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## **BOARD OF DIRECTORS**

Mr. Bhavdeep Singh, Chairman  
Mr. Krish Ramesh, Whole Time Director  
Dr. Nithya Ramamurthy  
Mr. P Murari  
Mr. Ramesh L.Adige  
Mr. Sanjay Jayavarthanavelu

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## **COMPANY SECRETARY**

Mr. Prashant Khattry

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## **AUDITORS**

K.GOPALAN & Co.,  
Chartered Accountants,  
G2,Padmaja Flats,  
5/3, Cart Track Road,  
T.Nagar, Chennai - 600 017.

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## **REGISTERED OFFICE**

52, First Main Road, Gandhi Nagar,  
Adyar, Chennai - 600 020  
Phone: + 91 - 44 - 2491 4023, 2491 4393  
+ 91 - 44 - 4289 2222

# KEY EVENTS 2009-2010



1st Anniversary of Escorts Heart Institute  
@ Fortis Malar Hospital



Basic Life Support - Training program to Auto Drivers  
Inaugurated by Traffic Commissioner



Openings of Fortis Malar Hospital - Information Centres in Tamil Nadu & Andhra Pradesh



CSR - School Camp along with IIT



Inauguration of Escorts Chest Pain Clinics



Participation @ Dinamalar Expo



More than 15 Cardiac Outreach Camp Conducted



Employee Engagement Program in Hospital - Big FM RJ Deena Participation

# MESSAGE FROM THE CHAIRMAN



Dear Shareholders,

It is my pleasure to share the Fortis Malar Hospitals Limited 2009-2010 performance with you. I am delighted to share that the year gone by has been a very important year as the hospital took some quantum leaps in terms of financial performance, improved patient care, quality, clinical excellence and process management.

The year gone by has been significant for your hospital, with turnover nearly doubling to Rupees 64 crores from Rupees 33 crores in the previous year. The net profit of the company stands at Rs.350.29 lakhs for the year ended March 31, 2010 against a loss of Rs. 175.72 lakhs in 2008-2009. The hospital continues to be certified as compliant with the requirements of ISO 9001: 2000, by the International

Certification Services Limited and this certification is valid until February, 2011.

Over the past year, the company has made significant investments on the renovation of the Fortis Malar hospital building. The lobby has been entirely refurbished and the hospital exterior modernized. In addition, we now have a new Radiology department, a greatly improved OPD floor as well as a new blood bank. Ongoing facility improvement will continue to remain a focus, going forward. The hospital also used the opportunity to acquire some state-of-the-art medical equipment and this has brought about a dramatic improvement in our patient care services. All of these enhancements have combined to raise the service levels in our hospital, and this in turn has contributed to excellent revenue growth and increased profits.

Our clinical excellence is reflected in the better clinical outcomes we have seen across several specialities - Cardiac sciences, Neuro sciences, Renal sciences, Orthopaedics, to name only a few. As compared to the prior year, all of our specialities have grown. The company has also opened Information Centres across the Tamil Nadu state and we have entered into some key foreign tie-ups to enhance our international business. Additional business from overseas has already started flowing in and we expect it to increase in the years ahead.

An effective internal audit system is a fundamental component of good governance and the company has appointed an independent team of internal auditors that continuously monitors the operations and processes of the organization in every aspect of the hospital. The primary focus of internal auditing, as it relates to corporate governance, is to help the Audit Committee of the Board of Directors to discharge its duties responsibly and effectively. As an organization, we take corporate governance very seriously and the audit process adopted by the company is a key enabler in ensuring compliance at all levels.

Your company continues to maintain its high discipline over budgetary controls, with day to day monitoring by the facility management supported by periodic reviews by the corporate office. This streamlined approach has helped in the effective planning and co-ordination required for making sound business decisions. We use this disciplined approach in planning for the future and to attain our objectives for each department, each operation and each manager, thereby bringing about greater purpose and direction for the organization and more predictable outcomes.

A high standard of human resource management is critical to delivering medical excellence to our customers and, in health care, this covers the diverse clinical and non-clinical staff. Human resources are among the most important inputs within a healthcare system and its performance, as well as the benefits it delivers, depends largely upon the knowledge, skills and motivation of those that are responsible for delivering the health services. Various initiatives through the year have helped contribute to our increased human resource efficiency and training is organized regularly for employees in each department. Wherever possible, outsourced services have served to convert fixed labour expenditures into variable

costs as one more means of improving efficiency. I want to make particularly mention of the emphasis we place increasingly on quality nursing and the focus we are bringing to development opportunities for our nursing staff. We will continue to ensure that this area remains central for us, in the future as well.

With a good year of progress behind us, we look forward to the coming year and would continue to focus on patient care and clinical excellence. Fortis Malar would grow in terms of expanding our current hospital infrastructure, strengthening current medical programs and focus on organ transplants.

Finally, Fortis Malar remains committed to clinical excellence and patient care, and this is manifest in every aspect of our hospital design, patient services, and medical programmes. I take this opportunity to thank every member of our Board, for their guidance and support; and all our medical and non-medical hospital staff, for their passion and commitment. I especially thank all of you, our esteemed shareholders, for your confidence in the company.

Best Wishes

Place : Chennai

Date : 14th May, 2010

(Bhavdeep Singh)



# NOTICE TO THE ANNUAL GENERAL MEETING

**Notice is hereby given that the Nineteenth Annual General Meeting of the Company will be held on Friday, the 20th day of August, 2010 at 2.30 P.M. at P.Obul Reddy Hall, Sri Thyaga Brahma Gana Sabha (Regd) – Vani Mahal, 103, G.N. Road, T. Nagar, Chennai – 600 017, to transact the following business:**

## **AS AN ORDINARY BUSINESS:**

1. To consider and adopt the Audited Balance Sheet as at March 31, 2010 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Statutory Auditors thereon.
2. To appoint a director in place of Mr. Sanjay Jayavarthanavelu, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Dr. Nithya Ramamurthy, who retires by rotation and being eligible, offers herself for re-appointment.
4. To appoint Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration. M/s K Gopalan & Co., Chartered Accountants, are eligible for re-appointment.

## **AS SPECIAL BUSINESS:**

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

“RESOLVED THAT Mr. Bhavdeep Singh, who was appointed as an Additional Director w.e.f 30th March, 2010 and who holds office pursuant to Section 260 of the Companies Act, 1956 hereinafter referred to as ‘(the Act)’ upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of the Director, be and is hereby appointed as the Director of the Company, liable to retire by rotation”.

“RESOLVED FURTHER THAT the Board of Directors and Company Secretary be and are hereby severally authorized to do all such acts, deeds, things to give effect to the above resolution.”

6. 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 Sections 16, 94(1)(a) and other applicable provisions,

if any, of the Companies Act, 1956( including any statutory modification or re-enactment thereof for the time being in force), the Authorized Share Capital of the Company be increased from Rs. 20,00,00,000 (Rupees Twenty Crores) to Rs. 30,00,00,000 (Rupees Thirty Crores) by addition of 1,00,00,000 (One Crore) Equity Shares of Rs. 10 (Rupees Ten) each aggregating to Rs. 10,00,00,000 (Rupees Ten Crore).”

“RESOLVED FURTHER THAT sub clause ix of Clause C of the Memorandum of Association be substituted as under:

C(ix) The Authorized Share Capital of the Company is Rs. 30,00,00,000 (Rupees Thirty Crores) divided into 3,00,00,000 (Three Crore) Equity Shares of Rs. 10/- (Rupees Ten) each”

“RESOLVED FURTHER THAT the Board of Directors and Company Secretary be and are hereby severally authorized to do all such acts, deeds and things and to sign all such documents, papers & writings as may be necessary, expedient and incidental to give effect to this resolution.”

7. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act 1956 or any statutory modification(s) or re-enactment(s) thereof, the Articles of Association of the Company be and are hereby amended by insertion of Article No. 1AA of the Articles of Association of the Company in the manner and to the extent as set out below:-

1AA. The Authorised Shares Capital of the Company shall be such amount and be divided into such shares as may, from time to time, be provided in sub clause ix of Clause C of the Memorandum of Association with power to increase or reduce the Capital and divide the shares in the Capital of the Company for the time being into Equity Share Capital and Preference Share Capital and to attach thereto respectively any preferential, qualified or special rights, privileges or conditions as may be determined in accordance with these presents and modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be permitted by the said Act.

“RESOLVED FURTHER THAT the Board of Directors and Company Secretary be and are hereby severally authorized to do all such acts, deeds and things and to sign all such documents, papers & writings as may be necessary, expedient and incidental to give effect to this resolution.”

8. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 198, 269, 302, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force) (hereinafter referred to as “the Act”), read with Schedule XIII to the Act and subject to further approval of the Central Government and all other applicable regulatory approvals, consent(s) and permission(s) as may be necessary in this regard and subject to such conditions as may be imposed by the Central Government while granting such approval(s)/ as are agreed by the Board of Directors (which expression shall include any Committee thereof and any person authorized by the Board in this behalf), the consent of the Company be and is hereby granted for increase in remuneration payable to Mr. Krish Ramesh, Whole Time Director of the Company, w.e.f. 30th April, 2010, for his remaining tenure as Whole Time Director i.e. till 29th April, 2013, on the terms and conditions as set out below:

### **SALARY**

Rs.19,80,000/- (Rupees Nineteen Lacs Eighty Thousand ) per annum with power to the Board of Directors to increase the salary upto a sum not exceeding Rs. 30,00,000/- (Rupees Thirty Lacs) per annum.

### **PERFORMANCE AND RETENTION INCENTIVE**

For each financial year, a performance and retention incentive of Rs.25,00,000/- (Rupees Twenty Five Lacs) with power to the Board of Directors to increase it upto a sum not exceeding Rs. 40,00,000/- (Rupees Forty Lacs).

### **PERQUISITES & ALLOWANCES**

In addition to the aforesaid salary, Mr. Ramesh will be entitled to perquisites including but not limited to rent free furnished accommodation, car, telephone, medical reimbursement, personal accident insurance, group hospitalization, club fees, leave travel for self and family, such number of options as may be granted to him under any ESOP Scheme of the Company for the time being in force and any other reimbursements, allowances or perquisites in accordance with the rules of the Company.”

“RESOLVED FURTHER that, “ the monetary value of such perquisites / allowances will be limited to Rs. 33,00,000/- (Rupees Thirty Three Lacs) per annum, with authority to the Board of Directors to increase it from time to time upto an amount not exceeding Rs. 50,00,000/- (Rupees Fifty Lacs) per annum and that the perquisites shall be evaluated as per Income Tax Rules, wherever applicable and in the absence of any such rule, they shall be evaluated at actual cost.”

“RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to modify/amend the remuneration components within the overall limit of Rs. 1,20,00,000/- (Rupees One Crore Twenty Lacs) per annum.”

“RESOLVED FURTHER THAT following shall not be included in the aforesaid limits:

- i) Contribution to Provident Fund and superannuation Fund or Annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961;
- ii) Gratuity payable at the rate not exceeding half months salary for each completed year of service;
- iii) Encashment of unavailed leave as per Rules of the Company.”

### **“RESOLVED FURTHER THAT**

- (i) in the event of inadequacy or absence of profits in any financial year during the tenure of the Whole Time Director, he will be entitled to the above remuneration (inclusive of allowances, perquisites and commission, if any) by way of minimum remuneration.
- (ii) subject to superintendence, control and direction of the Board of Directors of the Company, he shall perform such duties and functions as would be commensurate with his position as the Whole Time Director of the Company and as may be delegated to him from time to time.
- (iii) being whole time director, he shall not be paid any sitting fee for attending the meetings of Board of Directors or Committees thereof.
- (iv) he will be entitled to reimbursement of entertainment and all other expenses actually and properly incurred by him in the course of legitimate business of the Company.
- (v) the Company or he shall be entitled to terminate this appointment by giving three months notice in writing or such shorter notice as may be mutually agreed between him and the Company, or in lieu of notice, payment by the Company or by him to the Company, equivalent to three months' last drawn remuneration.



(vi) he shall not be liable to retire by rotation.”

“RESOLVED FURTHER THAT the Directors and the Secretary of the Company be and are hereby severally authorized to do all such acts, deeds and things and to sign all such documents, papers and writings as may be necessary to give effect to the above resolution.”

By the order of the Board,  
For **Fortis Malar Hospitals Limited**

Place: Chennai.

**Prashant Khattry**

Dated: 14th May, 2010

Company Secretary

**NOTES:**

1. A MEMBER WHO IS ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/ HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, TO BE EFFECTIVE SHALL BE DULY FILLED, STAMPED, SIGNED AND DEPOSITED, NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING AT THE REGISTERED OFFICE AT 52, FIRST MAIN ROAD, GANDHI NAGAR, ADYAR, CHENNAI – 600 020.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, is enclosed herewith which forms part of the Notice.
3. The additional information on directors seeking appointment or re-appointment at the Annual General Meeting has been provided in the Report on Corporate Governance.
4. The Register of Members and Share Transfer Books of the Company shall remain closed from 17th August, 2010 to 20th August, 2010 (both days inclusive).
5. In terms of Section 219(1) of the Companies Act, 1956, as also Clause 32 of the Listing Agreement, the full and complete annual report containing, inter alia, the full sets of all the documents referred to therein are available for inspection at the Registered Office of the Company during the working hours on all business days beginning from the date of this Notice till the date of the AGM.
6. Members are requested to bring their copy of Annual Report and Accounts to the Meeting.
7. Members are requested to bring the Attendance Slip duly filled in and hand over the same at the entrance of the Meeting Hall.
8. Members who hold shares in electronic form are requested to notify any change in their particulars like change in address, etc., to their respective Depository Participants immediately. Members who hold shares in physical form are requested to notify any change in their particulars like change in address, etc., to the Registrars.
9. Corporate members are requested to send a duly certified copy of the Board Resolution / Power of Attorney authorizing their representative to attend and vote at the Annual General Meeting.
10. In case of joint holders attending the meeting, only such joint holder who is higher in the order of name shall be entitled to vote.
11. For security reasons, no article / baggage will be allowed at the venue of the meeting. The members / attendees are strictly requested to not to bring any article/baggage, etc. at the venue of the meeting.
12. The members who holds shares in dematerialized form are requested to bring their Client Id and DP ID.Nos for easier identification of attendance at the meeting.
13. Those members who have not yet got their Equity Shares dematerialized, are requested to contact any of the Depository Participants in their vicinity for getting their shares dematerialized. In case of any clarifications, undersigned may be contacted in person or by communication addressed at the Corporate Office of the Company.
14. Consequent upon the introduction of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them. The Shareholders holding shares in physical form & desirous of making nominations may send their nomination request in prescribed form 2B of Companies (General Rules & Forms), 1956 which can be obtained from the Company's Registrar, GNSA INFOTECH PRIVATE LIMITED at GR MANSION, 11, SRINIVASA ROAD, PONDY BAZAR, T.NAGAR, CHENNAI or download from the Company's website. Members desiring any information on the Accounts are required to write to the Company at its Registered Office, giving at least 7 days notice prior to the date of Annual General Meeting to enable the Management to compile and keep the information ready.

## EXPLANATORY STATEMENT

(Pursuant to section 173(2) of the Companies Act, 1956)

### ITEM NO. 5

The Board of Directors of your Company had co-opted Mr. Bhavdeep Singh having rich experience in various fields, as an additional director of the Company w.e.f. 30th March, 2010, pursuant to provisions of section 260 of the Companies Act, 1956 and Article 11(9) of the Articles of Association of the Company. The brief details of his qualification, experience etc. is given in Corporate Governance Report of the Company.

As per section 260 of the Companies Act, 1956 he will hold office upto the date of ensuing Annual General meeting. The Company has received notice in writing from one shareholder of the Company proposing his candidature for office of Director under section 257 of the Companies Act, 1956.

Your Directors believe that with his appointment as Non Executive Director / Chairman of the Company, the Company would be benefited from the expertise and knowledge of the above said director in various fields. Hence, the resolution as set out at item No.5 of the notice are recommended for your approval. A copy of the resolution passed by the Board of Directors on 30th March, 2010 is open for inspection by the members at the Registered Office of the Company during working hours between 11.00 A.M. to 1.00 P.M. on any working day upto the date of this Annual General Meeting.

None of the Directors except Mr. Bhavdeep Singh is concerned or interested in the said resolution.

### ITEM NO. 6 AND 7

The present Authorized Share Capital of the Company is Rs 20,00,00,000 (Rupees Twenty Crore) divided into 2,00,00,000 Equity shares of Rs. 10/- (Rupees Ten) each.

In view of broadening the Capital base and for any future funds requirement, the Board of Directors of the Company in their meeting held on 14th May, 2010, proposed to increase the Authorized Share Capital of the Company from Rs. 20,00,00,000 to Rs. 30,00,00,000, by addition of 1,00,00,000 (One Crore Only) Equity Shares of Rs.10 each aggregating to Rs. 10,00,00,000 (Rupees Ten Crore) and for that purpose sub clause ix of Clause C of the Memorandum of Association and insertion of Clause 1AA in Articles of Association of the Company is proposed to be suitably altered/inserted as set out as ordinary resolution and special resolution respectively in the accompanying notice.

As per the provisions of Section 94 read with Section 16 of the Companies Act, 1956, a Company may by passing ordinary resolution increase its authorized share capital and

alter the capital clause of the Memorandum of Association of the Company and as per the provision of Section 31 of the Companies Act, a Company may by passing special resolution alter the Articles of Association of the Company.

All the documents relevant to the resolutions specified in the notice are open for inspection by the shareholders of the Company at the Registered office of the Company between 11.00 A.M. to 01.00 P.M. on only working day upto the date of this Annual General Meeting.

The Resolutions at No. 6 and 7 are therefore, placed for approval of the members.

None of the Directors of the Company is, in any way, concerned or interested in the said resolutions.

### ITEM NO. 8

Mr. Krish Ramesh was appointed as Whole Time Director of the Company for a period of 5 years w.e.f 30th April, 2008 subject to the approval of the Central Government pursuant to section 269 of the Companies Act, 1956. Subsequently, Central Government has also conferred its approval for appointment of Mr. Krish Ramesh vide its letters dated 15th October, 2008 and 29th January, 2009.

Keeping in view the consistent progress made by the Company under the leadership and guidance of Mr. Krish Ramesh, who has successfully made the Company as one of the largest private healthcare companies in South India with quality healthcare and service excellence, the remuneration committee of the Board of Directors vide resolution dated 13th April, 2010 recommended to the Board of Directors for increase in the remuneration of Mr. Krish Ramesh w.e.f 30th April, 2010. Further the Board of Directors vide resolution dated 13th April, approved aforesaid increase in remuneration for the remaining period of his tenure as Whole Time Director i.e. till 29th April, 2013 subject to the approval of Shareholders of the Company and the Central Government under section 198,269, 309, 310 read with schedule XIII of the Companies Act, 1956.

The Board of Directors recommends the resolution at Item No. 8 for approval of shareholders.

The following additional information as required by Schedule XIII to the Companies Act, 1956 is given here below:

#### I. GENERAL INFORMATION

- (i) Nature of Industry: Business of providing healthcare services and running multi specialty hospitals.
- (ii) Date or expected date of commencement of commercial production: The Company was incorporated on 13th April, 1989

- (iii) In case of new Companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus : NOT APPLICABLE
- (iv) Financial performance based on given indicators as per Audited Financial Results for the year ended 31st March, 2009.

Particulars	For the year ended 31st March, 2009 (Rs. In Lacs)
Turnover and other Income	3332.80
Net profit/ (loss) as per Profit & Loss A/c	(175.71)

- (v) Export performance and net foreign exchange earnings, collaborations : Nil
- (vi) Foreign investments or collaborations, if any : Nil

## II. INFORMATION ABOUT THE APPOINTEE

- (i) Background Details:

Mr. Krish Ramesh, is the Whole Time Director of the Company. He graduated with a B.Sc., Maths from Madras University and holds professional qualifications of C.A.I.I.B from the Indian Institute of Bankers and ICWA from the Institute of Cost & Works Accountants of India. He passed the final examination of ICWA with all India Seventh Rank.

He has worked in varying industries and has around 26 years of rich and varied experience including a long stint with Hindustan Lever Ltd. & Hindustan Aeronautics Ltd. He had also worked in HT Media Ltd., Delhi as Chief Financial Officer (Mint) & Head – SAP.

Mr. Krish joined the Fortis group as the Zonal Director-South Zone in April, 2008 and later appointed as Whole Time Director of the Company. He has been responsible for the overall performance of the Company that includes revenues, profits, operations strategy, growth ideas, alliances, medical programmes & Corporate Governance. The Company is achieving new heights during his ongoing tenure.

Mr. Krish is also a non- executive director in Malar Stars Medicare Limited and Lalitha Healthcare Private Limited.

- (ii) Past Remuneration Drawn:

In terms of Central Government approval dated 15th October, 2008 and 29th January, 2009, Mr. Krish Ramesh is entitled to a total remuneration in the range of minimum of Rs. 72.08 Lacs to a maximum of Rs. 102 Lacs p.a. During Financial Year ended 31st March, 2009, Rs. 64.83 Lacs was paid to Mr. Krish Ramesh, comprising of salary, allowances, monetary value of

perquisites. (Remuneration includes a provision of Rs. 25 Lacs for performance incentives)

- (iii) Recognition and Awards/Achievements:

Mr. Krish was Rank holder in ICWA from the Institute of Cost & Works Accountants of India.

- (iv) Job profile and his Suitability:

Mr. Krish joined the Fortis group as the Zonal Director-South Zone in April, 2008 and later appointed as Whole Time Director of the Company. He has been responsible for the overall performance of the Company that includes revenues, profits, operations strategy, growth ideas, alliances, medical programmes & Corporate Governance. The Company is achieving new heights during his ongoing tenure.

Over the last 2 years, the Company has revamped the infrastructure in its hospital in Chennai, added medical and non-medical talent, introduced new medical specialties and introduced processes and system to improve overall patient care. The endeavor has been to constantly improve the service levels and to position the hospital as a preferred destination for high end tertiary care in the region.

Under the able guidance of Mr. Krish, the Company has been growing steadily and has become today as one of the largest private healthcare companies in South India. Mr. Krish Ramesh, armed with invaluable insights, possesses rich experience and capabilities for managing the fast increasing business activities of the Company.

- (v) Remuneration Proposed:

Salary, other perquisites and allowances and performance as fully set out in Item No. 8 of the Notice.

- (vi) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin) :

The remuneration proposed is commensurate with the remuneration package paid to similar senior level appointees in other companies.

- (vii) Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any: Nil

## (III) OTHER INFORMATION :

- (i) The profitability of the Company (herein after referred as FMHL) has been adversely affected on account of the following factors:

1. The dependence of business on Professionals: With rising competition in the field of healthcare, the demand for professional doctors/nurses/paramedical staff has gone up and the supply is limited. Due to the same, the industry observes high attrition ratio and to retain the staff or get the same people back, the company needs to keep offering suitable remuneration to these professionals.
  2. Recently Company has invested huge capital expenditure in order to revamp the infrastructure of the hospital, added new processes and system and new medical specialities.
  3. FMHL plans to grow aggressively through organic and inorganic route, which further puts pressure to the existing low profit margins.
  4. The company faces stiff competition from leading/Charitable hospitals and medical Centers in the region.
  5. The healthcare segment is underserved in the country and is dependant for growth on the private sector and the Insurance Industry. Last year, approximately 20% of the revenues of the company were serviced by the insurance sector. In developed countries, this contribution is far higher.
- (ii) Steps taken or proposed to be taken for improvement:
1. With the support of skilled doctors dedicated to quality patient care and modern, patient-centric hospital facilities and a Cost-effective business model, the Company expects better and improved cash flows in the future.
  2. The Company is in expansion mode since commencement of operations and cash flows were being utilized to fund upcoming projects. The operations are now being stabilized and a continuous improvement can be seen.
  3. Occupancy is the driver of revenues in the hospitality industry and the company has been ensuring that the quality of patient care in all the facilities is at its level best. We expect this to act as a catalyst to drive occupancies. The Company has performed various community outreach programme and expanded the referral network for the hospital to improve occupancy rates. Our occupancies have grown from 40% to 85% and we expect the growth in business to continue and stabilize.
4. The Company focuses on high-end quality healthcare services for reducing the average length of stay (ALOS) of the inpatients thereby increasing the average income per bed in use and thus improving the utilization rates.
  5. With growing number of Lifestyle diseases like Cardiac, Neuro-sciences and Orthopedics etc., there is a huge demand for Multi Specialty and Super Specialty hospitals. FMHL has been servicing these areas for some time now and expects the patient confidence to remain and expand to the communities.
  6. Venturing into various countries to attract foreign patients by creating information centre in Srilanka, Gulf and Eastern African countries which ensures bringing International patients to the hospital.
  7. Supply chain management handled by our Central Buying unit which also helps in getting pharmaceuticals at reduced rate than the market price further helps in controlling the cost and increase in profits for the Company.
  8. The Company is also in the process to apply for getting the National Accreditation Board for Hospitals (NABH) certification in quality care.
- (iii) Expected increase in productivity and profits in measurable terms:
- The Company expects to improve the occupancy rate in the hospital unit and thereby increasing the total revenues and profitability. Further, the company is focusing on providing the high-end healthcare services thereby increasing the average income per bed in use and thus improving the utilization of all services. The Company has already commenced Cardiac and Neuro facilities and to offer certain new medical programme to deliver improved growth. The Company believes that the aforesaid measures would substantially increase the revenue and profits of the Company. Over the last two years the Company's revenues has increased more than 250% and is now poised for further bettering these results in the months and years to come.

