Sales Tax liability under dispute not provided for	5.82	5.82
e. Claims of various nature made against the Company not acknowledged as debt	150.00	146.00

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

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

(i) Names of related parties and description of relationship

- a. Key Management Personnel : 1. Dr. Nalla G Palaniswami
2. Dr. Thavamani Devi Palaniswami
- b. Subsidiary Company : Idhayam Hospitals Erode Ltd.
- c. Other Related Parties : Purani Hospital Supplies Limited.
: Aosta Software Technologies India Limited.
: ABT Industries Limited.
: Sakthi Sugars Limited.
: Dr. K.S.K. Murugaiyan

(ii) Related Party Transactions (2008 - 09)

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

Nature of Transactions	Subsidiary companies	Key Mgmt Personnel	Other Related Parties	Amount
Lease Rent	89.61			89.61
Deposits Receivable	18.89			18.89
Purchase of Hospital Consumables - Medicines & Drugs,Rent etc.,			1763.79	1763.79
Amount payable as on 31.03.2009			53.94	53.94
IT Software & Hardware Maintenance Charges			60.32	60.32
Dietary Consumables			26.54	26.54
Amount payable as on 31.03.2009			2.33	2.33
Purchase of Spirit			0.71	0.71
Directors Remuneration, Commission & Perquisites.		49.53		49.53
Commission Payable as on 31.03.2009		23.06		23.06
Directors Sitting Fees			0.73	0.73
Consultant charges			5.44	5.44
Amount payable as on 31.03.2009			0.41	0.41

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

- 1) Due to directors - Rs. 23.47 lacs
- 2) Payable to Related Parties - Rs. 37.38 lacs



15. Segment Reporting

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

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

	31.03.2009	31.03.2008
Profit after tax (Rs.)	7,14,03,985	5,24,75,879
Number of Shares issued	1,09,42,262	1,09,42,262
The nominal Value per equity Share(Rs.)	10	10
Baic / Dilute EPS (Rs.)	6.53	4.80

17. Provision for taxation includes provision for Wealth Tax of Rs.15,000. Income tax assessments have been provisionally completed upto the assessment year 2006-07.

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

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

SIGNATURES TO SCHEDULES 1 TO 11 & A TO H

Vide our report of even date attached

For Suri & Co.,

Chartered Accountants

C.S. SATHYANARAYANAN

Partner

Membership No. 028328

Coimbatore

27.05.2009

Dr. NALLA G PALANISWAMI

Chairman and Managing Director

A.M. PALANISAMY

Director

P.K. GOPIKRISHNAN

Chief Financial Officer

S.P. CHITTIBABU

Company Secretary

**CASH FLOW STATEMENT**

For the year ended March 31,

(Rs. in Lacs)

	2009	2008
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation and exceptional items	1103.32	813.64
Adjustments for:		
Depreciation	391.54	385.07
Interest Expense	443.43	311.59
Interest Income	(47.78)	(71.95)
Profit on sale of Fixed Asset	(0.64)	-
Dividend Income	(0.57)	(0.50)
	<u>785.98</u>	<u>624.21</u>
Operating Profit before Working Capital Changes	1889.30	1437.85
Inventories	4.99	(135.03)
Trade & Other Receivables	286.63	41.59
Trade & Other Payables	(409.07)	134.92
	<u>(117.45)</u>	<u>41.48</u>
Cash generated from Operations	1771.85	1479.33
Income Tax Paid	(279.00)	(187.57)
Fringe Benefit Tax Paid	(11.05)	(11.27)
	<u>(290.05)</u>	<u>(198.84)</u>
Net Cash form Operating Activities: - A	1481.80	1280.49
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(2369.50)	(1417.56)
Sale of Fixed Assets	1.72	-
Investments	-	(272.43)
Interest received	47.78	71.95
Dividend received	0.57	0.50
Net Cash from Investing Activities - B	(2319.43)	(1617.54)



CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2009

(Rs. in Lacs)

