ANNUAL REPORT 2011-2012

Fortis
MALAR
HOSPITAL

Contents

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Aditya Vij
Mr. V. Vijayarathna
Mr. Ashish Bhatia
Dr. Nithya Ramamurthy
Mr. P. Murari
Mr. Ramesh L.Adige
Mr. Sanjay Jayavarthanavelu

COMPANY SECRETARY

Ms. Poonam Makkar

AUDITORS

M/s S R B C & Co
Chartered Accountants,
6th & 7th Floor, A-Block,
Tidel Park, (Module 601, 701 & 702)
No.4, Rajiv Gandhi Salai,
Taramani, Chennai - 600 113.

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 2011-2012

Fortis MALAR HOSPITAL

NOKIA CAMP

SBI PENSIONERS CAMP

AMBUR CAMP

FLEXTRONICS - HEALTH LECTURE

RENAULT NISSAN - HEALTH LECTURE

CSR PROGRAM 2011-2012

ON BLS - ASHOK LEYLANDS EXECUTIVES

ON DIABETES AND HYPERTENSION SCREENING
CAMP AMONG FISHER MAN COMMUNITY – NOCHIKUPPAM

ON BREAST FEEDING
AND IMMUNIZATION - MALLIAGAI POO NAGAR

ON AIDS AWARENESS PROGRAM
AMONG URBAN SLUM – MALLIGAI POO NAGAR

ON PERSONAL HYGIENE - NOCHIKUPPAM

EMPHASIZING ON PREVENTION OF FEMALE INFANTICIDE

BOARD OF DIRECTORS

Mr. Aditya Vij

Mr. Ashish Bhatia

Mr. V. Vijayarathna

Dr. Nithya Ramamurthy

Mr. Ramesh L.Adige

Mr. P. Murari

Mr. Sanjay Jayavarthanavelu

MESSAGE FROM MR. ADITYA VIJ

Dear Shareholders,

I have great pleasure in presenting the results of your company for the year ended March 31, 2012. Your company delivered robust growth in the financial year 2011-12.Several operating indicators point to an excellent performance.

Annual revenues grew 15% to ₹ 96.07 Crores from ₹ 83.69 Crores in the previous financial year. Operating EBITDA rose to ₹ 15.11 Crores, a growth of 21% compared to the previous financial year. Net profit jumped 43% to ₹ 7.76 Crores compared to ₹ 5.44 Crores in the previous financial year.

Average Revenue Per Operating Bed (ARPOB) improved from ₹ 69 lakhs in FY 2011 to 93 lakhs in FY 2012. Due to the high quality of care, the average length of stay of patients reduced to 3.7 days from 4.3 days.

We continued to strive for medical excellence with our highly skilled clinicians performing many rare surgeries including triple vessel angioplasty, surgical removal of pituitary adenoma, balloon mitral valvotomy and removal of parapharyngeal chordoma. We plan to conquer new frontiers of medicine every year for the benefit of our patients. In addition, we implemented the Medical operating system (MOS) scorecard to ensure the sustenance of clinical excellence at your hospital.

Your company is committed to quality and medical excellence. As a testimony, the blood bank in the hospital received NABH accreditation in the year gone by, the first hospital blood bank to get this certification in the states of Tamil Nadu, Kerala, and Andhra Pradesh. We continue to implement internationally standardized matrices to ensure the best quality of patient care. We also constantly monitor patient feedback to remain patient centric in our approach to medical care.

The most valuable assets are our people including clinicians who play a critical role in delivering extraordinary clinical outcomes. Their integrity and commitment have contributed significantly to our performance.

We invested in upgrading our talent pool and stay committed to building additional capability in coming years. As we focus on training, we look forward to starting fellowship programs in critical care, emergency and anesthesiology in the near future.

To improve our internal control environment during the year, your company widened the scope of internal audit in several non-financial areas such as infrastructure safety and security, bio-medical waste management and others. An independent reputed team of internal auditors continuously monitor operations and processes of your Company. Your company fully complied with significant changes in the regulatory environment with respect to financial reporting.

In the current financial year, we will continue to focus on our key talent, quality, and growth. We remain optimistic that we will be in a position to deliver good results both in terms of financial performance and clinical outcomes this year as well.

I take this opportunity to thank the members of the Board for their continuous support and guidance and express my gratitude to all stakeholders, employees and partners, for their continued commitment and passion. A special thanks to each of you, our shareholders, for your continued confidence in the company.

With warm regards

Aditya Vij

Notice is hereby given that the **Twenty First Annual General Meeting** of the Company will be held on **Wednesday, the 5th day of September, 2012** 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:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2012 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 re-appoint Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. M/s S R B C & Co. (Firm Registration No. 324982E), Chartered Accountants, retiring Auditors, are eligible for re appointment.

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. Aditya Vij, who was appointed as an Additional Director of the Company w.e.f. 03rd August, 2011 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 under Section 257 of the Act, in writing, 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 Directors and Company Secretary of the Company, be and are hereby severally authorized to do all such acts, deeds, things as may be necessary, to give effect to the foregoing resolution."

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

   "RESOLVED THAT Mr. Ashish Bhatia, who was appointed as an Additional Director of the Company w.e.f. 24th January, 2012 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 under Section 257 of the Act, in writing, 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 Directors and Company Secretary of the Company, be and are hereby severally authorized to do all such acts, deeds, things as may be necessary, to give effect to the foregoing resolution."

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

   "RESOLVED THAT Mr. Venkatraman Vijayarathna who was appointed as an Additional Director w.e.f. 10th July, 2012 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 under Section 257 of the Act, in writing, proposing his candidature for the office of the Director, be and is hereby appointed as the Director of the Company.

   RESOLVED FURTHER THAT pursuant to the provisions of Sections 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 such other statutory, contractual and regulatory approvals, permissions and consents as may be required and subject to such terms and conditions as may be imposed by them while granting such approval(s), the consent of the Shareholders be and is hereby accorded to the appointment of Mr. V Vijayarathna as a Whole-time Director of the Company for a period of three years w.e.f. 10th July, 2012 on the terms and conditions as set below:

a) Total Remuneration: Remuneration payable by way of salary, perquisites and other allowances shall not exceed 5% of Net profits of the Company, computed in the manner laid down in Section 349 and 350 of the Act, in any financial year or ₹ 80 lacs per annum, whichever is higher, with the authority granted to the Board of Directors and/or Human Resources and Remuneration Committee, to amend/ modify the remuneration components of the total remuneration, within the limits stipulated in this Resolution, from time to time.

In the event of loss or inadequacy of profits in any financial year during the tenure of the Whole-time Director, he will be entitled to the above remuneration as minimum remuneration.