By the order of the Board,  
**For Fortis Malar Hospitals Limited**

Place: Chennai.  
 Dated: 14th May, 2010

**Prashant Khattry**  
 Company Secretary

## DIRECTORS' REPORT

Dear Members,

Your Directors present the Nineteenth Annual Report on business operations together with the Audited Financial statements and the Auditors' Report of your Company for the financial year ended 31st March 2010.

### PERFORMANCE HIGHLIGHTS

The financial highlights of your Company as a Consolidated for the year under review are given below:

Rs. in lakhs

Particulars	For the year ended 31st March 2010	For the year ended 31st March 2009
Total Income	6,424.47	3,332.81
Total Expenditure	5,462.20	2922.14
Profit Before Interest Tax & Depreciation	962.27	410.67
Less: Financial Cost	163.51	71.88
Less: Depreciation / Provision for Obsolescence / Impairment	265.04	173.02
Profits / (Losses) before Tax	533.72	165.77
Net Profits / (Losses) after Tax	350.29	(175.72)

The financial highlights of your Company as a standalone entity for the year under review are given below:

Rs. in lakhs

Particulars	For the year ended 31st March 2010	For the year ended 31st March 2009
Total Income	6,424.48	3,332.81
Total Expenditure	5,462.64	2922.14
Profit Before Interest, Tax & Depreciation	961.84	410.67
Less: Financial Cost	163.51	71.88
Less: Depreciation/Provision for Obsolescence/Impairment	265.04	173.02
Profits/(Losses) for the period	533.29	165.77
Net Profits/ (Losses)	349.99	(175.72)

### FINANCIAL PERFORMANCE

In the current financial year ended 31st March, 2010, your Company has achieved a total income of Rs.6,424.48 lakhs as against Rs 3,332.81 lakhs during the previous Financial Year ended 31st March, 2009. The Net Profit before Tax and exceptional items for the period amounted to Rs. 533.72 lakhs as against Rs. 165.77 lakhs of the last Financial Year ended 31st March, 2009. The Net profit of the company is at Rs.350.29 lakhs for these twelve months ended 31st March, 2010 against loss of Rs. 175.72 lakhs for corresponding period ending 31st March, 2009.

### OPERATIONS

This year the company has invested substantially on renovation of the building and latest state of the art Medical Equipments. The company has refurbished the entire lobby and changed the look of the hospital and exterior covering significant portions of the building. The Patient Care Services underwent drastic improvements all of which resulted in improved service levels which in turn contributed to the excellent revenue growth and consequently leading to improved profits to Rs.350.29 Lakhs against the Loss of Rs.175.72 Lakhs of previous year. All specialties grew compared to the previous year. The company has opened Information Centers across the State and also entered into foreign tie-ups with a view to enhance the International business. The business from international community has started flowing in and we are hopeful to get good amount of business from various countries in the succeeding years.

Number of Cardiac sciences showed a tremendous growth. Dr.K.R.Balakrishnan along with his Cardiac sciences team has performed complex surgeries. His patients includes infant to Geriatrics. As a measure of social responsibility we have tied up Government for conducting surgeries on infants/babies under the “Tamil Nadu Ilam Sirar Scheme”. We have also tied up with Government Insurance Scheme for BPL patients under “Kalaingar Insurance Scheme” under which many deserving patients availed the treatment.

#### **DIVIDEND AND TRANSFER OF RESERVES**

In view of the unavailability of distributable profits, your Directors express their inability to recommend any dividend for the year. During the year under review, no amount has been transferred to reserves.

#### **STOCK OPTION PLANS**

Pursuant to the provisions of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, as amended from time to time, the details of stock options as on March 31, 2010 under the “Employees Stock Option Plan 2008” are set out in the Annexure to this Directors’ Report.

#### **CHANGE OF NAME OF THE COMPANY**

Your Company has been a Fortis Network Hospital since February 2008. Over the last 18 months, your Company under the guidance of new Board has revamped the infrastructure in its hospital in Chennai, added medical and non-medical talent, introduced new medical specialties and introduced processes and system to improve overall patient care. Fortis with its formidable Pan-India presence has established brand equity and systems and processes designed to provide international standard of quality and safety. With a view to position the hospital as a preferred destination for high end territory care in the region, your directors proposed to change the name of your Company from Malar Hospitals Limited to Fortis Malar Hospitals Limited which got approved by your overwhelming majority and also confirmed by the Registrar of Companies, Tamil Nadu by issuing a fresh Certificate of Incorporation consequent upon change of name on 23rd day of December 2009.

#### **SUBSIDIARIES**

On, 7th July, 2009, your Company incorporated a wholly owned subsidiary viz. Malar Stars Medicare Limited. The main objects of the said wholly-owned subsidiary include to set up, manage / administer hospitals and to provide medicare and health care services. The statement pursuant to Section 212 of the Companies Act, 1956 is attached and forms part of the Annual Report.

In accordance with Accounting Standard 21 relating to consolidated financial statements your Directors have pleasure in attaching the said consolidated financial statements, which form part of this report and accounts. These statements have been prepared on the basis of audited financial statements received from the Subsidiary Company as approved by its Board.

#### **DEPOSITS**

During the year under review your Company has not accepted any deposits under Section 58A of the Companies Act, 1956 read with the Company (Acceptance of Deposits) Rules, 1975.

#### **DIRECTORS**

Mr. Shivinder Mohan Singh resigned from the Directorship and Chairmanship of the Company w.e.f March 30, 2010 and Mr. Yogesh Kumar Sareen resigned from the Directorship of the Company w.e.f March 30, 2010. The Board wishes to record its sincere appreciation for the valuable services and support rendered by them during their tenure as a Chairman and Director of the Company respectively.

Mr. Bhavdeep Singh was appointed as an Additional Director and Chairman of the Company w.e.f. March 30, 2010. Pursuant to the provisions of Section 260 of the Companies Act, 1956, Mr. Bhavdeep Singh holds office upto the date of the ensuing Annual General Meeting and is eligible for appointment as Director of the Company in terms of Section 257 of the Companies Act, 1956.

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Sanjay Jayavarthanavelu and Dr. Nithya Ramamurthy shall retire by rotation as Directors at the ensuing Annual General Meeting and being eligible, they have offered themselves for re-appointment.

#### **DISCLOSURES UNDER SECTION 217 OF THE COMPANIES ACT, 1956**

Except, as disclosed elsewhere in the report, there have been no material changes and commitments, which can affect the financial position of the Company between the end of the financial year and the date of report.



Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, regarding employees is annexed to this Report. However, in terms of Section 219(1) (b) (iv) of the Companies Act, 1956, the Report and Accounts are being sent to the shareholders excluding this annexure. Any shareholder interested in obtaining such information may write at the Registered Office of the Company.

#### **DIRECTORS' RESPONSIBILITY STATEMENT:**

As required under Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

- a) In the preparation of Annual Accounts, the applicable Accounting Standards have been followed.
- b) Appropriate accounting policies have been selected and applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2010 and of its profit for the period ended on that date.
- c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and preventing and detecting fraud and other irregularities.
- d) The annual accounts have been prepared on a going concern basis.

#### **AUDITORS**

M/s. K. Gopalan & Co., Chartered Accountants, statutory auditors of the company, hold office until the conclusion of the ensuing Annual General Meeting. The Company has received a letter from M/s K. Gopalan & Co for their appointment/reappointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for such appointment/reappointment within the meaning of Section 226 of the said act.

The Notes on Accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

#### **VOLUNTARY DELISTING OF SHARES**

The application for Delisting of securities of the Company from Madras Stock Exchange Limited (MSE), Chennai, is pending before Madras Stock Exchange Limited. The Company's Equity Shares shall continue to be listed at Bombay Stock Exchange Limited (BSE) which has nation wide trading terminals.

#### **DEMATERIALISATION OF SHARES**

Your company has entered into agreements with the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for dematerialization of the shares of the company. Accordingly the shares of your company are available for dematerialization and can be traded in Demat form.

#### **REPORT ON CORPORATE GOVERNANCE**

Your company continues to strive towards highest standards of Corporate Governance while interacting with all the stakeholders.

The Report of Board of Directors of the Company on Corporate Governance is given in separate section titled "Report on Corporate Governance 2009-2010" which forms part of this Annual Report.

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

As required by Clause 49 of the Listing Agreement with the Stock Exchanges, the Management Discussion & Analysis is given separately and forms part of this Annual Report.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS/OUTGO.**

The particulars as required under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, are set in the Annexure included in this report.

#### **ACKNOWLEDGEMENTS**

Your company is grateful for the co-operation and assistance extended by various Banks and the Government of Tamil Nadu. The Board also wishes to place on record its appreciation of the dedicated services of our consultants, employees and other members of the hospital. The Board also places on record its sincere appreciation to the Shareholders for reposing faith in the management of the Company.

For and on behalf of the Board

Place : Chennai  
Date : 14th May, 2010.

**Bhavdeep Singh**  
Chairman

## ANNEXURE TO DIRECTORS' REPORT

### ESOP Disclosure in Directors' Report Details of Employee Stock Option Plan 2008 for the year ended March 31, 2010 (As Per Clause 12 of SEBI (ESOS and ESPS) Guidelines, 1999)

3,70,000 options were granted during the year under review and 2,95,000 options are outstanding as on March 31, 2010.

#### 1. Options Granted

A total of 9,29,712 equity shares equivalent to 5% of the then total paid-up share capital has been earmarked for ESOP 2008. Out of these, as on March 31, 2010, 3,70,000 options equivalent to 1.99% of the paid-up share capital of the Company, have been granted to various employees/Directors of the Company and its subsidiaries.

#### 2. Pricing Formula

The grant price is determined based on the closing price of the Equity Shares of the Company, prior to the date of meeting of the Remuneration Committee in which stock options are granted, on the stock exchange on which the shares of the Company are listed.

The closing price of the shares of the Company at the Bombay Stock Exchange Limited on August 20, 2009 was Rs. 26.20 per share. Accordingly, exercise price of the options granted by the Remuneration Committee at its meeting held on August 21, 2009 was fixed at Rs. 26.20 per Equity Share of Rs. 10 each.

#### 3. Options Vested

Under the above mentioned Scheme, as on March 31, 2010, no options were vested.

#### 4. Options Exercised

Since none of the options have been exercised till date and thus, no options have been exercised till date.

#### 5. Total Number of Options lapsed/forfeited/cancelled as on March 31, 2010

75,000 options have been cancelled as on March 31, 2010.

#### 6. Total Number of Shares arising due to Exercise of Options

As on March 31, 2010, 2,95,000 shares would arise due to exercise of the options granted under the scheme (assuming the vesting of valid options and exercise of all valid options vested).

#### 7. Variation of Terms of Options

No variations have been made to the terms of the options with respect to the original grant.

#### 8. Money realized by exercise of Options

As no options have been exercised till date and hence no money has been realized till date.

#### 9. Total number of Options in force

As on March 31, 2010 - 295,000 valid options were in force.

#### 10. Vesting Schedule

Subject to the right of remuneration committee to, in its absolute discretion, vary or alter the vesting date for an employee or class of employees, the options will vest in the ratio 25% each year at the end of the first, second, third & fourth year from the date of grant.

#### 11. Person wise details of options granted to:

##### a) Senior Managerial Personnel

Under the said scheme, 85,000 options, in aggregate, have been granted to 3 Senior Management personnel of the Company and its subsidiaries. However, names of the said personnel have not been disclosed here, keeping in view the sensitivity.

- b) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year

During the year, there were 5 employees who have been granted options aggregating to 1,30,000 amounting to 5% or more of the options granted during the said year . However, names of such employees have not been disclosed here ,keeping in view the sensitivity.

- c) Employees getting options more than 1% of issued Equity Share Capital - Nil

## 12. Diluted Earnings Per share

Diluted EPS, pursuant to issue of shares on exercise of option calculated in accordance with AS-20 is Rs. 1.85.

## 13. Employee compensation cost

The Company has calculated its Employee Compensation Cost on Intrinsic Value Method and the cost is zero. However, the Compensation Cost, if computed on fair value basis (as per Black Scholes Model) is Rs. 6.09 lacs for the year.

14. Impact on profits of the Company and on the EPS arising due to the difference of the fair value of the Stock Options over the intrinsic value of the Stock Options for the Financial Year ended March 31, 2010.

Impact on Profit: Rs.6.09 Lacs

Impact on EPS: Negligible

Under the above mentioned scheme, the exercise price of the options granted on August 21, 2009 is Rs. 26.20. The fair value of each option, as calculated using the Black Scholes Option Valuation Model is Rs.13.45 only.

## 15. Option valuation methodology

The Company has used Intrinsic Value Method; However, for estimating the fair value of the options granted, Black Scholes Option Valuation Model has been used.

### 15.1 Risk free interest rate

The risk free interest rate being considered for the calculation is the interest rate applicable for maturity equal to the expected life of the option based on the zero coupon yield curve for Government securities as on date of grant.

### 15.2 Expected life

A four year vesting schedule applies on all the options granted to the employees. Thus, 25% of the options granted would vest on the completion of 12/24/36/48 months from the grant date

### 15.3 Expected volatility

Volatility is calculated based on the daily volatility of the stock prices on BSE, over a period of one year prior to the date of grant.

### 15.4 Expected dividends

No dividend has been paid as yet due to the incidence of losses in past years.

### 15.5 Price of underlying share at time of grant of option

The fair value of the shares at the time of grant of options on August 21, 2009 was Rs. 26.20.

16. **Weighted average exercise price and weighted average fair value of options whose exercise price either equals or exceeds or is less than the market price of the stock**

Weighted Average fair value - Rs.13.45.

Weighted Average Exercise price - Rs. 26.20.

For and on behalf of the Board,

Place : Chennai  
Date : 14<sup>th</sup> May, 2010

**Bhavdeep Singh**  
Chairman

## ANNEXURE TO DIRECTOR'S REPORT

INFORMATION AS PER SECTION 217(1)(e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2010.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

#### A. CONSERVATION OF ENERGY

- a) Energy conservation measures taken:
- We have installed 1250 KVA transformer for re-distribution of the power.
  - We continued to replace some more electrical boards which were the cause of high consumption of power with the new electrical boards.
  - Replaced old electrical cables which were installed 20 years back with the new cables.
  - We installed VCBs to avoid frequent tripping of power
  - Revamp of Public areas to ensure proper distribution of lighting with minimum light fittings.
- b) Additional investment and proposals if any being implemented for reduction of consumption of energy:
- Nil
- c) Impact of measures of (a) & (b):  
Saving of energy and reduction in costs.

#### B. TECHNOLOGY ABSORPTION

##### 1. RESEARCH & DEVELOPMENT(R & D):

- Nil

##### 2. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION:

- a) Efforts in brief, made towards technology absorption, adaptation & innovation:
- Installation of 1250 KVA transformer.
  - Installation of VCBs for better distribution of power;
  - Purchase of state of the art Medical Equipments;
  - Revamp of Public areas to ensure proper distribution of lighting with minimum light fittings.
- b) Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.
- The new loop will help in improving flow, avoid stagnation and improve quality of water for dialysis and scrubbing.
- c) In case of imported technology (imported during last 5 years reckoned from the beginning of the financial year) following information may be furnished:
- Nil

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- a) Activities relating to exports: initiatives taken to increase exports; development of new export markets for products and services; and export plans
- Nil
- b) Total foreign exchange earned and used:
- |                    |  |
|--------------------|--|
| (i) Earnings :     | Rs. Nil                                  |
| (ii) Expenditure : | CIF Value of Imports-<br>Rs. 195.72 Lacs |
| Others :           | Rs. Nil                                  |

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### INTRODUCTION

Healthcare is emerging as one of the fast-growing service sectors in India, contributing 6% to the country's Growth Domestic Product (GDP). Since the year 1990, India has emerged as one of the fastest growing economies in the developing world. Indian economy has witnessed significant growth rate of more than 6% over past six years.

With a growing economy, higher disposable income and central budgets, the country is expected to dedicate a higher amount of capital to healthcare. The Indian healthcare industry has witnessed phenomenal growth over the past few years and is expected to continue its fast pace.

As two-third of the expenditure on healthcare is contributed by the private sector, it offers huge growth opportunity for corporate hospitals and healthcare providers. Given this, listed private sector companies offer promising opportunity to investors.

Government is giving tax incentives under Section 80IB of Income Tax Act to encourage hospitals to be set up anywhere in India with at least one hundred beds for patients. This is an incentive to private players to set up new green field hospitals across India. The increased penetration of medical insurance is also helping the growth of the private sector in healthcare. The insured population can avail of the high-priced better quality treatment provided by the players in the sector. The stocks of healthcare companies have performed varyingly on the bourses.

### INDUSTRY STRUCTURE AND DEVELOPMENT

The healthcare industry includes establishments ranging from small-town private practices of physicians who employ only one medical assistant to busy inter-city hospitals that provide thousands of diverse jobs. Hospitals provide complete medical care, ranging from diagnostic services, to surgery, to continuous nursing care. Some hospitals specialize in treatment of the mentally ill, cancer patients, or children. Hospital-based care may be on an inpatient (overnight) or outpatient basis. The mix of workers needed varies, depending on the size, geographic location, goals, philosophy, funding, organization, and management style of the institution. As hospitals work to improve efficiency, care continues to shift from an inpatient to outpatient basis whenever possible. The government, traditionally the largest healthcare provider, is now under pressure to meet evolving and rising demands for healthcare services across the country.

The healthcare industry in the country, which comprises hospital and allied sectors, is projected to grow 23 per cent per annum to touch US\$ 77 billion by 2012 from the current estimated size of US\$ 35 billion, according to a Yes Bank and an industry body report published in November

2009. The sector has registered a growth of 9.3 per cent per annum between 2000-2009, comparable to the sectoral growth rate of other emerging economies such as China, Brazil and Mexico. According to the report, the growth in the sector would be driven by healthcare facilities, both private and public sectors, medical diagnostic and path labs and the medical insurance sector.

The share of tertiary care in the total healthcare market is around 11 percent. Market for tertiary care is expected to grow at a faster rate, due to rise in complex life style related disease such as heart diseases, diabetes and cancer. With rise in income levels and increasing adoption of health insurance, the demand for tertiary care is expected to grow.

An increasing number of public and private healthcare facilities are expected to propel demand for the industry, accounting for another US\$ 6.7 billion in this period.

### HEALTH INSURANCE

The Indian health insurance market has emerged as a new and lucrative growth avenue for both the existing players as well as the new entrants. According to a latest research report "Booming Health Insurance in India" by research firm RNCOS released in April, 2010, the health insurance market represents one of the fastest growing and second largest non-life insurance segment in the country. The Indian health insurance market has posted record growth in the last two fiscals (2008-09 and 2009-10). Moreover, as per the report, the health insurance premium is expected to grow at a CAGR of over 25 per cent for the period spanning from 2009-10 to 2013-14.

According to the Yes bank and an industry body report published in November 2009, the medical insurance sector would account for US\$ 3 billion in the next three years, up from the estimated current size of over US\$ 1.31 billion in 2008-2009.

Health insurance premium collections touched US\$ 1.31 billion in 2008-09 compared to US\$ 1.3 billion in the previous year, the Insurance Regulatory and Development Authority (IRDA) said in its annual report for 2008-09.

### OPPORTUNITIES IN HEALTHCARE

Expanding demand for quality healthcare services (a worldwide phenomenon), in conjunction with relaxed government restrictions on infusions of offshore capital, make the sector an attractive environment for foreign investors. In addition, the major players within India's healthcare industry are currently planning major growth developments, including initial public offerings (IPO's). These activities point to the potential of the industry, in terms of both growth and return on investment.

As per data released by the Department of Industrial Policy and Promotion (DIPP), the drugs and pharmaceuticals sector has attracted FDI worth US\$ 1.66 billion between April 2000 and January 2010, while hospitals and diagnostic centres have received FDI worth US\$ 761.18 million in the same period.

The Indian healthcare industry, which is expected to reach at US\$ 77 billion in 2012 from the current US\$ 35 billion, is attracting investment opportunities from private equity (PE) and venture capital (VC) firms. Existing players in healthcare have also charted aggressive growth plans.

Recently, VC Circle had organised an investment summit to map out the opportunities in the healthcare sector. During the summit, participants discussed the US\$ 50 billion-a-year opportunity presented by the healthcare sector, venture capital investments in healthcare, pharmacies, outpatient healthcare, among others.

The advantages garnered through private equity in the healthcare industry promise significant returns for investors. Private equity investment into India's healthcare industry will support not only the expansion of the country's healthcare system to local patients, but also bolster the nation's growing medical tourism industry.

## **MEDICAL TOURISM**

Medical tourism in India has emerged as the fastest growing segment of the tourism industry despite the global economic downturn. High cost of treatments in the developed countries, particularly the USA and UK, has been forcing patients from such regions to look for alternative and cost-effective destinations to get their treatments done. The Indian medical tourism industry is presently at a nascent stage, but has an enormous potential for future growth and development.

As per the market research report, India's share in the global medical tourism industry will climb to around 2.4 per cent by the end of 2012. Moreover, medical tourism is expected to generate revenue of US\$ 2.4 billion by 2012, growing at a CAGR of over 27 per cent during 2009–2012. The number of medical tourists is anticipated to grow at a CAGR of over 19 per cent in the forecast period to reach 1.1 million by 2012.

## **OUT LOOK**

Demand for quality healthcare is unlikely to slow anytime soon. The health of a population tends to improve with the improvement of economic circumstances, but this improvement in overall health does not necessarily decrease the demand for healthcare. In fact, historical evidence suggests that countries with high per capita GDP tend to spend larger percentage of GDP on healthcare. Several factors increase the likelihood of even greater

public demands upon the nation's healthcare system. For example, the overall economic growth being experienced in India is growing the nation's middle class. In 1996, India's middle class amounted to an estimated 35 million families; in 2006, this class was projected to be 80 million. This growing middle class will eventually increase their demands for adequate healthcare and, equally important, will have the resources to pay for that care. "Higher expectations for good healthcare accompany higher incomes". Lack of money within developing nations often results in the forbearance of expensive healthcare services in order to fulfill other basic needs (e.g., food, housing). However, as earnings increase, individuals gain the discretionary income needed to pay for healthcare services or, conversely, they acquire better-compensated employment, jobs whose compensation includes provisions for healthcare benefits. In either case, the improved economic circumstances of individual workers increase the likelihood that they will seek out healthcare services.

Improving economic conditions contribute to longer life spans. As a consequence, longer-lived individuals will pose demands for increased aggregate healthcare services over a longer period of time. They will also require a new set of geriatric care, driving the development of this particular segment of the industry. The inability of the public healthcare system to meet the needs of the population has driven development of the private healthcare provider sector. Private healthcare providers have fared remarkably well within the economy. They enjoy the advantage of planning their locations and specialties to fit the needs of the local inhabitants. In addition, they have the advantage of hindsight, to wit, observing provider errors made in the public healthcare sector and avoiding such pitfalls. The next section focuses upon the activities of several of the nation's best performing private healthcare providers and their growth plans within the context of acquiring additional private equity.

The US\$ 2.2 billion Indian wellness services market is expected to grow at about 30-35 per cent for the next five years on the back of rising consumerism, globalization and changing lifestyles, according to an Ernst and Young and another industry body study titled "Wellness-Exploring the untapped potential" released in April 2009.

The Government launched the National Rural Health Mission (NRHM) in 2005. It aims to provide quality healthcare for all and increase the expenditure on healthcare from 0.9 per cent of GDP to 2-3 per cent of GDP by 2012.

During the 2009 Interim budget, the government hiked the allocation for NRHM by US\$ 423.7 million over and above US\$ 2.5 billion.