	Year Ended 31.03.2009	Year Ended 31.03.2008
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Long term Borrowings	3316.22	415.31
Unsecured Loans	(11.00)	22.96
Working Capital borrowings	(43.06)	72.44
Dividend & Tax on Dividend Paid	(154.52)	(155.35)
Interest Paid	(443.43)	(311.59)
	<u>2664.21</u>	<u>43.77</u>
Net Cash used in financing activities - C	<u>2664.21</u>	<u>43.77</u>
Net increase in cash and cash equivalents (A+B+C)	1826.58	(293.28)
Cash and Cash equivalent at beginning of Period	306.85	600.13
Cash and Cash equivalent at end of Period	<u>2133.43</u>	<u>306.85</u>

As per our report of even date attached

For Suri & Co.,
Chartered Accountants

C.S. SATHYANARAYANAN
Partner
Membership No. 028328
Coimbatore
27.05.2009

Dr. NALLA G PALANISWAMI
Chairman and Managing Director

A.M. PALANISAMY
Director

P.K. GOPIKRISHNAN
Chief Financial Officer

S.P. CHITTIBABU
Company Secretary

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I. Registration Details :**

Registration No	:	L85110TZ1985PLC001659
State Code	:	18
Balance Sheet Date	:	31.03.2009

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

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

**III. Position of Mobilisation and Deployment of funds :
(Amount in Rs. Lacs)**

Total Liabilities	:	10759.64
Total Assets	:	10759.64

Sources of Funds

Paid up Capital	:	1094.23
Reserves and Surplus	:	1931.59
Secured Loans	:	7003.91
Unsecured Loans	:	34.44
Deferred Tax	:	695.47

Application of Funds

Net fixed Assets	:	7918.18
Investments	:	360.27
Net Current Assets	:	2481.19
Misc. Expenditure	:	-

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

Total Income	:	11152.94
Total Expenditure	:	10049.62
Profit before Tax	:	1103.32
Profit after Tax	:	714.04
Earning per share in Rs	:	6.53
Dividend	:	136.78

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



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

1	Name of the Subsidiary	Idhayam Hospitals Erode Limited
2	Financial Year ending	31.03.2009
3	No. of shares (fully paidup) held by the company on the above dates	372440 shares of Rs.100 each
4	Extent of holding company's Interest	100%
5	Net aggregate amount of Subsidiary's Profit / (Losses) (Rs. In Lacs)	
	a) Not dealt within the accounts of the company	
	i. For the current Financial year ended 31st March, 2009	0.08
	ii. For the previous Financial years	(169)
	b) Dealt within the accounts of the company	
	i. For the current Financial year ended 31st March, 2009	Nil
	ii. For the previous Financial years	Nil

Notes : a) There has been no change in the Holding company's interest in the Subsidiary between the end of the financial year of the Subsidiary and the end of the financial year of the Holding Company.

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

Dr. NALLA G PALANISWAMI
Chairman and Managing Director

P.K. GOPIKRISHNAN
Chief Financial Officer

Coimbatore
27.05.2009

A.M. PALANISAMY
Director

S.P. CHITTIBABU
Company Secretary

CONSOLIDATED FINANCIAL STATEMENTS



Auditors' Report on Consolidated Financial Statements

We have examined the attached Consolidated Balance Sheet of Kovai Medical Center and Hospital Limited ("the Company") and its subsidiary as at 31st March, 2009, and the Consolidated Profit and Loss Account for the year ended on that date annexed thereto, and the consolidated cash flow statement for the year ended on that date. These Consolidated financial statements are the responsibility of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

- (a) In the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiary as at 31st March 2009
- (b) In the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiary for the year ended on that date;
- (c) In the case of the Consolidated Cash flow statement, of the consolidated cash flows of the Company and its subsidiary for the year ended on that date.