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.

b) Other terms:

(i) Subject to the superintendence, control and direction of the Board, Mr. Vijayarathna shall perform such duties and functions as would be commensurate with his position as Whole-time Director of the Company and as may be delegated to him by the Board from time to time

(ii) The Whole-time Director shall not be paid any sitting fee for attending the meetings of the Board of Directors or Committees thereof

(iii) The Whole-time Director 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

(iv) The office as Whole-time Director may be terminated by either party by giving three months' notice in writing, of such termination unless otherwise a shorter period is decided mutually between the Director and the Board of Directors

(v) If, at any time, Mr. Vijayarathna ceases to be the Director of the Company for any reasons whatsoever, his office as Whole-time Director shall forthwith be terminated

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

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all such acts, deeds and things and to sign, execute and file and/or modify all such forms, papers and documents as may be considered necessary or expedient including appointing attorney(s) or authorised representatives to give effect to this Resolution."

By Order of the Board
For **Fortis Malar Hospitals Limited**

Date : July 24, 2012
Place : Chennai

Poonam Makkar
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 and forms part of this Notice.

3. In terms of Clause 49 of the Listing Agreement, the additional information on Directors seeking appointment/ re-appointment at this 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 Friday, 31st day of August 2012 to Wednesday, 5th day of September 2012 (both days inclusive).

5. Members are requested to bring their copy of Annual Report to the Meeting.

6. Members are requested to bring the Attendance Slip duly filled in and hand over the same at the entrance of the Meeting Hall.

   (a) 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.

   (b) Members who hold shares in physical form are requested to notify any change in their particulars like change in address, etc., to the Registrar and Transfer Agent of the Company.

7. 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.

8. In case of joint holders attending the meeting, only such joint holder whose name appears at the top in the hierarchy of names shall be entitled to vote.

9. For security reasons, no article / baggage will be allowed at the venue of the meeting. The members / attendees are strictly requested not to bring any article/baggage, etc. at the venue of the meeting.

10. The members who hold shares in dematerialized form are requested to bring their Client Id and DP ID Nos for easier identification of attendance at the meeting.

11. 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.

12. Pursuant to 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, KARVY COMPUTERSHARE PRIVATE LIMITED at PLOT NO. 17-24, VITTAL RAO NAGAR, MADHAPUR, HYDERABAD-500 081 or download from the Company's website.

13. 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.

14. The Ministry of Corporate Affairs ("MCA") has taken a 'Green Initiative in the Corporate Governance' by allowing paperless compliances by Companies vide its Circular Nos.17/2011 dated April 21, 2011 and 18/2011 dated April 29, 2011 stating that the service of official documents by the Companies to its members can be made through electronic mode.

    Considering the move taken by the MCA as a welcome step for the society at large, the Company henceforth proposes to send various notices/ documents like Notices of General Meetings, Audited Financial Statements, Auditors' Report, Directors' Report, Financial Results, etc. in electronic form to the e-mail IDs available with company. If you still wish to receive the above documents in physical form, the same shall be made available upon receipt of a request from you.

    All the official documents including Annual Report of the company, circulated to the Members of the Company through electronic mode, will be made available on the Company's website i.e. www.fortismalar.com. The members holding shares in demat mode may update their e-mail IDs with their respective depository participants to ensure that the Annual Reports and other documents reach them at their preferred e-mail IDs and where the shares are held in physical form, please get your e-mail Ids registered or updated in the records of the Company.

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. Aditya Vij as a Chairman and additional Director of the Company w.e.f. 03rd August, 2011, in terms of Section 260 of the Companies Act, 1956 read with Article 11(9) of the Article of Associations 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 this Annual General meeting. The Company has received a notice in writing in terms of Section 257 of the Companies Act, 1956, along with a requisite deposit, proposing his candidature for office of Director of the Company, liable to retire by rotation.

Your Directors believe that with the appointment of Mr. Aditya Vij as a Chairman and Non Executive Director, the Company would be immensely benefited by way of his strategic guidance, leadership and knowledge in various fields. Hence, the resolution as set out at item No.5 of the notice is recommended for your approval.

None of the Directors except Mr. Aditya Vij, himself, is in any way, concerned or interested in the said resolution.

Item No. 6

The Board of Directors of your Company had co-opted Mr. Ashish Bhatia, having rich experience in hospital management, as an additional Director of the Company w.e.f. 24th January, 2012. Pursuant to provisions of Section 260 of the Companies Act, 1956 and Article 11(9) of the Article of Associations of the Company. The brief resume of Mr. Ashish Bhatia 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 this Annual General meeting. The Company has received a notice in writing in terms of Section 257 of the Companies Act, 1956, along with a requisite deposit, proposing his candidature for office of Director of the Company, liable to retire by rotation.

Your Directors believe that with his appointment as Non Executive Director, the Company would be benefited from his expertise and knowledge. Hence, the resolution as set out at item No.6 of the notice is recommended for your approval.

None of the Directors except Mr. Ashish Bhatia, himself, is in any way, concerned or interested in the said resolution.

Item No. 7

Mr. V Vijayarathna was appointed as an additional Director of the Company w.e.f. 10th July, 2012. The Board of Directors have also approved his appointment as a Whole-time Director of the Company w.e.f. 10th July, 2012 for a period of three years at remuneration recommended by Human Resources and Remuneration Committee, subject to approval of shareholders and other requisite approvals required under Sections 198, 269, 309, 310 read with Schedule XIII of the Companies Act, 1956. Also, as per Section 260 of the Companies Act, 1956, he will hold office upto the date of this Annual General meeting. The Company has received a notice in writing in terms of Section 257 of the Companies Act, 1956, along with a requisite deposit, proposing his candidature for office of Director of the Company.

Mr. Vijayarathna is Bachelor of Science (B.Sc.) in Physics and holds a Master's degree in Hospital Management (M.H.M.) from Madurai Kamaraj University. He has also undergone a two year Leadership Development Program conducted by IIMB ACE (Aim for Competitive Excellence).

Mr. Vijayarathna has over 18 years of experience across various leading healthcare organizations. Mr. Vijayarathna has worked with Apollo Group of Hospitals and Wockhardt Hospital & Heart Institute also. He has been instrumental in formulating business development strategies, relationship management strategies and also managing the front-end operations of the various hospitals of Fortis group since October, 2009. The brief resume of Mr. V Vijayarathna is given in Corporate Governance Report of the Company.

Further, in terms of Ministry of Corporate Affair's Notification No. G.S.R. 534(E) dated 14th July, 2011, Mr. Vijayarathna is not having any direct or indirect interest in the capital of the company or its holding company or any other statutory structures at any time during last two years before July 10, 2012 and is a post graduate with expertise and specialized knowledge in the field of his profession.

The resolution as set out at item no. 7 of the notice is placed for your approval as a Special Resolution.

The abstract of the terms of remuneration of the above said Director, as required to be sent pursuant to Section 302 of the Act, is being sent to the members of the Company within the stipulated time.

A copy of each of the resolutions passed by the Human Resources and Remuneration Committee of the Board of Directors and the resolutions passed by the Board of Directors in their meeting held on 10th July, 2012, are open for inspection of the Members, during business hours between 11.00 A.M. to 1.00 P.M. on all working days of the Company, upto the date of the meeting, at the Registered Office of the Company.