Moreover, the government announced a US\$ 64 million initiative in October 2009 to promote domestic manufacture



of medical devices such as stents, catheters, heart valves and orthopedic implants that will lead to lower prices of these critical equipment.

Moreover, in order to meet revised cost of construction, in March 2010 the government allocated an additional US\$ 1.23 billion for six upcoming AIIMS-like institutes and upgradation of 13 existing Government Medical Colleges.

### **RISKS AND CONCERNS**

India's healthcare system is currently overburdened. Nonetheless, it is poised for sustained growth, one expected to achieve a level of care delivery that adequately responds to the enormous demand exerted by the nation's population. The most current available research establishes an undeniable requirement for additional financial investment to meet national objectives. The nation's public healthcare system to date has proven inadequate in meeting the nation's needs. "India has 1.5 hospital beds per 1,000 people, compared with a ratio of 4.3 beds in developing countries." The public healthcare system is overcrowded and lacks adequate technological support, particularly in rural areas. Furthermore, the healthcare industry is not limited to patient treatment. The provision of medical services related to pharmaceuticals, nursing and medical education and diagnostics must also expand to meet the needs of India's population.

India's government appears to recognize the need for additional investment in the nation's healthcare system. While some lingering regulations deny foreign investment opportunities in some of the nation's industrial sectors, there are no limitations on foreign involvement in Indian healthcare. This absence of regulation limits the uncertainty in the investment that might otherwise be created by intrusive government involvement.

In recent times, the Government also has started taking a active role in healthcare sector. This includes various schemes introduced by Central Government and State Governments. The Government of TamilNadu and Andhra Pradesh has introduced subsidized insurance schemes to all the people covering entire BPL population within their respective states. Most of other states are also working out the feasibility of introducing this scheme in their respective states.

### **SEGMENT WISE PERFORMANCE**

The hospital's growth in this year is phenomenal. The turnover has nearly doubled from Rs.33 crores from the previous year to Rs.64 crores current year. Every segment including Cardiac, Neuro, Ortho, Renal, Gyneac, etc. has shown excellent growth in this year. We have renovated most part of the hospital in this year and invested heavily on purchase of latest state of the art medical equipments in every department.

### **OPERATIONAL AND FINANCIAL PERFORMANCE**

Our hospital continues to be assessed and certified as complying with the requirements of ISO 9001: 2000 by International Certification Services Limited valid for the period till February, 2011.

In this financial year, your Company has achieved a total income of Rs.6,424.48 lakhs as against Rs 3,332.81 lakhs during the last Financial Year ended 31st March, 2009 which is a 93% growth over previous year. The Net Profit before Tax and exceptional items for the period amounted to Rs. 533.72 lakhs as against Rs. 165.77 lakhs of the last Financial Year ended 31st March, 2009 which is a whopping 222% growth. The Net profit of the company is at Rs.350.29 lakhs for this twelve months ended 31st March, 2010 against loss of Rs. 175.72 lakhs for corresponding period ending 31st March, 2009.

This year saw the revenues almost doubling and the Net Profit showing a significant positive turn around. This year the company has invested substantially on renovation of the building and latest state of the art Medical Equipments. The company has refurbished the entire lobby and changed the look of the hospital and exterior covering significant portions of the building. The Patient Care Services underwent drastic improvements all of which resulted in improved service levels which in turn contributed to the excellent revenue growth and consequently leading to improved profits.

All specialties grew compared to the previous year. The company has opened Information Centers across the state and also entered into foreign tie-ups with a view to enhance the International business. The business from international community has started flowing in and we are hopeful to get good amount of business from various countries in the succeeding years.

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

An effective internal audit function is a fundamental component of good governance. The company appointed an independent team of internal auditors which continuously monitored the operations and processes of the company in every area of the hospital. The primary focus area of internal auditing as it relates to corporate governance is helping the Audit Committee of the Board of Directors perform its responsibilities effectively. After every review the report were tabled before the Management and the Audit Committee members with their recommendation to strengthen the system. All the critical findings were placed before the Audit Committee members periodically and along with Management comments in resolving these issues. This ensured the organization meeting its objectives in addition to assessing the business processes.

The company also has extensive budgetary controls with day to day monitoring by the management and periodical review by the corporate which in turn helped in planning, co-ordination and controlling of business decisions. It coerced management to look into future, to outline thorough plans for attaining the objectives for each department, operation and each manager, to predict and grant the organization purpose and direction.

#### **HUMAN RESOURCES AND INDUSTRIAL RELATIONS**

Proper management of human resources is critical in providing a high quality of health care. Human resources, when pertaining to health care, can be defined as the different kinds of clinical and non-clinical staff responsible for public and individual health intervention. As arguably the most important of the health system inputs, the performance and the benefits the system can deliver depend largely upon the knowledge, skills and motivation of those individuals responsible for delivering health services

Various human resources initiatives have been employed in an attempt to increase efficiency. Where ever possible outsourcing of services has been used to convert fixed labor expenditures into variable costs as a means of

improving efficiency. Your company has also launched ESOP schemes to its key personnel with the objective to retain them and motivate them. Regular training is being organized to employees of every department. The nurses were given both “on the job” and “off the job” training. We have also conducted Dance programmes, Cricket Matches and initiated various sports activities for our employees. The number of employees as on 31st March, 2010 was 560.

The company also has renewed the agreement with the Union with retrospective effect of Aug 2009.

#### **CAUTIONARY STATEMENT**

Statements in this management discussion and analysis describing the company’s objections, projections, estimates and expectations may be “forward looking statement” with in the meaning of applicable laws and regulations. Actual results may differ substantially or materially from those expressed or implied. Important developments that could affect the company’s operations include Government regulations, litigation, tax laws and significant changes in the political and economic environment in India.

## REPORT ON CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company's philosophy on Corporate Governance originates from its belief that attainment of highest levels of transparency, disclosure, financial control and accountability are the pillars of any good system of Corporate Governance.

Your Company is committed to continuously evolving and adopting corporate governance's best practices in all facets of its operations and in all dealing with its stakeholders including shareholders, employees, patients, lenders and community at large.

At Fortis Malar, good Corporate Governance includes independence, integrity, commitment to values, ethical business conduct and a high degree of transparency. The Company also recognises its economic, social and environmental responsibilities and continuously strives towards putting in place the best practices in every sphere of its operation.

### 2. BOARD OF DIRECTORS

#### COMPOSITION OF THE BOARD

The Board of Directors ("Board") of the Company consists of an optimal combination of Executive, Non-Executive and Independent Directors which represent a mix of professionalism through knowledge and experience.

The Directors have in depth knowledge of business in addition to the expertise in their respective areas of specialisation.

The Board brings in strategic guidance, leadership and an independent view to the Company's management while discharging its fiduciary responsibilities, thereby ensuring that management adheres to high standards of ethics, transparency and disclosure.

As on date, the Board comprises of 6 Directors, of whom, 1 (One) is an Executive Director designated as Whole Time Director and 5 (Five) are Non-Executive Directors including Non-Executive Chairman. Amongst the Non- Executive Directors, 3 (Three) are independent Directors.

The size and composition of the Board conform to the requirements of clause 49 of the Listing Agreement with Stock Exchanges. Other details relating to Directors as on March 31, 2010:

S. No	Name of Director	Category	**Directorships held in other companies	*Committees Membership in Other Companies	# Chairmanship in committees of other companies in which they are members
1	Mr. Bhavdeep Singh ^	Non Executive Chairman	-	-	-
2	Mr. Krish Ramesh	Whole-time Director	2	-	-
3	Dr. Nithya Ramamurthy	Non Executive Director	-	-	-
4	Mr. P. Murari	Non Executive Independent Director	10	5	1
5	Mr. Ramesh L. Adige	Non Executive Independent Director	2	1	-
6	Mr. Sanjay Jayavarthanelu	Non Executive Independent Director	8	2	-

^ Appointed as Non Executive Chairman and Director w.e.f 30th March, 2010

\* represents membership of Audit Committee and Shareholders'/ Investors' Grievance Committee of Indian Public Limited Companies.

\*\* excluding private limited companies, foreign companies and companies under Section 25 of the Companies Act, 1956.

# represents chairmanship of Audit Committee and Shareholders'/ Investors' Grievance Committee of Indian Public Limited Companies.

#### Notes:

a) Mr. Shivinder Mohan Singh, resigned as Non Executive Chairman and Director from the Board of Directors of the Company w.e.f. 30th March, 2010.

b) Mr. Yogesh Kumar Sareen, resigned as Director of the Company w.e.f 30th March, 2010.

None of the Directors on Board is a member in more than ten committees and/or act as chairman of more than five committees across all the companies in which he is Director. Also, none of our Directors are related to one another.

**DETAILS OF DIRECTORS:**

As required under Clause 49 of the Listing Agreement, the information or details pertaining to the Directors seeking appointment/ re-appointment in the ensuing Annual General Meeting, are furnished below:

- (i) Mr. Sanjay Jayavarthanelu, an MBA from Philadelphia University, USA, is the Wholetime Director of Lakshmi Machine Works Ltd., Coimbatore. Lakshmi Machine Works Ltd is one of the three leading Textile Machinery Manufacturers in the world, manufacturing the complete range textile spinning machinery.

He was the Chairman of the India-ITME Exhibition Society, Mumbai and is presently the Chairman of its Sub-Committee. He is a Member of the Southern Regional Council of the Confederation of Indian Industry (CII). He is a Member of the Development Council for Textile Machinery Industry and Machine Tool Industry constituted by the Govt. of India.

He is a Member of the Board of Governors of National Institute of Fashion Technology (NIFT), nominated by the Govt. of India. He is a Trustee of the G.Kuppuswamy Naidu Charity Trust, which runs a multi-speciality 550 bedded hospital and a Higher Secondary School and a feeder school in Coimbatore and an Arts College in Kovilpatti, Tamil Nadu. He is the Chairman of the Coimbatore Masonic Charity Trust, which runs a Children's Hospital and a Working Women's Hostel. He is a Trustee of GKD Charity Trust, which runs a Management Study College (DJ Academy for Managerial Excellence & DJ Academy of Design) and an Industrial Training Institute (GKD Institute for Technological Resources). He is a member of the Council of Administration of SITRA. He was also a Member of the Board of Governors of Sardar Vallabhbhai Patel Institute of Textile Management, Coimbatore.

An active supporter of Sports, he is the Vice President of the Tamil Nadu Shooting Association, Chennai and the Hon'ble Secretary of the Rifle Club, Coimbatore. He is the President of Chennai Equestrian Academy, Chennai. His interests are also in Golf and Horse Riding.

As on date, he is not holding any shares or any other convertible instrument in the Company.

Directorships and Committee position held by Mr. Sanjay is as follows:

S.No.	Name of the Company in which interested	Committee Memberships
1.	Lakshmi Machine Works Limited – Whole Time Director	Member- Share Transfer Committee Member- Share Investors' Grievance Committee
2.	Super Sales India Limited	Member- Share Transfer Committee Member- Share Investors' Grievance Committee
3.	Lakshmi Cargo Company Limited	-
4.	Lakshmi Electrical Control Systems Limited	-
5.	Lakshmi Ring Travellers (Coimbatore) Limited	-
6.	Lakshmi Technology And Engineering Industries Ltd	-
7.	Fortis Malar Hospitals Limited	Member – Audit Committee Member – Remuneration Committee
8.	Carborundum Universal Ltd	-
9.	Hermes Academy of Training Limited	-

- (ii) Dr. Nithya Ramamurthy is a qualified Medical professional having more than 27 years of rich experience in medicine. She has worked as Medical Officer at Govt. Hospital, Serambun, West Malaysia. Later worked as Director & Obstetrician & Gynecologist at Malar Polyclinic, Chennai. Later, she has promoted Malar Hospitals (now Fortis Malar Hospitals) along with her husband Dr. Ramamurthy and associated with the Company right from the inception of the hospital project as one of the Chief Promoters of the company.

Till Feb' 2008, she has successfully managed the Company as a Whole Time Director and under her stewardship, the hospital has been promoted as a trusted destination for quality medical care in the city.

In Feb, 2008, she stepped down as a Whole Time Director of the Company and however she is continuing her support and association with the Company as a Non- Executive Director.

As on date, she is holding 8,60,167 equity shares of the Company and no convertible instruments in the Company is being held by her.

Directorships and Committee position held by Dr. Nithya is as follows:

S.No.	Name of the Company in which interested	Committee Memberships
1.	Fortis Malar Hospitals Limited	Member – Shareholders’/ Investors’ Grievance Committee

- (iii) Mr. Bhavdeep Singh, aged 49, is the Non-Executive Chairman of the Company. He is the Chief Executive Officer of the Fortis Healthcare Limited (FHL). He joined the FHL in February, 2009. He attended Pace University and has completed several certified courses in leadership and retail management from institutions such as Cornell, University of Hartford, Dial Institute of Management, St. Joe’s University. He has over 30 years of diverse experience with Great Atlantic and Pacific Tea Company in the United States, where he worked for over 20 years in many different roles including merchandising, marketing, operations, finance, supply chain and logistics, human resources, asset protection, productivity and other support functions. In 2006, he joined Spencer’s Retail Limited (RPG Group) in India as its Chief Executive – Operations and Food Merchandizing and subsequently joined Reliance Retail Limited as the Chief Executive of Reliance Fresh.

As on date, he is not holding any shares or any other convertible instrument in the Company.

Directorships and Committee position held by Mr. Bhavdeep Singh is as follows:

S.No.	Name of the Company in which interested	Committee Memberships
1.	Fortis Malar Hospitals Limited	Member - Audit Committee Member - Shareholders’/ Investors’ Grievance Committee Chairman-Remuneration Committee Member - Finance Committee Chairman-Clause 41 Committee

## BOARD FUNCTIONING & PROCEDURE

At Fortis Malar Hospitals, Board plays a pivotal role in ensuring good governance. In accordance with Clause 49 of the Listing Agreement, the Board meets atleast once in every quarter to review the quarterly results and other items of agenda and if necessary, additional meetings are held. The agenda for each Board meetings is drafted in consultation with the Chairman and circulated in advance to the Board members.

During the year ended March 31, 2010, five Board Meetings were held on:

- (i) May 13, 2009 (ii) May 28, 2009, (iii) July 29, 2009, (iv) October 22, 2009 and (v) January 18, 2010.

The Annual General Meeting of the Company was held on 21st August, 2009.

The attendance of each Director at the Board Meetings held during the year and at the last Annual General Meeting (AGM) is as under: -

Name of Directors	No of Board Meetings held	No. of Board Meetings attended	Attendance at last AGM
Mr. Shivinder Mohan Singh <sup>^</sup>	5	4	Yes
Mr. Yogesh Kumar Sareen <sup>^^</sup>	5	4	No
Mr. Bhavdeep Singh <sup>^^^</sup>	5	NA	NA
Mr. Ramesh L. Adige	5	4	No
Dr. Nithya Ramamurthy	5	2	Yes
Mr. Krish Ramesh	5	5	Yes
Mr. Sanjay Jayavarthanelu	5	4	Yes
Mr. P. Murari	5	3	Yes

<sup>^</sup> Resigned as Non Executive Chairman and Director from the Board of Directors of the Company w.e.f. 30th March, 2010

<sup>^^</sup> Resigned as Director of the Company w.e.f 30th March, 2010.

<sup>^^^</sup> Appointed as Non Executive Chairman and Director w.e.f 30th March, 2010

## AVAILABILITY OF INFORMATION TO THE MEMBERS OF BOARD:

As required under Clause 49 of the Listing Agreement, to the extent applicable, following information is placed before the Board:

- Annual operating plans and budgets and any updates.
- Capital budgets and any updates.
- Quarterly results for the company and its operating divisions or business segments.
- Minutes of meetings of audit committee and other committees of the Board.
- The information on recruitment and remuneration of senior officers t below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
- Show cause, demand, prosecution notices and penalty notices, which are materially important
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the company, or substantial nonpayment for goods sold by the company.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the company.
- Details of any joint venture or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.
- Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

## STATUTORY COMPLIANCE OF LAWS

The Board periodically reviews the Compliance Report of the laws applicable to the Company as well as steps taken by the Company to rectify the instances of non- compliances, if any.

### 3. AUDIT COMMITTEE

#### (i) Composition of the Committee

The Composition of the Committee as on 31st March, 2010, was as follows: -

S. No.	Names of Members	Designation	Category
1	Mr. Ramesh L. Adige	Chairman	Non Executive Independent Director
2	Mr. Bhavdeep Singh <sup>^</sup>	Member	Non Executive Director
3	Mr. Sanjay Jayavarthanavelu	Member	Non Executive Independent Director
4	Mr. P. Murari	Member	Non Executive Independent Director

<sup>^</sup> Inducted as member of the Audit Committee w.e.f 30th March, 2010.

#### Notes:

- a) Mr. Yogesh Kumar Sareen, non-executive director of the Company who was also member of Committee resigned as director of the Company w.e.f. 30th March, 2010.

All members are financially literate and one member is having requisite accounting and financial management expertise.



**(ii) Terms of reference**

The Board of Directors have approved the following terms of reference for the Audit Committee:

1. To oversee Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. To recommend to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. To approve payment to statutory auditors for any other services rendered by the statutory auditors.
4. To review with the Management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
  - b. Changes, if any, in accounting policies and practices and reasons for the same.
  - c. Major accounting entries involving estimates based on the exercise of judgement by management.
  - d. Significant adjustments made in the financial statements arising out of audit findings.
  - e. Compliance with listing and other legal requirements relating to financial statements.
  - f. Disclosure of any related party transactions
  - g. Qualifications in the draft audit report.
5. To review with the Management, the quarterly/half-yearly/annual financial statements before submission to the Board for approval.
6. To review with the Management, performance of Statutory and Internal Auditors, adequacy of the internal control systems.
7. To review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. To discuss with Internal Auditors any significant findings and follow up there on.
9. To review the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
10. To discuss with Statutory Auditors before commencement of audit, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in payment to the depositors, debentureholders, shareholders (in case of non-payment of declared dividends) and creditors.
12. To review the following information:
  - a. Management discussion and analysis of financial condition and results of operations;
  - b. Statement of significant related party transactions (as defined by the audit committee), submitted by management;
  - c. Management letters/letters of internal control weaknesses issued by the statutory auditors;
  - d. Internal audit reports relating to internal control weaknesses; and
13. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.
14. To review Capital Structure, policies and norms related thereto.

15. To review Financial policies, processes, systems and controls covering, Accounting, Treasury, Taxation, Forex, Risk Management and Insurance.
16. To review organization structure, succession planning, policies and processes related to manning, breadth and depth, capabilities, potential and development of managerial personnel in the Finance function.
17. To review, approve or recommend to the Board financial authority to senior managerial personnel.
18. Reviewing, with the management, the statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue, etc), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendation to the Board to take up steps in this matter.
19. Review the functioning of the Whistle Blower mechanism, in case the same is existing.

### (iii) Review of information by Audit Committee

Apart from other matters, as per Clause 49 of the Listing Agreement, the Audit Committee reviewed, to the extent applicable, the following information:

1. Management Discussion and Analysis of Financial condition and results of operations;
2. Statement of significant related party transactions, submitted by Management;
3. Management letters/letters of internal control weaknesses issued by the statutory auditors;
4. Internal Audit Reports relating to internal control weaknesses; and
5. The appointment, removal and terms of remuneration of Chief internal auditor shall be subject to review by the Audit Committee.

### (iv) Meetings and Attendance

During the financial year ended 31st March, 2010, five meetings were held on (i) 13th May, 2009 (ii) 28th May, 2009, (iii) 29th July, 2009, (iv) 22nd October, 2009 and 18th January, 2010.

The attendance at the Audit Committee Meetings held during the year under review is as under:

S. No.	Names of Members	No. of Meetings attended
1	Mr. Ramesh L. Adige	4
2	Mr. Yogesh Kumar Sareen <sup>^</sup>	4
3	Mr. Bhavdeep Singh <sup>^^</sup>	N.A.
4	Mr. Sanjay Jayavarthanavelu	5
5	Mr. P Murari	4

<sup>^</sup> Resigned w.e.f 30th March, 2010.

<sup>^^</sup> Inducted as member of the Audit Committee w.e.f 30th March, 2010.

## 4. REMUNERATION COMMITTEE

### (i) Composition of the Committee

The Composition of the Committee as on 31st March, 2010, was as follows:-

S. No.	Names of Members	Designation	Category
1	Mr. Bhavdeep Singh <sup>^</sup>	Chairman	Non-Executive Director
2	Mr. Ramesh L. Adige	Member	Independent Director
3	Mr. P. Murari	Member	Independent Director
4	Mr. Sanjay Jayavarthanavelu	Member	Independent Director

<sup>^</sup> Inducted as member and chairman of the Committee w.e.f 30th March, 2010.

#### Notes:

- a) Mr. Yogesh Kumar Sareen, non-executive director of the Company who was also member of Committee resigned as director of the Company w.e.f. 30th March, 2010.

**(ii) Terms of Reference**

The Board of Directors has approved the following terms of reference for Remuneration Committee:

- (a) To decide all elements of remuneration package of all corporate officers or executive directors i.e. salary, benefits, bonuses, stock options, pension etc., the details of fixed component and performance linked incentives, alongwith performance criteria.
- (b) The Committee shall have the power to decide the service contracts, notice period, severance fees of executive director.
- (c) To review and recommend to the Board the remuneration policy for the Company.
- (d) To approve grant of stock options to the employees and/or Directors of the Company and subsidiary companies (as and when applicable) and perform such other function as are required under the Employee Stock Option Plan of the Company.
- (e) To discharge such other functions or exercise such powers as may be delegated to the Committee by the Board from time to time

**(iii) Meetings and Attendance**

During the financial year ended 31st March, 2010, one meeting was held on 21st August, 2009.

The attendance at the Committee Meeting during the year under review was as under:

S. No.	Names of Members	No. of Meetings attended
1	Mr. Yogesh Kumar Sareen	-
2	Mr. Bhavdeep Singh	NA
3	Mr. Ramesh L.Adige	-
4	Mr. P. Murari	1
5	Mr. Sanjay Jayavarthanelu	1

**Remuneration Policy & criteria of making payments to Executive and Non-Executive Directors**

The Directors' remuneration policy of your Company confirms with the provisions under the Companies Act, 1956. Subject to the approval of the Shareholders in the general meeting and such other approvals as may necessary from time to time, the remuneration paid/payable to Whole Time Director are as per terms of remuneration recommended by the Remuneration Committee, decided by the Board and approved by the Shareholders and if required, by the Central Government.

The Company is having only one Executive Director, designated as Whole Time Director. The remuneration payable to him is decided from time to time on the basis of qualification, experience, responsibilities, performance of the concerned Director and industry practices.

**The non- executive Directors are paid sitting fees for attending the meetings of Board of Directors and Audit Committee.**

The key components of the Company's remuneration Policy are:

- Compensation is based on credentials and the major driver of performance
- Compensation is competitive and benchmarked with industry practice.
- Compensation is fully transparent and tax compliant.

**Remuneration to Directors****Executive Directors**

None of the Directors other than Mr. Krish Ramesh is drawing any remuneration from the Company.

The details of remuneration paid to Mr. Krish Ramesh during the financial year ended 31st March,2010 is as under:

(Amount in Rs. Lacs)

Name of the Director	Salary & Allowances	Perquisites	Retiral Benefits	Service Contract	
				Tenure	Notice Period
Krish Ramesh	48,24,780	25,00,000	2,37,600	5 years w.e.f. 30th April, 2008	3 Months

Further ,the Board of Directors has ,vide resolution dated 13th April,2010 ,revised the remuneration payable to Mr. Krish Ramesh w.e.f. 30th April,2010 for his remaining tenure, i.e. till 29th April, 2013,subject to the approval of the Central Government and the shareholders of the Company, as specified below:

Salary	Rs.19,80,000/- (Rupees Nineteen Lacs Eighty Thousand ) per annum with power to the Board of Directors to increase the salary upto a sum not exceeding Rs. 30,00,000/- (Rupees Thirty Lacs) per annum.
Performance and Retention Incentive	For each financial year, a performance and retention incentive of Rs.25,00,000/- (Rupees Twenty Five Lacs) with power to the Board of Directors to increase it upto a sum not exceeding Rs. 40,00,000/- (Rupees Forty Lacs).
Perquisites & Allowances	Including but not limited to Rent free furnished accommodation, car, telephone, medical reimbursement, personal accident insurance, Group Hospitalization, club fees, leave travel for self and family, such number of options as may be granted to him under any ESOP Scheme of the Company for the time being in force and any other reimbursements, allowances or perquisites in accordance with the rules of the Company. The monetary value of such perquisites / allowances will be limited to Rs. 33,00,000/- (Rupees Thirty Three Lacs) per annum, with authority to the Board of Directors to increase it from time to time upto an amount not exceeding Rs. 50,00,000/- (Rupees Fifty Lacs) per annum and that the perquisites shall be evaluated as per Income Tax Rules, wherever applicable and in the absence of any such rule, they shall be evaluated at actual cost. The following shall not be included in the aforesaid limits: i. Contribution to Provident Fund and superannuation Fund or Annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961; ii. Gratuity payable at the rate not exceeding half months salary for each completed year of service; iii. Encashment of unavailed leave as per Rules of the Company."
Minimum Remuneration	in the event of inadequacy or absence of profits in any financial year during the tenure of the Whole Time Director, he will be entitled to the above remuneration (inclusive of allowances, perquisites and commission, if any) by way of minimum remuneration irrespective of the limits specified under the provisions of Section 198 and 309, Schedule XIII and all other applicable provisions of the Companies Act, 1956.

