

BOARD OF DIRECTORS

Dr. Nalla G Palaniswami
Chairman and Managing Director

Dr. Thavamani Devi Palaniswami
Vice Chairman and Joint Managing 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

Dr. M.C. Thirumoorthi
Director

Mr. A.K. Venkatasamy
Director

Dr. Mohan S Gounder
Director

Mr. K. Saminathan
Director

Dr. M.A. Muthusethupathi
Director

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, 3083800

Fax: + 91-422-4270639

E-mail : secretarialdept@kmchhospitals.com
accounts@kmchhospitals.com

Website : www.kmchhospitals.com

AUDITORS

M/s. Haribhakti & Co.
Chartered Accountants,
Coimbatore - 641 012.

REGISTRAR & SHARE TRANSFER AGENT

GNSA Infotech Limited
G.R. Mansion, No.11 Srinivasa Road,
Pondy Bazar, T Nagar, Chennai - 600 017.
Phone : + 91- 44 - 42962209
Email : sta@gnsaindia.com

BANKERS

Indian Bank
Indian Overseas Bank



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NOTICE

Notice is hereby given that the **Twenty Fifth Annual General Meeting of the Members of Kovai Medical Center and Hospital Limited** will be held on **Tuesday, the August 23, 2011 at 11.00 A.M. at "A.P.Kalyana Mandapam", 738/2 Avanashi Road, Goldwins, Coimbatore - 641 014** to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts for the year ended March 31, 2011 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.K.Saminathan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr.M.C.Thirumoorthi, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Dr.K.S.K.Murugaiyan, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint M/s Haribhakti & 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 resolution as an ordinary resolution:

"RESOLVED THAT pursuant to the provisions of Clause (d) of Sub-section (1) of Section 293 and other applicable provisions, if any, of the Companies Act 1956 and in supersession of the resolution passed at the Annual General Meeting of the Company held on 29th August 2008, consent of the Company be and is hereby accorded to the Board of Directors to borrow from time to time, if considered fit, any sum or sums of money not exceeding a sum of ₹ 750 Crores (Rupees Seven hundred and fifty crores only) upon such terms and conditions as they may deem fit, notwithstanding that the money already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) will exceed the aggregate of the paid-up share capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose".

Item No:8

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

"RESOLVED THAT pursuant to the provisions of Clause (a) of Sub-section (1) of Section 293 and other applicable provisions, if any, of the Companies Act, 1956 and in supersession of the resolution passed at the Annual General Meeting of the Company held on 29th August 2008, consent of the Company be and is hereby accorded to the Board of Directors of the Company to mortgage and/or charge all or any of the movable or immovable properties of the Company, wheresoever situate, both present and future or the whole or substantially the whole of the undertaking or undertakings of the Company in favour of any financial institutions, banks and others for securing the credit facilities sanctioned / to be sanctioned by them to the Company,



provided however that the aggregate amount of credit facilities which may be secured hereunder and outstanding at any time shall not exceed a sum of ₹ 750 Crores (Rupees Seven hundred and fifty crores only) excluding the temporary loans obtained from the Company's Bankers in the ordinary course of business."

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 August 16, 2011 to August 23, 2011 (both days inclusive) in connection with the 25th 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 August 23, 2011. 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 (NSDL) and Central Depository Services (India) Limited (CDSL).
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 Limited, G.R. Mansion, No.11 Srinivasa Road, Pandy Bazar, T.Nagar, Chennai - 600 017 quoting their respective Folio No. Members holding shares in Demat form shall intimate the above details to their Depository Participant with whom they have Demat Account. Dividend as declared, shall be remitted through Electronic Clearing Services (ECS) at approved locations, wherever ECS details are available with the Company and in all other cases through warrants payable at par.
9. As a measure of economy, copies of Annual Reports will not be distributed at the Annual General Meeting. Members are therefore requested to bring their copies of Annual Report to the meeting.
10. Shareholders seeking any information with regard to accounts are requested to write to the Company 7 days prior to the meeting so as to enable the management to keep the information ready.

By Order of the Board

COIMBATORE
18.05.2011

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 18.5.2011

Item No:7

As per the provisions of Section 293(1)(d) of the Companies Act 1956, the Board of Directors of the Company cannot except with the permission of the shareholders of the Company in General Meeting borrow monies in excess of the aggregate of the paid up capital of the Company and its free reserves. The shareholders of the Company at the Annual General Meeting held on 29th August 2008 approved, inter-alia, borrowings in terms of Section 293(1)(d) of the Companies Act 1956 upto ₹ 400 Crores (Rupees Four hundred Crores only).

The increasing operations of the Company and future growth plans necessitate the enhancement of the borrowing powers of the Board of Directors from the present authorized limit of ₹ 400 Crores (Rupees Four hundred crores only) to ₹ 750 Crores (Rupees Seven hundred and fifty crores only). Therefore, the Board of Directors recommend the passing of the ordinary resolution set out in Item No.7 of Special business for the approval of members.

None of the Directors of the Company is, in any way, concerned or interested in this resolution.

Item No:8

In view of the proposed fresh borrowings for long term funds requirement of the Company to cater to the financial requirements of expansion / modernization, it is felt that it may be necessary to pass an enabling resolution to mortgage and / or charge all or any of the movable or immovable properties of the Company in favour of any financial institutions, banks and others providing or who may provide the credit facilities to the Company for securing the said credit facilities upto a maximum of ₹ 750 Crores (Rupees Seven hundred and fifty crores only) excluding temporary loans obtained from the Company's Bankers in the ordinary course of business.

For mortgaging and/or charging the properties/undertaking(s) of the Company, consent of the members of the Company under Section 293(1)(a) is required. Therefore the Board accordingly commends the resolution for the approval of the members as an ordinary resolution.

None of the Directors of the Company is, in any way, concerned or interested in this resolution.

By order of the Board

COIMBATORE
18.05.2011

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	Qualifications	Experience (in Yrs)	Directorship in other Public Limited Companies	Committee Membership in other Public Limited Companies	No. of Shares
1.	Mr.K.Saminathan	Pre-University Course	35	---	---	8,000
2.	Dr.M.C.Thirumoorthi	MD AB (USA)	35	Appu Hotels Limited Baron Power Limited	---	6,013
3.	Dr.K.S.K.Murugaiyan	MBBS, MS	33	—	---	60,000

**DIRECTORS' REPORT**

Dear Members,

Your Directors take pleasure in presenting the Twenty Fifth Annual Report together with the Audited Statement of Accounts for the Financial Year ended March 31, 2011.

FINANCIAL RESULTS

(₹ in Lacs)

Particulars	31.3.2011	31.3.2010
Revenues	17595.30	13193.41
EBIDTA	3726.88	2675.66
Less: Finance cost	1111.24	483.71
Depreciation	662.70	468.80
	-----	-----
Earnings Before tax	1952.94	1723.15
Less: Provision for Taxation	743.30	564.57
	-----	-----
Earnings After Tax	1209.64	1158.58
Add: Balance brought forward	585.72	486.64
	-----	-----
Amount available for appropriation	1795.36	1645.22
Dividend (Inclusive of Dividend Tax)	158.97	159.50
	-----	-----
Transfer to General Reserve	1000.00	900.00
	-----	-----
Balance carried forward to Balance Sheet	636.39	585.72
	-----	-----

DIVIDEND

Your Directors are pleased to recommend the payment of dividend for the year ended March 31, 2011 at (₹1.25 per share). The proposed dividend absorbs ₹ 137 Lacs for dividend and ₹ 22 Lacs for Dividend Tax. As per Indian Income Tax Act, the dividend payable by the Company is Tax free in the hands of shareholders.

BUSINESS PERFORMANCE

The results for the year 2010-11 continues to be commendable. Your Hospital has achieved a revenue of ₹ 17595.30 Lacs posting a robust growth of 33%. The EBIDTA stood at ₹ 3726.88 Lacs as against ₹ 2675.66 Lacs in 2009-10.



All the Centers have performed well and have improved on their revenues and profitability. The overall after tax profitability of the Hospital is ₹ 1209.64 Lacs for the period under review as against the profit of ₹ 1158.58 Lacs of that of the previous year.

The major expansion programme embarked by the Hospital has started yielding dividends and the same is reflected by the impressive growth achieved by it. Though our Hospital could maintain the same operational profit, the increased finance cost, higher depreciation and increased provision for deferred tax liability due to the capital spending has reduced the profit margin after taxation.

TECHNOLOGY ABSORPTION

In our Quest to give the best health care facilities to the patients, your Hospital always believe in upgrading the technology by the state-of-the-art medical equipments.

During the year under review, your Company has added Magnetom Skyra 3T System, PACS, Mammography System, Trilogy High Energy Linear Accelerator, Artis Zee Biplane, Ventilators, Monitors etc. to deliver health care at par with international standards. SPECT CT and PET CT for cancer treatment will be added very shortly.

We have installed new medical equipments amounting to ₹ 5126.60 Lacs which are the best and latest available in medical world.

CONTINUOUS MEDICAL EDUCATION PROGRAMMES (CME)

Your company gives utmost importance to Continuous Medical Education (CME) Programmes as it is always in the forefront and drives in bringing the latest developments in the medical world to India.

Your company organized many Seminars, Workshops, Camps and Exhibitions in the field of Cancer, Cardiology, Neurology, Paediatric, Urology, General Medicine, Diabetic etc and conducted an International Conference Kovai Lumen 2011, Two National Conferences, ICU Update 2010 and TIP 2010.

Your company has conducted many CME Programmes outside Coimbatore for the benefit of medical professionals who always play a vital role in educating the patients and community at large about the latest developments in the health care industry .

CORPORATE SOCIAL RESPONSIBILITIES

As a responsible corporate citizen, your Company has organized many free medical camps in rural parts of Tamil Nadu and as part of its efforts to propagate healthcare and provide services to the poor at their door step. It has also conducted many awareness programmes among the public.

During the year your company has conducted Health awareness programmes, Cancer awareness programmes, Diabetic awareness campaigns, Disaster Control Management etc. and it will continue to undertake many such programmes as part of its corporate philosophy and social responsibility.

AWARDS

Your Hospital has been awarded the best IT enabled Hospital for the year 2010 by Ministry of Communication & IT, Ministry of Corporate Affairs, Govt. of India.

Your Hospital has been awarded the National Energy Conservation Award for 2010 for excellence in energy conservation in the country from the Bureau of Energy Efficiency (BEE) under the Ministry of Power, Govt. of India.