For SURI & CO.
Chartered Accountants

C.S. SATHYANARAYANAN
Partner
Membership No.028328

Coimbatore
27.05.2009

**CONSOLIDATED BALANCE SHEET**

As at March 31,

(Rs. in Lacs)

	Schedule No	2009	2008
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a. Share Capital	1	1094.23	1094.23
b. Reserves & Surplus	2	<u>1902.22</u>	<u>1348.14</u>
		2996.45	2442.37
2. Loan Funds:			
a. Secured Loans	3	7003.91	3730.73
b. Unsecured Loan	4	<u>34.44</u>	<u>45.44</u>
		7038.35	3776.17
3. Deferred Tax Liability (Net)	5	<u>695.47</u>	<u>627.54</u>
TOTAL CAPITAL EMPLOYED		<u>10730.27</u>	<u>6846.08</u>
II. APPLICATION OF FUNDS:			
1. Fixed Assets:	6		
a. Gross Block		10829.82	9670.21
b. Less: Accumulated Depreciation		<u>3936.73</u>	<u>3500.31</u>
c. Net Block		6893.09	6169.90
d. Capital work in progress		<u>1849.00</u>	<u>646.19</u>
		8742.09	6816.09
2. Investments	7	2.69	2.69
3. Current Assets, Loans & Advances			
A. Current Assets	8		
a. Inventories		394.65	399.64
b. Sundry Debtors		327.63	324.79
c. Cash & Bank Balances		2156.87	314.54
d. Other Current Assets		<u>4.51</u>	<u>5.71</u>
		2883.66	1044.68
B. Loans & Advances	9	<u>1512.81</u>	<u>1434.44</u>
	(A)	<u>4396.47</u>	<u>2479.12</u>
Less:			
4. Current Liabilities & Provisions	10		
a. Current Liabilities		1485.68	1472.31
b. Provisions		<u>925.30</u>	<u>979.51</u>
	(B)	<u>2410.98</u>	<u>2451.82</u>
Net Current Assets	(A-B)	1985.49	27.30
Notes on Accounts	11		
TOTAL ASSETS		<u>10730.27</u>	<u>6846.08</u>

SCHEDULES 1 TO 11 FORM PART OF THIS BALANCE SHEET

Vide our report of even date attached

For Suri & Co.,

Chartered Accountants

C.S. SATHYANARAYANAN

Partner

Membership No. 028328

Coimbatore

27.05.2009

Dr. NALLA G PALANISWAMI

Chairman and Managing Director

A.M. PALANISAMY

Director

P.K. GOPIKRISHNAN

Chief Financial Officer

S.P. CHITTIBABU

Company Secretary

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

For The Year Ended March 31

(Rs. in Lacs)

	Schedule No	2009	2008
INCOME			
Operating Income	A	11035.90	8754.15
Other Income	B	87.04	71.92
Total Income		11122.94	8826.07
EXPENDITURE			
Cost of Goods sold	C	1751.89	1436.32
Hospital Consumables	D	1991.18	1473.50
Operating Expenses	E	3596.32	2904.99
Personnel Cost	F	1344.49	1014.99
Administrative & Other expenses	G	449.63	466.63
Total Expenditure		9133.51	7296.43
Profit Before Finance cost, Depreciation and Tax		1989.43	1529.64
Less : Finance Cost	H	443.64	311.60
Profit Before Depreciation and Tax		1545.79	1218.04
Less : Depreciation	6	442.40	508.56
Profit Before Tax		1103.39	709.48
Less: Provision for Current Tax		311.00	212.23
Provision for Fringe Benefit Tax		10.35	8.30
Provision for Deferred Tax		67.93	68.34
Profit after Tax		714.11	420.61
Add : Surplus from the Previous year		403.19	403.29
Add : Pre Acquisition Losses		-	139.32
Amount available for Appropriation		1117.30	963.22
Appropriations			
- Proposed Dividend		136.78	136.78
- Tax on Dividend		23.25	23.25
- Transfer to General Reserve		500.00	400.00
- Surplus in Profit & Loss Account transferred to Balance Sheet		457.27	403.19
		1117.30	963.22
Earnings Per Share (Basic and Diluted) (in Rupees)			
Face value of Rs.10/- each		6.53	3.84

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

Vide our report of even date attached

For Suri & Co.,

Chartered Accountants

C.S. SATHYANARAYANAN

Partner

Membership No. 028328

Coimbatore

27.05.2009

Dr. NALLA G PALANISWAMI

Chairman and Managing Director

A.M. PALANISAMY

Director

P.K. GOPIKRISHNAN

Chief Financial Officer

S.P. CHITTIBABU

Company Secretary



CONSOLIDATED SCHEDULES TO BALANCE SHEET

(Rs. in Lacs)