The terms of the revised remuneration of Mr. Krish Ramesh have been approved by the Remuneration Committee.

Notes:

- 1) Mr. Krish Ramesh was appointed as Wholetime Director of the Company for a period of 5 years w.e.f. 30th April,2008.
- 2) The notice period is 3 months from either side or a shorter period decided mutually . No severance fees is payable on termination of contract.
- 3) The Board of Directors has ,vide resolution dated 13th April,2010 ,revised the remuneration payable to Mr. Krish Ramesh w.e.f. 30th April,2010 for his remaining tenure, i.e. till 29th April, 2013,subject to the approval of the Central Government and the shareholders of the Company.
- 4) He is also entitled to PF contribution @ 12% of salary.
- 5) The amount of Gratuity and Leave Encashment is not included above as it is not ascertainable separately.
- 6) No Stock Options have been granted to the Whole Time Director of the Company under ESOP Scheme-2008.

**Non – Executive Directors**

Only sitting fees are being paid to Non-Executive Directors. The sitting fees paid to the Non- executive Directors for the financial year ended 31st March, 2010 and their shareholding as on that date is as follows:

Name of the Director	Sitting Fee ** (Amount in Rs.)	Shareholding in the Company as on 31st March, 2010
Mr. Shivinder Mohan Singh <sup>^</sup>	8,000	-
Mr. Bhavdeep Singh <sup>^^</sup>	N.A.	-
Mr. Yogesh Kumar Sareen <sup>^^^</sup>	-	-
Mr. Ramesh L. Adige	16,000	-
Dr. Nithiya Ramamurthy	4,000	8,60,167
Mr. Sanjay Jayavarthanavelu	18,000	-
Mr. P. Murari	14,000	-

<sup>^</sup> Resigned as Non Executive Chairman and Director from the Board of Directors of the Company w.e.f. 30th March, 2010

<sup>^^</sup> Appointed as Non Executive Chairman and Director w.e.f. 30th March, 2010

<sup>^^^</sup> Resigned as Director of the Company w.e.f. 30th March, 2010.

\*\*For attending the Board Meetings and Audit Committee Meetings.

Except Dr. Nithya Ramamurthy, Non-Executive Director, to whom 20,000 stock options have been granted under ESOP- 2008 Scheme of the Company, the Company has not granted any stock options to any other Directors.

There were no other pecuniary relationships or transactions of the Non-executive Directors vis-à-vis the Company.

**5. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE****(i) Composition**

The Committee as on 31st March, 2010 comprised of:

Sr. No.	Names of Members	Designation	Category
1	Mr. Ramesh L. Adige	Chairman	Non Executive Independent Director
2	Dr. Nithya Ramamurthy	Member	Non Executive Director
3	Mr. Bhavdeep Singh <sup>^</sup>	Member	Non Executive Director

<sup>^</sup> Inducted as member and chairman of the Committee w.e.f 30th March, 2010.

Note: Mr. Yogesh Kumar Sareen ,non-executive director of the Company who was also member of Committee resigned as director of the Company w.e.f. 30th March, 2010.

The Company Secretary acts as the Secretary of the Committee as well as the Compliance officer pursuant to Clause 47(a) of the Listing Agreement with the Stock Exchanges.

The Board of Directors has approved the following terms of reference for Shareholders'/Investors' Grievance Committee:

- (i) To approve/ refuse/ reject registration of transfer / transmission of Shares;
- (ii) To authorize issue of Share Certificates after split/ Consolidation/Replacement and duplicate Share certificates;
- (iii) To authorize printing of Share Certificates;
- (iv) To affix or authorize affixation of the Common Seal of the Company on Share Certificates approved by the Committee on behalf of the Company.
- (v) To authorize Managers / Officers / Signatories for signing Share Certificates as well as for endorsing share transfers.

(vi) To monitor redressal of shareholders' and investors' complaints about transfer of shares, non- receipt of balance sheet, non-receipt of declared dividends etc.

(vii) Such other functions as may be assigned by the Board.

**(ii) Name and Designation of compliance officer**

Mr. Prashant Khattry  
Company Secretary

**(iii) Status of Shareholders' Complaints during financial year 2009-10**

Number of shareholders' complaints received : 14

Number of complaints not resolved to the satisfaction of shareholders : Nil

Number of pending complaints : Nil

**(iv) Meeting and Attendance**

The Committee meets as and when required and during the year under review three meetings were held on 29th July, 2009, 22nd October, 2009 and 18th January, 2010.

The attendance at the abovementioned meeting during the year under review was as under: -

S. No.	Names of the Members	No. of Meetings attended
1	Mr. Ramesh L. Adige	3
2	Dr.Nithya Ramamurthy	2
3	Mr.Yogesh Kumar Sareen <sup>^</sup>	3
4	Mr. Bhavdeep Singh <sup>^^</sup>	N.A.

<sup>^</sup> Resigned as Director of the Company w.e.f 30th March, 2010.

<sup>^^</sup> Appointed as Non Executive Chairman and Director w.e.f 30th March, 2010

There was Nil share transfer lying pending as on 31st March, 2010.

**6. WHOLE TIME DIRECTOR / FINANCIAL CONTROLLER CERTIFICATION**

The Whole Time Director and Financial Controller certification as stipulated in the Clause 49(V) of the Listing Agreement was placed before the Board alongwith financial statements for the year ended 31st March, 2010, and the Board reviewed the same. The said certificate is provided elsewhere in the Annual Report.

**7. GENERAL BODY MEETINGS:**

The location and time of the General Meetings held during the preceding three years are as: -

Financial Year	Date	Time	Address	Special resolution passed
2006 – 07	25th March, 2008	11.00 A.M.	Balamandir German Hall No.17,Prakasam street (off Habibullah Road) T. Nagar, Chennai 600 017	No Special Resolution was passed.
2007 – 08	29th Sept, 2008	3.30 P.M.	Balamandir German Hall No.17,Prakasam street (off Habibullah Road) T. Nagar, Chennai 600 017	Appointment of Mr. Krish Ramesh as Whole time Director of the Company for a period of 5 years w.e.f. 30th April, 2008. Approval of ESOP Scheme 2008.
2008-09	21st August, 2009	3.00 P.M.	P.Obul Reddy Hall, Sri Thyaga Brahma Sabha (Regd)- Vani Mahal, 103, G.N. Road, T. Nagar, Chennai- 600017	Amendment/modification /alteration in the ESOP Scheme- 2008.



### Details of resolution passed by way of Postal Ballots

During the year ended March 31, 2010, pursuant to Section 192A of the Companies Act, 1956 and Companies (Passing of Resolutions by Postal Ballots) Rules, 2001, the shareholders of the Company have approved the resolution by means of postal ballots, the details of which is as under:

Business considered vide postal ballots notice dated October 22, 2009 and whose results were declared on December 21, 2009 at the registered office of the Company at 52, I Main Road, Gandhi Nagar, Adyar, Chennai- 600020

Special Resolution under Section 21 of the Companies Act, 1956, for the Change of name of the Company from Malar Hospitals Limited to Fortis Malar Hospitals Limited.

#### Details

The above mentioned postal ballots exercise was conducted by Mr. Vineet Chaudhary, of M/s. V.K. Chaudhary & Co., Company Secretaries, Noida, as Scrutinizer.

Summary of the results of the aforementioned Postal Ballots, announced by Mr. Krish Ramesh, Whole time Director of the Company on December 21, 2009 is as follows:

	No. of Postal Ballot Forms	No. of Shares
Total Postal Ballots Received	191	1,27,54,741
Number of Invalid Postal Ballots	30	7,592
Number of Valid Postal Ballots	161	1,27,47,149
Votes in favour of the Resolution	158	1,27,41,949 (99.95%)
Votes against the Resolution	3	5,200 (0.05%)

Procedure for Voting by Postal Ballots: The Postal Ballots Form and the draft Resolution(s) along with the Explanatory Statement pertaining the said Resolution(s) explaining in detail the material facts and the self-addressed , postage prepaid business reply envelope, are sent to all the members, under Certificate of Posting.

The members were required to carefully read the instructions printed in the Postal Ballots Form, fill up the Form, give their assent or dissent on the resolution(s) at the end of the Form and sign the same as per the specimen signature available with the Company or Depository Participant, as the case may be, and return the form duly completed in the attached self-addressed , postage prepaid envelope so as to reach the scrutinizers before the close of working hours of the last date fixed for the purpose. Postal Ballots Forms received after this date are strictly treated as if the form has not been received from the member.

The scrutinizer appointed for the purpose scrutinizes the postal ballots received and submits his report to the Company.

Voting rights are reckoned on the basis of number of shares and paid-up value of shares registered in the name of the shareholders as on a specified date. A resolution is deemed to have been passed as special resolution if the votes cast in favour are at least three times than the votes cast against and in case of ordinary resolution, the resolution is deemed to have been passed, if the votes cast in favour are more than the votes cast against.

## 8. DISCLOSURES: -

Related party transactions: A statement in summary form of transactions ,if any,with related parties in the ordinary course of business are being placed before the Audit Committee periodically. During the year under review, there are no material individual transactions with related parties, which are not in the normal course of business and there are no material individual transactions with related parties or others, which are not on an arm's length basis.

Accounting Treatment: While in the preparation of financial statements, no treatment different from that prescribed in an Accounting Standard has been followed.

#### Compliances by the Company:

The Company has complied with requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters relating to capital markets during the last three years.

No penalties or strictures have been imposed on the Company by the Stock Exchanges, SEBI and other statutory authorities relating to the above.

## Management

- A) Management Discussion and Analysis is forming part of the Annual Report to the shareholders
- B) During the year, no material financial and commercial transactions has been entered by Senior Management personnel, where they have any personal interest that may have potential conflict of the Company at large. The Company has obtained requisite declarations from all senior management personnel in this regard and the same were placed before the Board of Directors on periodic basis.

### Prohibition of Insider Trading:

In compliance with SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time, the Company has instituted a comprehensive code of conduct for its management and staff. The Code lays down the guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with the shares of the Company.

## 9. MEANS OF COMMUNICATION

- a) The quarterly financial results are generally published in Business Standard (English) and Malai Sudar (Vernacular)
- b) The quarterly, half yearly and annual financial statements are posted on the Company's website viz. [http://www.fortishealthcare.com/network\\_hospitals/fortis\\_malar/fortis\\_malar.html](http://www.fortishealthcare.com/network_hospitals/fortis_malar/fortis_malar.html)
- c) The Company also intimates the Stock Exchanges all price sensitive information or such other matters which in its opinion are material and of relevance to the Shareholders.

## 10. GENERAL SHAREHOLDERS INFORMATION

### (i) Date of AGM

The Annual General Meeting is proposed to be held on Friday, the 20th August, 2010 at 2.30 P.M. at P.Obul Reddy Hall, Sri Thyaga Brahma Gana Sabha (Regd) – Vani Mahal, 103, G.N. Road, T. Nagar, Chennai – 600 017.

Posting of Annual Report On or before July 27, 2010

Last date of receipt of Proxy Form August 18, 2010 till 2.30 P.M.

### (ii) Book Closure

Tuesday, 17th August, 2010 to Friday, 20th August, 2010 (both days inclusive)

### (iii) The Financial Year of the Company is starting from April 1 and ending on March 31 of next year.

### (iv) Financial Calendar 2010-2011(tentative & subject to change)

S.No.	Tentative Schedule	Tentative Date
1.	Financial Reporting for the quarter ended 30th June,2010	On or before 13th August, 2010
2.	Financial Reporting for the quarter ended 30th September,2010	On or before 15th November,2010
3.	Financial Reporting for the quarter ended 31st December,2010	On or before 15th February ,2011
4.	Financial Reporting for the quarter ended 31st March ,2011*	On or before 15th May,2011
5.	Annual General Meeting for the year ending 31st March,2011	On or before 30th September,2011

\*As provided in Clause 41 of Listing Agreement, Board may also consider submission of Audited Results for the year 2010-2011 in lieu of Unaudited Results for fourth quarter, by 31st May, 2011(or such other period as may be stipulated from time to time.).

### (v) Listing on Stock Exchanges

The Equity shares of the Company are listed on Bombay Stock Exchange Ltd. (BSE) and Madras Stock Exchange Ltd.

Voluntary delisting application is pending with Madras Stock Exchange Ltd.

The Company has paid the listing fee of Bombay Stock Exchange Ltd. for the financial year 2010-11.

**(vi) Stock Code**

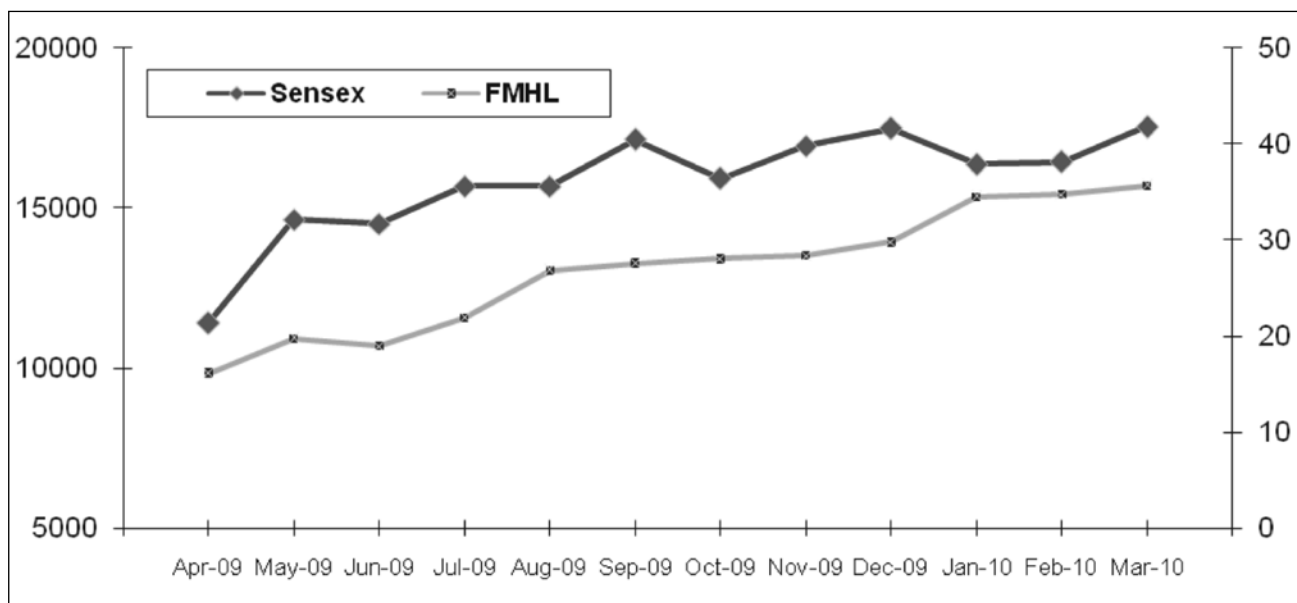
Bombay Stock Exchange Ltd.	Physical – 23696 Demat – 523696
Madras Stock Exchange Ltd.	MALARHOSP
ISIN Number	INE842B01015

**(vii) Market Price Data**

The Equity shares of the Company are listed on Bombay Stock Exchange Ltd. and Madras Stock Exchange Ltd. Monthly High and Low Quotations of Shares traded on BSE and MSE

Month Ending	BSE (Rs.)		MSE (Rs.)	
	High	Low	High	Low
April 2009	17.08	13.00	No Trading	
May 2009	20.30	15.00	No Trading	
June 2009	24.50	17.20	No Trading	
July 2009	21.90	17.00	No Trading	
August 2009	28.25	22.90	No Trading	
September 2009	30.15	25.00	No Trading	
October, 2009	31.00	26.25	No Trading	
November, 2009	30.95	26.05	No Trading	
December, 2009	31.00	27.00	No Trading	
January, 2010	41.85	28.90	No Trading	
February, 2010	37.90	31.95	No Trading	
March, 2010	40.60	34.00	No Trading	

Performance in comparison to broad based indices (BSE Sensex)



Based on monthly closing data of BSE Sensex (Pts.) and Fortis Malar (Rs. Per Share)

**(viii) Registrar and Transfer Agent**

M/s GNSA Infotech Private Limited, Chennai are acting as Registrar and Transfer Agents (RTA) for handling the shares related matters both in physical as well as dematerialized mode. All work relating to Equity Shares are being handled by them. The Shareholders are therefore, advised to send all their correspondence directly to the RTA. The address for communication is:

GNSA Infotech Pvt. Ltd.,  
G.R.Mansion,

No. 11, Srinivasa Road, Pandy Bazaar, T. Nagar, Chennai – 600 017.

Phone Nos. +91- 44- 4212 1428 / 1429 / Fax No. +91-44-4212 1430

E-mail: [info@gnsaindia.com](mailto:info@gnsaindia.com)

However, for the convenience of shareholders, correspondence relating to shares received by the Company are forwarded to the RTA for necessary action thereon.

**(ix) Nomination Facility**

The shareholders holding shares in physical form may, if they so want, send their nominations in prescribed Form 2B of the Companies (Central Government's) General Rules and Forms, 1956, (which can be obtained from the Company's RTA or downloaded from the Company's website [http://www.fortishealthcare.com/network\\_hospitals/fortis\\_malar/fortis\\_malar.html](http://www.fortishealthcare.com/network_hospitals/fortis_malar/fortis_malar.html)) to the Company's RTA. Those holding shares in dematerialized form may contact their respective Depository Participant (DP) to avail the nomination facility.

**(x) Dematerialization of Shares**

The Company's Equity shares have been allotted ISIN (INE842B01015) both by the National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).

1,59,58,259 Equity shares representing 85.82% of the paid up Equity Capital of the Company had been dematerialized as on 31.03.2010.

The shareholders holding shares in physical form are requested to get their shares dematerialized at the earliest, as the Company's Shares are required to be compulsorily traded at Stock Exchanges in dematerialized form only.

**(xi) Elimination of Duplicate Mailing**

The shareholders who are holding Shares in more than one folio in identical name or in joint holders' name in similar order, may send the share certificate(s) along with request for consolidation of holding in one folio to avoid mailing of multiple Annual Reports.

**(xii) Share Transfer System**

The Shares are accepted for registration of Transfer at the Registered Office and Corporate Office of the Company in addition to the office of Registrar and Share Transfer Agents (RTA), M/s GNSA Infotech Private Limited. GNSA Infotech Private Limited is fully equipped to undertake the activities of Share Transfers and redressal of Shareholders' grievances. The share received by the Company/RTA for registration of transfers, are processed by RTA (on a fortnightly basis) and places before the Shareholders'/Investors' Grievance Committee set up for the purpose for its approval thereto. The Committee approves the share transfer on fortnightly basis by way of passing a circular resolution. The Committee meets as and when required. This Committee also looks into Shareholders'/Investors' grievances.

As per the requirements of clause 47(c) of the Listing Agreement with the Stock Exchanges, the Company has obtained the half yearly certificates from a Company Secretary in Practice for due compliance of share transfer formalities.

**(xiii) Secretarial Audit**

The Secretarial Audit Report as stipulated under Regulation 55A of SEBI (Depositories and Participants) Regulations, 1996 was carried out by a Practising Company Secretary in each of the quarter in the financial year 2009-10, 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 that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL. The Secretarial Audit Reports for each quarter of the Financial Year ended March 31, 2010 has been filed with Stock Exchanges within one month of end of each quarter.

**(xiv) Unclaimed Shares in Physical Mode**

As per clause 5A of the listing agreement, there are no unclaimed shares in the Company.

**(xv) Share Dematerialization System**

The requests for dematerialization of shares are processed by RTA expeditiously and the confirmation in respect of dematerialization is entered by RTA in the depository system of the respective depositories, by way of electronic entries for dematerialization of shares generally on weekly basis. In case of rejections, the documents are returned under objection to the Depository Participant with a copy to the shareholder and electronic entry for rejection is made by RTA in the Depository System.

**(xvi) Distribution of Shareholding as on 31st March, 2010**

Share holding of nominal value (Rs.)	No. of Shareholders	%age of Shareholders	Share Amount (Rs.)	% age of Shareholding
Upto 5,000	13679	94.03	1,40,64,000	7.56
5,001 - 10,000	445	3.06	39,44,580	2.12
10,001 – 20,000	178	1.22	28,06,410	1.51
20,001 – 30,000	71	0.49	18,59,650	1.00
30,001 – 40,000	22	0.15	8,04,660	0.43
40,001 – 50,000	40	0.27	19,82,390	1.07
50,001 – 1,00,000	52	0.36	41,49,470	2.23
Above 1,00,000	61	0.42	15,63,31,430	84.08
Total	14548	100.00	18,59,42,590	100.00

**(xvii) Shareholding Pattern of Equity Shares as on 31st March, 2010**

Category	No. of Shares held	% of Shareholding
Promoters and Promoter Group	1,17,52,402	63.20
Mutual Funds and UTI	1,08,200	0.58
Banks, Financial Institutions	100	0.00
FII's/Foreign Companies	-	-
Indian Body Corporates	10,43,905	5.61
NRIs/Foreign Nationals	5,78,662	3.11
Indian Public	51,10,990	27.49
Others	-	-
Total	1,85,94,259	100.00

**(xviii) Lock-in of Equity shares**

33,33,333 Equity Shares representing 17.93% of the total Share Capital, held by International Hospital Limited and 13,33,333 Equity Shares representing 7.17% of the total Share Capital, held by Oscar Investments Limited, are locked-in till 17.10.2010.

Hence an aggregate of 46,66,666 Equity Shares representing 25.10% of the total Share Capital are locked in till 17.10.2010.

**(xix) The Company has not issued any GDRs / ADRs / warrants or any convertible instruments.****(xx) Employee Stock Option:**

On 21st August, 2009, the remuneration committee of Board of Directors of the Company approved the grant of 3,70,000 stock options to 21 eligible employees/ Directors of the Company and its subsidiaries pursuant to the ESOP- 2008 at an exercise price of Rs. 26.20. As on March 31, 2010, 75,000 options have been lapsed and are availed for re- issuance and 2,95,000 valid options were outstanding on that date.

**(xxi) Hospital Location:**

Fortis Malar Hospitals Limited,  
 52, I Main Road, Gandhi Nagar, Adyar,  
 Chennai – 600 020.

**(xxii) Address for Correspondence:**

For share transfer/dematerialization of shares, payment of dividend and any other query relating to shares	GNSA Infotech Pvt. Ltd., G.R.Mansion, No. 11, Srinivasa Road, Pondy Bazaar, T. Nagar, Chennai – 600 017. Phone Nos. +91- 44- 4212 1428 / 1429 Fax No. +91-44-4212 1430 E-mail: <a href="mailto:info@gnsaindia.com">info@gnsaindia.com</a>
For Investor Assistance	Company Secretary Fortis Malar Hospitals Limited, No. 52, First Main Road, Gandhi Nagar, Adyar, Chennai – 600 020 Tel: + 91-44- 24914023, 24914393 + 91-44- 42892222 Fax:+ 91-44- 24426015 E-Mail:- <a href="mailto:secretarial@malarhospitals.in">secretarial@malarhospitals.in</a>

**(xxiii) Designated Exclusive Email id:**

The Company has designated email id: [secretarial@malarhospitals.in](mailto:secretarial@malarhospitals.in) exclusively for Investors Servicing.

**11. NON-MANDATORY REQUIREMENTS UNDER CLAUSE 49****A. Remuneration Committee**

The Board of Directors has constituted a Remuneration Committee, of which majority is composed of independent Directors. The details of Remuneration Committee and its powers have already been discussed in this report.