None of the Directors except Mr. V Vijayarathna, himself, is in any way, concerned or interested in the said resolutions.

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, 2012:

Particulars	For the year ended 31st March, 2012 (₹ in Lacs)
Turnover and other Income	9602.58
Net Profit / (loss) as per Profit & Loss A/c	1136.19

(v) Export performance and net foreign exchange earnings, collaborations : Not Applicable

(vi) Foreign investments or collaborations, if any : Not Applicable

II. INFORMATION ABOUT THE APPOINTEE

(i) **Background Details:**

Mr. Vijayarathna is Bachelor of Science (B.Sc.) in Physics and holds a Master's degree in Hospital Management (M.H.M.) from Madurai Kamaraj University. He has also undergone a two year Leadership Development Program conducted by IIMB ACE (Aim for Competitive Excellence).

Mr. Vijayarathna has over 18 years of experience across various leading healthcare organizations. He has worked with Apollo Group of Hospitals and Wockhardt Hospital & Heart Institute also. He has been instrumental in formulating the business development strategies, relationship management strategies and also managing the front-end operations of the various hospitals of Fortis group since October, 2009.

Mr. Vijayarathna is also a director in Malar Stars Medicare Limited and Fortis Health Management (South) Limited.

(ii) **Past Remuneration Drawn:**

During the financial year ended March 31, 2012, Mr. Vijayarathna drew a remuneration of ₹ 40.21 lacs, comprising of Salary, allowances, monetary value of perquisites.

(iii) **Recognition and Awards/Achievements:** None

(iv) **Job profile and his Suitability:**

Mr. Vijayarathna joined the Fortis group in the year 2009 and was appointed as the Zonal Director- South Zone in June, 2012 and on July 10, 2012 appointed as a 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. Mr. Vijayarathna, armed with invaluable insights, possesses rich experience and capabilities for managing the fast increasing business activities of the Company.

(v) **Remuneration Proposed:**

Remuneration payable by way of salary, perquisites and other allowances shall not exceed 5% of Net profits of the Company, computed in the manner laid down in Section 349 and 350 of the Act, in any financial year or ₹ 80 lacs per annum, whichever is higher, with the authority granted to the Board of Directors and/or Human Resources and Remuneration Committee, to amend/ modify the remuneration components of the total remuneration, within the aforesaid limits, from time to time.

(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) <u>OTHER INFORMATION</u>

(i) The profitability of the Company (herein after referred as FMHL) may be 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. The Company follows an aggressive growth strategy through organic and inorganic route, which puts pressure to the existing profit margins.

3. The company faces stiff competition from leading/Charitable hospitals and medical Centers in the region.

4. The healthcare segment is underserved in the country and is dependant for growth on the private sector and the Insurance Industry.

(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 75% 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 the Central Buying unit which also helps in getting pharmaceuticals at reduced rate then the market price further helps in controlling the cost and increasing the profits for the Company.

8. The Company also has plans to get the hospital certified by 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 substantively increase the revenue and profits of the Company. Over the last two years Company's revenues has increased more than 60% and is now poised for further bettering these results in the months and years to come.

By Order of the Board
For **Fortis Malar Hospitals Limited**

Date : July 24, 2012
Place : Chennai

Poonam Makkar
Company Secretary

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Twenty First Annual Report on business operations together with the Audited Financial Statements and the Auditors' Report thereon of your Company for the financial year ended 31st March 2012.

FINANCIAL RESULTS

The highlights of consolidated financial results of your Company and its subsidiary are as follows:

(₹ in Lakhs)

Particulars	For the year ended 31st March 2012	For the year ended 31st March 2011
Total Income	**9,607.38**	8,369.49
Total Expenditure	**8,095.89**	7,118.29
Profit Before Interest Tax & Depreciation	**1,511.49**	1,251.20
Less: Financial Cost	**130.72**	143.43
Less: Depreciation/Provision for Obsolescence/Impairment	**299.69**	289.81
Profits before Tax	**1,081.08**	817.96
Net Profits after Tax	**775.94**	544.30

The highlights of financial results of your Company as a Standalone entity are as follows:

(₹ in Lakhs)

Particulars	For the year ended 31st March 2012	For the year ended 31st March 2011
Total Income	**9,602.58**	8,369.49
Total Expenditure	**8,098.08**	7,120.22
Profit Before Interest, Tax & Depreciation	**1,504.50**	1,249.27
Less: Financial Cost	**130.72**	143.43
Less: Depreciation/Provision for Obsolescence/Impairment	**299.69**	289.81
Profits before tax	**1,074.09**	816.03
Net Profits after tax	**771.11**	542.97

OPERATING RESULTS AND PROFITS

The sound performance of your Company is manifested in the Operating Revenue and Net Profits posted for the year under review. During the year ended March 31, 2012, your Company recorded a growth of 15% in consolidated revenues to reach ₹ 9607.38 lacs in financial year 2011-12 from ₹ 8,369.49 lacs in financial year 2010-11. The company generated ₹ 775.94 lacs in net profits, an increase of 43% over the previous year's profit of ₹ 544.30 lakhs.

The growth has come from all the streams and mainly driven by Cardiac Sciences, Neuro sciences, Renal sciences, Orthopedics and Gynecology. The Health checks and regular MSOT procedures also showed a significant improvement in their revenue. Your Company has also witnessed significant progress in generating International Revenues.

OPERATIONS

The growth in occupancies and revenues with focus on efficiencies and cost control has led to better performance during the quarter and year to date. It is heartening to note that this has been accomplished across each of the specialities. Your Company continued its focus on quality parameters and patient satisfaction.

DIVIDEND AND TRANSFER OF RESERVES

Keeping in view the growth strategy of the Company, the Board of Directors of your Company have decided to plough back the profits and thus, not recommended any dividend for the financial year under review. Also during the said year, no amount has been transferred to reserves.

STOCK OPTIONS

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, 2012 under the “Malar Employees Stock Option Plan 2008” are set out in the Annexure-II to this Directors' Report.

SUBSIDIARIES

During the Financial Year 2011-12, the Company had only one subsidiary Company viz. Malar Stars Medicare Limited. The main objects of the said wholly-owned subsidiary include setting up, managing / administering hospitals and to provide Medicare and health care services.

EXEMPTION UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956

The Ministry of Corporate Affairs, Government of India, vide its Circular No. 2/2011 dated February 8, 2011, has provided an exemption to Companies from complying with the provisions of Section 212 of the Companies Act, 1956, provided such Companies publish the Audited Consolidated Financial Statements in the Annual Report. Accordingly, in terms of general exemption, the Board of Directors of the Company, in its Meeting held on May 14, 2012, resolved that the Financial Statements and other required documents of the subsidiary company are not required to be attached with the Balance Sheet of the Company for this fiscal.