As at March 31, **2009** **2008**

SCHEDULE No. : 1 SHARE CAPITAL

AUTHORISED

1,50,00,000 Equity Shares of Rs.10/- each 1500.00 1500.00

Issued, Subscribed & Paid-up

1,09,42,262 Equity Shares of Rs.10/- each 1094.23 1094.23

SCHEDULE No. : 2. RESERVES & SURPLUS

General Reserve

Opening Balance **944.95** 544.95

Add : Transfer From P&L A/c 500.00 400.00

1444.95 944.95

Surplus In Profit & Loss A/c 457.27 403.19

1902.22 1348.14

SCHEDULE No. : 3. SECURED LOANS

Term Loan from Banks:

HDFC Bank Limited - 404.50

Punjab National Bank - 725.80

Indian Overseas Bank **3538.10** -

Indian Bank 3352.26 6890.36 2443.82 2443.82

6890.36 3574.12

Secured Overdraft From Bank:

Indian Bank 113.55 156.61

7003.91 3730.73

SCHEDULE No. : 4 UNSECURED LOANS

From Banks

ICICI Bank Limited **8.08** 14.10

Kotak Mahindra Bank Limited **10.94** 22.13

HDFC Bank Limited 4.40 11.94

23.42 48.17

From Others

Kotak Mahindra Prime Limited 14.66 2.99

38.08 51.16

Less : Unmatured Finance Charges 3.64 34.44 5.72 45.44

34.44 45.44

SCHEDULE No. : 5 DEFERRED TAX LIABILITY

Deferred Tax Liability on account of Accumulated Depreciation **764.08** 676.69

Less : Deferred Tax Asset on account of Provision for Gratuity & Long Term compensated absence 68.61 49.15

695.47 627.54


KOVAI MEDICAL CENTER AND HOSPITAL LIMITED
SCHEDULE NO. : 6 FIXED ASSETS

(Rs. in Lacs)

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as at 01.04.2008	Additions During the Year	Sale / Adjustments	Cost as at 31.03.2009	Up To 31.03.2008	For The Year	Withdrawn / Adjustments	Upto 31.03.2009	As at 31.03.2009	As at 31.03.2008
Good Will	124.46	-	-	124.46	-	-	-	-	124.46	124.46
Land	310.64	105.77	-	416.41	-	-	-	-	416.41	310.64
Buildings	2180.78	335.43	-	2516.21	300.26	36.78	-	337.04	2179.17	1880.52
Medical Equipments	5128.95	539.65	-	5668.60	2063.71	287.88	-	2351.61	3316.99	3065.24
Surgical Instruments	149.28	-	-	149.28	138.72	0.67	-	139.39	9.89	10.56
Electrical Instruments & Generators	369.21	22.07	-	391.28	184.86	18.94	-	203.80	187.48	184.35
Furniture,Fixtures & Projectors	394.92	70.39	-	465.31	305.66	17.86	-	323.52	141.79	89.26
A.C.plant, Cold Storage, Airconditioners&Refrigerators	201.96	16.51	-	218.47	95.35	10.09	-	105.44	113.03	106.61
Plant & Machinery	167.95	26.68	-	194.63	63.19	21.58	-	84.77	109.86	104.76
Computer Installations	343.99	23.43	-	367.42	245.58	28.51	-	274.09	93.33	98.41
Vehicles	179.89	19.93	7.09	192.73	53.00	15.45	6.00	62.45	130.28	126.89
Fire Fighting Installations & Extinguishers	12.25	-	-	12.25	10.53	0.57	-	11.10	1.15	1.72
Telephone Installations & Instruments	36.99	0.38	-	37.37	18.28	0.94	-	19.22	18.15	18.71
Office Equipments & Library Books	68.94	6.46	-	75.40	21.17	3.13	-	24.30	51.10	47.77
TOTAL (A)	9670.21	1166.70	7.09	10829.82	3500.31	442.40	6.00	3936.73	6893.09	6169.90
Capital Work-in-Progress :-										
Buildings	640.04	1744.90	535.94	1849.00	-	-	-	-	1849.00	640.04
Medical Equipments	6.15	7.99	14.14	-	-	-	-	-	-	6.15
TOTAL (B)	646.19	1752.89	550.08	1849.00	-	-	-	-	1849.00	646.19
TOTAL for the Year (A) + (B)	10316.40	2919.59	557.17	12678.82	3500.31	442.40	6.00	3936.73	8742.09	6816.09
Previous Year	8847.03	1768.80	299.43	10316.40	3064.40	435.91	-	3500.31	6816.09	5782.63
Includes Assets costing less than Rs.5000/- each aggregating to Rs.10.51 Lacs										