**B. Shareholders Rights**

The quarterly/half-yearly results, after they are taken on record by the Board of Directors, are sent forthwith to the Stock Exchanges where Company's shares are listed. The results in the prescribed performa are published in leading English and Tamil dailies. The results are also made available on Company's website [http://www.fortishealthcare.com/network\\_hospitals/fortis\\_malar/fortis\\_malar.html](http://www.fortishealthcare.com/network_hospitals/fortis_malar/fortis_malar.html)

**12. CODE OF CONDUCT**

The Company has adopted a code of conduct ("code") for all Board members and senior Management. This code is also posted on the website of the Company.

All Board Members and Senior Management personnel have confirmed compliance with the Code for the financial year 2009-10. A declaration to this effect signed by the Whole Time Director of the Company is provided elsewhere in the Report.

Declaration as required under Clause 49 of the Listing Agreement

All Directors and Senior Management personnel of the Company have affirmed compliance with the provisions of the Fortis Malar Code of Conduct for the financial year ended March 31, 2010.

Place : Chennai  
 Date : 14th May, 2010

**Krish Ramesh**  
 Whole-time Director

## WHOLE TIME DIRECTOR AND FINANCIAL CONTROLLER CERTIFICATE

### To the Board of Directors of Fortis Malar Hospitals Limited

We, Krish Ramesh, Whole Time Director, and K Sundar, Financial Controller, certify that:

- (a) We have reviewed financial statements and the cash flow statement for the year ended March 31, 2010 and that to the best of our knowledge and belief:
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps they have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the Auditors that:
  - (i) there has not been any significant change in internal control over financial reporting during the year under reference;
  - (ii) there has not been any significant changes in accounting policies except to the extent already disclosed in the financial statement(s); and
  - (iii) there are no instances of significant fraud of which we had become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

Place : Chennai.  
Dated : 14th May 2010

**Krish Ramesh**  
Whole Time Director

**K Sundar**  
Financial Controller

## COMPLIANCE WITH CODE OF CONDUCT

I, KRISH RAMESH, Whole Time Director of the Company hereby certify that all the Directors and the Senior Management Personnel have affirmed compliance of the Code of Conduct of the Company for the financial year ended 31st March, 2010.

Place : Chennai  
Date : 14th May 2010

**KRISH RAMESH**  
Whole Time Director

## **AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT(S)**

**TO**

**THE MEMBERS OF FORTIS MALAR HOSPITALS LTD**

1. We have reviewed the implementation of Corporate Governance procedures by Fortis Malar Hospitals Limited (the Company) during the period ended 31st March, 2010, with the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.
2. 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. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.
3. On the basis of our review and according to the information and explanations given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement(s) with the Stock Exchange(s) have been complied with in all material respect by the Company..

**For K. Gopalan & Co**  
Chartered Accountants  
Firm's Registration No. 000975S

Place : Chennai  
Dated : 14th May 2010

**S.N.Parthasarathy**  
Partner  
Membership No. 20168



## AUDITOR'S REPORT TO THE MEMBERS

1. We have audited the annexed Balance Sheet of FORTIS MALAR HOSPITALS LTD ("the Company") as on 31st March 2010, the Profit and Loss Accounts and the Cash flow statement of the Company for the period ended on that date and annexed thereto.
2. 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.
3. 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 mis-statement. 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.
4. As required by the Companies (Auditor's Report) order, 2003, issued by Government of India in terms of sub-section (4A) Section 227 of the Companies Act, 1956, we enclose an annexure which is a statement of the matters specified in paragraph 4 and 5 of the said order.

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

  - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examinations of those books.
  - c. The Balance Sheet, Profit and Loss Account and the Cash flow statement dealt with by the report are in agreement with the books of accounts.
  - d. In our opinion the Balance Sheet, the Profit and Loss Account and the Cash flow statement dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
  - e. On the Basis of written representation received from the directors, as on 31st March 2010 and taken on record by the Board of Directors, we report that none of the directors, as on 31st March 2010, is disqualified from being appointed as a director in terms of Section 274(1) (g) of the Companies Act, 1956
  - f. In our opinion and to the best of our information and according to the explanations given to us, read together with the notes thereon give required by the Companies Act, 1956 in manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i. In the case of the Balance Sheet of the state of affairs of the Company as at 31st March 2010 and
    - ii. In the case of the Profit and Loss Account of the Profit for the year ended on that date.
    - iii. In the case of Cash Flow Statement of the Cash Flow for the year ended on that date.

**For K. Gopalan & Co**  
Chartered Accountants  
Firm's Registration No. 000975S

**S.N.Parthasarathy**

Place : Chennai

Partner

Dated : 14th May 2010

Membership No. 20168

**ANNEXURE REFERRED TO IN PARAGRAPH (4)  
 OF OUR REPORT OF EVEN DATE**

- i) The Company is in the process of updating the fixed assets register. The Company has a regular programme of verification of fixed asset which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, in accordance with this programme a section of the fixed assets have been physically verified by the management during the current year, no material discrepancies were noticed on such verification. Disposition of a section of old and redundant assets having written down value Rs.61.71 Lacs has not affected the going concern concept.
- ii) a) The inventory of consumable stores have been verified by the management . In our opinion the frequency of verification is reasonable
- b) The procedures of physical verification of inventories followed by the management are reasonable in relation to the size of the company and nature of its business.
- c) The company is maintaining proper records of inventory. The discrepancies noticed during verification between physical stocks and the book records were not material
- iii) a) The Company has taken unsecured loans from one company covered in the register maintained under section 301 of the Companies Act 1956. The maximum amount involved during the period was Rs.194.59 lakhs and the year end balance was Rs 194.59 lakhs. In the absence specification of installment schedule, we are unable to express our opinion regarding repayment of loan. In our opinion and according to the information and explanation given to us the rate of interest is not prejudicial to the interest of the Company.
- b) In respect of the advances given to two companies listed in the register maintained u/s 301 of the Companies Act 1956, the company has realised Rs 200 lakhs in terms of the Arbitration Award. Maximum amount outstanding is Rs 200 lakhs and the year end balance is "Nil"
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and sale of products/services. During the course of our audit, we have not observed any weaknesses in internal controls.
- v) a) According to the information and explanations given to us the transactions that need to be entered into a register in pursuance of section 301 of the Act have been so entered,
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained u/s 301 of the Companies Act 1956, and exceeding Rs. 5.00 lakhs in respect of any party during the year , have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time
- vi) According to the information and explanations given to us, the Company has not accepted deposits from the public.
- vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products / services of the Company.
- ix) a) Undisputed statutory dues including Provident Fund, Income-tax, Cess and other material statutory dues have generally been regularly been deposited during the year with the appropriate authorities.
- b) According to the information and explanations given to us, no disputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March 2010 for a period of more than six months' from the date on which they are payable.
- x) In our opinion and according to the information and explanations given to us, accumulated losses at the end of the financial year are less than fifty percent of the net worth.

- xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to any financial institutions, bank or debenture holders.
- xii) 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 and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) 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.
- xiv) 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.
- xv) 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.
- xvi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were raised
- xvii) In our opinion and according to the information and explanations given to us, the short-term funds were raised by the Company and were not utilised for repayment of long-term loans.
- xviii) The Company has not made preferential allotment of shares during the year. Hence the provisions of clause 4(1) (viii) are not applicable.
- xix) The company has not issued debentures during the year. Hence provisions of clause 4(1) (ix) are not applicable.
- xx) The Company has not raised any money by public issue during the year. Hence provisions of clause 4(1) (xx) are not applicable.
- xxi) To the best of our knowledge and belief, and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **K. Gopalan & Co**  
Chartered Accountants  
Firm's Registration No. 000975S

**S.N.Parthasarathy**

Place : Chennai Partner  
Dated : 14th May 2010 Membership No. 20168

**STANDALONE BALANCE SHEET AS AT 31 ST MARCH 2010**

PARTICULARS	Schedules	As at 31st March 2010 Rs.	As at 31st March 2009 Rs.
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	186,095,090	186,095,090
Reserves & Surplus		93,333,320	93,333,320
<b>Loan Funds</b>			
Secured Loan	2	145,225,820	82,583,471
Unsecured Loans	3	19,459,306	17,519,056
<b>TOTAL</b>		<b>444,113,536</b>	<b>379,530,937</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	4	514,702,523	411,868,831
Less: Depreciation		214,715,361	189,651,338
Net Block		299,987,162	222,217,493
Capital Work in Progress		9,684,477	7,495,995
<b>Investments</b>		<b>500,000</b>	
<b>Deferred Tax Assets / (Liability)</b>	5	<b>9,792,109</b>	<b>28,122,324</b>
(See Note No. 2 (g) of Schedule 15)			
<b>Current Assets, Loans &amp; Advances</b>			
Inventories		5,787,790	4,690,696
Sundry Debtors	6	74,532,479	29,884,896
Cash & Bank Balances	7	8,992,925	15,432,236
Loans & Advances	8	59,987,582	53,845,061
		149,300,776	103,852,888
<b>Less: Current Liabilities &amp; Provisions</b>	9	<b>100,190,337</b>	<b>92,196,510</b>
<b>Net Current Assets</b>		<b>49,110,439</b>	<b>11,656,378</b>
Profit & Loss Account		75,039,349	110,038,747
<b>TOTAL</b>		<b>444,113,536</b>	<b>379,530,937</b>
<b>Notes to Accounts</b>	15		

As per our annexed report of even date

For and on behalf of the Board

For **K.Gopalan & Co.**  
 Chartered Accountants  
 Firm's Registration No. 000975S

**Bhavdeep Singh**  
 Chairman

**Krish Ramesh**  
 Whole-Time Director

**S.N.Parthasarathy**  
 Partner  
 Membership No.20168

**Prashant Khattry**  
 Company Secretary

**K.Sundar**  
 Financial Controller

Place : Chennai  
 Date : 14th May 2010

**STANDALONE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010**

PARTICULARS	Schedules	Year Ended 31st March 2010 Rs.	Year ended 31st March 2009 Rs.
<b>I. INCOME</b>			
Operating Income		641,401,794	333,014,534
Other Income	10	1,046,037	266,195
<b>TOTAL</b>		<b>642,447,831</b>	<b>333,280,729</b>
<b>II. EXPENDITURE</b>			
Hospital Operation Expenses	11	513,809,568	272,689,667
Administrative & other expenses	12	26,198,110	15,743,744
Financial Expenses	13	16,350,516	7,188,343
Miscellaneous Expenses	14	6,256,114	4,249,936
Depreciation/Provision for Obsolescence/Impairment	4	26,503,911	17,302,469
<b>TOTAL</b>		<b>589,118,219</b>	<b>317,174,159</b>
<b>Profit/(Loss) before Extra Ordinary items and Tax</b>		<b>53,329,612</b>	16,106,570
Extra ordinary items : Advances Written off		-	28,943,158
<b>Profit/(Loss) before prior Period items and Tax</b>		<b>53,329,612</b>	(12,836,588)
Provision for Deferred Tax		18,330,214	5,648,843
Reversal of MAT		-	(913,497)
<b>Profit/(Loss) for the period/year</b>		<b>34,999,398</b>	(17,571,934)
Add: Balance brought forward from previous year		(110,038,747)	(92,466,813)
<b>Net Profit carried over to Balance Sheet</b>		<b>(75,039,349)</b>	(110,038,747)

As per our annexed report of even date

For and on behalf of the Board

For **K.Gopalan & Co.**  
Chartered Accountants  
Firm's Registration No. 000975S

**Bhavdeep Singh**  
Chairman

**Krish Ramesh**  
Whole-Time Director

**S.N.Parthasarathy**  
Partner  
Membership No.20168  
Place : Chennai  
Date : 14th May 2010

**Prashant Khattry**  
Company Secretary

**K.Sundar**  
Financial Controller

## SCHEDULES TO THE ACCOUNTS

	As at 31st March 2010 Rs.	As at 31st March 2009 Rs.
<b>SCHEDULE 1</b>		
<b>SHARE HOLDERS'S FUNDS</b>		
<b>Share Capital</b>		
Authorised Share Capital		
2,00,00,000 Shares of Rs.10/- Each	<u>200,000,000</u>	<u>200,000,000</u>
Issued, Subscribed & Paid Up		
18,594,259 (PY: 18,594,259) Equity	<u>185,942,590</u>	<u>185,942,590</u>
Shares of Rs. 10/- each		
<b>Add : Share Forfeiture</b>	<u>152,500</u>	<u>152,500</u>
	<u>186,095,090</u>	<u>186,095,090</u>
<b>Reserves &amp; Surplus</b>		
Share Premium Account	<u>93,333,320</u>	<u>93,333,320</u>

## SCHEDULE 2

### SECURED LOANS

<b>Computer Loan from Bank of India</b>	—	1,078,451
<b>Loans From HDFC Bank</b>		
- Medical Equipment Loan	<u>106,325,170</u>	<u>48,452,581</u>
- Deferred Letter of Credit	<u>24,180,225</u>	<u>27,311,563</u>
- Working Capital Overdraft Loan	<u>14,720,425</u>	<u>5,740,876</u>
<b>Total</b>	<u>145,225,820</u>	<u>81,505,020</u>
	<u>145,225,820</u>	<u>82,583,471</u>

Note:

1. Computer Loan from Bank of India is secured by Hypothecation of Computers purchased against that loan.
2. Term Loan and Working Capital Loan taken from HDFC Bank Ltd is secured by sole and exclusive charge on all Fixed Assets (except computers hypothecated to Bank of India, Adyar) and Current Assets both present and future.

## SCHEDULE 3

### UNSECURED LOANS

From Body Corporate	<u>19,459,306</u>	<u>17,519,056</u>
<b>Total</b>	<u>19,459,306</u>	<u>17,519,056</u>

## SCHEDULES TO THE ACCOUNTS

SCHEDULE 4  
FIXED ASSETS

Rs.

Description of Assets	GROSS BLOCK			DEPRECIATION BLOCK				NET BLOCK	
	As at 1st April 2009	Additions / Adjustments during the year	Deletions / Adjustments during the year	As at 31st March 2010	As at 1st April 2009	For the year	Adjustments during the year	As at 31st March 2010	As at 31st March 2009
Land	22,819,716			22,819,716				22,819,716	22,819,716
Building	125,128,318	37,225,688		162,354,006	58,506,763	4,301,916	-	62,808,679	66,621,555
Electrical Installations	18,471,577	2,989,253	1,269,822	20,191,008	10,424,104	1,105,561	629,127	10,900,538	8,047,473
Air Conditioners	22,418,323	1,962,324		24,380,647	12,739,674	1,184,643	-	13,924,317	9,678,649
Medical Equipments	188,392,534	65,232,604	8,477,343	245,147,795	89,534,238	16,079,785 *	266,503	105,347,520	98,858,296
Computers	8,692,056	708,051		9,400,107	2,606,410	1,484,287	-	4,090,697	6,085,646
Vehicles	3,936,383			3,936,383	2,472,005	373,956	-	2,845,961	1,464,378
Furniture & Fittings	5,763,739	4,406,031	869,979	9,299,791	3,638,133	846,924	474,456	4,010,601	2,125,606
Misc Fix Assets	16,246,185	1,052,828	125,942	17,173,071	9,730,011	1,126,838	69,802	10,787,047	6,516,174
<b>TOTAL</b>	<b>411,868,831</b>	<b>113,576,779</b>	<b>10,743,086</b>	<b>514,702,523</b>	<b>189,651,335</b>	<b>26,503,911</b>	<b>1,439,888</b>	<b>214,715,361</b>	<b>22,217,493</b>
<b>PREVIOUS YEAR</b>	<b>327,235,597</b>	<b>85,698,404</b>	<b>1,065,170</b>	<b>411,868,831</b>	<b>172,348,866</b>	<b>17,302,469</b>	<b>-</b>	<b>189,651,335</b>	<b>154,886,731</b>

\* Includes Rs. 2,389,557 provision created for Obsolescence/Impairment during the year.

## SCHEDULES TO THE ACCOUNTS

	As at 31st March 2010 Rs.	As at 31st March 2009 Rs.
<b>SCHEDULE 5</b>		
<b>Deferred Tax Asset / (Liability)Net</b>		
<b>Deferred Tax Asset</b>		
Effect of expenditure debited to profit and loss account but not allowed for Tax purpose	4,502,259	2,726,910
Carry forward business losses and unabsorbed depreciation	<b>34,142,572</b>	53,180,053
	<b>38,644,831</b>	55,906,963
<b>Deferred Tax Liability</b>		
Arising on account of timing difference in depreciation between Book Value of Depreciable Assets and WDV as per Income Tax Purpose	<b>28,852,722</b>	27,784,639
Deferred Tax Asset (Net)	<b>9,792,109</b>	28,122,324
<b>SCHEDULE 6</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured and considered good)		
a) Debts outstanding for a period exceeding six months	<b>9,224,310</b>	1,314,383
b) Other debts	<b>65,308,169</b>	28,570,513
Total	<b>74,532,479</b>	29,884,896
<b>SCHEDULE 7</b>		
<b>CASH AND BANK BALANCES</b>		
Cash in hand	<b>852,993</b>	710,573
Balance with scheduled Banks:		
On Current Account	<b>1,362,061</b>	14,721,663
On Fixed Deposit	<b>6,777,871</b>	-
Total	<b>8,992,925</b>	15,432,236
<b>SCHEDULE 8</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured and considered good)		
Advances recoverable in cash or kind for value to be received	<b>56,430,546</b>	50,453,888
Security Deposit	<b>3,557,036</b>	3,391,173
Total	<b>59,987,582</b>	53,845,061



**SCHEDULES TO THE ACCOUNTS**

	<b>As at 31st March 2010 Rs.</b>	<b>As at 31st March 2009 Rs.</b>
<b>SCHEDULE 9</b>		
<b>A. CURRENT LIABILITIES</b>		
1) Sundry Creditors		
a) Total Outstanding dues of Micro, Medium and Small Enterprises (Refer Note in Schedule 15)		
b) Total Outstanding dues of Creditors other than Micro, Medium and Small Enterprises	<b>60,723,364</b>	70,992,774
2) Misc. Receipts (Shares)	<b>225,656</b>	225,656
<b>B. PROVISIONS</b>		
3) Provision for Staff Benefits	<b>9,650,836</b>	8,022,684
4) Provision for Provident Fund	–	585,116
5) Other Provisions	<b>29,590,481</b>	12,370,280
Total	<b><u>100,190,337</u></b>	<u>92,196,510</u>
<b>SCHEDULE 10</b>		
<b>OTHER INCOME</b>		
Interest		
Bank Deposits	<b>172,005</b>	376
Others	122,427	217,819
Miscellaneous Receipts	<b>751,605</b>	48,000
Total	<b><u>1,046,037</u></b>	<u>266,195</u>

## SCHEDULES TO THE ACCOUNTS

	As at 31st March 2010 Rs.	As at 31st March 2009 Rs.
<b>SCHEDULE 11</b>		
<b>HOSPITAL OPERATING EXPENSES</b>		
Consumables & Others		
Opening Stock	4,690,696	-
Add: Purchases	145,248,495	45,353,715
	<u>149,939,191</u>	<u>45,353,715</u>
Less: Closing Stock	5,787,790	4,690,696
	<u>144,151,401</u>	<u>40,663,019</u>
Consultation Charges	185,179,870	110,388,608
Rent	4,958,919	2,514,099
Insurance	480,787	476,802
Salaries and Allowances	78,321,767	48,920,232
Bonus / Exgratia	1,771,150	3,081,203
Gratuity	2,915,234	1,223,513
Superannuation	84,294	90,075
Incentive / Retention	1,020,000	1,050,000
Incentive / Retention - Director	2,500,000	2,500,000
Contribution to Provident Fund	3,668,561	2,880,912
Directors Remuneration	4,824,781	3,792,100
Power & Fuel	14,844,280	11,712,925
Pathology, Laboratory Charges	21,685,595	19,963,840
Patient Food	8,154,278	6,054,660
Radiology Expenses	20,472,231	-
<b>Repairs &amp; Maintenance</b>		
Building & Renovation Work	5,242,613	4,314,609
Vehicles	-	313,954
Medical Equipments	1,366,479	1,779,755
Electrical	1,691,565	1,218,081
IT	773,597	233,343
Others	3,958,782	5,338,579
External Investigation Charges	4,074,367	2,827,331
Sterilization/Laundry Expense/Waste Mgt/CSSD	1,669,017	1,352,027
Total	<u>513,809,568</u>	<u>272,689,667</u>

**SCHEDULES TO THE ACCOUNTS**

	As at 31st March 2010 Rs.	As at 31st March 2009 Rs.
<b>SCHEDULE 12</b>		
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>		
Office Expenses	86,442	60,137
Postage & Telegrams/Courier	362,353	167,425
Filing Fees	107,163	35,844
Books & Periodicals	90,377	76,163
Security charges	3,690,470	4,540,281
Sitting Fees	60,000	44,000
Rates & Taxes	1,977,146	1,885,561
Freight & Cartage / Cooly	21,332	312,127
Listing Fees	33,090	122,914
Internal Audit Fees	234,056	304,277
Fringe Benefit Tax	27,333	469,679
Business Promotion Expenses	833,125	464,402
Professional / Consultancy Service	931,038	348,176
Travelling & Conveyance	5,942,031	2,761,218
Advertisement Charges	4,776,406	2,008,563
Loss on sale of fixed assets	571,316	-
Sales and Marketing Expenses	6,202,868	1,905,144
Auditors Remuneration:		
Audit Fees	120,000	120,000
Tax audit/Certification fees	50,000	80,000
Reimbursement of Expenses	65,600	20,600
	<u>235,600</u>	<u>220,600</u>
Other Expenses	15,964	17,233
Total	<u>26,198,110</u>	<u>15,743,744</u>
<b>SCHEDULE 13</b>		
<b>FINANCIAL EXPENSES</b>		
Interest		
- Financial Institutions and Banks	12,319,266	1,683,730
- Others	1,950,000	4,244,537
Bank Charges & Commission	2,081,250	1,260,077
Total	<u>16,350,516</u>	<u>7,188,344</u>

## SCHEDULES TO THE ACCOUNTS

	As at 31st March 2010 Rs.	As at 31st March 2009 Rs.
<b>SCHEDULE 14</b>		
<b>MISC. EXPENSES</b>		
Donation	5,000	13,907
Telephone Charges/ Cellular Charges	1,948,316	1,154,956
Share Registry Expenses	217,525	142,913
Ambulance Hire Charges	1,135,039	666,275
Annual General Meeting Expenses / EGM Expenses	224,244	212,070
Car Hire charges	-	539,941
Pooja Expenses	220,666	139,000
Brokerage & Commission	-	357,000
Interest on FBT Payments	-	28,979
Computers /Equipment Hire Charges	1,549,656	775,837
Others	955,668	219,058
Total	<u>6,256,114</u>	<u>4,249,936</u>

## SCHEDULES TO THE ACCOUNTS

### SCHEDULE – 15

#### NOTES FORMING PART OF THE ACCOUNTS

##### 1) Nature of Operations:

The company was incorporated in the year 1989 to set up, manage and operate a multi specialty hospital and it commenced its commercial operations in year 1992. The Company has become subsidiary of International Hospital Limited from 1st October 2009.

##### 2) Statement of Significant Accounting Policies:

###### (a) Basis for preparation of Accounts:

The financial statements has been prepared to comply in all material respects in accordance with the Notified Accounting Standards by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

###### (b) Use of estimates

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

###### (c) Fixed Assets:

- i) Fixed Assets are valued at cost less depreciation, financing cost upto the date of commissioning of Assets are capitalised.
- ii) Depreciation on major fixed assets excluding land is provided on straight line method at the rates Prescribed in Schedule XIV of the Companies Act 1956 and for the remaining assets at the rates prescribed by the management.

###### (d) Revenue recognition:

Operating Income of the Hospital is recognized as and when the services are rendered.

Till June 2009 Management fee from Radiology units is recognized as per the terms of the agreement.

###### (e) Foreign Currency Transactions:

- i) Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
- ii) Foreign currency monetary items are reported using the closing rate. Non-monetary items that are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.
- iii) Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements are recognised as income or expense in the year in which they arise in case of revenue transactions and subtracted or added to the cost in the case of asset.

###### (f) Employee Benefits:

- i) The Company makes contributions to statutory provident fund in accordance with Employee Provident Fund and Miscellaneous Provisions Act 1952. Provident Fund is a defined contribution scheme and the contributions are charged to the profit and loss account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the fund.

- ii) Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation made at the end of the year.
- iii) Compensated absences are provided for on the basis of an actuarial valuation carried out at the end of the year.
- iv) Actuarial gains/losses are recognised in the profit and loss account as they occur.