CARE RATING

CARE Rating has confirmed the financial credit rating of `CARE BBB' (Triple B) for the enhanced long term facilities and `PR 3' (PR Three) for short term facilities.



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Structure of Indian Healthcare Sector

Healthcare is one of the India's largest sector, in terms of revenue and employment and the sector is expanding rapidly.

The Indian healthcare is comparatively structured but inadequate for the entire population of India. The Indian healthcare sector is expected to reach US \$ 280 billion by 2020 according to a report by an industry body.

According to research report, the country needs to cover the cumulative deficit of around 2.8 million hospital beds by 2014 to match up with the global average of 3 beds per 1000 population.

Strong demand for hospital services in tier – II and tier – III cities are bound to fuel the growth of the hospital services sector. There is anticipation that most of this demand will be met by private investments as majority of the government investments will be the priority sector focused on primary healthcare segment.

The revenue from the healthcare sector accounts for 5.2% of the GDP, making it the third largest growing sector in India and further the healthcare sector is projected to grow to nearly ₹ 1,80,000 crores by year 2012 and a compounded annual growth rate (CAGR) of 15-17 percent for at least the next 7 – 10 years.

The past two years in the Healthcare Industry have been marked with dramatic changes. Most of the existing players in the Healthcare Industry announced huge expansion plans.

OUTLOOK AND FUTURE PROSPECTS

Healthcare has emerged as one of the most progressive and largest service sectors in India with an expected GDP spend of 8% by 2012 from 5.5% in 2009.

As per study by an industry body and Ernst & Young, India would require another 1.75 million beds at the end of 2025. The public sector however is likely to contribute only around 15 – 20% of the required US \$ 86 billion investment. The corporate India is therefore, leveraging on this business potential and various healthcare brands have started aggressive expansion in the country.

According to a report Medical Technology in India, the size of the Indian medical technology industry may touch US \$ 14 billion by 2020 from US \$ 2.7 billion in 2008 on account of strong economic growth, higher public spending and private investments in healthcare, increased penetration of health insurance and emergence of new models of healthcare delivery.

The new cancer facility embarked by our Hospital will be equipped with the state-of-the-art equipments like Trilogy High Energy Linear Accelerator, PET Scan, SPECT Nuclear Scan and other imaging equipments. PET/CT is purely non-invasive diagnostic tool which provides best results than any other imaging technique.

Radiology Department has been equipped with latest 3T MRI equipment, Digital Mammography, Ultrasound and latest X-ray units making it as one of the most sophisticated ultra modern radiology facilities in the country.



Neuro interventions and Neuro surgeries are complemented by world class facilities. Biplan Cathlab, Sterotactic and functional Neuro equipments recently installed in our Hospital will aid in advancement of neurological procedures.

The additional Medical ICU, Neuro ICU and Surgical ICU facilities which are equipped with latest equipments and supported by highly competent Doctors proficient in intensive care has tremendously improved the critical care services in our Hospital.

Opportunities

Medical Tourism

India is growing to be a popular medical destination following the availability of health care facilities that matches international standards yet offered at a fraction of the cost abroad.

The Medical Tourism market in India is worth US \$ 333 million with about 1,00,000 foreign patients coming in every year. India's capability to provide quality healthcare at a greatly reduced cost is acknowledged worldwide.

Medical Infrastructure

In spite of the phenomenal growth in the healthcare infrastructure, India is likely to reach a bed to thousand population ratio of 1:85 and is a best care scenario a ratio of 2 by 2012.

Increased demand for health care in India is due to factors like rising income, quality consciousness, preventive focus on health, new healthcare service delivery mechanism, quality improvement, standardization, enhanced accountability of service by providers and better evaluation of clinical and non-clinical decisions.

Telemedicine

This is another opportunity which allows even the interior terrain to access quality healthcare and at the same time significantly improving the productivity of medical personnel.

RISKS AND CONCERNS

The Indian healthcare industry too is confronted with many challenges, unlike any other emerging sector, several odds that would restrict or hamper its growth.

Healthcare is a highest capital intensive service industry and profitability has never been a good match to other industries. It is all changing fast. The best of the systems of world are still struggling to achieve a good profitability level, for healthcare.

Increase in healthcare cost is indeed inevitable due to:

- Introduction of newer and most expensive medical technologies / equipments
- Increase in salaries / wages for health care professionals
- Inflation in the economy



Investments

In order to meet the demand for healthcare in India and improve the availability of hospital beds and doctors, India's infrastructure 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 / internal sources.

Competition

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

Shortage of skilled man power

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

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

Inflation and Rising Cost

There has been considerable increase in inflation in India. The operating costs of the Company ranging from salaries, medical supplies to general and administrative costs are on the increase. More over the cost of construction and the price of medical equipments have increased manifold. These increases in the cost is a burden to the limited resources available adding to the increased cost of health care delivery which ultimately has to be borne by the consumer.

Obsolescence of Medical Equipments

The rapid technological change in the medical equipments is a common feature in health care industry. The ever changing technology due to the improved R & D facilities may make our existing equipments and treatments obsolete or less competitive. It is our endeavour to constantly upgrade our facilities, equipments to match with the latest developments and we plan to continue to devote resources to the extent available to keep abreast of the contemporary technologies and treatments in the health sector.

A. FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

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

B. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has established an appropriate system of internal control to ensure that there exists a proper control over all the transactions and that all its assets are properly safeguarded and not exposed to risk arising out of unauthorized use or disposal. The Internal Audit is 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 March 31, 2011 the employees strength of the Company was 1109.

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 March 31, 2011 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 March 31, 2011. The said Profit and Loss Account and Balance Sheet have been prepared on a going concern basis. The Company maintains proper records in accordance with the provisions of the Companies Act 1956, for safeguarding the assets of the Company as also for preventing and detecting fraud and other irregularities.

DIRECTORS

Mr.K.Saminathan, Dr.M.C.Thirumoorthi and Dr.K.S.K.Murugaiyan retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

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 circular 2/2011 dated 8th February 2011 has granted an exemption to the Companies under Section 212(8) of the Companies Act 1956 from attaching accounts along with the report of the Board of Directors as required by Section 212(1) of the Companies Act 1956 of the Subsidiary Companies to the Balance Sheet of the holding Company for the Financial Year ended 31.3.2011. However 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. and 4.00 p.m.

Particulars relating to the Subsidiary Company as per the conditions mentioned in the circular issued by the Ministry of Corporate Affairs are annexed to the accounts of the Company.

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

PARTICULARS OF EMPLOYEES

As on March 31, 2011, none of the employee was 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. 10 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 Haribhakti & Co., Chartered Accountants, Coimbatore are the Auditors of the Company and holds office up to the ensuing Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

REPORT ON CORPORATE GOVERNANCE

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

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

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

HUMAN RESOURCES DEVELOPMENT

As your Company is in the service industry, human resource plays a very crucial role in the operations and as such your Company accords 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

18.05.2011

DR.NALLA G PALANISWAMI

CHAIRMAN AND MANAGING DIRECTOR



REPORT ON CORPORATE GOVERNANCE

(Annexure to the Twenty Fifth Directors' Report 2010-11)

INTRODUCTION

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

1. PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

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

2. BOARD OF DIRECTORS

(a) Composition

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

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

**(b) Meetings**

The Board met four times during the year i.e. on May 29, 2010, August 14, 2010, October 30, 2010 and January 20, 2011.

No.	Name of the Director	No. of Meetings held during the tenure	No. of Meetings Attended during the tenure	Attendance at the last AGM
1.	Dr.Nalla G Palaniswami	4	4	Yes
2.	Dr.Thavamani Devi Palaniswami	4	4	Yes
3.	Mr.Kasi K Goundan	4	---	No
4.	Mr.M.Manickam	4	1	No
5.	Dr.K.S.K.Murugaiyan	4	4	Yes
6.	Mr.A.M.Palanisamy	4	4	Yes
7.	Dr.M.C.Thirumoorthi	4	1	No
8.	Mr.A.K.Venkatasamy	4	3	Yes
9.	Dr.Mohan S Gounder	4	1	Yes
10.	Mr.K.Saminathan	4	4	Yes
11.	Dr.M.A.Muthusethupathi	4	2	Yes
12.	Mr.K.M.Subramaniam (Alternate Director)	4	3	No

C. General Meetings

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

Particulars	24 th AGM 2010
Date of Meeting	12 th August 2010
No. of Members Attended	336
No. of Proxy Attended	6
Chairman of the Meeting	Dr.Nalla G Palaniswami
Chief Financial Officer	Mr.P.K.Gopikrishnan
Company Secretary	Mr.S.P.Chittibabu

3. BOARD COMMITTEES

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

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



(A) AUDIT COMMITTEE

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

Name of the Director/Member	Status	No. of meetings attended
1. Mr.A.M.Palanisamy (Chartered Accountant)	Chairman	4
2. Dr.K.S.K.Murugaiyan	Member	4
3. Mr.A.K.Venkatasamy	Member	4
Name of the Invitees		
1. Mr.C.S.Sathyanarayanan	Statutory Auditor	4
2. Mr.P.K.Gopikrishnan	Chief Financial Officer	4
3. Mr.S.P.Chittibabu	Company Secretary	4

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

(B) REMUNERATION COMMITTEE / COMPENSATION COMMITTEE

The Board of Directors of the Company have formed a Sub-Committee of the Board known as Remuneration Committee 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 31.3.2011 is paid on the basis of the approval accorded by the shareholders in the 23rd Annual General Meeting held on July 31, 2009 and in accordance with and subject to the limits laid down in Schedule XIII to the Companies Act 1956.

The remuneration for Joint Managing Director for the Financial Year ended 31.3.2011 is paid on the basis of the approval accorded by the Shareholders in the 24th Annual General Meeting held on August 12, 2010 and in accordance with and subject to the limits laid down in Schedule XIII to the Companies Act 1956. The Committee also recommends the remuneration and changes therein of Managing Director and Joint Managing Director within the limits approved by the Shareholders.