CONSOLIDATED SCHEDULES TO BALANCE SHEET

(Rs. in Lacs)

As at March 31, 2009 2008

SCHEDULE NO: 7 INVESTMENTS - AT COST

Long Term - Non-Trade, Quoted

6100 Equity Shares of Rs.10/- each Fully paid
in **Canara Bank**

(Market Value - Rs.10,10,7700/-, Previous Year -
Rs.13,72,500/-)

2300 Equity Shares of Rs.10/- each Fully Paid 2.14 2.14
in **Indian Overseas Bank**

(Market Value - Rs.1,04,880/-, Previous year -
Rs.3,10,730/-)

(Aggregate cost of Quoted Investments - 0.55 0.55
Rs.2,68,700/-)

(Aggregate Market value of Quoted Investments -
Rs.11,15,650/-)

2.69 2.69

SCHEDULE NO : 8 CURRENT ASSETS

**a. INVENTORIES (at Lower of cost and Net
realisable value)**

(as per inventories taken, valued
and certified by Management)

Hospital Consumables	211.47	235.97	
Pharmacy	157.84	139.98	
Stores & Spares	10.19	11.82	
Others	<u>15.15</u>	<u>11.87</u>	
	394.65		399.64

b. SUNDRY DEBTORS

Unsecured & Considered Good
Debts Outstanding for period exceeding
six months 24.68
Other debts 302.95

109.29
215.50
327.63 324.79

c. CASH & BANK BALANCES

Cash & Stamps on Hand	39.84	31.00	
Balance with Scheduled Banks in			
1. Deposit Account	2057.69	64.58	
2. Current Account	36.10	200.80	
3. Unpaid Dividend	<u>23.24</u>	<u>18.16</u>	
	2156.87		314.54

d. OTHER CURRENT ASSETS

Rent Receivable	1.31	1.76	
Other Charges Recoverable	<u>3.20</u>	<u>3.95</u>	
	4.51		5.71
	<u>2883.66</u>		<u>1044.68</u>



CONSOLIDATED SCHEDULES TO BALANCE SHEET

(Rs. in Lacs)

As at March 31, 2009 2008

SCHEDULE NO. : 9 LOANS & ADVANCES(Recoverable in cash or in kind or
for value to be received)

Unsecured Considered Good

Advance for Capital Items	62.67		10.85	
Other Advances	749.01		594.03	
Tax Payment Pending Adjustments	621.55		704.53	
Prepaid Expenses	36.94		83.87	
Deposit with EB & Govt. Depts.	38.44		36.98	
Deposit with others	4.20		4.18	
		1512.81		1434.44

SCHEDULE NO. : 10 CURRENT LIABILITIES & PROVISIONS**a. CURRENT LIABILITIES**

Creditors - Capital Items

Small and Medium Enterprises	0.52		0.19	
Others	71.30	71.82	74.02	74.21

(Refer Note No. 4)

Creditors - Other Supplies

Small and Medium Enterprises	13.43		19.57	
Others	228.27	241.70	257.25	276.82

(Refer Note No. 4)

Creditors - Expenses

Deposits received		506.64		508.27
Liabilities - Others		569.65		299.85
Unpaid Dividend		23.24		18.16

(Investor Education and Protection fund item Not Due)

1485.68 1472.31

b. PROVISIONS :