**(g) Provision for Current Tax and Deferred Tax Recognition:**

- i) Provision for current tax is made after taking into consideration the benefits admissible under the provisions of IT Act 1961.
- ii) Deferred tax resulting from timing differences between book & taxable profits is accounted for using the tax rates and laws that have been enacted on the balance sheet date.
- iii) Deferred tax is recognized and carried forward only to the extent that there is reasonable certainty; and in case of unabsorbed depreciation and carried forward losses only to the extent that there is virtual certainty supported by convincing evidence, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

**(h) Provisions:**

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

**(i) Cash and Cash Equivalents:**

Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

**3. Segment Reporting:**

As the Company's business activity primarily falls within a single business and geographical segment, there are no additional disclosures to be provided in terms of Accounting Standard 17 "Segment Reporting"

- 4. Fixed asset include, medical equipment, purchased through HDFC bank Ltd, under confirmed irrevocable foreign deferred letter of credit payable in US dollars, after 36 months from 3rd October 2008. Liability has been added on value of dollar at the close of the year.
- 5. In respect of Rs 200 lakhs outstanding from two Companies included in the register maintained u/s 301 of the Companies Act, 1956, in terms of the Arbitration award, the Company has since realised Rs 200 lakhs from the said two companies.

**6. Details of Director's Remuneration**

	<b>For the year ended 31st March 2010 Rs.</b>	<b>For the year ended 31st March 2009 Rs.</b>
Remuneration for whole time Directors (within the limits prescribed under Schedule XIII of the Companies Act, 1956)	<b>7,562,380</b>	3,983,500

- (a) This is exclusive of Rs. 25.00 lakhs provision made under the head provision for incentives. The said Rs. 7,562,380 includes earlier year provision for incentive approved and paid in the current year .
- (b) As the future liability for Gratuity and leave encashment is provided on an actuarial basis for the company as a whole, the amount pertaining to the directors is not ascertainable and therefore not included above.

**7. CIF value of imports in respect of:**

a. Consumables stores & Repairs & Maintenance	NIL	NIL
b. Capital Goods	19,571,854	29,066,229

8. The balances outstanding in Hospital Sundry Debtors and Creditors are subject to confirmation.

9. Figures are regrouped and reclassified wherever necessary. The figures are rounded off to nearest Rupees.

10. Provision for incentives include Rs. 25 lakhs provision created for the whole time director(LY 25.00 lakhs)

11. Depreciation for the current year includes Rs. 974,363, additional depreciation for the section of assets. At the rates higher than rate described in the Schedule XIV of the Companies Act..

12. Provision for gratuity includes additional provision Rs.1,691,197 assessed by the independent actuary for the liability existed at the beginning of the year.

**13. RELATED PARTY DISCLOSURES****A. LIST OF RELATED PARTIES (AS CERTIFIED BY THE MANAGEMENT):****(a) Enterprises which control (directly or indirectly) reporting enterprise**

International Hospital Limited

**Enterprises under control (whether directly or indirectly) of reporting enterprise**

Malar Stars Medicare Limited

**Enterprises which are under common control with reporting enterprise**

Escorts Hospital And Research Centre Limited

Escorts Heart and Super Speciality Hospital Limited

Fortis Healthcare International Limited

Lalitha Healthcare Private Limited

Fortis Emergency Services Limited

**(b) Associate or JV of reporting enterprise****Investing party of which reporting enterprises is an associate**

"Nil"

**(c) Individuals (directly or indirectly) having control or significant influence over reporting enterprise**

Mr. Shivinder Mohan Singh - Chairman and Director (Till 30th March, 2010)

Mr. Malvinder Mohan Singh

**(d) Key managerial personnel(s)**

Mr Shivinder Mohan Singh - Chairman and Director (Till 30th March, 2010)

Mr. Krish Ramesh- Whole Time Director

Mr. Bhavdeep Singh – Chairman and Director (from 30th March, 2010)

**(e) Enterprises over which any person mentioned at (c) and (d) have significant influence\***

**Fortis Malar Hospitals Limited**
**Enterprises under control (whether directly or indirectly) of reporting enterprise**

Religare Enterprises Limited (REL)	Hichens, Harrison (Middle East) Limited
Religare Securities Limited	Hichens, Harrison (Ventures) Limited
Religare Finvest Limited	Hichens, Harrison (Derivatives) LLP
Religare Commodities Limited	Religare Capital Markets (UK) Limited (Formerly Blomfield Corporate Finance Limited)
Religare Realty Limited	Religare Hichens, Harrison (Pty) Limited
Religare Venture Capital Ltd.	Religare Hichens Harrison Consultoria Internacional Ltd
Religare Insurance Broking Ltd.	Religare Capital Markets Pte Limited
Religare Finance Limited	Religare Capital Markets Inc
Religare Capital Markets Limited	London Wall Nominees Limited
Religare Macquarie Wealth Management Limited	HH1803.Com Limited
Religare Health Insurance Company Limited	Tobler (Mauritius) Limited
Religare Arts Initiative Limited	Tobler (UK) Limited
Religare United Soccer Limited	Religare Global Asset Management Japan Co. Ltd.
Religare Arts Investment Management Limited	Religare Investment Advisory (Mauritius)
AEGON Religare Life Insurance Company Limited	Religare Investment Holdings (UK) Ltd.
Vistaar Religare Capital Advisors Limited	Charterpace Limited
Religare Asset Management Company Limited	Blamire Limited
Religare Trustee Company Ltd.,	Blomfield Street Securities Limited
Mausam Films Limited	African Communication Services (Proprietary) Limited
Vistaar Religare Films Limited	ARM Corporate Finance Limited
Vistaar Religare Media Limited	Claridge House Services Limited
Vistaar Religare Pictures Limited	Hichens, Harrison (Far East) Pte Limited
Vistaar Religare Entertainment Limited	Religare Technova Limited
Milestone Religare Investment Advisors Private Limited	Religare Technova Business Intellect Limited
Maharishi Housing Development Finance Corporation Limited	Religare Technova Global Solutions Limited
Religare Advisory Services Limited	Olive Rays Innovations Limited (converted into Public Limited Company w.e.f. 29.12.2009)
Religare Capital Markets International (Mauritius) Limited	Religare Technologies Limited
Religare Capital Markets International (UK) Limited	Religare Technova IT Services Limited
Religare Capital Markets Plc. (formerly Religare Hichens, Harrison plc)	Regius Overseas Holding Co. Ltd.
	Religare Technova Global Solutions Pty Ltd.



Religare Technova Global Solutions (Australia) Pty Ltd.	Oscar Investments Ltd.
Religare Technova Global Solutions (Development) Pty Ltd.	A - 1 Book Company (P) Ltd
Religare Technova Global Solutions (Asia Pacific) Pty Ltd.	Malav Holdings (P) Limited
Religare Technova Global Solutions (NZ) Ltd.	Luxury Farms (P) Ltd.
Religare Technova Global Solutions (HK) Ltd.	Vistas Realtors Private Limited
Religare Technova Global Solutions (UK) Ltd.	Shivi Holdings (P) Ltd
Religare Technova Global Solutions (MY) Sdn Bhd	Greenview Buildtech Private Limited
Religare Technova Global Solutions (Singapore) Pte. Ltd.	RC Nursery (P) Ltd.
Religare Technova Global Solutions Vietnam Company Ltd.	Shimal Research Laboratories Ltd
Super Religare Laboratories Limited	Hospitalia Informations Systems (P) Ltd
MENA Healthcare Investment Company Limited	ANR Securities Limited.
Medical Management Company Limited	Whyteleaf Investments P. Ltd.
Super Religare Laboratories International Limited	Trendy Exim Private Limited
Super Religare Laboratories International FZ-LLC	Bindas Realtors Private Limited
MENA Medical Supplies L.L.C.	Vistas Complexes Private Ltd
Super Religare Reference Laboratories (Nepal) Pvt. Ltd.	Meadows Buildtech Private Limited
RHC Holding Private Ltd	Fortis Clinical Research Ltd
	Green Biofuels Farms Private Ltd

#### B. PARTICULARS OF TRANSACTIONS WITH RELATED PARTIES DURING THE YEAR ENDED ON 31st March 2010

Transactions	KMP	Enterprises Under significant influence by KMP	Total
	Rs.	Rs.	Rs.
1. Interest paid	NIL	1,950,000	1,950,000
2. Other Transactions	NIL	697,367	697,367
3. Whole Time Director's Remuneration	7,562,380	NIL	7,562,380

#### 14 Disclosures under Accounting Standard – 15 (Revised) on "Employee Benefits":

##### A. Defined Contribution Plan

Rs. in Lacs

Particulars	March 31, 2010	March 31, 2009
Contribution to Provident Fund	36.68	28.80

##### B. Defined Benefit Fund

The company has a defined benefit gratuity plan, whereby the employees are entitled to gratuity benefit on the basis of last salary drawn and completed number of years of services.

The company also provides Leave Encashment benefit to its employees, which is unfunded. The company also provides Super Annuation benefits to its senior executives.

The following table summaries the components of net benefit expenses recognised in the profit and loss account and the amounts recognised in the balance sheet.

Rs. in Lacs

Particulars	Gratuity (Unfunded) March 31, 2010	Gratuity (Unfunded) March 31, 2009
<b>Net employee benefit expenses (recognized in Personnel Expenses)</b>		
Current service cost	10.34	9.59
Interest cost on benefit obligation	4.64	2.39
Expected return on plan assets	(1.21)	(0.93 )
Actuarial loss (gain) recognized during the year	(2.54)	25.60
Past service cost	-	-
Net benefit expense	11.23	36.65
<b>Balance Sheet</b>		
<b>Details of Provision for Gratuity at March 31, 2010</b>		
Present value of defined benefit obligation	68.35	63.11
Fair Value of plan assets	14.83	13.29
Deficit of funds	(53.52)	(49.82)
Net liability	(53.52)	(49.82)
<b>Changes in present value of the defined benefit obligation are as follows:</b>		
Opening defined benefit obligation	63.11	35.56
Current Service cost	10.34	9.59
Interest Cost on benefit obligation	4.64	2.39
Benefits paid	(7.13)	(9.89)
Actuarial loss/(gain) recognized during the year	(2.61)	25.46
Closing defined benefit obligation	68.35	63.11

The Principal assumptions used in determining gratuity obligation for the Company's plan are shown below:

Discount rate	8.00%	7.80%
Expected rate of return on plan assets	8.50%	9.00%
Expected rate of salary increase	7.50%	7.50%
Mortality table referred	LIC (1994-96) ultimate	
<b>Withdrawal rate/Employee Turnover Rate</b>		
Age up to 30 Years	18.00%	18.00%
Age from 31 to 44 years	6.00%	6.00%
Age above 44 years	2.00%	2.00%
Experience adtmnt on plan liabilities	-	-

Notes:

- a) 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.
- b) The Company's expected contribution to the fund in the next year is not presently ascertainable and hence, the contributions expected to be paid to the plan during the annual period beginning after the balance sheet date as required by Para 120 (o) of the Accounting Standard 15 Revised) on Employee Benefits are not disclosed.

#### 15. DETAILS OF DUES TO MICRO, SMALL AND MEDIUM ENTERPRISES AS PER MSMED ACT, 2006

Particulars	31st March 2010	31st March 2009
The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year	Nil	Nil
The amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006	Nil	Nil

#### 16. EARNING PER SHARE

As required by the Accounting Standard on Earnings Per Share (EPS) AS 20 Issued by the Institute of Chartered Accountants of India, our Company discloses the following information.

	Year ended 31st March 2010 (Rs.)	Year ended 31st March 2009 (Rs.)
a. Profit (Loss) as per Profit and Loss Account	<b>34,999,398</b>	(17,571,934)
b. No of Basic equity share	<b>18,594,259</b>	18,594,259
c. Basic earnings per share	<b>1.88</b>	(0.95)
d. Nominal value of an equity share	<b>10/-</b>	10/-

As per our annexed report of even date

For and on behalf of the Board

For **K.Gopalan & Co.**  
Chartered Accountants  
Firm's Registration No. 000975S

**Bhavdeep Singh**  
Chairman

**Krish Ramesh**  
Whole-Time Director

**S.N.Parthasarathy**  
Partner  
Membership No.20168

**Prashant Khattry**  
Company Secretary

**K.Sundar**  
Financial Controller

Place : Chennai  
Date : 14th May 2010

## STANDALONE CASH FLOW STATEMENT

	For the year ended 31st March 2010 Rs.	For the Year Ended 31st March 2009 Rs.
<b>A CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net profit/(loss)after Prior period, Extraordinary items and Tax	34,999,398	(17,571,934)
<b>Extraordinary items</b>		
Provision for deferred tax	18,330,214	5,648,843
Advance written off	-	28,943,158
Reversal of MAT	-	(913,497)
<b>Profit before Tax</b>	<b>53,329,612</b>	16,106,570
<b>Adjustments for :</b>		
Depreciation	26,503,911	17,302,489
Loss on sale of fixed assets	571,316	-
Financial charges (considered separately)	16,350,516	7,188,343
Interest received & other income (considered separately)	(1,046,038)	(266,195)
<b>Operating profit/loss before working capital changes</b>	<b>95,709,317</b>	40,331,207
<b>Adjustments for :</b>		
Sundry debtors	(44,647,583)	(14,734,881)
Inventories	(1,097,094)	(4,690,696)
Loans & advances	(6,142,521)	(16,570,460)
Current liabilities & provisions	7,993,826	28,303,315
Cash generated from operations	51,815,945	32,638,485
<b>Net cash from operating activities</b>	<b>A 51,815,945</b>	32,638,485
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to fixed assets (including capital work in progress)	(112,633,923)	(88,367,972)
Proceeds from sale of fixed assets	5,600,545	387,000
<b>Net cash used in investing activities</b>	<b>B (107,033,378)</b>	(87,980,972)
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds (& Repayments) from new borrowings	64,582,599	76,927,820
Increase in investments	(500,000)	-
Financial charges	(16,350,516)	(7,188,343)
Interest received & other income	1,046,038	266,195
<b>Net cash used in financing activities</b>	<b>C 48,778,121</b>	70,005,672
<b>Net increase in cash and cash equivalents ( A+B+C)</b>	<b>A+B+C (6,439,312)</b>	14,663,185
Cash and cash equivalents (Opening balance)	15,432,236	769,051
Cash and cash equivalents (Closing balance)	8,992,924	15,432,236

As per our annexed report of even date

For and on behalf of the Board

For **K.Gopalan & Co.**  
Chartered Accountants  
Firm's Registration No. 000975S

**Bhavdeep Singh**  
Chairman

**Krish Ramesh**  
Whole-Time Director

**S.N.Parthasarathy**  
Partner  
Membership No.20168  
Place : Chennai  
Date : 14th May 2010

**Prashant Khattry**  
Company Secretary

**K.Sundar**  
Financial Controller

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

## I. Registration Details

Registration No. State code CIN No. Balance Sheet Date 

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

Public Issue

Rights Issue

Bonus Issue

Private Placement

## III. Position of Mobilisation and Deployment of Funds (Amounts in Rs. Thousands)

Total Liabilities

Total Assets

Source of Funds

Paid - up Capital

Reserves and Surplus

Secured Loans

Unsecured Loans

Application of Funds

Net Fixed Assets

Deferred Tax Asset

Investments

Net Current Assets

Accumulated Losses

## IV. Performance of Company (Amount in Rs. Thousands)

Turnover

Total Expenditure

Profit / (Loss) Before Tax and Deferred Tax

Profit / (Loss) After Tax And Deferred Tax

## V. Generic Names of Three Principal Products/Services of Company ( As per Monetary terms)

Item Code No. (ITC Code) : Not Applicable

Products Description : Medical Services

As per our annexed report of even date

For and on behalf of the Board

For **K.Gopalan & Co.**

Chartered Accountants

Firm's Registration No. 000975S

**Bhavdeep Singh**

Chairman

**Krish Ramesh**

Whole-Time Director

**S.N.Parthasarathy**

Partner

Membership No.20168

Place : Chennai

Date : 14th May 2010

**Prashant Khattry**

Company Secretary

**K.Sundar**

Financial Controller

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956  
RELATING TO THE SUBSIDIARY COMPANY**

<b>NAME OF THE SUBSIDIARY COMPANY</b>	<b>MALAR STARS MEDICARE LTD.*</b>
<b>1. Financial year of the Subsidiary ended on</b>	31st March, 2010
<b>2. Shares of the Subsidiary Company held on the above date and extent of holding.</b>	
i) Equity Shares of Rs. 10/- each (50,000 equity shares of Rs. 10/- each fully paid-up)	Rs. 50,000
ii) Extent of Holding	100%
<b>3. Net aggregate amount of profits of the Subsidiary Company for the above financial year so far as it concerns the members of Fortis Malar Hospitals Ltd.</b>	
i) Dealt with in Accounts of Fortis Malar Hospitals Ltd.	Rs.29,779
ii) Not dealt with in Accounts of Fortis Malar Hospitals Ltd.	NIL
<b>4. Net aggregate amount of profits for previous financial years of the Subsidiary Company as far as it concerns members of Fortis Malar Hospitals Ltd.</b>	
i) Dealt with in Accounts of Fortis Malar Hospitals Ltd.	Not Applicable
ii) Not dealt with in Accounts of Fortis Malar Hospitals Ltd.	Not Applicable

\* Malar Stars Medicare Limited became subsidiary of the Company on 7th July, 2009.

\*\* However, Malar Stars Medicare Limited became wholly - owned subsidiary of the Company on 29th July, 2009.

For and on behalf of the Board

**Bhavdeep Singh**  
Chairman

**Krish Ramesh**  
Whole-Time Director

Place : Chennai  
Date : 14th May 2010

**Prashant Khattry**  
Company Secretary

**K.Sundar**  
Financial Controller

**AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF FORTIS MALAR HOSPITALS LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF FORTIS MALAR HOSPITALS LIMITED, ITS SUBSIDIARY.**

1. We have audited the annexed Balance Sheet of **FORTIS MALAR HOSPITALS LTD** ("the Company") and its subsidiary **MALAR STARS MEDICARE LIMITED** as on 31<sup>st</sup> March 2010, the Profit and Loss Account and the Cash flow statement of the Company for the period ended on that date and annexed thereto.
2. 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.
3. 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.
4. We report that the consolidated financial statements (CFS) have been prepared by the company's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements and Accounting Standards (AS) 23, Accounting for investments in Associates in Consolidated Financial Statements, notified pursuant to the companies (Accounting Standards) Rules, 2006 (as amended).
5. Based on our audit and on consolidation of reports 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 Fortis Malar Hospitals Ltd. as at March 31, 2010.
  - b) In the case of the consolidated profit & loss account, of the state of affairs of the Fortis Malar Hospitals Ltd. as on that date.
  - c) In the case of the consolidated cash flow statement, of the state of affairs of the Fortis Malar Hospitals Ltd. as on that date.

For **K.Gopalan & Co.**  
Chartered Accountants  
Firm's Registration No. 000975S

Place : Chennai  
Date : 14th May 2010

**S.N.Parthasarathy**  
Partner  
Membership No.20168

**CONSOLIDATED BALANCE SHEET AS AT 31 ST MARCH 2010**

<b>PARTICULARS</b>	<b>Schedules</b>	<b>As at 31st March 2010 Rs.</b>	<b>As at 31st March 2009 Rs.</b>
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	<b>186,095,090</b>	186,095,090
Reserves & Surplus		<b>93,333,320</b>	93,333,320
<b>Loan Funds</b>			
Secured Loan	2	<b>145,225,820</b>	82,583,471
Unsecured Loans	3	<b>19,459,306</b>	17,519,056
<b>TOTAL</b>		<b>444,113,536</b>	379,530,937
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	4	<b>514,702,523</b>	411,868,831
Less: Depreciation		<b>214,715,361</b>	189,651,338
Net Block		<b>299,987,162</b>	222,217,493
Capital Work in Progress		<b>9,684,477</b>	7,495,995
<b>Investments</b>			
		-	
<b>Deferred Tax Assets / (Liability)</b>	5	<b>9,792,109</b>	28,122,324
(See Note No. 2 (h) of Schedule 15)			
<b>Current Assets, Loans &amp; Advances</b>			
Inventories		<b>5,787,790</b>	4,690,696
Sundry Debtors	6	<b>74,532,479</b>	29,884,896
Cash & Bank Balances	7	<b>9,602,570</b>	15,432,236
Loans & Advances	8	<b>59,932,332</b>	53,845,061
		<b>149,855,171</b>	103,852,888
<b>Less: Current Liabilities &amp; Provisions</b>	9	<b>100,214,954</b>	92,196,510
<b>Net Current Assets</b>		<b>49,640,217</b>	11,656,378
Profit & Loss Account		<b>75,009,570</b>	110,038,747
<b>TOTAL</b>		<b>444,113,536</b>	379,530,937
<b>Notes to Accounts</b>	15		

As per our annexed report of even date

For and on behalf of the Board

For **K.Gopalan & Co.**  
 Chartered Accountants  
 Firm's Registration No. 000975S

**Bhavdeep Singh**  
 Chairman

**Krish Ramesh**  
 Whole-Time Director

**S.N.Parthasarathy**  
 Partner  
 Membership No.20168

**Prashant Khattry**  
 Company Secretary

**K.Sundar**  
 Financial Controller

Place : Chennai  
 Date : 14th May 2010



**CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010**

PARTICULARS	Schedules	Year Ended 31st March 2010 Rs.	Year ended 31st March 2009 Rs.
<b>I. INCOME</b>			
Operating Income		<b>641,401,794</b>	333,014,534
Other Income	<b>10</b>	<b>1,046,037</b>	266,195
<b>TOTAL</b>		<b>642,447,831</b>	333,280,729
<b>II. EXPENDITURE</b>			
Hospital Operation Expenses	<b>11</b>	<b>513,399,316</b>	272,689,667
Administrative & other expenses	<b>12</b>	<b>26,546,674</b>	15,743,744
Financial Expenses	<b>13</b>	<b>16,350,528</b>	7,188,343
Miscellaneous Expenses	<b>14</b>	<b>6,256,114</b>	4,249,936
Depreciation/Provision for Obsolescence/Impairment	<b>4</b>	<b>26,503,911</b>	17,302,469
Preliminary expenses written off		<b>18,580</b>	-
<b>TOTAL</b>		<b>589,075,123</b>	317,174,159
<b>Profit/(Loss) before Extra Ordinary items and Tax</b>		<b>53,372,708</b>	16,106,570
Extra ordinary items : Advances Written off		-	28,943,158
<b>Profit/(Loss) before prior Period items and Tax</b>		<b>53,372,708</b>	(12,836,588)
Provision for Deferred Tax		<b>18,330,214</b>	5,648,843
Provision for Current Tax		<b>13,317</b>	-
Reversal of MAT		-	(913,497)
<b>Profit/(Loss) for the period/year</b>		<b>35,029,177</b>	(17,571,934)
Add: Balance brought forward from previous year		<b>(110,038,747)</b>	(92,466,813)
<b>Net Profit carried over to Balance Sheet</b>		<b>(75,009,570)</b>	(110,038,747)

As per our annexed report of even date

For and on behalf of the Board

For **K.Gopalan & Co.**  
Chartered Accountants  
Firm's Registration No. 000975S

**Bhavdeep Singh**  
Chairman

**Krish Ramesh**  
Whole-Time Director

**S.N.Parthasarathy**  
Partner  
Membership No.20168  
Place : Chennai  
Date : 14th May 2010

**Prashant Khattry**  
Company Secretary

**K.Sundar**  
Financial Controller

## SCHEDULES TO THE ACCOUNTS

	<b>As at 31st March 2010 Rs.</b>	<b>As at 31st March 2009 Rs.</b>
<b>SCHEDULE 1</b>		
<b>SHARE HOLDERS'S FUNDS</b>		
<b>Share Capital</b>		
Authorised Share Capital		
2,00,00,000 Shares of Rs.10/- Each	<b>200,000,000</b>	200,000,000
Issued, Subscribed & Paid Up		
18,594,259 (PY: 18,594,259) Equity	<b>185,942,590</b>	185,942,590
Shares of Rs. 10/- each		
<b>Add : Share Forfeiture</b>	<b>152,500</b>	<b>152,500</b>
	<b>186,095,090</b>	186,095,090
<b>Reserves &amp; Surplus</b>		
Share Premium Account	<b>93,333,320</b>	<b>93,333,320</b>
<b>SCHEDULE 2</b>		
<b>SECURED LOANS</b>		
<b>Computer Loan from Bank of India</b>	—	1,078,451
<b>Loans From HDFC Bank</b>		
- Medical Equipment Loan	<b>106,325,170</b>	48,452,581
- Deferred Letter of Credit	<b>24,180,225</b>	27,311,563
- Working Capital Overdraft Loan	<b>14,720,425</b>	5,740,876
<b>Total</b>	<b>145,225,820</b>	81,505,020
	<b>145,225,820</b>	82,583,471
Note:		
1. Computer Loan from Bank of India is secured by Hypothecation of Computers purchased against that loan.		
2. Term Loan and Working Capital Loan taken from HDFC Bank Ltd is secured by sole and exclusive charge on all Fixed Assets (except computers hypothecated to Bank of India, Adyar) and Current Assets both present and future.		
<b>SCHEDULE 3</b>		
<b>UNSECURED LOANS</b>		
From Body Corporate	<b>19,459,306</b>	17,519,056
<b>Total</b>	<b>19,459,306</b>	17,519,056

## SCHEDULES TO THE ACCOUNTS

## SCHEDULE 4

## FIXED ASSETS

Rs.