The Annual Accounts of subsidiary company and the related information are open for inspection by any member including the members of subsidiary company at the registered office of the Company and that of subsidiary concerned, during the working hours on all working days. The Company will make available these documents to the members including members of subsidiary company upon receipt of request from them. The members, if they so desire, may write to the Company to obtain a copy of financials of the subsidiary company.

DISCLOSURES UNDER SECTION 217(1) & (2) OF THE COMPANIES ACT, 1956

In accordance with Regulation 3(1)(e)(i) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 1997, 11,752,402 equity shares constituting 63.2% of paid capital of your Company, in terms of inter se transfer of shares amongst group coming within the definition of group as defined in Monopolies and Restrictive Trade Practices Act, 1969 were transferred from International Hospital Ltd. to Fortis Hospitals Limited by way of gift on June 20, 2011.

The Company is in the process of transferring the Clinical Establishment Division (which will own, operate, maintain clinical establishment along with providing out-patient and day care medical and healthcare services and radio-diagnostic services), on a going concern basis by way of a slump sale to Fortis Health Management Limited (“FHML”).

In continuation to on-going internal corporate restructuring of the Fortis Healthcare Limited and its subsidiaries (which is being undertaken with an intent to align the Company with globally emerging trends and transforming into an asset light business model) and consequent to transfer of Clinic Establishment Division, the Company intends to focus its resources and energies on its division which shall run Fortis Malar Hospital, at Adyar, Chennai and provide medical services, including in-patient services and emergency services.

Except, as disclosed above or elsewhere in this Annual 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.

Except as disclosed above or elsewhere in this Annual Report, during the financial year under review, no material changes have occurred in the nature of the Company's business or that of its subsidiaries and generally in the classes of business in which the Company has an interest.

DEPOSITS

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

DIRECTORS

During the year under review, Mr. Aditya Vij has been appointed as an additional Director and the Chairman of the Company w.e.f. August 03, 2011 and Mr. Ashish Bhatia has been co-opted as an additional Director w.e.f. January 24, 2012. Pursuant to the provisions of Section 260 of the Companies Act, 1956, they hold the office upto the date of the ensuing Annual General Meeting and are eligible for appointment as Director(s) of the Company in terms of Section 257 of the Companies Act,1956.

Mr. V Vijayarathna has been appointed as an additional Director and a Whole-time Director by the Board of Directors at its meeting held on 10^{th} July, 2012. Notice under Section 257 of the Companies Act, 1956, has been received from a member of the Company signifying his intention to propose the appointment of Mr. V Vijayarathna as Director of the Company at the ensuing Annual General Meeting of the Company.

Dr. Llyod Nazareth, Director and Mr. Krish Ramesh, Whole-time Director had resigned from the Directorship of the Company w.e.f January 24, 2012 and June 9, 2012 respectively. The Board wishes to accord its sincere appreciation for the valuable services and support rendered by them during their tenure as Directors of the Company.

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.

STATUTORY AUDITORS / AUDITORS' REPORT

M/s. S R B C & Co., Chartered Accountants, Statutory Auditors of your Company, will retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment as Statutory Auditors for the financial year 2012-13.

The Company has received a letter dated May 14, 2012 from them to the effect that their re-appointment, if made, would be within the limit prescribed under Section 224(1B) of the Act, and that they are not disqualified for such re-appointment within the meaning of Section 226 of the Act.

Based on the recommendations of the Audit, Risk & Controls Committee, the Board of Directors of the Company proposes the re-appointment of M/s S R B C & Co., Chartered Accountants, as the Statutory Auditors of the Company.

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

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. The ISIN for Equity shares of the Company is INE842B01015.

REPORT ON CORPORATE GOVERNANCE

Your Company continues to place greater emphasis on managing its affairs with diligence, transparency, responsibility and accountability. Your company continues to strive hard to serve the interest of the stakeholders and the society at large, resulting in creation of value and wealth for all stakeholders at all times.

The report of Board of Directors of the Company on Corporate Governance is given in the section titled "Report on Corporate Governance" forming part of this Annual Report.

Certificate of M/s Sanjay Grover & Associates, Company Secretary in whole-time practice regarding compliance with the Corporate Governance requirements as stipulated in Clause 49 of the Listing Agreement with the Stock Exchange is annexed with the said Corporate Governance Report.

MANAGEMENT DISCUSSION & ANALYSIS

A detailed review of operations, performance and future outlook of the company is given separately under the head “Management Discussion and Analysis” and forms a part of this report.

PARTICULARS OF EMPLOYEES

The Statement containing particulars of the employees as required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, forms part of 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 members excluding this Statement. Copies of this statement may be obtained by the members by writing to the Company Secretary at the registered office of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

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

1. that in the preparation of the Annual Accounts for the year ended March 31, 2012, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
2. 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 as at March 31, 2012 and of the profit or loss of the company for the period ended on that date;
3. 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;
4. that the directors had prepared the annual accounts on a going concern basis.

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-I included in this report.

ACKNOWLEDGEMENT

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 their continued faith in the management of the Company.

For and on behalf of the Board

Date : July 24, 2012
Place : Chennai

V Vijayarathna (Whole-Time Director)

Nithya Ramamurthy (Director)

ANNEXURE - I TO DIRECTORS' 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, 2012

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

A. Conservation of Energy

a) Energy conservation measures taken:

- The old electrical and air-conditioning equipment which have become obsolete and were consuming higher electricity were changed to the latest and energy efficient Electrical equipment.
- This includes change of most of the major electrical equipment such as DG Set, Air-conditioning Equipment, Electrical and AC Panel Board, Chiller Plant, etc.
- Your Company has redesigned and changed the entire electrical wiring in most of the floors to mitigate the loss of energy.

b) Additional investment and proposals if any being implemented for reduction of consumption of energy:

- Your Company has replaced most of the window and split ACs with the energy efficient VRV air-conditioning equipment.
- Your Company continued to change the balance lifts which are energy efficient.
- Up gradation of Capacitor Panel to achieve the Power Factor to 1; This will ensure reduction in consumption of electricity.
- Planned management of the operation timings of the various electrical equipment including Air-conditioning Equipment.

c) Impact of measures at (a) & (b):

- The above measures have resulted in considerable reduction of electricity cost despite the growth in the revenue.

B. Technology Absorption

1. Research & Development(R & D):

- Nil

2. Technology Absorption, Adaptation & Innovation:

a) Efforts in brief, made towards technology absorption, adaptation & innovation:

- Your Company has installed Sleep Lab and Video EEG for advanced Epilepsy and Neurological disorder cases; The company has invested on Minimally Invasive Instrument Sets.
- Online Payroll / Leave Management system for efficient calculation of leaves of the employees has been installed. Thus has resulted in saving of critical man days.
- PACS (Picture Archival and Communication Systems) have been installed. This enables access of the patients Radiological reports / Images by the Consultants from different locations.

b) Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.

- Proper and early diagnosis of neuro problems; Reduction in discomfort to the patients by reduced hospital stay and pain; Enhanced patient care and patient welfare.