Provision for Gratuity	149.52		113.61	
Provision for Long Term				
Compensated Absence	17.43		9.31	
Provision for Taxation	598.32		696.56	
Proposed Dividend	136.78		136.78	
Provision for Dividend Tax	23.25		23.25	
		925.30		979.51
		2410.98		2451.82



CONSOLIDATED SCHEDULES TO PROFIT AND LOSS ACCOUNT

(Rs. in Lacs)

For the year ended March 31,

2009

2008

SCHEDULE A : OPERATING INCOME

Inpatients Revenue	6245.15	4942.46	
Outpatients Revenue	2222.26	1726.15	
Pharmacy Sales	2166.79	1782.52	
Dietary Sales	401.70	303.02	
	<u>11035.90</u>	<u>8754.15</u>	

SCHEDULE B : OTHER INCOME

Rent received (TDS 1.58 lacs)	17.45	18.89	
Other Receipts	47.76	46.83	
Profit on sale of Asset	0.64	-	
Dividend Income	0.57	0.50	
Interest Income (TDS Rs. 9.69 lacs)	17.78	5.70	
Excess Provision for taxation no longer required written back	2.84	-	
	<u>87.04</u>	<u>71.92</u>	

**SCHEDULE C : COST OF GOODS SOLD
(Pharmacy)**

Opening Stock	139.98	114.14	
Add: Purchases	1769.75	1462.16	
	1909.73	1576.30	
Less: Closing Stock	157.84	139.98	
	<u>1751.89</u>	<u>1436.32</u>	

SCHEDULE NO D : HOSPITAL CONSUMABLES

Opening Stock	236.15	126.89	
Add: Purchases	1966.50	1582.76	
	2202.65	1709.65	
Less: Closing Stock	211.47	236.15	
	<u>1991.18</u>	<u>1473.50</u>	

SCHEDULE E : HOSPITAL OPERATING EXPENSES

Power & Fuel Consumed	356.76	315.23	
Dietary Consumption	338.54	280.75	
Consultant Charges	1942.35	1485.48	
Hospital Upkeep Expenses	321.21	263.45	
Stores & Spares Consumed	12.46	11.58	
Water Charges	91.77	84.27	
Repairs & Maintenance - Building	85.35	132.61	
Repairs & Maintenance - Machinery	254.57	200.17	
Repairs & Maintenance - Others	100.00	76.07	
Lab Test Charges	86.03	53.28	
Lease Rent -Equipments	7.28	2.10	
	<u>3596.32</u>	<u>2904.99</u>	

**CONSOLIDATED SCHEDULES TO PROFIT AND LOSS ACCOUNT**

(Rs. in Lacs)

For the year ended March 31, **2009** **2008****SCHEDULE F : PERSONNEL COST**

Salaries, Allowances & Bonus	1217.99	904.70
Contribution to Provident and Other Funds	33.96	25.17
Staff Welfare Expenses	43.64	39.45
Gratuity	40.77	36.37
Long Term Compensated absence	8.13	9.30
	1344.49	1014.99

SCHEDULE G : ADMINISTRATIVE & OTHER EXPENSES

Travelling & Conveyance	33.81	31.35
Printing & Stationery	80.91	63.61
Rent	59.62	48.74
Licence fees, rates & taxes	18.04	18.59
Telephone, Telex & Postage	32.66	31.36
Advertisement	54.01	100.83
Conference, Seminar & Exhibition Expenses	6.51	2.25
Insurance	8.15	9.83
Security Service Charges	46.88	34.97
Audit Remuneration (inclusive of Service Tax)		
For Statutory Audit	6.89	5.24
For Tax Audit	2.35	0.28
For Expenses	0.21	0.03
For Other Service	0.22	-
	9.67	5.55
Hire Charges - Vehicle	11.40	7.82
Professional Charges	68.57	89.98
Subscription & Donation	15.85	13.46
Legal Fees	2.82	7.66
Directors' Sitting Fees	0.73	0.63
	449.63	466.63

SCHEDULE H : FINANCE COST**Interest on Fixed Loans**

Term Loans	326.28	284.56
	326.28	284.56
Interest on Other Loans		
Working Capital Loan & Others	97.87	9.92
Bank Charges	14.55	12.98
HP Finance Charges	4.94	4.14
	117.36	27.04
	443.64	311.60