Description of Assets	GROSS BLOCK			DEPRECIATION BLOCK				NET BLOCK	
	As at 1st April 2009	Additions / Adjustments during the year	Deletions / Adjustments during the year	As at 31st March 2010	As at 1st April 2009	For the year	Adjustments during the year	As at 31st March 2010	As at 31st March 2009
Land	22,819,716			22,819,716				22,819,716	22,819,716
Building	125,128,318	37,225,688		162,354,006	58,506,763	4,301,916	-	62,808,679	99,545,326
Electrical Installations	18,471,577	2,989,253	1,269,822	20,191,008	10,424,104	1,105,561	629,127	10,900,538	8,047,473
Air Conditioners	22,418,323	1,962,324		24,380,647	12,739,674	1,184,643	-	13,924,317	9,678,649
Medical Equipments	188,392,534	65,232,604	8,477,343	245,147,795	89,534,238	16,079,785 *	266,503	105,347,520	98,858,296
Computers	8,692,056	708,051		9,400,107	2,606,410	1,484,287	-	4,090,697	6,085,646
Vehicles	3,936,383			3,936,383	2,472,005	373,956	-	2,845,961	1,464,378
Furniture & Fittings	5,763,739	4,406,031	869,979	9,299,791	3,638,133	846,924	474,456	4,010,601	2,125,606
Misc Fix Assets	16,246,185	1,052,828	125,942	17,173,071	9,730,011	1,126,838	69,802	10,787,047	6,516,174
<b>TOTAL</b>	<b>411,868,831</b>	<b>113,576,779</b>	<b>10,743,086</b>	<b>514,702,523</b>	<b>189,651,335</b>	<b>26,503,911</b>	<b>1,439,888</b>	<b>214,715,361</b>	<b>22,217,493</b>
<b>PREVIOUS YEAR</b>	<b>327,235,597</b>	<b>85,698,404</b>	<b>1,065,170</b>	<b>411,868,831</b>	<b>172,348,866</b>	<b>17,302,469</b>	<b>-</b>	<b>189,651,335</b>	<b>154,886,731</b>

\* Includes Rs. 2,389,557 provision created for Obsolescence/Impairment during the year.

## SCHEDULES TO THE ACCOUNTS

	As at 31st March 2010 Rs.	As at 31st March 2009 Rs.
<b>SCHEDULE 5</b>		
<b>Deferred Tax Asset / (Liability)Net</b>		
<b>Deferred Tax Asset</b>		
Effect of expenditure debited to profit and loss account but not allowed for Tax purpose	4,502,259	2,726,910
Carry forward business losses and unabsorbed depreciation	<b>34,142,572</b>	53,180,053
	<b>38,644,831</b>	55,906,963
<b>Deferred Tax Liability</b>		
Arising on account of timing difference in depreciation between Book Value of Depreciable Assets and WDV as per Income Tax Purpose	<b>28,852,722</b>	27,784,639
Deferred Tax Asset (Net)	<b>9,792,109</b>	28,122,324
<b>SCHEDULE 6</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured and considered good)		
a) Debts outstanding for a period exceeding six months	<b>9,224,310</b>	1,314,383
b) Other debts	<b>65,308,169</b>	28,570,513
Total	<b>74,532,479</b>	29,884,896
<b>SCHEDULE 7</b>		
<b>CASH AND BANK BALANCES</b>		
Cash in hand	<b>858,993</b>	710,573
Balance with scheduled Banks:		
On Current Account	<b>1,965,707</b>	14,721,663
On Fixed Deposit	<b>6,777,870</b>	-
Total	<b>9,602,570</b>	15,432,236
<b>SCHEDULE 8</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured and considered good)		
Advances recoverable in cash or kind for value to be received	<b>56,375,296</b>	50,453,888
Security Deposit	<b>3,557,036</b>	3,391,173
Total	<b>59,932,332</b>	53,845,061

**SCHEDULES TO THE ACCOUNTS**

	<b>As at 31st March 2010 Rs.</b>	<b>As at 31st March 2009 Rs.</b>
<b>SCHEDULE 9</b>		
<b>A. CURRENT LIABILITIES</b>		
1) Sundry Creditors		
a) Total Outstanding dues of Micro, Medium and Small Enterprises (Refer Note in Schedule 15)		
b) Total Outstanding dues of Creditors other than Micro, Medium and Small Enterprises	<b>60,901,495</b>	70,992,774
2) Misc. Receipts (Shares)	<b>225,656</b>	225,656
<b>B. PROVISIONS</b>		
3) Provision for Staff Benefits	<b>9,650,836</b>	8,022,684
4) Provision for Provident Fund	–	585,116
5) Other Provisions	<b>29,436,967</b>	12,370,280
Total	<b>100,214,954</b>	92,196,510
<b>SCHEDULE 10</b>		
<b>OTHER INCOME</b>		
Interest		
Bank Deposits	<b>172,005</b>	376
Others	122,427	217,819
Miscellaneous Receipts	<b>751,605</b>	48,000
Total	<b>1,046,037</b>	266,195

## SCHEDULES TO THE ACCOUNTS

	As at 31st March 2010 Rs.	As at 31st March 2009 Rs.
<b>SCHEDULE 11</b>		
<b>HOSPITAL OPERATING EXPENSES</b>		
Consumables & Others		
Opening Stock	4,690,696	-
Add: Purchases	145,254,527	45,353,715
	<u>149,945,223</u>	<u>45,353,715</u>
Less: Closing Stock	5,787,790	4,690,696
	<u>144,157,433</u>	<u>40,663,019</u>
Consultation Charges	182,372,773	110,388,608
Rent	4,958,919	2,514,099
Insurance	480,787	476,802
Salaries and Allowances	80,712,580	48,920,232
Bonus / Exgratia	1,771,150	3,081,203
Gratuity	2,915,234	1,223,513
Superannuation	84,294	90,075
Incentive / Retention	1,020,000	1,050,000
Incentive / Retention -Director	2,500,000	2,500,000
Contribution Provident Fund	3,668,561	2,880,912
Directors Remuneration	4,824,781	3,792,100
Power & Fuel	14,844,280	11,712,925
Pathology, Laboratory Charges	21,685,595	19,963,840
Patient Food	8,154,278	6,054,660
Radiology Expenses	20,472,231	-
<b>Repairs &amp; Maintenance</b>		
Building & Renovation Work	5,242,613	4,314,609
Vehicles	-	313,954
Medical Equipments	1,366,479	1,779,755
Electrical	1,691,565	1,218,081
IT	773,597	233,343
Others	3,958,782	5,338,579
External Investigation Charges	4,074,367	2,827,331
Sterilization/Laundry Exp./Waste Mgt/CSSD	1,669,017	1,352,027
Total	<u>513,399,316</u>	<u>272,689,667</u>

**SCHEDULES TO THE ACCOUNTS**

	As at 31st March 2010 Rs.	As at 31st March 2009 Rs.
<b>SCHEDULE 12</b>		
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>		
Office Expenses	86,442	60,137
Postage & Telegrams/Courier	362,353	167,425
Filing Fees	108,217	35,844
Books & Periodicals	90,377	76,163
Security charges	3,690,470	4,540,281
Sitting Fees	60,000	44,000
Rates & Taxes	1,977,146	1,885,561
Freight & Cartage / Cooly	21,332	312,127
Listing Fees	33,090	122,914
Internal Audit Fees	234,056	304,277
Fringe Benefit Tax	27,333	469,679
Business Promotion Expenses	833,125	464,402
Professional / Consultancy Service	931,288	348,176
Travelling & Conveyance	6,277,991	2,761,218
Advertisement Charges	4,776,406	2,008,563
Loss on sale of fixed assets	571,316	-
Sales and Marketing Expenses	6,202,868	1,905,144
Auditors Remuneration:		
Audit Fees	130,000	120,000
Tax audit/Certification fees	50,000	80,000
Reimbursement of Expenses	66,900	20,600
	<u>246,900</u>	<u>220,600</u>
Other Expenses	15,964	17,233
Total	<u>26,546,674</u>	<u>15,743,744</u>
<b>SCHEDULE 13</b>		
<b>FINANCIAL EXPENSES</b>		
Interest		
- Financial Institutions and Banks	12,319,266	1,683,730
- Others	1,950,000	4,244,537
Bank Charges & Commission	2,081,262	1,260,077
Total	<u>16,350,528</u>	<u>7,188,344</u>

## SCHEDULES TO THE ACCOUNTS

	As at 31st March 2010 Rs.	As at 31st March 2009 Rs.
<b>SCHEDULE 14</b>		
<b>MISC. EXPENSES</b>		
Donation	5,000	13,907
Telephone Charges/ Cellular Charges	1,948,316	1,154,956
Share Registry Expenses	217,525	142,913
Ambulance Hire Charges	1,135,039	666,275
Annual General Meeting Expenses / EGM Expenses	224,244	212,070
Car Hire charges	-	539,941
Pooja Expenses	220,666	139,000
Brokerage & Commission	-	357,000
Interest on FBT Payments	-	28,979
Computers /Equipment Hire Charges	1,549,656	775,837
Others	955,668	219,058
Total	<u>6,256,114</u>	<u>4,249,936</u>



## SCHEDULES TO THE ACCOUNTS

### SCHEDULE – 15

#### NOTES FORMING PART OF THE ACCOUNTS

##### 1. Nature of Operations:

The company was incorporated in the year 1989 to set up, manage and operate a multi specialty hospital and it commenced its commercial operations in year 1992. The Company has become subsidiary of International Hospital Limited from 1st October 2009.

##### 2. Statement of Significant Accounting Policies:

###### (a) Basis for preparation of consolidated financial Statements:

The consolidated financial statements (CFS) have been prepared to comply in all material respects in accordance with the Notified Accounting Standards by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The CFS have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

###### (b) Principles of Consolidation

1. The CFS relates to FORTIS MALAR HOSPITALS LIMITED & its wholly owned subsidiary. The CFS has been prepared on the following basis:

- The financial statements of the company and its subsidiary have been combined on line-by-line basis by adding together the book value of items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses.
- The CFS have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the company's separate financial statements.

###### 2. The subsidiary considered in the CFS is

Name of the company	Country of incorporation	% voting power held as at 31.03.2010
Malar Stars Medicare Limited	India	100

The above Mentioned wholly owned Subsidiary was incorporated in July 2009.

###### (c) Use of estimates

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

###### (d) Fixed Assets:

- i) Fixed Assets are valued at cost less depreciation, financing cost upto the date of commissioning of Assets are capitalised.
- ii) Depreciation on major fixed assets excluding land is provided on straight line method at the rates Prescribed in Schedule XIV of the Companies Act 1956 and for the remaining assets at the rates prescribed by the management.

###### (e) Revenue recognition:

Operating Income of the Hospital is recognized as and when the services are rendered.

**(f) Foreign Currency Transactions:**

- i) Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
- ii) Foreign currency monetary items are reported using the closing rate. Non-monetary items that are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.
- iii) Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements are recognised as income or expense in the year in which they arise in case of revenue transactions and subtracted or added to the cost in the case of capital transactions.

**(g) Employee Benefits:**

- i) The Company makes contributions to statutory provident fund in accordance with Employee Provident Fund and Miscellaneous Provisions Act 1952. Provident Fund is a defined contribution scheme and the contributions are charged to the profit and loss account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the fund.
- ii) Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation made at the end of the year.
- iii) Compensated absences are provided for on the basis of an actuarial valuation carried out as at Balance sheet date.
- iv) Actuarial gains/losses are recognised in the profit and loss account as they occur.

**(h) Provision for Current Tax and Deferred Tax Recognition:**

- i) Provision for current tax is made after taking into consideration the benefits admissible under the provisions of IT Act 1961.
- ii) Deferred tax resulting from timing differences between book & taxable profits is accounted for using the tax rates and laws that have been enacted on the balance sheet date.
- iii) Deferred tax is recognized and carried forward only to the extent that there is reasonable certainty; and in case of unabsorbed depreciation and carried forward losses only to the extent that there is virtual certainty supported by convincing evidence, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

**(i) Provisions:**

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

**(j) Cash and Cash Equivalents:**

Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

**3. Segment Reporting:**

As the Company's business activity primarily falls within a single business and geographical segment, there are no additional disclosures to be provided in terms of Accounting Standard 17 "Segment Reporting"

4. Fixed assets of Fortis Malar Hospitals Limited include, medical equipment, purchased through HDFC bank Ltd, under confirmed irrevocable foreign deferred letter of credit payable in US dollars, after 36 months from 3rd October 2008. Liability has been added on value of dollar at the close of the year.

5. For Fortis Malar Hospitals Limited in respect of Rs 200 lakhs outstanding from two Companies included in the register maintained u/s 301 of the Companies Act, 1956, In terms of the Arbitration award the Company has since realised Rs. 200 lakhs from the said two companies.

**6. Details of Director's Remuneration (for Fortis Malar Hospitals Limited)**

	<b>For the year ended 31st March 2010</b>	For the year ended 31st March 2009
	Rs.	Rs.
Remuneration for whole time Directors (within the limits prescribed under Schedule XIII of the Companies Act, 1956)	<b>7,562,380</b>	3,983,500

(a) This is exclusive of Rs. 25.00 lakhs provision made under the head provision for incentives, the said Rs.7,562,380 includes earlier year provision for incentive approved and paid in the current year.

(b) As the future liability for Gratuity and leave encashment is provided on an actuarial basis for the company as a whole, the amount pertaining to the directors is not ascertainable and therefore not included above.

**7. CIF value of imports in respect of: (for Fortis Malar Hospitals Limited)**

	<b>For the year ended 31st March 2010</b>	For the year ended 31st March 2009
a Consumables stores & Repairs & Maintenance	<b>NIL</b>	NIL
b. Capital Goods	<b>19,571,854</b>	29,066,229

8. The balances outstanding in Hospital Sundry Debtors and Creditors are subject to confirmation.

9. Figures are regrouped and reclassified wherever necessary. The figures are rounded off to nearest Rupees.

10. In respect of Fortis Malar Hospitals Limited provision for incentives include Rs.25 lakhs provision created for the whole time director(LY 25.00 lakhs)

11. Depreciation of Fortis Malar Hospitals Limited for the current year includes Rs. 974,363; additional depreciation for a section of assets at rates higher than rates prescribed in schedule XIV.

12. In respect of Fortis Malar Hospitals Limited provision for gratuity includes additional provision Rs.1,691,197 assessed by the independent actuary for the liability existed at the beginning of the year.

**13. RELATED PARTY DISCLOSURES**

**A. LIST OF RELATED PARTIES (AS CERTIFIED BY THE MANAGEMENT):**

<p><b>(a) Enterprises which control (directly or indirectly) reporting enterprise</b> International Hospital Limited</p> <p><b>(b) Enterprises which are under common control with reporting enterprise</b> Escorts Hospital And Research Centre Limited Escorts Heart and Super Specialty Hospital Limited Fortis Healthcare International Limited Lalitha Healthcare Private Limited Fortis Emergency Services Limited</p> <p><b>(c) Associate or JV of reporting enterprise</b> Investing party of which reporting enterprises is an associate "Nil"</p>	<p><b>(d) Individuals (directly or indirectly) having control or significant influence over reporting enterprise</b> Mr. Shivinder Mohan Singh - Chairman and Director (Till 30th March, 2010) Mr. Malvinder Mohan Singh</p> <p><b>(e) Key managerial personnel(s)</b> Mr Shivinder Mohan Singh - Chairman and Director (Till 30th March,2010) Mr. Krish Ramesh - Whole Time Director Mr. Bhavdeep Singh - Chairman and Director (from 30th March 2010)</p> <p><b>(f) Enterprises over which any person mentioned at (c) and (d) have significant influence*</b></p>
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**Fortis Malar Hospitals Limited**
**Enterprises under control (whether directly or indirectly) of reporting enterprise**

Religare Enterprises Limited (REL)	Hichens, Harrison (Derivatives) LLP
Religare Securities Limited	Religare Capital Markets (UK) Limited (Formerly Blomfield Corporate Finance Limited)
Religare Finvest Limited	Religare Hichens, Harrison (Pty) Limited
Religare Commodities Limited	Religare Hichens Harrison Consultoria Internacional Ltda
Religare Realty Limited	Religare Capital Markets Pte Limited
Religare Venture Capital Ltd.	Religare Capital Markets Inc
Religare Insurance Broking Ltd.	London Wall Nominees Limited
Religare Finance Limited	HH1803.Com Limited
Religare Capital Markets Limited	Tobler (Mauritius) Limited
Religare Macquarie Wealth Management Limited	Tobler (UK) Limited
Religare Health Insurance Company Limited	Religare Global Asset Management Japan Co. Ltd.
RELIGARE ARTS INITIATIVE LIMITED	Religare Investment Advisory (Mauritius)
Religare United Soccer Limited	Religare Investment Holdings (UK) Ltd.
Religare Arts Investment Management Limited	Charterpace Limited
AEGON Religare Life Insurance Company Limited	Blamire Limited
Vistaar Religare Capital Advisors Limited	Blomfield Street Securities Limited
Religare Asset Management Company Limited	African Communication Services (Proprietary) Limited
Religare Trustee Company Ltd.,	ARM Corporate Finance Limited
Mausam Films Limited	Claridge House Services Limited
Vistaar Religare Films Limited	Hichens, Harrison (Far East) Pte Limited
Vistaar Religare Media Limited	Religare Technova Limited
Vistaar Religare Pictures Limited	Religare Technova Business Intellect Limited
Vistaar Religare Entertainment Limited	Religare Technova Global Solutions Limited
Milestone Religare Investment Advisors Private Limited	OliveRays Innovations Limited (converted into Public Limited Company w.e.f. 29.12.2009)
Maharishi Housing Development Finance Corporation Limited	Religare Technologies Limited
Religare Advisory Services Limited	Religare Technova IT Services Limited
Religare Capital Markets International (Mauritius) Limited	Regius Overseas Holding Co. Ltd.
Religare Capital Markets International (UK) Limited	Religare Technova Global Solutions Pty Ltd.
Religare Capital Markets Plc. (formerly Religare Hichens, Harrison plc)	Religare Technova Global Solutions (Australia) Pty Ltd.
Hichens, Harrison (Middle East) Limited	Religare Technova Global Solutions (Development) Pty Ltd.
Hichens, Harrison (Ventures) Limited	Religare Technova Global Solutions (Asia Pacific) Pty Ltd.
	Religare Technova Global Solutions (NZ) Ltd.

Religare Technova Global Solutions (HK) Ltd.	Malav Holdings (P) Limited
Religare Technova Global Solutions (UK) Ltd.	Luxury Farms (P) Ltd.
Religare Technova Global Solutions (MY) Sdn Bhd	Vistas Realtors Private Limited
Religare Technova Global Solutions (Singapore) Pte. Ltd.	Shivi Holdings (P) Ltd
Religare Technova Global Solutions Vietnam Company Ltd.	Greenview Buildtech Private Limited
Super Religare Laboratories Limited	RC Nursery (P) Ltd.
MENA Healthcare Investment Company Limited	Shimal Research Laboratories Ltd
Medical Management Company Limited	Hospitalia Informations Systems (P) Ltd
Super Religare Laboratories International Limited	ANR Securities Limited.
Super Religare Laboratories International FZ-LLC	Whyteleaf Investments P. Ltd.
MENA Medical Supplies L.L.C.	Trendy Exim Private Limited
Super Religare Reference Laboratories (Nepal) Pvt. Ltd.	Bindas Realtors Private Limited
RHC Holding Private Ltd	Vistas Complexes Private Ltd
Oscar Investments Ltd.	Meadows Buildtech Private Limited
A - 1 Book Company (P) Ltd	Fortis Clinical Research Ltd
	Green Biofuels Farms Private Ltd

#### B. PARTICULARS OF TRANSACTIONS WITH RELATED PARTIES DURING THE YEAR ENDED ON 31st March 2010

Transactions	KMP	Enterprises Under significant influence by KMP	Total
	Rs.	Rs.	Rs.
1. Interest paid	NIL	1,950,000	1,950,000
2. Other Transactions	NIL	697,367	697,367
3. Whole Time Director's Remuneration	7,562,380	NIL	7,562,380

#### 14. DISCLOSURES UNDER ACCOUNTING STANDARD – 15 (REVISED) ON “EMPLOYEE BENEFITS”:

##### A. Defined Contribution Plan

Rs. In Lacs

Particulars	March 31, 2010	March 31, 2009
Contribution To Provident Fund	36.68	28.80

##### B. Defined Benefit Fund

The company has a defined benefit gratuity plan, whereby the employees are entitled to gratuity benefit on the basis of last salary drawn and completed number of years of services.

The company also provides Leave Encashment benefit to its employees, which is unfunded. The company also provides Super Annuation benefits to its senior executives.

The following table summaries the components of net benefit expenses recognised in the profit and loss account and the amounts recognised in the balance sheet.

Rs. in Lacs

Particulars	Gratuity (Unfunded) March 31,2010	Gratuity (Unfunded) March 31,2009
<b>Net employee benefit expenses (recognized in Personnel Expenses)</b>		
Current service cost	10.34	9.59
Interest cost on benefit obligation	4.64	2.39
Expected return on plan assets	(1.21)	(0.93)
Actuarial loss (gain) recognized during the year	(2.54)	25.60
Past service cost	0	
Net benefit expense	11.23	36.65
<b>Balance Sheet Details of Provision for Gratuity at March 31, 2010</b>		
Present value of defined benefit obligation	68.35	63.11
Fair Value of plan assets	14.83	13.29
Deficit of funds	(53.52)	(49.82)
Net liability	(53.52)	49.82
<b>Changes in present value of the defined benefit obligation are as follows:</b>		
Opening defined benefit obligation	63.11	35.56
Current Service cost	10.34	9.59
Interest Cost on benefit obligation	4.64	2.39
Benefits paid	(7.13)	(9.89)
Actuarial loss/(gain) recognized during the year	(2.61)	25.46
Closing defined benefit obligation	68.35	63.11

The Principal assumptions used in determining gratuity obligation for the Company's plan are shown below:

Discount rate	8.00%	7.80%
Expected rate of return on plan assets	8.50%	9.00%
Expected rate of salary increase	7.50%	7.50%
Mortality table referred	LIC (1994-96) ultimate	
Withdrawal rate/Employee Turnover Rate		
Age up to 30 Years	18.00%	18.00%
Age from 31 to 44 years	6.00%	6.00%
Age above 44 years	2.00%	2.00%
Experience adtmnt on plan liabilities	-	-

Notes:

- a) 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.
- b) The Company's expected contribution to the fund in the next year is not presently ascertainable and hence, the contributions expected to be paid to the plan during the annual period beginning after the balance sheet date as required by Para 120 (o) of the Accounting Standard 15 Revised) on Employee Benefits are not disclosed.

#### 15. DETAILS OF DUES TO MICRO, SMALL AND MEDIUM ENTERPRISES AS PER MSMED ACT, 2006

Particulars	31st March 2010	31st March 2009
The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year	Nil	Nil
The amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act,	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006	Nil	Nil

#### 16. EARNING PER SHARE

As required by the Accounting Standard on Earnings Per Share (EPS) AS 20 Issued by the Institute of Chartered Accountants of India, our Company discloses the following information.