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	:	₹ 337.60 Lacs
(ii) Expenditure	: CIF Value of Imports	- ₹ 116.83 Lacs
	Others	- ₹ 7.90 Lacs

ANNEXURE - II TO DIRECTORS' REPORT

ESOP Disclosure in Directors' Report
Details of Employee Stock Option Plan 2008 for the year ended March 31, 2012
(As per Clause 12 of SEBI (ESOS and ESPS) Guidelines, 1999)

1. **Total No. of 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. During the year "Nil" options have been granted to employees. Cumulatively, till March 31, 2012, 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 subsidiary.

2. **Outstanding No of options as on April 1, 2011**

   As on April 1, 2011, 295,000 valid options were outstanding.

3. **Pricing formula**

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

   During the year no fresh options have been granted.

4. **Options vested**

   Under the above mentioned Scheme, 1,47,500 options were vested till March 31, 2012.

5. **Options exercised**

   None of the vested options have been exercised till date.

6. **Total number of options lapsed/forfeited/cancelled as on March 31,2012**

   Cumulatively, 75,000 options have been cancelled till March 31, 2012.

7. **Total number of Equity shares arising due to exercise of options**

   As on March 31, 2012, 2,95,000 equity 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).

8. **Variation of terms of options**

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

9. **Money realized by exercise of options**

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

10. **Total number of options in force**

    2,95,000 valid options were in force on March 31, 2012.

11. **Vesting Schedule**

    Subject to the right of Human Resources & 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 of 25% each year at the end of the first, second, third & fourth year from the date of grant.

12. **Lock-in:**

    There shall be no lock-in after the options have been vested.

13. Person wise details of options granted to:

a) Senior Managerial Personnel

Nil – during the year.

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

Nil – during the year.

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

Nil - during the year

14. Diluted Earnings Per Share (EPS)

Diluted EPS, pursuant to issue of shares on exercise of option calculated in accordance with AS-20 is ₹ 4.14.

15. 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 ₹ 12.94lacs for the year.

16. 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, 2012

Impact on Profit : ₹ 12.94 Lacs
Impact on EPS : ₹ 0.04 per share

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

17. 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.

17.1 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.

17.2 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.

17.3 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.

17.4 Expected dividends

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

17.5 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 ₹ 26.20. During the year, no fresh options were granted.

18. 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 - ₹ 13.45

Weighted Average Exercise Price - ₹ 26.20

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INTRODUCTION

The Indian healthcare sector has undergone a radical transformation phase in the last decade and is one of the most promising sunrise industries in terms of revenue, growth and employment. Contributing around 5-6% to India's GDP, the sector, which was a US$14.8 billion industry in 2002, touched around US$60 billion in 2010 and is estimated to reach around US $ 120 billion by 2015, reflecting a CAGR of 15% over this period. India's growing population coupled with increasing purchasing power of the middle class and rising awareness about chronic diseases has contributed to this growth. According to a recent report, India has 0.8 beds per thousand population as against **a world average of 2.6**, which provides a huge untapped potential for healthcare providers.

The growing contribution of the private sector to the healthcare industry, whose share has grown **from 60% to 80% of total expenditure** over the last one decade, has further boosted growth. Employment-wise, the healthcare industry is today the second largest employer, first being the education sector, and is expected to employ **close to nine million people by 2012**. Amidst all the growth, the sector is also suffering from internal as well as external challenges, the major ones being rising technology and manpower costs, providing affordable treatment, creating requisite infrastructure, using appropriate technology and providing medical facilities available in rural areas. Being an industry still in its nascent stage, the sector can gain from the expertise of its international counterparts.

INDUSTRY STRUCTURE AND DEVELOPMENT

Indian Healthcare structure

The sector comprises Hospital and allied sectors include:

a) Medical care providers that includes physicians, specialist clinics, nursing homes and hospitals
b) Diagnostic service centers and pathology laboratories
c) Medical equipment manufacturers
d) Contract research organizations and pharmaceutical manufacturers
e) Third party support service providers

- In India, **80%** of all the healthcare expenditure is borne by the patients. Expenditure borne by the **state is 12%.** The expenditure covered by insurance claims is 3%. As a result the price sensitivity is quite high. The high level healthcare facilities are out of reach for the patients.
- Among the top five therapeutic segments, gastro-intestinal and cardiac are experiencing both high volume and value growth. Opthologicals, cardiovascular, anti-diabetic and neurological drugs continue to top the growth list. The anti-infective, neurology, cardiovascular and anti-diabetic segments have witnessed a high number of new product launches in recent years.

Key Developments

- Semi-urban, Rural healthcare sector in the country is also seeing an upsurge. According to the Ministry of Health (Rural health survey 2009) report. The rural healthcare sector has added around 15,000 health sub-centers and 28,000 nurses and midwives during the last 5 years. The number of primary health centers has increased by 84%, taking the number to 20,107.
- Health insurance market (in India) is one of the fastest growing, 2nd largest non-life insurance segment in the country, According to RNCOS report, the health insurance premium is expected to grow at a CAGR of over 25% for the period spanning from 2009-10 to 2013-14.
- Additionally, India's share in the global medical tourism industry is estimated to be around 3% by the end of 2013, by the RNCOS report and is expected to generate around US$ 3 billion in revenue by 2013.
- Indian medical technology industry is expected to reach US$ 14 billion by 2020 from US$ 2.7 billion in 2008,
- The total healthcare infrastructure expenditure is expected to reach US$ 14.2 billion in 2013, registering an increase of 50 % as compared to the 2006 figure.
- Majority of healthcare players are now, expanding to tier II and tier III cities, also with semi urban areas, due to significant demand for high quality, specialty healthcare services and quick treatment modalities.
- All major healthcare players are now targeting to new segments such as primary care and diagnostics. Demographics, health awareness and increasing capacity to spend are the key drivers of the preventive healthcare segment in India.
- Many players are targeting at Computer based Bio-surveillance projects, which generates data about diseases and creates databases on healthcare in rural areas. These new implications are gaining popularity in India now.

OPPORTUNITIES IN HEALTHCARE

Diagnostic Centers – Unbundling from the traditional setting

The diagnostic market in India, currently pegged at **around ₹ 10,000 Crore and constituting 4% of the overall healthcare delivery market is poised to grow at a CAGR of 20% and touch ₹ 54,000 crore by 2020**, clearly indicating the potential that lies in this segment of healthcare business. Traditionally, diagnostic centers have always been a part of hospitals and physician offices. However, the set-up seems to be evolving with diagnostic centers operating as stand-alone entities and its services pegged to be offered at retail outlets, pharmacies and at home (personal testing).

Diagnostic test results impact more than 70% of healthcare decisions and thus form an essential element in the delivery of healthcare services. The marketplace is currently flooded with several hundred smaller players with a miniscule of organized players whose presence is limited to the metros. Although, good quality diagnostic services are inaccessible in rural areas, there are reasons to believe that the diagnostic marketplace will continue to grow due to growing and ageing population, consumers and insurers increasingly recognizing the value of diagnostics in improving health and reducing the overall cost of healthcare and organized players offering increased access to quality diagnostic services.