Non-Executive Directors were paid Sitting Fees for attending Board Meetings. Details of remuneration paid / payable to Chairman and Managing Director and Joint Managing Director for the year ended March 31, 2011 are as follows:

(₹ in Lacs)

Name of the Directors	Total Remuneration	Fixed Component	Variable Component
Dr.Nalla G Palaniswami Chairman and Managing Director	58.91	14.10	44.81
Dr.Thavamani Devi Palaniswami Joint Managing Director	50.90	11.25	39.65



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

❖ **Terms of Reference**

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

❖ **Composition of Attendance**

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

Name of the Director/Member	Status
1. Dr.Nalla G Palaniswami	Member
2. Mr.A.M.Palanisamy	Chairman
3. Dr.K.S.K.Murugaiyan	Member

Name of the Invitee	Company Secretary
1. Mr.S.P.Chittibabu	

During the year ended 31.3.2011 sixteen Meeting of Shareholders' / Investors' Grievance Cum Share Transfer Committee were held. The Committee Members attended the 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 27 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 March 31, 2011.

(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	Due Date for Transfer to Investor Education and Protection Fund of Govt. of India
1.	2003-04	October 4, 2004	November 2, 2011
2.	2004-05	November 11, 2005	December 9, 2012
3.	2005-06	September 29, 2006	October 27, 2013
4.	2006-07	September 28, 2007	October 26, 2014
5.	2007-08	August 29, 2008	September 27, 2015
6.	2008-09	July 31, 2009	August 29, 2016
7.	2009-10	August 12, 2010	September 10, 2017

(G) Equity Shares in Suspense Account:

As per clause 5A(1) of the listing agreement with the Stock Exchanges, the company reports the following details in respect of Equity Shares lying in Suspense Account.

	No. of Shareholders	No. of Equity Shares
Aggregate number of Shareholders and the outstanding shares in the Suspense account lying as on March 31, 2011	46	6400

The voting rights on the shares outstanding in the Suspense Account as on March 31, 2011 shall remain frozen till the rightful owner of such shares claims the shares. These shares will be transferred into one folio in the name 'Unclaimed Suspense Account' in due course.

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 Tamil and 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 / Banks / 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
2009-2010	12.08.2010	A.P.Kalyana Mandapam, Goldwins, Coimbatore	11.00 A.M.
2008-2009	31.07.2009	A.P.Kalyana Mandapam, Goldwins, Coimbatore	3.30 P.M.
2007-2008	29.08.2008	A.P.Kalyana Mandapam, Goldwins, Coimbatore	3.30 P.M.

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 SHAREHOLDERS' INFORMATION

a. Annual General Meeting for the year 2011

Date and time : August 23, 2011 at 11.00 A.M

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 30, 2011 (Unaudited)	On or before August 14, 2011
Quarter ended September 2011 (Unaudited)	On or before November 14, 2011
Quarter ended December 2011 (Unaudited)	On or before February 14, 2012
Quarter ended March 2012 (Audited)	On or before May 30, 2012

c. Date of Book closure : August 16, 2011 to August 23, 2011 (Both days inclusive)

d. Dividend Payment date : Credit / Despatch Between August 24, 2011 to September 20, 2011

e. Hospital Branches :

1. KMCH City Center 18 Vivekananda Road Ram Nagar Coimbatore - 641 009	2. KMCH Erode Center 68 Perundururai Road Erode - 638 011	3. KMCH Speciality Hospital 15 Palaniappa Street Erode - 638 009
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Hospital Address : Post Box No.3209
Avanashi Road
Coimbatore - 641 014

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

Bombay Stock Exchange Limited
(Scrip Code: 523323 Scrip Name: KOVAI MD)

Madras Stock Exchange Limited
(MSE – KOVAI)

Demat ISIN Number : NSDL INE 177F01017
: CDSL INE 177F01017



g. Listing Fee to the Stock Exchanges

The Annual Listing Fee for the year 2011-12 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 2011-12 to NSDL and CDSL on the basis of number of beneficial accounts maintained by them as on March 31, 2011.

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 31.3.2011, 30.46% 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 2010-2011, 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 the companies shares traded on Bombay and Madras Stock Exchanges from April 2010 to March 2011 were given below:

Name of the Stock Exchange	Month	High ₹	Low ₹	No. of Shares Traded	No. of Trades
Bombay	April 2010	175.90	122.10	1248389	21208
	May 2010	167.40	128.00	372500	7469
	June 2010	154.50	109.90	116889	2475
	July 2010	162.90	135.90	189448	3866
	August 2010	154.90	125.55	129194	2709
	September 2010	145.00	121.55	53214	1219
	October 2010	165.35	130.10	256607	5118
	November 2010	148.50	125.10	56755	968
	December 2010	143.40	121.10	9525	191
	January 2011	142.90	119.00	18291	244
	February 2011	129.00	109.60	19110	192
	March 2011	128.60	114.20	14597	155



As per the arrangement of Madras Stock Exchange with National Stock Exchange as approved by SEBI, the securities are allowed to be Traded at NSE platform.

Name of the Stock Exchange	Month	High ₹	Low ₹	No. of Shares Traded
Madras	April 2010	176.00	128.00	1752306
	May 2010	168.00	126.15	423566
	June 2010	155.00	133.90	113038
	July 2010	163.90	137.50	208115
	August 2010	152.65	126.45	147981
	September 2010	150.00	130.30	47144
	October 2010	167.00	132.00	551752
	November 2010	147.95	126.60	55035
	December 2010	139.80	121.10	14358
	January 2011	142.00	119.00	23888
	February 2011	130.00	110.05	13784
	March 2011	127.00	112.10	15883

11. REGISTRAR & TRANSFER AGENT AND DEPOSITORY REGISTRAR

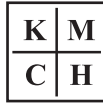
For shares held in physical mode as well as demat segments were handled by M/s GNSA Infotech Limited, G.R.Mansion, No.11 Srinivasa Road, Pondy Bazar, T.Nagar, Chennai – 600 017, Phone: (044)42962209 E-mail: sta@gnsaindia.com

12. SHARE TRANSFER SYSTEM

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

13. INVESTOR RELATIONS

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

**14. DISTRIBUTION OF SHAREHOLDERS**

a. Distribution of shareholding as at March 31, 2011

S.No	Slab of shareholdings (No. of shares)	No. of Shareholders	% of shareholders	No. of Equity Shares	% of Shareholding
1.	1 – 500	5855	85.51	832219	7.61
2.	501 – 1000	520	7.59	483685	4.42
3.	1001 – 2000	151	2.21	248552	2.27
4.	2001 – 3000	82	1.20	213849	1.95
5.	3001 – 4000	24	0.35	89344	0.82
6.	4001 – 5000	23	0.34	111884	1.02
7.	5001 – 10000	61	0.89	537019	4.91
8.	Above 10000	131	1.91	8425710	77.00
Total		6847	100.00	10942262	100.00

b. According to categories of shareholders as on March 31, 2011

S.No	Categories	No. of shares	%
1.	Promoters	5098470	46.60
2.	Bodies Corporate	1099174	10.04
3.	General Public	2917004	26.66
4.	Non-Resident Indians	1827614	16.70
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 March 31, 2011.

For Kovai Medical Center and Hospital Limited

Place: Coimbatore
Date: 18.05.2011**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, Coimbatore.

We have examined the compliance of conditions of Corporate Governance by KOVAI MEDICAL CENTER AND HOSPITAL LIMITED, for the year ended on 31.3.2011, 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.

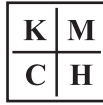
In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We 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 Haribhakti & Co.,
Chartered Accountants
Firm Regn No: 103523 W

C.S. SATHYANARAYANAN
Partner
Membership No.028328

Coimbatore
18.05.2011



Haribhakti & Co.,
Chartered Accountants

Shree Shanmugapriya
IInd floor, 454 Ponnaiyan Street,
Crosscut Road, Coimbatore - 641 012

To

The Members of KOVAI MEDICAL CENTER AND HOSPITAL LIMITED, Coimbatore.

1. We have audited the attached Balance Sheet of **KOVAI MEDICAL CENTER AND HOSPITAL LIMITED**, Coimbatore, as at March 31, 2011 and also the Profit and Loss Account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003, (as amended), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the paragraph 3 above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books (and proper returns adequate for the purposes of our audit have been received from branches not visited by us.
 - iii. The Balance Sheet, Profit and Loss Account and cash flow statement dealt with by this report are in agreement with the books of account.
 - iv. In our opinion, the Balance Sheet, Profit and Loss Account and cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - v. On the basis of the written representations received from the Directors, as on March 31, 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2011 from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - vi. In our opinion and to the best of our information, and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
 - 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.

Coimbatore
18.05.2011

For Haribhakti & CO.
Chartered Accountants
Firm Registration No.103523W
C.S. SATHYANARAYANAN
Partner



ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of Kovai Medical Center and Hospital Limited, Coimbatore on the financial statements for the year ended March 31, 2011]

- 1) (a) The Company is in the process of updating its records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) All the fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification when compared to the available records.
 - (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.
- 2) (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
 - (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification carried out at the end of the year.
- 3) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
 - (b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- 4) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct weakness in internal control system of the company.
- 5) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.
 - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- 6) In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- 7) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.



- 8) The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the company.
- 9) (a) 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, customs duty, excise duty, cess and other material statutory dues applicable to it.

Further, since the Central Government has till date not prescribed the amount of cess payable under section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the Statute	Nature of dues	Amount (₹)	Period to which the amount relates	Forum where dispute is pending
Customs Act	Customs Duty	189.46 Lakhs	1999 - 2000 & 2000 - 2001	High Court, Chennai.

- 10) The company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- 11) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- 12) According to the information and explanations given to us and based on the documents and records produced to us, the company has not granted loans & advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- 14) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- 15) In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- 16) In our opinion, the term loans have been applied for the purpose for which the loans were raised.



KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

- 17) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- 18) According to the information and explanation given to us, 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.
- 19) According to the information and explanations given to us, no debentures have been issued by the company during the year.
- 20) The Company has not raised money by way of public issue during the year.
- 21) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

For Haribhakti & Co.
Chartered Accountants
Firm Registration No.103523W

C.S. SATHYANARAYANAN
Partner
Membership No.028328

Coimbatore
18.05.2011


BALANCE SHEET

As at March 31,

(₹ in Lacs)

	Sch.No	2011	2010
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a. Share Capital	1	1094.23	1094.23
b. Reserves & Surplus	2	3981.34	2930.67
		5075.57	4024.90
2. Loan Funds:			
a. Secured Loans	3	18917.55	10806.49
b. Unsecured Loan	4	307.41	11.37
		19224.96	10817.86
3. Deferred Tax Liability (Net)	5	1193.83	785.87
TOTAL CAPITAL EMPLOYED		25494.36	15628.63
II. APPLICATION OF FUNDS:			
1. Fixed Assets:	6		
a. Gross Block		23251.53	13946.67
b. Less: Accumulated Depreciation		4725.49	4100.69
c. Net Block		18526.04	9845.98
d. Capital work in progress		4714.82	4221.46
		23240.86	14067.44
2. Investments	7	360.27	360.27
3. Current Assets, Loans & Advances			
a. Current Assets	8		
1. Inventories		575.51	500.37
2. Sundry Debtors		232.91	431.55
3. Cash & Bank Balances		2832.09	1283.09
4. Other Current Assets		2.98	37.27
b. Loans & Advances	9	659.47	670.56
		4302.96	2922.84
Less:			
4. Current Liabilities & Provisions	10		
a. Current Liabilities		1952.80	1339.96
b. Provisions		456.93	381.96
		2409.73	1721.92
Net Current Assets (A - B)		1893.23	1200.92
Notes on Accounts	11		
TOTAL ASSETS		25494.36	15628.63

SCHEDULES 1 TO 11 FORM PART OF THIS BALANCE SHEET

Vide our report of even date attached

 For Haribhakti & Co.,
 Chartered Accountants,
 Firm Reg. No.103523 W

C.S.SATHYANARAYANAN

Partner

Membership No. 028328

Coimbatore

18.05.2011

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,

(₹ in Lacs)

	Sch. No	2011	2010
INCOME			
Operating Income	A	17463.76	13007.29
Other Income	B	131.54	186.12
Total Income		17595.30	13193.41
EXPENDITURE			
Cost of Goods sold (Pharmacy)	C	2650.62	2045.15
Hospital Consumables	D	3107.70	2247.42
Operating Expenses	E	4706.40	3545.09
Personnel Cost	F	2271.83	1718.68
Administrative & Other expenses	G	1131.87	961.41
Total Expenditure		13868.42	10517.75
Profit Before Finance cost, Depreciation & Tax		3726.88	2675.66
Less : Finance Cost	H	1111.24	483.71
Profit Before Depreciation and Tax		2615.64	2191.95
Less : Depreciation	6	662.70	468.80
Profit Before Taxation		1952.94	1723.15
Less : Provision for Taxation -			
Current Tax		400.00	484.40
MAT Credit		(64.66)	-
Deferred Tax		407.96	90.40
Earlier Year Tax		-	(10.23)
Profit after Taxation		1209.64	1158.58
Add : Surplus from the Previous year		585.72	486.64
Amount available for Appropriation		1795.36	1645.22
Appropriations			
- Proposed Dividend		136.78	136.78
- Tax on Dividend		22.19	22.72
- Transfer to General Reserve		1000.00	900.00
- Surplus in Profit & Loss Account transferred to Balance Sheet		636.39	585.72
		1795.36	1645.22
Notes on Accounts	11		
Earnings per share (Basic and Diluted) (in ₹)		11.05	10.59
Face value of ₹ 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 Haribhakti & Co.,

Chartered Accountants

Firm Reg. No.103523 W

C.S.SATHYANARAYANAN

Partner

Membership No. 028328

Dr. NALLA G PALANISWAMI

Chairman and Managing Director

P.K. GOPIKRISHNAN

Chief Financial Officer

Coimbatore

18.05.2011

A.M. PALANISAMY

Director

S.P. CHITTIBABU

Company Secretary

**SCHEDULES TO THE BALANCE SHEET**

As at March 31,

(₹ in Lacs)

2011**2010****SCHEDULE NO : 1. SHARE CAPITAL****AUTHORISED**1,50,00,000 Equity Shares of ₹ 10/- each **1500.00** 1500.00**Issued, Subscribed & Paid-up**1,09,42,262 Equity Shares of ₹ 10/- each **1094.23** 1094.23**1094.23**1094.23**SCHEDULE NO : 2. RESERVES & SURPLUS****GENERAL RESERVE**Opening Balance **2344.95** 1444.95Add : Transfer From Profit and Loss A/C **1000.00** 900.00 2344.95**3344.95****Surplus in Profit and Loss A/C** **636.39** 585.72**3981.34**2930.67**SCHEDULE NO : 3. SECURED LOANS****Term Loan from Banks:**Indian bank **9556.88** 5692.75Indian Overseas bank **8854.88** 4949.10 10641.85**18411.76****Secured Overdraft From Bank**Indian Bank **505.79** 164.64**18917.55**10806.49



SCHEDULES TO THE BALANCE SHEET

As at March 31,

(₹ in Lacs)

	2011	2010
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SCHEDULE NO : 4. UNSECURED LOANS

From Banks

ICICI Bank Limited	-	1.80
Kotak Mahindra Bank Limited	-	1.86

-	3.66
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From Others

Kotak Mahindra Prime Limited(Hire Purchase)	2.48	8.54
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BMW India Financial Services Private Ltd	40.51	-
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SREI Equipments Finance Pvt Ltd	330.04	-
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373.03	12.20
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Less : Unmatured Finance Charges	65.62	307.41	0.83	11.37
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307.41	11.37
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SCHEDULE NO : 5. DEFERRED TAX LIABILITY (NET)

Deferred Tax Liability on account of Accumulated Depreciation	1241.46	873.20
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Less: Deferred Tax Asset on account of Provision for Bonus, Gratuity and Long Term compensated absence	47.63	87.33
--	-------	-------

1193.83	785.87
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KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

SCHEDULE NO : 6 FIXED ASSETS

(₹ in Lacs)

Description of Assets	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	Cost as at 01.04.10	Additions During the year	Sale/ Adjustment	Cost as at 31.03.11	Upto 31.03.10	For the Period	Withdrawn/ Adjustments	Upto 31.03.11	As at 31.03.11	As at 31.03.10
Land	628.87	-	-	628.87	-	-	-	-	628.87	628.87
Buildings	4470.30	3124.84	-	7595.14	347.12	96.77	-	443.89	7151.25	4123.18
Furniture, Fixtures & Office										
Equipments	753.32	79.52	-	832.84	363.74	40.71	-	404.45	428.39	389.58
Plant & Machinery	7482.53	5969.25	37.90	13413.88	3019.02	479.10	37.90	3460.22	9953.66	4463.51
Computer Installations	402.36	124.39	-	526.75	292.60	32.97	-	325.57	201.18	109.76
Vehicle	209.29	44.76	-	254.05	78.21	13.15	-	91.36	162.69	131.08
Total (A)	13946.67	9342.76	37.90	23251.53	4100.69	662.70	37.90	4725.49	18526.04	9845.98
Capital Work-in-Progress (B)	4221.46	9116.72	8623.36	4714.82	-	-	-	-	4714.82	4221.46
Total for the Year (A)+(B)	18168.13	18459.48	8661.26	27966.35	4100.69	662.70	37.90	4725.49	23240.86	14067.44
Previous year	11711.98	8734.24	2278.09	18168.13	3633.38	468.80	1.49	4100.69	14067.44	8078.60

Includes Asset costing less than ₹ 5000/- each aggregating to ₹ 12.58 lacs


SCHEDULES TO THE BALANCE SHEET

As at March 31,

(₹ in Lacs)

	2011	2010
SCHEDULE NO : 7. INVESTMENTS - AT COST		
Long Term - Non-Trade, Quoted		
a. 6100 Equity Shares of ₹10/- each Fully paid in Canara Bank (Market Value - ₹ 38,20,125/-, Previous Year - ₹ 25,02,220/-)	2.14	2.14
b. 2300 Equity Shares of ₹10/- each Fully Paid in Indian Overseas Bank (Market Value - ₹ 2,11,485/-, Previous year - ₹ 1,04,880/-) (Aggregate cost of Quoted Investments - ₹ 2,68,700/-) (Aggregate Market value - ₹ 41,50,865/-)	0.55	0.55
Long Term - UnQuoted		
372440 Equity Shares of ₹ 100/- each Fully Paid in Idhayam Hospitals Erode Limited (Aggregate cost of UnQuoted Investments - ₹ 3,57,58,000/-)	357.58	357.58
	<u>360.27</u>	<u>360.27</u>
SCHEDULE NO : 8. CURRENT ASSETS		
a. INVENTORIES		
1. Hospital Consumables	240.41	269.56
2. Pharmacy	294.71	198.28
3. Stores & Spares	18.62	14.97
4. Others	<u>21.77</u>	<u>17.56</u>
	575.51	500.37
b. SUNDRY DEBTORS		
1. Unsecured & Considered Good		
i. Outstanding for period exceeding six months	12.11	19.45
ii. Other debts	<u>220.80</u>	<u>412.10</u>
	232.91	431.55
2. Unsecured & Considered doubtful	<u>-</u>	<u>6.71</u>
	232.91	438.26
Less : Provision for Doubtful Debts	<u>-</u>	<u>6.71</u>
	232.91	431.55
c. CASH AND BANK BALANCES		
1. Cash & Cheques on Hand	72.01	28.51
2. Balance with Scheduled Banks in		
i. Deposit Account	2402.78	1126.66
ii. Current Account	325.96	101.95
iii. Unpaid Dividend account	<u>31.34</u>	<u>25.97</u>
	2832.09	1283.09
d. OTHER CURRENT ASSETS		
1. Rent Receivable	1.33	1.72
2. Other Charges Recoverable	<u>1.65</u>	<u>35.55</u>
	2.98	37.27
	<u>3643.49</u>	<u>2252.28</u>



SCHEDULES TO THE BALANCE SHEET

As at March 31,

(₹ in Lacs)

2011

2010

SCHEDULE NO : 9. LOANS & ADVANCES

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

(Unsecured Considered Good)

Advance for Purchase	4.12	3.98
Advance for Expenses	7.91	0.68
Other Advances	536.17	551.82
Tax Payment Pending Adjustments (Net of Provisions)	32.83	37.54
Prepaid Expenses	28.16	34.67
Deposits	50.28	41.87
	<u>659.47</u>	<u>670.56</u>