	Year ended 31st March 2010 (Rs.)	Year ended 31st March 2009 (Rs.)
a. Profit (Loss) as per Profit and Loss Account	<b>35,029,177</b>	(17,571,934)
b. No of Basic equity share	<b>18,594,259</b>	18,594,259
c. Basic earnings per share	1.88	(0.95)
d. Nominal value of an equity share	<b>10/-</b>	10/-

As per our annexed report of even date

For and on behalf of the Board

For **K.Gopalan & Co.**  
Chartered Accountants  
Firm's Registration No. 000975S

**Bhavdeep Singh**  
Chairman

**Krish Ramesh**  
Whole-Time Director

**S.N.Parthasarathy**  
Partner  
Membership No.20168  
Place : Chennai  
Date : 14th May 2010

**Prashant Khattry**  
Company Secretary

**K.Sundar**  
Financial Controller

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010**

	For the year Ended 31st March 2010 Rs.	For the Year Ended 31st March 2009 Rs.
<b>A CASH FLOW FROM OPERATING ACTIVITIES:</b>		
<b>Net profit / (loss) after Prior period, Extraordinary items and Tax</b>	<b>35,029,177</b>	(17,571,934)
<b>Extraordinary item</b>		
Provision for deferred tax	<b>18,330,214</b>	5,648,843
Advance written off	-	28,943,158
Reversal of MAT	-	(913,497)
<b>Profit before Tax</b>	<b>53,359,391</b>	16,106,570
<b>Adjustments for :</b>		
Depreciation	<b>26,503,911</b>	17,302,489
Loss on sale of fixed assets	<b>571,316</b>	
Financial charges (considered separately)	<b>16,350,528</b>	7,188,343
Interest received & other income (considered separately)	<b>(1,046,038)</b>	(266,195)
<b>Operating profit/loss before working capital changes</b>	<b>95,739,108</b>	40,331,207
<b>Adjustments for :</b>		
Sundry debtors	<b>(44,647,583)</b>	(14,734,881)
Inventories	<b>(1,097,094)</b>	(4,690,696)
Loans & advances	<b>(6,087,271)</b>	(16,570,460)
Current liabilities & provisions	<b>8,018,443</b>	28,303,315
<b>Net cash from operating activities</b>	<b>A 51,925,603</b>	32,638,485
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to fixed assets (including capital work in progress)	<b>(112,633,923)</b>	(88,367,972)
Proceeds from sale of fixed assets	<b>5,600,545</b>	387,000
<b>Net cash used in investing activities</b>	<b>B (107,033,378)</b>	(87,980,972)



For the year Ended 31st March 2010 Rs.	For the Year Ended 31st March 2009 Rs.
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**C CASH FLOW FROM FINANCING ACTIVITIES**

Proceeds from issue of share capital	-	-
Proceeds (& Repayments) from new borrowings	<b>64,582,599</b>	76,927,820
Increase in investments	-	-
Financial charges	<b>(16,350,528)</b>	(7,188,343)
Interest received & other income	<b>1,046,038</b>	266,195
<b>Net cash used in financing activities</b>	<b>C</b>	<b>49,278,109</b>
<b>Net increase in cash and cash equivalents</b>	<b>A+B+C</b>	<b>(5,829,666)</b>
Cash and cash equivalents (Opening balance)	<b>15,432,236</b>	769,051
Cash and cash equivalents (Closing balance)	<b>9,602,570</b>	15,432,236

As per our annexed report of even date

For **K.Gopalan & Co.**  
Chartered Accountants  
Firm's Registration No. 000975S

**S.N.Parthasarathy**  
Partner  
Membership No.20168  
Place : Chennai  
Date : 14th May 2010

For and on behalf of the Board

**Bhavdeep Singh**  
Chairman

**Prashant Khattry**  
Company Secretary

**Krish Ramesh**  
Whole-Time Director

**K.Sundar**  
Financial Controller

## DIRECTORS' REPORT

### TO THE MEMBERS

#### MALAR STARS MEDICARE LIMITED

Your Directors present the First Annual Report on business operations together with the Audited Financial statements and the Auditors' Report of your Company for the period ended 31st March 2010.

#### PERFORMANCE HIGHLIGHTS

The financial highlights for the period under review are given below:

(Amount in Rs.)

Particulars	Period Ended 31st March 2010
Total Income	2,807,097
Total Expenditure	2,763,989
Operating Profit/(Losses)	43,108
Less: Finance Charges	12
Earnings/(Losses) before depreciation and amortization	43,096
Less: Depreciation	-
Earnings / (Losses) before Tax	43,096
Less: Taxes (Provisions for Current tax)	13,317
Net Earnings/(Losses)	29,779

#### FINANCIAL PERFORMANCE AND OPERATIONS

Your Company was incorporated on 7th July, 2009 and is primarily involved in setting up, managing or administering hospitals, medicare and healthcare services. Your Company has been incorporated as a subsidiary of Fortis Malar Hospitals Limited which later on became its wholly owned subsidiary.

#### DIVIDEND

Your Directors have not recommended any dividend during the period under review.

#### TRANSFER TO RESERVES

During the period under review, no amount has been transferred to reserves.

#### DEPOSITS

During the period under review your Company has not accepted any deposits under Section 58A of the Companies Act, 1956 read with the Company (Acceptance of Deposits) Rules, 1975.

#### DIRECTORS

In accordance with the provisions of the Companies Act, 1956, Mr. Jasbir Singh Grewal and Mr. Krish Ramesh being the First Directors of your Company, retire by rotation at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment.

Mr. Yogesh Kumar Sareen, and Mr. Harshvendra Soan have been appointed as Additional Directors of the Company w.e.f 1st October, 2009 and 18th January, 2010 respectively, pursuant to the provisions of Section 260 of the Companies Act, 1956. The Company has received notices under Section 257 of the Companies Act, 1956 from a shareholder, proposing the candidature of Mr. Harshvendra Soan for the office of Director of the Company along with the requisite fees.

Mr. Pankaj Kumar Mittal and Mr. Yogesh Kumar Sareen has resigned from the Company w.e.f. 4th September, 2009 and 18th January, 2010, respectively. The Board wishes to accord its sincere appreciation for the valuable guidance rendered by them during their tenure as Directors of the Company.

#### DISCLOSURES UNDER SECTION 217 OF THE COMPANIES ACT, 1956

There have been no material changes and commitments, which can affect the financial position of the Company between the end of the financial year and the date of report.

As required under Section 217(2) of the Companies Act, 1956, the Board of Directors informs the members that during the period under review, no changes have occurred in the nature of the Company's business or in the nature of the business carried on by them and generally in the classes of business in which the Company has an interest.

## PARTICULARS OF EMPLOYEES

In terms of the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, none of the employee is in receipt of aggregate remuneration of Rs.24,00,000/- or more if employed throughout the year or in receipt of Rs 2,00,000/- or more if employed for part of the year

## DIRECTORS' RESPONSIBILITY STATEMENT:

As required under section 217(2AA) of the Companies Act, the Directors hereby confirm:

- a) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent 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 of the profit or loss of the company for that period;
- c) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) That the Directors had prepared the annual accounts on a going concern basis.

## AUDITORS

The auditors of the Company M/s K. Gopalan & Co., Chartered Accountants will retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

Your Company has received the Certificate from M/s K. Gopalan & Co., Chartered Accountants, as required under Section 224(1B) of the Companies Act, 1956, to the effect that their re-appointment, if made, will be within the limits as prescribed under the provisions thereof. Your Directors recommend their re-appointment as the Auditors of the Company for the financial year 2009-10.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given below:

### A. CONSERVATION OF ENERGY:

The operations of your Company are not energy intensive. However, wherever possible your company strives to curtail the consumption of energy on a continued basis by using energy-efficient equipment

### B. TECHNOLOGY ABSORPTION :

NIL

### C. FOREIGN EXCHANGE EARNINGS AND OUT GO:

Foreign Exchange Earning and Outgo:

(Amount in Rs.)

a) Imports on CIF basis	NIL
b) Expenditure in Foreign Currency	NIL
c) Earnings in Foreign Currency	NIL

## ACKNOWLEDGEMENTS

Your Directors place on record their sincere appreciation for significant contribution made by the employees at all levels through their dedication, hard work and commitment and look forward to their continued support.

Your Directors also wish to place on record their appreciation and acknowledge with gratitude the support and co-operation extended by banks, financial institutions, government and shareholders and look forward to having continued support in all future endeavors of the Company.

For and on behalf of the Board

Place : Chennai  
Date : 14th May, 2010

**Krish Ramesh**  
Director

**Harshvendra Soin**  
Director

## AUDITOR'S REPORT TO THE MEMBERS

1. We have audited the annexed Balance Sheet of **MALAR STARS MEDICARE LIMITED** ("the Company") as on 31<sup>st</sup> March 2010, the Profit and Loss Account and the Cash flow statement of the Company for the period ended on that date and annexed thereto.
2. 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.
3. 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 mis-statement. 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.
4. As required by the Companies (Auditor's Report) order, 2003, issued by Government of India in terms of sub-section (4A) Section 227 of the Companies Act, 1956, we enclose an annexure which is a statement of the matters specified in paragraph 4 and 5 of the said order.

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

- a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examinations of those books.
- c. The Balance Sheet, Profit and Loss Account and the Cash flow statement dealt with by the report are in agreement with the books of accounts.
- d. In our opinion the Balance Sheet, the Profit and Loss Account and the Cash flow statement dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
- e. On the Basis of written representation received from the directors, as on 31<sup>st</sup> March 2010 and taken on record by the Board of Directors, we report that none of the directors, as on 31<sup>st</sup> March 2010, is disqualified from being appointed as a director in terms of Section 274(1) (g) of the Companies Act, 1956
- f. In our opinion and to the best of our information and according to the explanations given to us, read together with the notes thereon give required by the Companies Act, 1956 in manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- i. In the case of the Balance Sheet of the state of affairs of the Company as at 31<sup>st</sup> March 2010 and
  - ii. In the case of the Profit and Loss Account of the Profit for the period ended on that date.
  - iii. In the case of Cash Flow Statement of the Cash Flow for the period ended on that date.

For **K.Gopalan & Co.**  
Chartered Accountants  
Firm's Registration No. 000975S

Place : Chennai  
Date : 14th May 2010

**S.N.Parthasarathy**  
Partner  
Membership No.20168

## ANNEXURE REFERRED TO IN PARAGRAPH (4) OF OUR REPORT OF EVEN DATE

- i) The company has no fixed assets . Hence, related provisions are not applicable.
- ii) The Company has not acquired any inventory . Hence, related provisions are not applicable.
- iii) The Company has neither taken nor granted loans from/to companies, firms other parties covered in the register maintained under section 301 of the Companies Act 1956. Hence ,related provisions are not applicable.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and sale of products/ services. However, the company has not acquired any fixed assets / inventory..
- v) a) According to the information and explanations given to us the transactions that need to be entered into a register in pursuance of section 301 of the Act have been so entered,  
b) In our opinion and according to the explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained u/s 301 of the Companies Act 1956, and exceeding Rs.5.00 Lacs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing practice at the relevant time.
- vi) According to the information and explanations given to us, the Company has not accepted deposits from the public.
- vii) In our opinion, the provision relating to internal audit system is not applicable to the company.
- viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products / services of the Company.
- ix) a) In our opinion and according to the information and explanations given to us Income-tax, Cess and other material statutory dues have generally been regularly been deposited during the year with the appropriate authorities. In our opinion and according to the information and explanations given to us, the company is not liable to pay provident fund ESIC.  
b) According to the information and explanations given to us, no disputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March 2010 for a period of more than six months' from the date on which they are payable.
- x) In our opinion and according to the information and explanations given to us, the company has no accumulated losses. Hence the related provisions are not applicable to the company.
- xi) The Company has not taken loans. Hence the provisions relating to repayment of loan and utilisation of loan funds are not applicable to the company.
- xii) 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 and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) 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.
- xiv) 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.
- xv) 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.
- xvi) In our opinion and according to the information and explanations given to us, the Company has not taken loan neither short term nor long term Hence the provision relating to utilisation of short term funds for long term investment and vice versa are not applicable to the company..
- xvii) The Company has not made preferential allotment of shares during the year. Hence the provisions of clause 4(1) (viii) are not applicable.
- xviii) The company has not issued debentures during the year. Hence provisions of clause 4(1) (ix) are not applicable.
- xix) The Company has not raised any money by public issue during the year. Hence provisions of clause 4(1)(xx) are not applicable.
- xx) To the best of our knowledge and belief, and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit

For **K.Gopalan & Co.**  
Chartered Accountants  
Firm's Registration No. 000975S

**S.N.Parthasarathy**

Partner

Place : Chennai

Date : 14th May 2010

Membership No.20168

**STANDALONE BALANCE SHEET AS AT 31st MARCH 2010**

	As at 31st March 2010 Rs.	
<b>SOURCES OF FUNDS</b>		
<b>Share Holders Funds</b>		
Share Capital		
Authorised Share Capital		
50,000 Equity Shares of Rs.10/- Each	500,000	
Issued, Subscribed & Paid Up 50,000 equity shares of Rs. 10/- each		500,000
Reserves & Surplus		
- Profit & Loss Account	29,779	29,779
<b>Loan Funds</b>		
Secured	-	-
Unsecured Loan		
- From Holding Company -Fortis Malar Hospitals Limited	335,960	335,960
<b>TOTAL</b>	-	<b>865,739</b>
<b>APPLICATION OF FUNDS</b>		
<b>Fixed Assets</b>		
Investments		-
<b>Current Assets, Loans &amp; Advances</b>		
Inventories	-	
Sundry Debtors	-	
Cash And Bank Balances	609,646	
Other Current Assets	280,710	
Loans and Advances		
	890,356	
Less : Current Liabilities & Provisions		
Current Liabilities	11,300	
Provisions	13,317	
<b>Net Current Assets</b>	865,739	<b>865,739</b>
<b>TOTAL</b>		<b>865,739</b>

As per our annexed report of even date

For and on behalf of the Board

For **K.Gopalan & Co.**  
Chartered Accountants  
Firm's Registration No. 000975S

**Krish Ramesh**  
Director

**Harshvendra Soin**  
Director

**S.N.Parthasarathy**  
Partner  
Membership No.20168  
Place : Chennai  
Date : 14th May 2010

**STANDALONE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010**

	For the Period Ended 31st March 2010 Rs.	
<b>INCOME</b>		
Operating Income		
Professional Charges Receipts		2,807,097
<b>TOTAL</b>		<b>2,807,097</b>
<b>EXPENDITURE</b>		
Salaries & Allowances	1,415,727	
Petrol & Driver Reimbursements	975,086	2,390,813
Bank Charges & Commission	12	
Filing Fees	1,054	
Preliminary Expenses - Written Off	18,580	
Printing & Stationery Expenses	6,032	
Professional Service charges	250	
Travelling, Conveyance	335,960	
Audit Fees	11,300	373,188
<b>TOTAL</b>		<b>2,764,001</b>
<b>Profit Before Tax</b>		<b>43,096</b>
Less: Provision for Current Tax		13,317
<b>Profit After Tax carried over to the Balance sheet</b>		<b>29,779</b>

As per our annexed report of even date

For and on behalf of the Board

For **K.Gopalan & Co.**  
Chartered Accountants  
Firm's Registration No. 000975S

**Krish Ramesh**  
Director

**Harshvendra Soin**  
Director

**S.N.Parthasarathy**  
Partner  
Membership No.20168  
Place : Chennai  
Date : 14th May 2010

## SCHEDULES TO THE ACCOUNTS

### NOTES FORMING PART OF THE ACCOUNTS

#### 1) NATURE OF OPERATIONS:

The company is incorporated in the year 2009 as a subsidiary of Fortis Malar Hospitals Limited to set up, manage or administer hospitals, medicare and health care services. And it commenced its operations in the year 2009.

#### 2) STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES:

##### (a) Basis for preparation of Accounts:

The financial statements has been prepared to comply in all material respects in accordance with the Notified Accounting Standards by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

##### (b) Use of estimates

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

##### (c) Revenue recognition:

Operating Income is recognized as and when the services are rendered.

##### (d) Provision for Current Tax and Deferred Tax Recognition:

- i) Provision for current tax is made after taking into consideration the benefits admissible under the provisions of IT Act 1961.
- ii) Deferred tax resulting from timing differences between book & taxable profits is accounted for using the tax rates and laws that have been enacted on the balance sheet date.
- iii) Deferred tax is recognized and carried forward only to the extent that there is reasonable certainty; and in case of unabsorbed depreciation and carried forward losses only to the extent that there is virtual certainty supported by convincing evidence, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

##### (e) Provisions:

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

##### (f) Cash and Cash Equivalents:

Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand and short term investments with an original maturity of three months or less.



**3. SEGMENT REPORTING:**

As the Company's business activity primarily falls within a single business and geographical segment, there are no additional disclosures to be provided in terms of Accounting Standard 17 "Segment Reporting"

**4. Details of Director's Remuneration**

For the period ended  
31st March 2010  
Rs.

Remuneration for whole time Directors (within the limits prescribed under Schedule XIII of the Companies Act, 1956)	Nil
---	-----

**5. CIF value of imports in respect of:**

a Consumables stores & Repairs & Maintenance	Nil
b. Capital Goods	Nil

6. As this is the first year operation previous year figures are not given. The figures are rounded off to nearest Rupees.

**7. RELATED PARTY DISCLOSURES (AS 18)**

**A. LIST OF RELATED PARTIES (AS CERTIFIED BY THE MANAGEMENT):**

**1. KEY MANAGEMENT PERSONNEL**

a) Mr. Krish Ramesh, Director

**2. ENTERPRISES UNDER SIGNIFICANT INFLUENCE BY (1a) ABOVE**

a) Fortis Malar Hospitals Limited  
b) Lalitha Healthcare Pvt. Ltd.

**B. PARTICULARS OF TRANSACTIONS WITH RELATED PARTIES DURING THE YEAR ENDED ON 31st March 2010**

Transactions	KMP	Enterprises Under significant influence by KMP	Total
	Rs.	Rs.	Rs.
1. Interest paid	NIL	NIL	NIL
2. Other Transactions	NIL	NIL	NIL
3. Whole Time Director's Remuneration	NIL	NIL	NIL

**8 DISCLOSURES UNDER ACCOUNTING STANDARD – 15 (REVISED) ON "EMPLOYEE BENEFITS":**

A. Defined Contribution Plan	-	NIL
B. Defined Benefit Fund	-	NIL

**9. DETAILS OF DUES TO MICRO, SMALL AND MEDIUM ENTERPRISES AS PER MSMED ACT, 2006**

Particulars	31st March 2010	31st March 2009
The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year	Nil	Nil
The amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006	Nil	Nil

**10. EARNING PER SHARE**

As required by the Accounting Standard on Earnings Per Share (EPS) AS 20 Issued by the Institute of Chartered Accountants of India, our Company discloses the following information.

	Period ended 31st March 2010 (Rs.)
a. Profit (Loss) as per Profit and Loss Account	29,779
b. No of Basic equity share	50,000
c. Basic earnings per share	0.60
d. Nominal value of an equity share	10

As per our annexed report of even date

For and on behalf of the Board

For **K.Gopalan & Co.**  
Chartered Accountants  
Firm's Registration No. 000975S

**Krish Ramesh**  
Director

**Harshvendra Soin**  
Director

**S.N.Parthasarathy**  
Partner  
Membership No.20168  
Place : Chennai  
Date : 14th May 2010

**STANDALONE CASH FLOW STATEMENT FOR THE PERIOD ENDED 31st MARCH 2010**

For the Period ended  
31st March 2010  
Rs.

**A CASH FLOW FROM OPERATING ACTIVITIES:**

Net profit / (loss) after Prior period, Extraordinary items and Tax 29,779

Extraordinary item -

Profit before Tax 29,779

**Adjustments for :**

Financial charges (considered separately) 12

Operating profit/loss before working capital changes 29,791

**Adjustments for :**

Loans & advances (280,710)

Current Liabilities & Provisions 24,617

Net Cash from Operating Activities A (226,302)

**B CASH FLOW FROM INVESTING ACTIVITIES****B**

Net Cash used in Investing Activities -

**C CASH FLOW FROM FINANCING ACTIVITIES**

Proceeds from issue of share capital 500,000

Proceeds (& Repayments) from new borrowings 350,824

Financial charges (12)

Net cash used in financing activities C 850,812

Net increase in cash and cash equivalents A+B+C 609,646

Cash and cash equivalents (Opening balance) -

Cash and cash equivalents (Closing balance) 609,646

As per our annexed report of even date

For and on behalf of the Board

For **K.Gopalan & Co.**  
Chartered Accountants  
Firm's Registration No. 000975S

**Krish Ramesh**  
Director

**Harshvendra Soin**  
Director

**S.N.Parthasarathy**  
Partner  
Membership No.20168  
Place : Chennai  
Date : 14th May 2010

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

I. Registration Details

Registration No. 

	7	2	2	0	9
--	---	---	---	---	---

State code 

1	8
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CIN No. 

U	9	3	0	0	0	T	N	2	0	0	9	P	L	C	O	7	2	2	0	9
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Balance Sheet Date 

3	1
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0	3
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2	0	1	0
---	---	---	---

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

Public Issue

	N	I	L	
--	---	---	---	--

Rights Issue

	N	I	L	
--	---	---	---	--

Bonus Issue

	N	I	L	
--	---	---	---	--

Private Placement

	N	I	L	
--	---	---	---	--

During the year under review 50,000 shares of Rs.10 each was subscribed by the subscribers to the Memorandum of Association.

III. Position of Mobilisation and Deployment of Funds (Amounts in Rs. Thousands)

Total Liabilities

		8	6	6
--	--	---	---	---

Total Assets

		8	6	6
--	--	---	---	---

Source of Funds  
Paid - up Capital

		5	0	0
--	--	---	---	---

Reserves and Surplus

			3	0
--	--	--	---	---

Secured Loans

	N	I	L	
--	---	---	---	--

Unsecured Loans

		3	3	6
--	--	---	---	---

Application of Funds

Net Fixed Assets

	N	I	L	
--	---	---	---	--

Deferred Tax Asset

	N	I	L	
--	---	---	---	--

Investments

		5	0	0
--	--	---	---	---

Net Current Assets

		8	6	6
--	--	---	---	---

Accumulated Losses

	N	I	L	
--	---	---	---	--

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

Turnover

		2	8	0	7
--	--	---	---	---	---

Total Expenditure

		2	7	6	4
--	--	---	---	---	---

Profit / (Loss) Before Tax and Deferred Tax

			4	3
--	--	--	---	---

Profit / (Loss) After Tax And Deferred Tax

			3	0
--	--	--	---	---

V. Generic Names of Three Principal Products/Services of Company ( As per Monetary terms)

Item Code No. (ITC Code) : Not Applicable

Products Description : Medical Services

As per our annexed report of even date

For **K.Gopalan & Co.**  
Chartered Accountants  
Firm's Registration No. 000975S

For and on behalf of the Board

**Krish Ramesh**  
Director

**Harshvendra Sooin**  
Director

**S.N.Parthasarathy**

Partner

Membership No.20168

Place : Chennai

Date : 14th May 2010





## Fortis Malar Hospitals Limited

Regd. Office: 53, First Main Road, Gandhi Nagar, Adyar, Chennai - 600 020

### ATTENDANCE SLIP

Folio No (DP Id - Client Id) : \_\_\_\_\_

I/We \_\_\_\_\_ hereby record my/ our presence at the ANNUAL GENERAL MEETING of the Company to be held on Friday, the 20th August, 2010 at P.Obul Reddy Hall. Sri Thyaga Brahma Gana Sabha (Regd) - Vani Mahal. 103, G.N.Road, T.Nagar, Chennai - 600 017 at 2.30 P.M.

Signature of the Shareholder(s) 1. \_\_\_\_\_ 2. \_\_\_\_\_  
3. \_\_\_\_\_ 4. \_\_\_\_\_

Signature of the Proxyholder \_\_\_\_\_

NOTE: PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE AUDITORIUM.

## Fortis Malar Hospitals Limited

Regd. Office: 53, First Main Road, Gandhi Nagar, Adyar, Chennai - 600 020

### PROXY FORM

I/We \_\_\_\_\_

Being a Member/Members of Fortis Malar Hospitals Limited hereby appoint \_\_\_\_\_

\_\_\_\_\_ of \_\_\_\_\_

or failing \_\_\_\_\_ of \_\_\_\_\_

or failing \_\_\_\_\_ of \_\_\_\_\_

As my/ our proxy in my / our absence to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Friday, the 20th August 2010 at P.Obul Reddy Hall. Sri Thyaga Brahma Gana Sabha (Regd) - Vani Mahal. 103, G.N.Road, T.Nagar, Chennai - 600 017 at 2.30 P.M. and any adjournment thereof.

AS WITNESS my hand / our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2010

Signature \_\_\_\_\_

Affix 50 paise Revenue Stamp
---------------------------------------

Note: This form duly completed should be deposited at Company's Registered Office at 52, First Main Road, Gandhi Nagar. Adyar, Chennai - 600 020 not less than 48 hours before the time for holding the meeting. A proxy need not be a member.