Emergence of single Specialty Delivery Models

Specialty hospitals are fast emerging in India, signaling a transition towards maturity of the industry with increased complexity of business and better consumer affordability. The main USP of such healthcare centers is their focus on a single specialty or service line. So be it the high-end disciplines such as oncology or neighborhood specialties such as ophthalmology and day-care surgery, single specialty hospitals are growing in number and sticking to their core strength. While, till recently, these have been stand-alone specialty clinics or hospitals run by doctors, larger corporates are now getting involved in providing the same degree of quality care in multiple locations.

Single specialty hospitals have manifold advantages such as cost efficiency due to higher volumes, higher quality care due to greater specialization, easily attractable human resource, and increased consumer satisfaction, competitive pricing and increased choice for the consumer. Specialty hospital formats range from low-risk specialty (including eye care, dermatology, mother and child) to high-end specialty (including cardiology, cancer and transplant medicine). Although currently, most specialty centers are operating in metros and mature markets, there is a huge untapped opportunity to offer such services in tier-II and tier-III cities.

Low-cost Healthcare delivery models

Healthcare models, more often than not, were hitherto developed primarily for the metro markets. However, it is beginning to become difficult for healthcare providers to sustain such high-cost structures and serve various economic segments of the society as developed healthcare infrastructure and rising competition have reached a saturation level in metros serving only a certain socio-economic segment of the population. A gradual movement toward setting up low-cost healthcare delivery models in Tier-II and Tier-III cities is becoming visible to serve different consumer segments such as lower middle income, urban poor and rural population. Low capital-intensive models will not only ensure viability of the project, but also expand the healthcare providers' reach in different geographies and consumer segments. Also, the low-cost models can be designed in such a way so as to have a low cost of operation like purchasing land on the outskirts rather than in the centre of town, reduced built-up area per bed, deployment of appropriate technology rather than the latest one, usage of good quality indigenous medical equipment etc.

Transition towards a more sustainable PPP model

Given the success of the Public-Private Partnership (PPP) models in the infrastructure sector with the development of highways, power plants, airports, central and state Government is now increasingly pursuing the PPP model in order to bridge the gap existing between equity and accessibility in India's healthcare sector. The PPP model can be successfully implemented for the creation of primary health centers partnering with NGOs, who will take care of operations and the Government funding the cost; District Hospitals in collaboration with technology providers assisting in clinical services and the Government paying annual fixed service payment for delivery of services; multi-specialty hospitals in partnership with organized physician practice groups providing services at subsidized rates to people below the poverty and the Government providing land and infrastructure at concessional rates. The Government has also realized the vitality of PPP models in fighting the spread of epidemics like the H1N1 swine flu and HIV.

While the Government is still to finalize an ideal PPP model that will act as a catalyst for the growth of the sector, it is increasingly assuming the role of an insurer providing a substantial patient base for private providers. At the same time, PPP models need strong political commitment and enabling legislation, clear policy and legal framework, strong oversight and dispute resolution mechanism, careful contract design and defining acceptable rate of return for the private sector.

RECENT DEVELOPMENTS

Integrated Medicine – Leveraging Traditional strengths
With increasing demand for traditional medicine, policy-makers and health administrators are exploring the possibilities of bringing together traditional and modern medicine. Integrated medicine has emerged to be a new paradigm in health care that deploys the best aspects of diverse systems of medicine including modern medicine, Homeopathy, Siddha, Unani, Yoga and Naturopathy, thereby bringing traditional medicine into the general health system. The use of integrated medicines will not only provide a better understanding of differing practices, but also promote the best care for patients by intelligently selecting the optimal and best route to health and wellness. Evidence reflects that traditional medical practices are frequently utilized in curing chronic diseases. The use of traditional medicines also provides a low-cost alternative for rural and semi-urban areas where modern medicines are largely inaccessible. Integrated medicines will result in better patient outcomes, measured in terms of symptom relief, functional status and patient satisfaction.

Embracing Technology to reduce cost
Selection and adoption of appropriate technology has the capability to completely revolutionize and transform the healthcare industry. Technology is seen as one of the most important drivers of increasing healthcare accessibility. However, technology constitutes almost 30-40% of the project cost and therefore it is becoming increasingly important for medical technology companies like GE, Philips and Siemens to devise ways to rationalize high cost of technology and improve the quality of outcomes by adopting innovative methods. Some of the innovative ways used by companies to rationalize technology cost are reducing the cost of medical technology, research and development, encouraging indigenous production of medical devices and devising innovative ways of dealing with obsolescence.

Shift toward optimizing operations
Under constant pressure to meet increasing customer expectations and staying ahead in the competition, healthcare providers and administrators are looking toward optimizing operations in hospitals, which will enable them to provide world-class services with a finite set of resources and will significantly enhance the business performance. Optimization takes us towards appropriate workforce management, quality management, planning and control, sound clinical processes and outcome performance. It has largely been observed that despite using technology to optimize service delivery, automated support can only help up to a certain level of process management as for any kind of improvement to take place, it is vital to first understand the process workflow and tackling the bottlenecks primarily the ones prevailing in the process design.

OUTLOOK

India is poised to become the international medical tourism hub given its low cost of treatment as compared to international markets. But for this, it is imperative that the entire value chain of this industry, which includes hospitals, chemists, pharmacists, bio-technologists, scientists, doctors, government, infrastructure developers, medical technology and equipment providers work in synchronization with each other. It is also imperative for the private sector to streamline the business processes and devise cost-effective health care designs to provide affordable treatment to patients.

The government too is directing its focus toward this sector as is evident from the ₹ 27, 000 Crore allocated to health by the Government of India in the Budget 2012-13 and the tax holidays provided to set up healthcare institutions. It is now left for the public and the private healthcare sector to embrace new emerging trends and prepare the industry for yet another growth phase.

RISKS AND CONCERNS

Owing to the fact that the Indian healthcare sector is one of the largest service segments, as well it has regressed as one of the most challenging sectors in India. For the healthcare segment, the challenges that are assumed to be:

- To control cost of treatment
- Access to insurance and also bring in more clarity to cashless treatment options
- A severe shortage of qualified professionals and the work force is concentrated in urban areas. Many Indian people, especially those who living in rural, semi urban areas, still receiving services from unqualified providers. The emigration of qualified doctors, nurses, and other medical professionals is substantial.
- The training resources, other infrastructure providing to nurses/other medical professionals in India is still inadequate. The policy designers from government body urgently need to address these issues maintain quality norms.
- According to recent reports, " Quantifying the need gap taking into account the year 2020, leaves us with a shortfall of 2 million (Doctors/Physicians), 3.5 million nurses, 8 million paramedics and bigger number of other support medical professionals in India. Going by WHO norms for developing countries, India has an acute shortfall of Doctors/Practitioners, Nurses (1.4 million and 2.8 million respectively) and also there is an acute shortage of paramedical and administrative professionals.
- Although the health insurance sector is growing in impressive manner, the health insurance penetration rate still has a lot more scope to grow with only 3% of the total population being insured at present.