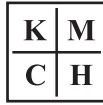
SCHEDULE NO : 10. CURRENT LIABILITIES & PROVISIONS

a. CURRENT LIABILITIES

1. For Creditors - Capital Items	758.84	443.28
2. For Creditors - Purchase	463.11	233.86
3. For Creditors - Expenses (Includes due to Small and Medium Enterprises ₹ 168.34 lacs)	350.69	215.88
4. Liabilities - Others	348.82	420.97
5. Unpaid Dividend account (Investor Education and Protection fund item Not Due)	31.34	25.97
	<u>1952.80</u>	<u>1339.96</u>

b. PROVISIONS

1. For Gratuity	259.38	195.82
2. For Long Term Compensated Absence	38.58	26.64
3. For Dividend	136.78	136.78
4. For Dividend Tax	22.19	22.72
	<u>456.93</u>	<u>381.96</u>
	<u>2409.73</u>	<u>1721.92</u>



SCHEDULES TO PROFIT AND LOSS ACCOUNT

For the Year Ended March 31,

(₹ in Lacs)

	2011	2010
SCHEDULE A : OPERATING INCOME		
Inpatients Revenue (TDS ₹ 259.55 Lacs)	10234.84	7397.38
Outpatients Revenue	3301.02	2639.66
Pharmacy Sales	3405.13	2543.89
Dietary Sales	<u>522.77</u>	<u>426.36</u>
	17463.76	13007.29
SCHEDULE B : OTHER INCOME		
Rent received (TDS ₹ 2.39 Lacs)	32.42	33.66
Other Receipts	48.71	68.71
Profit on Sale of Assets	5.05	-
Dividend income	0.69	0.59
Interest Income (TDS ₹ 5.35 Lacs)	37.96	83.16
Provision for Bad & Doubtful debts no Longer required - reversed	<u>6.71</u>	<u>-</u>
	131.54	186.12
SCHEDULE C : COST OF GOODS SOLD (PHARMACY)		
Opening Stock	198.28	157.84
Add: Purchases of Medicines	<u>2747.05</u>	<u>2085.59</u>
	2945.33	2243.43
Less: Closing Stock	<u>294.71</u>	<u>198.28</u>
	2650.62	2045.15
SCHEDULE D : HOSPITAL CONSUMABLES		
Opening Stock	269.56	211.47
Add: Purchases	<u>2979.45</u>	<u>2217.36</u>
	3249.01	2428.83
Less: Closing Stock	<u>240.41</u>	<u>269.56</u>
	3008.60	2159.27
Add: Lab Test Charges	<u>99.10</u>	<u>88.15</u>
	3107.70	2247.42
SCHEDULE E : HOSPITAL OPERATIVE EXPENSES		
Power & Fuel Charges	537.27	385.20
Dietary Expenses	477.36	406.55
Consultant Charges	2960.09	2203.85
Hospital Upkeep Expenses	451.12	377.71
Stores & Spares Consumed	52.99	13.33
Water Charges	138.39	93.72
Lease Rent - Equipments	<u>89.18</u>	<u>64.73</u>
	4706.40	3545.09


SCHEDULES TO PROFIT AND LOSS ACCOUNT

For the Year Ended March 31,

(₹ in Lacs)

	2011	2010
SCHEDULE F : PERSONNEL COST		
Salaries, Allowances & Bonus	2002.88	1551.38
Contribution to Provident and Other Funds	72.98	56.28
Staff Welfare Expenses	107.29	52.96
Gratuity	69.31	48.86
Long Term Compensated absence	19.37	9.20
	2271.83	1718.68
SCHEDULE G : ADMINISTRATIVE & OTHER EXPENSES		
Traveling & Conveyance	46.82	35.17
Printing & Stationery	112.05	75.16
Rent	89.69	82.98
Licence fees, rates & taxes	42.01	23.82
Telephone, Telex & Postage	30.56	27.51
Advertisement	102.45	61.74
Conference, Seminar & Exhibition Expenses	9.05	7.86
Insurance	12.94	9.32
Security Service Charges	60.20	58.79
Audit Remuneration (Inclusive of Service Tax)		
For Statutory Audit	7.17	7.17
For Other Service	1.21	1.13
	8.38	8.30
Hire Charges - Vehicle	15.64	19.92
Professional Charges	22.13	22.48
Subscription & Donation	1.45	6.18
Legal Fees	2.47	6.21
Directors' Sitting Fees	0.58	0.58
Loss on Sale of Fixed Assets	-	0.49
Provision for Bad Debts & Doubtful Debts	-	6.71
Repairs & Maintenance - Building	162.53	103.29
Repairs & Maintenance - Machinery	268.91	284.99
Repairs & Maintenance - Others	144.01	119.91
	1131.87	961.41
SCHEDULE H : FINANCE COST		
Interest on Fixed Loans		
Term Loans	1079.26	458.83
	1079.26	458.83
Interest on Other Loans		
Interest on Working Capital Loan	3.64	8.63
Bank Charges	27.58	13.44
HP Finance Charges	0.76	2.81
	31.98	24.88
	1111.24	483.71

**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, amortization and impairment. Cost includes preoperative expenses and all expenses related to acquisition and installation of the concerned assets.

(iii) BORROWING COSTS

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

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

(iv) IMPAIRMENT OF ASSETS

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

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

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

(v) INVESTMENTS

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

(vi) DEPRECIATION

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

(vii) INVENTORIES

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

(viii) FOREIGN CURRENCY TRANSACTIONS

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



(ix) REVENUE RECOGNITION

- a) Income and Expenditure are generally accounted on accrual basis except those with significant uncertainties.
- b) The income by way of Doctors' Consultancy Fees is considered as accrued as and when the amounts are finalized and certainty of recovery from Patients is ascertained. The liability towards Consultant Charges is considered as accrued as and when the claim is accepted and the liability is crystalised.
- 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. Paripasu Charge on the Land and appurtenances therewith located at Kalapatti Village at Coimbatore and land located at Erode.
 - b. Paripasu Charge on the entire fixed assets (Present & Future) of the company.
 - 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:
- Paripasu second charge on current assets by way hypothecation of present & future current assets including book debts & receivables.
 - 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. Secured and Unsecured Loans include an amount of ₹ 1276.48 Lacs repayable within a period of one year.

3. Deposit with Banks and others include:

- ₹ 4,000/- under lien to Sales Tax authorities towards sales tax deposit and
- ₹ 2,21,254/-under lien to Indian Bank towards margin for outstanding Letters of Credit. (Previous Year ₹ 41,91,454)

4. Loans & Advances includes ₹ 500 lacs of Lease Advance receivable from the Subsidiary Company (Lessor).

5. 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.

6. 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".

7. 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

(₹ in Lacs)

Particulars	Gratuity			Long Term compensated absence		
	2011	2010	2009	2011	2010	2009
Present Value of the obligation as on 01.04.10	195.82	149.52	113.61	26.64	17.43	9.31
Add:						
Current service cost	32.92	20.53	16.89	3.44	2.69	2.79
Interest Cost	13.12	9.93	8.68	1.56	1.17	0.72
Benefits paid	-5.75	-2.56	-4.86	-7.43	-	-
Actuarial gains and losses	23.27	18.40	15.20	14.37	5.35	4.61
Present value of the obligation as on 31.03.11	259.38	195.82	149.52	38.58	26.64	17.43

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

(₹ in Lacs)

Particulars	Gratuity			Long Term compensated absence		
	2011	2010	2009	2011	2010	2009
Present Value of the Plan asset as on 01.04.10	Nil	Nil	Nil	Nil	Nil	Nil
Add:						
Expected rate of return	Nil	Nil	Nil	Nil	Nil	Nil
Contribution by Employer	Nil	Nil	Nil	Nil	Nil	Nil
Benefits paid	5.75	Nil	Nil	7.43	Nil	Nil
Actuarial gains and losses	-5.75	Nil	Nil	-7.43	Nil	Nil
Fair value of the Asset as on 31.03.11	Nil	Nil	Nil	Nil	Nil	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 are as follows:

(₹ in Lacs)

Particulars	Gratuity			Long Term compensated absence		
	2011	2010	2009	2011	2010	2009
Present Value of the Plan asset as on 01.04.10	Nil	Nil	Nil	Nil	Nil	Nil
Current Service cost	22.69	20.53	16.89	3.44	2.68	2.79
Interest Cost	13.12	9.93	8.68	1.56	1.17	0.73
Expected return on plan assets	Nil	Nil	Nil	Nil	Nil	Nil
Net Actuarial (Gain)/Loss recognized in the year	23.27	18.40	15.20	14.37	5.35	4.61
Transitional Liability recognized in the year	Nil	Nil	Nil	Nil	Nil	Nil
Past service cost – Non vested benefits	Nil	Nil	Nil	Nil	Nil	Nil
Past Service cost – Vested Benefits	10.23	Nil	Nil	Nil	Nil	Nil
Amount recognized in the profit and loss account	69.31	48.86	40.77	19.37	9.20	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:

(₹ in Lacs)

Particulars	Gratuity			Long Term compensated absence		
	2011	2010	2009	2011	2010	2009
Investments made	Nil	Nil	Nil	Nil	Nil	Nil
Amounts held in Current account with bank	Nil	Nil	Nil	Nil	Nil	Nil
Investment in Company's own financial instruments	Nil	Nil	Nil	Nil	Nil	Nil
Investment in Property or other assets used by the Company	Nil	Nil	Nil	Nil	Nil	Nil

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

(₹ in Lacs)

Particulars	Gratuity			Long Term compensated absence		
	2011	2010	2009	2011	2010	2009
Discount rate	7.40%	6.80%	6.70%	7.40%	6.80%	6.70%
Salary Escalation rate	15.00%	10.00%	10.00%	15.00%	10.00%	10.00%
Attrition rate	35.00%	30.00%	25.00%	35.00%	30.00%	25.00%
Expected return on plan assets	0.00%	0.00%	0.00%	0.00%	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 31.03.11

(₹ in Lacs)

Particulars	Gratuity 2010-2011	Gratuity 2009-2010	Gratuity 2008-2009
Present value of obligation	259.38	195.81	149.52
Plan assets	Nil	Nil	Nil
Surplus/(Deficit) in Plan assets	(259.38)	(195.81)	149.52
The experience adjustments arising on the plan liabilities as on amount	(3.01)	(23.63)	(14.91)
The experience adjustments arising on the plan assets as on amount	Nil	Nil	Nil



(₹ in Lacs)

Particulars	Long Term Compensated Absence 2010-2011	Long Term Compensated Absence 2009-2010	Long Term Compensated Absence 2008-2009
Present value of obligation	38.58	26.63	17.43
Plan assets	Nil	Nil	Nil
Surplus/(Deficit) in Plan assets	-38.58	-26.63	-17.43
The experience adjustments arising on the plan liabilities as on amount	-11.01	-7.14	2.04
The experience adjustments arising on the plan assets as on amount.	Nil	Nil	Nil

8. Personnel Cost include :

(₹ in Lacs)

Remuneration to	Chairman & Managing Director		Joint Managing Director	
	31.03.11	31.03.10	31.03.11	31.03.10
Salary	14.10	10.20	11.25	7.20
Perquisites	3.64	3.23	5.20	3.50
	<u>17.74</u>	<u>13.43</u>	<u>16.45</u>	<u>10.70</u>
Commission on Net Profit (2% from 01.04.10 -31.03.11- CMD) (1% from 01.04.10-28.07.10- JMD & 2% from 29.07.10 to 31.03.11)	41.17*	26.24	34.45**	17.92
	<u>58.91</u>	<u>39.67</u>	<u>50.90</u>	<u>28.62</u>

* Commission paid at 2% of profits

** Commission paid at 1% / 2% of profits for the period 01.04.10 to 28.07.10 and 29.07.10 to 31.03.11 respectively on a pro-rata basis.

9. Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956 and the calculation of Chairman & Managing Director's Commission for the year ended March 31, 2011:

(₹ in lacs)

	31.03.2011	31.03.2010
Profit Before Tax as per Profit & Loss Account	1952.94	1723.15
Director's Sitting Fees	0.58	0.58
Add : Directors' Remuneration	25.35	17.40
Perquisites	8.84	6.73
Directors' Commission	75.62	44.16
Net Profit as per Section 198 of Companies Act, 1956	<u>2063.33</u>	<u>1792.02</u>
Commission:		
To CMD (2% from 01.04.10 – 31.03.11)	41.17	26.24
To JMD (1% from 04.04.10– 28.07.10 & 2% from 29.07.10 – 31.03.11)	34.45	17.92
Commission on Net Profit	<u>75.62</u>	<u>44.16</u>


KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

10. (i) CIF value of imports	<u>2010-2011</u>	(₹ in Lacs) <u>2009-2010</u>
a. Capital goods	1922.86	854.14
b. Spares	10.37	2.05
(ii) Earnings in Foreign Currency	NIL	NIL
(iii) Expenditure in Foreign Currency (Travel and Medical Journals)	7.28	14.76
(iv) Dividend paid in Foreign Currency		
a. Dividend (in Lacs)	23.39	23.70
b. No of Non Resident Share Holders (in Nos.)	90	92
c. No of Shares of ₹ 10 each held by them	1870892	1896498

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

12. The title of a piece of land belonging to the Company admeasuring 5000 Sq.ft is challenged legally by a third party which the Company is defending

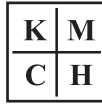
13. Contingent Liabilities:	<u>As at 31.3.2011</u>	(₹ in Lacs) <u>As at 31.3.2010</u>
a) Estimated amount of contracts remaining to be executed on capital account	772.12	3718.20
b) Letters of Credit for capital equipments	163.88	1868.92
c) Demand of Customs Duty raised by the authorities disputed and not acknowledged as due	189.46	189.46
d) Claims of various nature made against the Company not acknowledged as debt	93.71	99.21

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



(ii) Related Party Transactions :

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

(₹ in Lacs)

Nature of Business	Subsidiary Company	Key Mgmt Personnel	Other Related Parties	Total As on 31.03.2011	As on 31.03.2010
Lease Advance	500.00	-	-	500.00	500.00
Lease Rent paid	103.94	-	-	103.94	89.12
Interest on Lease Advance Received	30.00	-	-	30.00	30.00
Purchases	-	-	2662.96	2662.96	2103.62
Rent Receipts	-	-	2.45	2.45	4.90
IT Software & Hardware Maintenance Charges	-	-	14.66	14.66	13.24
Consultant Charges	-	-	10.69	10.69	6.23
Directors Remuneration, Commission & Perquisites	-	109.81	-	109.81	68.29
Directors Sitting Fees	-	0.58	-	0.58	0.58
Salary	-	-	1.76	1.76	-
Amount Payable	-	75.62	83.41	159.03	130.95
Amount Receivable	-	-	-	-	0.12

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

	<u>As on 31.03.11</u>	<u>As on 31.03.10</u>
1) Due to directors	75.62	44.70
2) Payable to Related Parties	83.41	86.25
3) Receivable from Related parties	Nil	0.12

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 AS 20

	<u>31.03.2011</u>	<u>31.03.2010</u>
Profit after tax (₹ in lacs)	1209.64	1158.58
Number of Shares issued in lacs	109.42	109.42
The nominal Value per equity Share ₹	10.00	10.00
Basic/Diluted EPS ₹	11.05	10.59

17. Provision for taxation includes provision for Wealth Tax . Income tax assessments have been provisionally completed upto the assessment year 2008-09.

18. Borrowing cost capitalized during the year ₹ 4,99,93,930/-

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

20. 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 HARIBHAKTI & CO
CHARTERED ACCOUNTANTS
FIRM REG.No.103523W

C.S.SATHYANARAYANAN
Partner
Membership No. 028328

Dr. NALLA G PALANISWAMI
Chairman and Managing Director

P.K. GOPIKRISHNAN
Chief Financial Officer

Coimbatore
18.05.2011

A.M. PALANISAMY
Director

S.P. CHITTIBABU
Company Secretary



CASH FLOW STATEMENT

For the year ended March 31,

(₹ in Lacs)

	2011	2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation and exceptional items	1952.94	1723.15
Adjustment for :		
Depreciation	662.70	468.80
Interest Expenses	1111.24	483.71
Interest Income	(37.96)	(83.16)
(Profit) / Loss sale of Assets	(5.05)	0.49
Provision for Bad & Doubtful Debts	(6.71)	-
Foreign Exchange gain on restatement of foreign currency liability	-	8.27
Dividend Income	(0.69)	(0.59)
	<u>1723.53</u>	<u>877.52</u>
Operating profit before working capital changes	3676.47	2600.67
Inventories	(75.14)	(105.72)
Trade & Other Payables	685.77	457.93
Trade & Other Receivables	179.36	(42.91)
	<u>789.99</u>	<u>309.30</u>
Cash generated from operations	4466.46	2909.97
Income Tax Paid	(342.57)	(516.17)
Net cash from operating activities: - A	<u>4123.89</u>	<u>2393.80</u>
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(9760.32)	(6466.69)
Sale of Fixed Assets	5.05	0.30
Interest received	37.96	83.16
Dividend received	0.69	0.59
	<u>(9716.62)</u>	<u>(6382.64)</u>
Net cash from investing activities - B	<u>(9716.62)</u>	<u>(6382.64)</u>



CASH FLOW STATEMENT

For the year ended March 31,

(₹ in Lacs)

	2011	2010
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Long term Borrowings (Net of repayment)	7769.91	3751.49
Unsecured Loans	296.04	(23.07)
Working Capital borrowings	341.15	51.09
Dividend & Tax on Dividend Paid	(154.13)	(157.30)
Interest Paid	(1111.24)	(483.71)
	<u>7141.73</u>	<u>3138.50</u>
Net cash used in financing activities - C	7141.73	3138.50
Net increase in cash and cash equivalents(A+B+C)	1549.00	(850.34)
Cash and Cash equivalent at beginning of Period	1283.09	2133.43
Cash and Cash equivalent at end of Period	<u>2832.09</u>	<u>1283.09</u>

As per our report of even date attached

For Haribhakti & Co.,

Chartered Accountants

Firm Reg No.103523 W

C.S.SATHYANARAYANAN

Partner

Membership No. 028328

Coimbatore

18.05.2011

Dr. NALLA G PALANISWAMI

Chairman and Managing Director

A.M. PALANISAMY

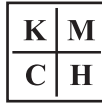
Director

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	:	31.03.2011

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

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

III. Position of Mobilisation and Deployment of funds:

(Amount in ₹ Lacs)

Total Liabilities	:	25494.36
Total Assets	:	25494.36

Sources of Funds

Paid up Capital	:	1094.23
Reserves and Surplus	:	3981.34
Secured Loans	:	18917.55
Unsecured Loans	:	307.41
Deferred Tax	:	1193.83

Application of Funds

Net fixed Assets	:	23240.86
Investments	:	360.27
Net Current Assets	:	1893.23
Misc. Expenditure	:	-

IV. Performance of Company (Amount in ₹ Lacs)

Total Income	:	17595.30
Total Expenditure	:	15642.36
Profit before Tax	:	1952.94
Profit after Tax	:	1209.64
Earning per share in ₹	:	11.05
Dividend	:	136.78

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



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

1. Name of the Subsidiary	Idhayam Hospitals Erode Limited
2. Financial Year ending	31.03.2011
3. No. of shares (fully paid up) held by the company on the above dates	372440 shares of ₹ 100 each
4. Extent of holding company's Interest	100%
5. Net aggregate amount of Subsidiary's Profit / (Loss) (₹ in Lacs)	
a) Not dealt within the accounts of the company	
i. For the current Financial year ended 31 st March, 2011	0.40
ii. For the previous Financial years	1.46
b) Dealt within the accounts of the company	
i. For the current Financial year ended 31st March, 2011	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
18.05.2011

A.M. PALANISAMY
Director

S.P. CHITTIBABU
Company Secretary

CONSOLIDATED FINANCIAL STATEMENTS



Auditors' Report to the Board of Directors of Kovai Medical Center and Hospital Limited on the consolidated Financial Statements

1. We have audited the attached Consolidated Balance Sheet of Kovai Medical Center and Hospital Limited ("the Company") and its Subsidiary (collectively referred to as "the group") as at 31st March, 2011 and also the consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have audited the financial statements of Idhayam Hospitals Erode Limited, a subsidiary, whose financial statements for the year ended 31 March 2011 reflect total assets of ₹ 372.44 Lacs and total revenue of ₹ 86.40 Lacs
4. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standards (AS) 21, "Consolidated financial statements", as notified pursuant to the Companies (Accounting Standards) Rules, 2006 and on the basis of the separate financial statements of Kovai Medical Center and Hospital Limited and its subsidiary.
5. Based on our audit on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give 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 state of affairs of the Group as at 31, March 2011;
 - (b) in the case of the Consolidated Profit and Loss Account ,of the profit for the year ended on that date; and
 - (c) in the case of the consolidated cash flow statement , of the cash flows of the Group for the year ended on that date.