SCHEDULE NO: 11 NOTES ON ACCOUNTS

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

1. Principles of consolidation

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

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

2. Accounting of Investments :

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

3. Other Significant Accounting Policies:

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

II. NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2009

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

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

2. The value of Investments made by the wholly owned subsidiary company – Idhayam Hospitals Erode Limited has been accounted in compliance with Accounting standard (AS – 23).
3. Figures have been rounded off to nearest thousands.
4. The company has initiated the process of obtaining confirmation from suppliers who have registered themselves under the "Micro, Small and Medium Enterprises Act, 2006" based on the evidence and information available with the company there are no dues to Micro and Small enterprises, outstanding as on 31.03.2009
5. Other Notes Forming part of Accounts :
These are set out in and under "Notes forming part of accounts for the year ended 31st March, 2009" as given in the Unconsolidated Financial Statements of Kovai Medical Center and Hospital Limited.

Signatures to Schedule 1 to 11 & A to H
For Suri & Co.,
Chartered Accountants

C.S. SATHYANARAYANAN
Partner
Membership No. 028328
Coimbatore
27.05.2009

Dr. NALLA G PALANISWAMI
Chairman and Managing Director

A.M. PALANISAMY
Director

P.K. GOPIKRISHNAN
Chief Financial Officer

S.P. CHITTIBABU
Company Secretary

**CONSOLIDATED CASH FLOW STATEMENT**

For The Year Ended March 31,

(Rs. in Lacs)

2009**A. CASH FLOW FROM OPERATING ACTIVITIES**

Profit before taxation and exceptional items	1103.39
Adjustments for:	
Depreciation	442.40
Interest Expense	443.64
Interest Income	(17.78)
Profit on sale of Fixed Asset	(0.64)
Dividend Income	(0.57)

867.05**Operating Profit before Working Capital Changes**1970.44

Inventories	4.99
Trade & Other Receivables	210.05
Trade & Other Payables	(367.69)

(152.65)**Cash generated from Operations**1817.79

Income Tax Paid	(279.00)
Fringe Benefit Tax Paid	(11.05)

(290.05)**Net Cash form Operating Activities: - A**1527.74**B. CASH FLOW FROM INVESTING ACTIVITIES:**

Purchase of Fixed Assets	(2369.50)
Sale of Fixed Assets	1.72
Interest Income	17.78
Dividend Income	0.57

(2349.43)**Net Cash from Investing Activities - B**(2349.43)**C. CASH FLOW FROM FINANCING ACTIVITIES:**

Long term Borrowings	3316.24
Unsecured Loans	(11.00)
Working Capital borrowings	(43.06)
Dividend & Tax on Dividend Paid	(154.52)
Interest Paid	(443.64)

2664.02**Net Cash used in financing activities - C**2664.02

Net increase in cash and cash equivalents (A+B+C)

1842.33

Cash and Cash equivalent at beginning of Period

314.54

Cash and Cash equivalent at end of Period

2156.87

As per our report of even date attached

For Suri & Co.,

Chartered Accountants

C.S. SATHYANARAYANAN

Partner

Membership No. 028328

Coimbatore

27.05.2009

Dr. NALLA G PALANISWAMI

Chairman and Managing Director

A.M. PALANISAMY

Director

P.K. GOPIKRISHNAN

Chief Financial Officer

S.P. CHITTIBABU

Company Secretary



Disclosure of information relating to the subsidiary companies as required by the Ministry of Corporate Affairs, Government of India vide their approval letter No.47/309/2009-CL -III dated 24th April 2009

Particulars	Idhayam Hospitals Erode Limited (Rs in lacs)
a) Share Capital	372.44
b) Reserves & surplus	0.00
c) Total Assets	372.44
d) Total liabilities	372.44
e) Details of investment	0.00
f) Operating income on lease basis	86.40
g) profit / (loss) Before tax	0.08
h) Provision for taxation	0.00
i) Profit / (loss) After tax	0.08
j) Proposed Dividend	0.00
k) Reporting Currency	Indian Rupee (INR)