- In the area of diagnostic service centers, there is an acute insufficiency of good healthcare and medical services partners in most areas (Semi urban and rural). These areas are isolated in terms of medical infrastructure. Few providers have already started setting up their centers; however, these initiatives would not meet primary end criteria. Another challenge would be to create a good pipeline of management resources, Radiologists, sinologists, other technicians and it needs to implement specific plans to meet effective objectives.
- The paramedical education system in India is seemingly the most neglected area in terms of quality and quantity, in contrast to medical education which has produced the best of talent out comes. This situation has in fact exacerbated due to lack of focused training infrastructure, education, stringent policies, any defined regulating body, several paramedical institutions that are running in the nation are unregulated with a lack of uniformity in the training imparted from them.
- The technology advancements (i.e. the introduction of 3G, and its impact on the Indian healthcare industry will be exponential, it can change the face of current healthcare delivery models. The implementation/availability of 3G technology will enable video broadcast and telemedicine through wireless communications which will help accessibility of good medical care to patients in Semi urban and rural areas as well. Also, with the number of cell phone users currently at 600 million and rapidly increasing by 20 million every month, some telecom operators and value – added service developers are considering usage of mobile phones for diagnostic and treatment support, remote disease monitoring, health awareness and communication.

HUMAN RESOURCE

During the year, the company has introduced various interactive programmes amongst Doctors, Technicians, Nurses and administrative staff within and amongst the group hospitals. The experience of different sections of professionals are shared, best methods/practices adopted and the best dept/unit in terms of processes and systems awarded.

Various Staff/Employee welfare programmes were introduced with a view to provide the good working environment. By various ways, the employees are encouraged to come with their suggestions and grievances thus giving a new dimension to the employee relations.
The numbers of employees stood at 643 as on 31st March, 2012

OPERATIONAL AND FINANCIAL PERFORMANCE

The company continued its growth momentum both in terms of Revenue and Profitability. During this financial year, your company achieved a total income of ₹ 96.07 Crores against ₹ 83.69 Crores during the last financial Year ended 31st March, 2011 which represents a 15% growth. The Profit before Tax for the period stood at ₹ 10.81 Crores as against ₹ 8.17 Crores during the corresponding period, representing a 32% growth. The Net profit of the company for the year grew by 43% and stood at ₹ 7.76 Crores against ₹ 5.44 Crores during the corresponding period.

The Hospital received NABH certification for its Blood bank and is the only Hospital in South India to achieve this certification.

During the year, the company obtained ISO 9001-2008 certification for Multi Specialty Healthcare services.

The company invested substantially towards promoting its brand both in India and abroad. With various tie-ups with international agencies, the company started showing significant growth in International revenues.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Internal control helps safeguarding of funds, provides efficient and effective management of assets and ensures accurate financial reporting. The prime purposes are to protect firm's resources against mismanagement or fraud, to ensure whether the company's activities are in accordance with laws and regulations, and above all, to develop consistent financial as well as managerial data in order to present them timely. In short, the activities that are covered in the implementation of a good corporate internal control are overseeing activities in connection with authorizations and reconciliations, reviewing of employee performance, security of assets, and segregation of duties. To achieve this objective, the company has an independent team of internal auditors to monitor and review the operations and processes of the company. Every quarter, the team, places its findings to the Audit Committee with its suggestions for improvements. The audit committee takes note of the same and guides the management in the implementation of the suggestions.

CAUTIONARY STATEMENT

Statements in this management discussion and analysis describing the company's objection, projections, estimates and expectations may be “forward looking statement” within 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

Your Company believes that sound ethical practices, transparency in operations and timely disclosures go a long way in enhancing long-term shareholder value while safeguarding the interest of all the stakeholders. It is this conviction that has led the Company to make strong corporate governance values intrinsic in all its operations. The Company is led by distinguished Board, which includes independent directors. The Board provides a strong oversight and strategic counsel.

The core values of your Company's governance process includes independence, integrity, accountability, transparency, responsibility and fairness. It's business policies are based on ethical conduct, health, safety and a commitment to build long term sustainable relationship with all stakeholders.

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 7 Directors, of whom, 1 (One) is an Executive Director designated as Whole Time Director and 6 (Six) are Non-Executive Directors. 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 Exchange. Other details relating to Directors as on March 31, 2012 are as follows:

S. No.	Name of Director	Category	**Directorship in other Companies	*Committee Memberships in other Companies	# Committee Chairmanship in other companies
1	Mr. Krish Ramesh	Whole-time Director	2	-	-
2	Dr. Nithya Ramamurthy	Non Executive Director	-	-	-
3	Mr. P. Murari	Non Executive Independent Director	9	4	2
4	Mr. Ramesh L. Adige	Non Executive Independent Director	1	-	-
5	Mr. Sanjay Jayavarthanavelu	Non Executive Independent Director	10	1	-
6	Mr. Aditya Vij^	Chairman and Non Executive Director	3	-	-
7	Mr. Ashish Bhatia^^	Non Executive Director	11	-	-

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

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

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

^ Appointed as Non Executive Director w.e.f 3rd August, 2011.

^^ Appointed as Non Executive Director w.e.f 24th January, 2012.

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:

a) Mr. Sanjay Jayavarthanavelu, a Non-Executive, Independent Director, is an MBA from Philadelphia University, USA, is the Managing Director of Lakshmi Machine Works Ltd., (LMW) Coimbatore. LMW is one of the three leading Textile Machinery Manufacturers in the world, manufacturing the complete range of textile spinning machinery. Besides LMW, he also holds Directorships in ten other Companies.

He was the past Chairman of the Textile Machinery Manufacturers' Association India and presently a Member of its Executive Committee. 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 Executive Committee of The Federation of Indian Chambers of Commerce and Industry (FICCI) and also 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 Trustee of the Kuppuswamy Naidu Charity Trust for Education and Medical Relief, 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 and Managing Trustee 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 is also a Member of the Board of Governors of Sardar Vallabhbhai Patel International School of Textiles and 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.

As on March 31, 2012, he does not hold any shares or any other convertible instrument in the Company.