For Haribhakti & Co.
Chartered Accountant
Firm Reg. No.103523 W

Coimbatore
18.05.2011

C.S. SATHYANARAYANAN
Partner
Membership No.028328


KOVAI MEDICAL CENTER AND HOSPITAL LIMITED
CONSOLIDATED BALANCE SHEET

As at March 31,

(₹ in Lacs)

	Sch. No.	2011	2010
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a. Share Capital	1	1094.23	1094.23
b. Reserves & Surplus	2	3953.83	<u>2902.76</u>
		5048.06	3996.99
2. Loan Funds:			
a. Secured Loans	3	18917.55	10806.49
b. Unsecured Loan	4	307.41	<u>11.37</u>
		19224.96	10817.86
3. Deferred Tax Liability (Net)	5	1193.83	<u>785.87</u>
TOTAL CAPITAL EMPLOYED		<u>25466.85</u>	<u>15600.72</u>
II. APPLICATION OF FUNDS:			
1. Fixed Assets:	6		
a. Gross Block		24378.79	15073.93
b. Less: Accumulated Depreciation		5127.61	<u>4454.02</u>
c. Net Block		19251.18	10619.91
d. Capital work in progress		4714.82	<u>4221.46</u>
		23966.00	14841.37
2. Investments	7	2.69	2.69
3. Current Assets, Loans & Advances			
a. Current Assets	8		
1. Inventories		575.51	500.37
2. Sundry Debtors		232.91	431.55
3. Cash & Bank Balances		2896.66	1302.76
4. Other Current Assets		2.98	<u>37.27</u>
		3708.06	2271.95
b. Loans & Advances	9	202.45	<u>209.60</u>
		3910.51	<u>2481.55</u>
Less:			
4. Current Liabilities & Provisions	10		
a. Current Liabilities		1955.42	1342.93
b. Provisions		456.93	<u>381.96</u>
		2412.35	<u>1724.89</u>
Net Current Assets		1498.16	756.66
Notes on Accounts	11		
TOTAL ASSETS		<u>25466.85</u>	<u>15600.72</u>

SCHEDULE 1 TO 11 FORM PART OF THIS BALANCE SHEET

Vide our report of even date attached

For Haribhakti & Co.,

Chartered Accountants

Firm Reg. No.103523 W

C.S.SATHYANARAYANAN

Partner

Membership No.028328

Coimbatore

18.05.2011

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,

(₹ in Lacs)

	Sch. No	2011	2010
INCOME			
Operating Income	A	17463.76	13007.29
Other Income	B	101.54	156.12
Total Income		17565.30	13163.41
EXPENDITURE			
Cost of Goods sold (Pharmacy)	C	2650.62	2045.15
Hospital Consumables	D	3107.70	2247.42
Operating Expenses	E	4620.00	3485.09
Personnel Cost	F	2271.83	1718.68
Administrative & Other expenses	G	1138.94	939.61
Total Expenditure		13789.09	10435.95
Profit Before Finance cost, Dep.& Tax		3776.21	2727.46
Less : Finance Cost	H	1111.29	483.81
Profit Before Depreciation and Tax		2664.92	2243.65
Less : Depreciation	6	711.49	518.77
Profit Before Taxation		1953.43	1724.88
Less : Provision for Taxation			
Current Tax		400.09	484.67
MAT Credit		(64.66)	90.40
Deferred Tax		407.96	-
Earlier Year Tax		-	(10.23)
Profit after Taxation		1210.04	1160.04
Add : Surplus from the Previous year		557.81	457.27
Amount available for Appropriation		1767.85	1617.31
Appropriations			
- Proposed Dividend		136.78	136.78
- Tax on Dividend		22.19	22.72
- Transfer to General Reserve		1000.00	900.00
- Surplus in Profit & Loss Account transferred to Balance Sheet		608.88	557.81
		1767.85	1617.31
Notes on Accounts	11		
Earnings per share (Basic and Diluted) (in ₹)		11.06	10.60
Face value of ₹ 10/- each			

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

Vide our report of even date attached

For Haribhakti & Co.,

Chartered Accountants

Firm Reg. No.103523 W

C.S.SATHYANARAYANAN

Partner

Membership No. 028328

Coimbatore

18.05.2011

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

As at March 31,

(₹ in Lacs)

	2011	2010
SCHEDULE NO : 1. SHARE CAPITAL		
AUTHORISED		
1,50,00,000 Equity Shares of ₹ 10/- each	<u>1500.00</u>	<u>1500.00</u>
Issued, Subscribed & Paid-up		
1,09,42,262 Equity Shares of ₹ 10/- each	<u>1094.23</u>	<u>1094.23</u>
	<u>1094.23</u>	<u>1094.23</u>
SCHEDULE NO : 2. RESERVES & SURPLUS		
GENERAL RESERVE		
Opening Balance	2344.95	1444.95
Add : Transfer From Profit and Loss A/C	<u>1000.00</u>	<u>900.00</u>
	<u>3344.95</u>	2344.95
Surplus in Profit and Loss A/C	<u>608.88</u>	<u>557.81</u>
	<u>3953.83</u>	<u>2902.76</u>
SCHEDULE NO : 3. SECURED LOANS		
Term Loan from Banks:		
Indian bank	9556.88	5692.75
Indian Overseas bank	<u>8854.88</u>	<u>4949.10</u>
	<u>18411.76</u>	10641.85
Secured Overdraft From Bank		
Indian Bank	505.79	164.64
	<u>18917.55</u>	<u>10806.49</u>
SCHEDULE NO : 4. UNSECURED LOANS		
From Banks		
ICICI Bank Limited	-	1.80
Kotak Mahindra Bank Limited	-	<u>1.86</u>
	-	3.66
From Others		
Kotak Mahindra Prime Limited (Hire Purchase)	2.48	8.54
BMW India Financial Services Private Ltd	40.51	-
SREI Equipments Finance Pvt Ltd	<u>330.04</u>	-
	<u>373.03</u>	<u>12.20</u>
Less : Unmatured Finance Charges	<u>65.62</u>	<u>0.83</u>
	<u>307.41</u>	<u>11.37</u>
	<u>307.41</u>	<u>11.37</u>
SCHEDULE NO : 5 DEFERRED TAX LIABILITY (NET)		
Deferred Tax Liability on account of Accumulated Depreciation	1241.46	873.20
Less: Deferred Tax Asset on account of Provision for Bonus, Gratuity & Long Term compensated absence	<u>47.63</u>	<u>87.33</u>
	<u>1193.83</u>	<u>785.87</u>

KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

SCHEDULE NO : 6 FIXED ASSETS (CONSOLIDATED)										(₹ in Lacs)	
Description of Assets	GROSS BLOCK				DEPRECIATION BLOCK			NET BLOCK			
	Cost as at 01.04.10	Additions During the year	Sale/ Adjustment	Cost as at 31.03.11	Up to 31.03.10	For the period	With drawn/ Adjustments	Up to 31.03.11	As at 31.03.11	As at 31.03.10	
Good Will	124.46	-	-	124.46	-	-	-	-	124.46	124.46	
Land	628.87	-	-	628.87	-	-	-	-	628.87	628.87	
Buildings	4807.87	3124.84	-	7932.71	387.71	102.27	-	489.98	7442.73	4420.16	
Furniture, Fixtures & Office											
Equipments	849.18	79.52	-	928.70	401.61	45.95	-	447.56	481.14	447.57	
Plant & Machinery	8039.17	5969.25	37.90	13970.52	3281.17	517.15	37.90	3760.42	10210.10	4758.00	
Computer Installations	415.09	124.39	-	539.48	305.32	32.97	-	338.29	201.19	109.77	
Vehicle	209.29	44.76	-	254.05	78.21	13.15	-	91.36	162.69	131.08	
Total (A)	15073.93	9342.76	37.90	24378.79	4454.02	711.49	37.90	5127.61	19251.18	10619.91	
Capital Work-in-Progress (B):-	4221.46	9116.72	8623.36	4714.82	-	-	-	-	4714.82	4221.46	
Total for the Year (A)+(B)	19295.39	18459.48	8661.26	29093.61	4454.02	711.49	37.90	5127.61	23966.00	14841.37	
Previous year	12839.24	8734.24	2278.09	19295.39	3936.74	518.77	1.49	4454.02	14841.37	8902.50	
Includes Asset costing less than ₹ 5000/- each aggregating to ₹ 12.58 lacs											


CONSOLIDATED SCHEDULES TO BALANCE SHEET

As at March 31,

(₹ in Lacs)

	2011	2010
SCHEDULE NO:7 INVESTMENTS -AT COST		
Long Term - Non-Trade,Quoted		
a. 6100 Equity Shares of ₹ 10/- each Fully paid in Canara Bank (Market Value - ₹ 38,20,125/-, Previous Year - ₹ 25,02,220/-)	2.14	2.14
b. 2300 Equity Shares of ₹ 10/- each Fully Paid in Indian Overseas Bank (Market Value - ₹ 2,11,485/-, Previous year - ₹ 1,04,880/-) (Aggregate cost of Quoted Investments - ₹ 2,68,700/-) (Aggregate Market value of Quoted Investments - ₹ 41,50,865/-)	0.55	0.55
	<u>2.69</u>	<u>2.69</u>
SCHEDULE NO:8 CURRENT ASSETS		
a. INVENTORIES		
1. Hospital Consumables	240.41	269.56
2. Pharmacy	294.71	198.28
3. Stores & Spares	18.62	14.97
4. Others	<u>21.77</u>	<u>17.56</u>
	575.51	500.37
b. SUNDRY DEBTORS		
1. Unsecured & Considered Good		
i. Outstanding for period exceeding six months	12.11	19.45
ii. Other debts	<u>220.80</u>	<u>412.10</u>
	232.91	431.55
2. Unsecured & Considered doubtful	<u>-</u>	<u>6.71</u>
	232.91	438.26
Less: Provision for Doubtful Debts	<u>-</u>	<u>6.71</u>
	232.91	431.55
c. CASH AND BANK BALANCES		
1. Cash & Cheques on Hand	72.13	28.65
2. Balance with Scheduled Banks in		
i. Deposit Account	2402.78	1126.66
ii. Current Account	390.41	121.48
iii. Unpaid Dividend account	<u>31.34</u>	<u>25.97</u>
	2896.66	1302.76
d. OTHER CURRENT ASSETS		
1. Rent Receivable	1.33	1.72
2. Other Charges Recoverable	<u>1.65</u>	<u>35.55</u>
	2.98	37.27
	<u>3708.06</u>	<u>2271.95</u>



CONSOLIDATED SCHEDULES TO BALANCE SHEET

As at March 31,

(₹ in Lacs)

	2011	2010
SCHEDULE NO:9 LOANS & ADVANCES		
(Recoverable in cash or in kind or for value to be received)		
(Unsecured Considered Good)		
Advance for Purchase	4.12	3.98
Advance for Expenses	7.91	0.68
Other Advances	36.17	51.82
Tax Payment Pending Adjustments (Net of Provisions)	71.77	72.54
Prepaid Expenses	28.16	34.67
Deposits	<u>54.32</u>	<u>45.91</u>
	202.45	209.60
SCHEDULE NO: 10 CURRENT LIABILITIES & PROVISIONS		
a. Current Liabilities		
1. For Creditors - Capital Items	758.84	443.28
2. For Creditors - Purchases	463.11	233.86
3. For Creditors - Expenses	353.11	39.48
(Includes due to Small and Medium Enterprises ₹ 168.34 Lacs)		
4. For Liabilities - Others	349.02	600.34
5. For Unpaid Dividend account (Investor Education and Protection fund item Not Due)	31.34	25.97
	<u>1955.42</u>	<u>1342.93</u>
b. Provisions		
1. For Gratuity	259.38	195.82
2. For Long Term Compensated Absence	38.58	26.64
4. For Dividend	136.78	136.78
5. For Dividend Tax	<u>22.19</u>	<u>22.72</u>
	456.93	381.96
	<u>2412.35</u>	<u>1724.89</u>


CONSOLIDATED SCHEDULES TO PROFIT AND LOSS ACCOUNT

For the year ended March 31,

(₹ in Lacs)

	2011	2010
SCHEDULE A : OPERATING INCOME		
Inpatients Revenue (TDS ₹ 259.55 Lacs)	10234.84	7397.38
Outpatients Revenue	3301.02	2639.66
Pharmacy Sales	3405.13	2543.89
Dietary Sales	522.77	426.36
	17463.76	13007.29
SCHEDULE B : OTHER INCOME		
Rent received (TDS ₹ 2.39 Lacs)	32.42	33.66
Other Receipts	48.71	38.71
Profit on Sale of Assets	5.05	-
Dividend income	0.69	0.59
Interest Income (TDS ₹ 0.80 Lacs)	7.96	83.16
Provision for Bad & Doubtful debts no longer required - reversed	6.71	-
	101.54	156.12
SCHEDULE C : COST OF GOODS SOLD (PHARMACY)		
Opening Stock	198.28	157.84
Add: Purchases of Medicines	2747.05	2085.59
	2945.33	2243.43
Less: Closing Stock	294.71	198.28
	2650.62	2045.15
SCHEDULE D : HOSPITAL CONSUMABLES		
Opening Stock	269.56	211.47
Add: Purchases	2979.45	2217.36
	3249.01	2428.83
Less: Closing Stock	240.41	269.56
	3008.60	2159.27
Add: Lab Test Charges	99.10	88.15
	3107.70	2247.42
SCHEDULE E : HOSPITAL OPERATIVE EXPENSES		
Power & Fuel Charges	537.27	385.20
Dietary Consumption	477.36	406.55
Consultant Charges	2960.09	2203.85
Hospital Upkeep Expenses	451.12	377.71
Stores & Spares Consumed	52.99	13.33
Water Charges	138.39	93.72
Lease Rent -Equipments	2.78	4.73
	4620.00	3485.09


CONSOLIDATED SCHEDULES TO PROFIT AND LOSS ACCOUNT

For the year ended March 31,

(₹ in Lacs)

	2011	2010
SCHEDULE F : PERSONNEL COST		
Salaries, Allowances & Bonus	2002.88	1551.38
Contribution to Provident and Other Funds	72.98	56.28
Staff Welfare Expenses	107.29	52.96
Gratuity	69.31	48.86
Long Term Compensated absence	19.37	9.20
	<u>2271.83</u>	<u>1718.68</u>
SCHEDULE G : ADMINISTRATIVE & OTHER EXPENSES		
Travelling & Conveyance	46.82	35.17
Printing & Stationery	112.13	75.22
Rent	89.69	56.58
Licence fees, rates & taxes	47.10	26.20
Telephone, Telex & Postage	30.56	27.51
Advertisement	102.45	61.74
Conference, Seminar & Exhibition Expenses	9.05	7.86
Insurance	12.94	9.32
Security Service Charges	60.20	58.79
Audit Remuneration (inclusive of Service Tax)		
For Statutory Audit	8.82	8.93
For Other Service	1.28	1.36
	<u>10.10</u>	<u>10.29</u>
Hire Charges - Vehicle	15.64	19.92
Professional Charges	22.31	22.65
Subscription & Donation	1.45	6.18
Legal Fees	2.47	6.21
Directors' Sitting Fees	0.58	0.58
Loss on Sale of Fixed Assets	-	0.49
Provision for Bad Debts & Doubtful Debts	-	6.71
Repairs & Maintenance - Building	162.53	103.29
Repairs & Maintenance - Machinery	268.91	284.99
Repairs & Maintenance - Others	144.01	119.91
	<u>1138.94</u>	<u>939.61</u>
SCHEDULE H : FINANCE COST		
Interest on Fixed Loans		
Term Loans	1079.26	458.83
	<u>1079.26</u>	<u>458.83</u>
Interest on Other Loans		
Interest on Working Capital Loan	3.64	8.63
Bank Charges	27.63	13.54
HP Finance Charges	0.76	2.81
	<u>32.03</u>	<u>24.98</u>
	<u>1111.29</u>	<u>483.81</u>

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 related to Kovai Medical Center and 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 MARCH 31, 2011

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

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

2. The value of Investments made by the wholly owned subsidiary company Idhayam Hospitals Erode Limited has been accounted in compliance with Accounting standard (AS - 23).

3. Figures have been rounded off to nearest thousands.

4. The company has initiated the process of obtaining confirmation from suppliers who have registered themselves under the "Micro, Small and Medium Enterprises Act, 2006". Based on the evidence and declarations obtained, there are no dues warranting interest payment under the "Micro, Small and Medium Enterprises Act, 2006".

5. Other Notes Forming part of Accounts :

These are set out in and under "Notes forming part of accounts for the year ended March 31, 2011" as given in the Unconsolidated Financial Statements of Kovai Medical Center and Hospital Limited.

Signatures to Schedules 1 to 11 & A to H

Vide Our Report of even Date Attached

HARIBHAKTI & CO

Chartered accountants

Firm Reg.no. 103523W

C.S.SATHYANARAYANAN

Partner

Membership No.:028328

Coimbatore

18.05.2011

DR. NALLA G PALANISWAMI

Chairman and Managing Director

A.M.PALANISAMY

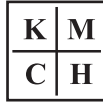
Director

P.K.GOPIKRISHNAN

Chief Financial Officer

S.P.CHITTIBABU

Company Secretary



CONSOLIDATED CASH FLOW STATEMENT

For the year ended March 31,

(₹ in Lacs)

	2011	2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Taxation & Extraordinary items	1953.43	1724.88
Adjustment for :		
Interest Expense	1111.29	483.81
Interest Income	(7.96)	(83.16)
Depreciation	711.49	518.77
Foreign Exchange gain on restatement of foreign currency liability.	-	8.27
(Profit) / Loss Sale of Fixed Assets	(5.05)	0.49
Provision for bad & doubtful debts	(6.71)	-
Dividend Income	(0.69)	(0.59)
	<u>1802.37</u>	<u>927.59</u>
Operating profit before working capital changes	3755.80	2652.47
Trade & Other Receivables	175.33	(50.47)
Inventories	(75.14)	(105.72)
Trade & Other Payables	685.42	410.02
	<u>785.61</u>	<u>253.83</u>
Cash generated from Operations	4541.41	2906.30
Income Tax Paid	(342.57)	(516.17)
	<u>(342.57)</u>	<u>(516.17)</u>
Net Cash from Operating Activities: - A	<u>4198.84</u>	<u>2390.13</u>
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(9760.32)	(6466.69)
Sale of Fixed Assets	5.05	0.30
Interest received	7.96	83.16
Dividend received	0.69	0.59
	<u>(9746.62)</u>	<u>(6382.64)</u>
Net Cash from Investing Activities - B	<u>(9746.62)</u>	<u>(6382.64)</u>



CASH FLOW STATEMENT

For the year ended March 31,

(₹ in Lacs)

	2011	2010
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Long term Borrowings (Net of repayment)	7769.91	3751.49
Unsecured Loans	296.04	(23.07)
Working Capital borrowings	341.15	51.09
Dividend Paid	(154.13)	(157.30)
Interest Paid	<u>(1111.29)</u>	<u>(483.81)</u>
	7141.68	3138.40
Net cash used in financing activities - C	<u>7141.68</u>	<u>3138.40</u>
Net increase in cash and cash equivalents (A+B+C)	1593.90	(854.11)
Cash and Cash equivalent at beginning of Period	1302.76	2156.87
Cash and Cash equivalent at end of Period	<u>2896.66</u>	<u>1302.76</u>

As per our report of even date attached

For Haribhakti & Co.,

Chartered Accountants

Firm Reg No.103523 W

C.S.SATHYANARAYANAN

Partner

Membership No. 028328

Coimbatore

18.05.2011

Dr. NALLA G PALANISWAMI

Chairman and Managing Director

A.M. PALANISAMY

Director

P.K. GOPIKRISHNAN

Chief Financial Officer

S.P. CHITTIBABU

Company Secretary

**KOVAI MEDICAL CENTER AND HOSPITAL LIMITED**

Disclosure of information relating to the subsidiary companies as required by the ministry of corporate Affairs, Government of India vide their General Circular No. 2 / 2011 dated 08.02.2011.

Particulars	Idhayam Hospitals Erode Limited (₹ in lacs)
a) Share Capital	372.44
b) Reserves & surplus	-
c) Total Assets	372.44
d) Total liabilities	372.44
e) Details of investment	-
f) Operating income on lease basis	86.40
g) Profit/(loss) Before tax	0.49
h) Provision for taxation	0.09
l) Profit/(loss) After tax	0.40
j) Proposed Dividend	-
k) Reporting Currency	Indian Rupee(INR)