Mr. Sanjay Jayavarthanavelu is a Director and member of Committees of Boards of the following other companies:

S.No.	Name of the Company/Entity in which interested	Committee Memberships
1	Caborundum Universal Limited - Director	-
2	Lakshmi Cargo Company Limited - Director	-
3	Lakshmi Electrical Control Systems Limited - Director	-
4	Lakshmi Life Sciences Limited - Director	-
5	Lakshmi Machine Works Limited - Managing Director	Member-Share and Debentures Committee
6	Lakshmi Ring Travellers (Coimbatore) Limited - Director	-
7	Lakshmi Technology and Engineering Industries Limited - Director	-
8	Quattro Engineering India Limited - Director	-
9	Super Sales India Limited - Director	Member - Share Transfer Committee, Member - Shareholders Investor’s Grievance Committee
10	The Lakshmi Mills Company Limited - Director	-

b) Dr. Nithya Ramamurthy, a Non-Executive Director, is a qualified Medical professional having more than 29 years of rich experience in medicine. She has worked as Medical Officer at Govt. Hospital, Serambun, West Malaysia and then 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 had successfully managed the Company as a Whole Time Director and under her direction, 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 8,93,377 equity shares of the Company and no convertible instruments in the Company is being held by her.

Presently, Dr. Nithya is not a Director on the Board of any other Company. She is not holding Committee Membership in any other Company.

c) Mr. Aditya Vij was appointed as a Chairman and an additional (Non-Executive) Director on the Board of the Company on 3rd August, 2011. Mr. Vij is a Chartered Accountant from Institute of Chartered Accountants of India and an MBA from International Institute for Management Development (IMD), Lausanne, Switzerland. He has rich management experience spanning three decades in the corporate world with a proven track record of developing and turning around businesses in various leadership positions. Currently, he is the CEO of Fortis Healthcare Ltd., he was associated with Punj Lloyd where he held the position of Group President - Defense, a role in which he was responsible for setting up the Defense and Nuclear Power verticals for the Group.

Prior to joining Punj Lloyd, Mr. Aditya had a distinguished innings of 18 years with General Motors (GM), across five countries in Europe and Asia. Some of the key positions he held with GM include General Director - Opel Southeast Europe, Hungary, Chairman & Managing Director - GM India and Regional Executive Director - Nordic, Benelux & Switzerland. Among his significant achievements at GM were the turnaround of the India business into a profitable entity, the successful launch of the Chevrolet brand in India, the expansion of production capacity at the car manufacturing plants several-fold, the establishment of an engineering & R&D Centre for Global competitiveness and the setting up of a shared services centre for GM Units worldwide.

As on March 31, 2012, he does not hold any shares or any other convertible instrument in the Company.

Mr. Aditya Vij is a Director and member of Committees of Boards of the following other companies:

S.No.	Name of the Company/Entity in which interested	Committee Memberships
1.	Escorts Heart Institute and Research Centre Limited - Director	-
2.	Fortis Health Management (North) Limited - Director	-
3.	Fortis Health Management (West) Limited - Director	-
4.	Jam Holdings Pvt. Ltd. - Director	-

d) Mr. Ashish Bhatia was appointed as an additional (Non-Executive) Director on the Board of the Company on 24th January, 2012. Mr. Bhatia is an alumnus of The Lawrence School, Sanawar and has a rich and varied experience of over 28 years. He started his career with the Tea Gardens at Assam and prior to joining Fortis, he was Vice President - Marketing with Hero Motors.

Ashish Bhatia in his current position of Chief Operating Officer with Fortis Healthcare Limited handles the overall operations of all hospitals of Fortis in India. He has been associated with Fortis Healthcare since its inception and has held many key positions within the group during the past ten years.

Mr. Ashish Bhatia has created successful businesses modules and powerful teams across the Fortis network and aspires to lead the large and dynamic teams of Fortis Hospitals to continuously provide world-class healthcare with patient centricity as its goal.

Mr. Ashish Bhatia is also actively re-defining the Corporate Social Responsibility program of Fortis Group, introducing several significant CSR projects in different hospitals such as Chetna - a special initiative for the underprivileged girl child, Sahaayak, a support initiative for Dialysis patients, Sarthak – a special initiative for cancer patients and a “heartline” project (for underprivileged children), in conjunction with Rotary International.

As on March 31, 2012, he does not hold any shares or any other convertible instrument in the Company.

Mr. Ashish Bhatia is a Director and member of Committees of Boards of the following other companies:

S.No.	Name of the Company/Entity in which interested	Committee Memberships
1	Escorts Heart and Super Speciality Institute Limited - Director	-
2	Escorts Heart Institute and Research Centre Limited - Whole time Director	-
3	Fortis C-Doc Healthcare Limited - Director	-
4	Fortis Health Management (North) Limited - Director	-
5	Fortis Healthstaff Limited - Director	-
6	Fortis Health Management (East) Limited - Director	-
7	Fortis Health Management (West) Limited - Director	-
8	Fortis Health Management (South) Limited - Director	-
9	Kanishka Healthcare Limited - Director	-
10	Hiranandani Healthcare Pvt. Ltd. - Director	-
11	Lalitha Healthcare Pvt. Ltd. - Director	-
12	Sunrise Medicare Private Limited - Director	-

e) Mr. Vijayarathna was appointed as additional and Whole-time Director on the Board of the Company on 10th July, 2012. Mr. Vijayarathna has 18 years of experience across various leading healthcare organizations. He started his career with Apollo Group of Hospitals in Hyderabad in 1994. During this period he evolved a scientific method of managing the ambulatory critical care system at the hospital. His interest to learn different healthcare systems took him to Wockhardt Hospital & Heart Institute, (An Associate Hospital of Harvard Medical International) Bangalore in 1997, the first single specialty cardiac hospital set up by a corporate body in India. Later on he became Centre Manager of Wockhardt Hospitals, Bangalore and was responsible for formulating the business development strategies, relationship management strategies and also managing the front-end operations of the hospital.

He has been associated with Fortis group since 2009, he took charge of the Fortis Hospitals, Mulund and played a vital role in the smooth brand transitioning of Wockhardt Hospitals to Fortis Hospitals. He was instrumental in setting up the cancer facility at Mulund Hospital and drove growth and strategy.

During this tenure, he also achieved the coveted accreditation of Joint Commission International quality Gold Standards for the 3rd time, a distinction achieved by only two other hospitals in the country.

As on July 24, 2012, he does not hold any shares or any other convertible instrument in the Company.

Mr. Vijayarathna is a Director and member of Committees of Boards of the following other companies:

S.No.	Name of the Company/Entity in which interested	Committee Memberships
1.	Fortis Health Management (South) Limited - Director	-
2.	Malar Stars Medicare Limited - Director	-

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 meeting is drafted in consultation with the Chairman, WTD and circulated in advance to the Board Members.

During the year ended March 31, 2012, four Board Meetings were held on:

(i) May 16, 2011 (ii) August 03, 2011 (iii) October 12, 2011 and (iv) January 24, 2012.

The Annual General Meeting of the Company was held on 4th July, 2011.

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 Director	No. of Board Meetings held	No. of Board Meetings attended	Attendance at last AGM
Dr. Lloyd Nazareth^	4	3	Yes
Mr. Ramesh L. Adige	4	4	No
Dr. Nithya Ramamurthy	4	4	Yes
Mr. Krish Ramesh	4	4	Yes
Mr. Sanjay Jayavarthanavelu	4	3	Yes
Mr. P. Murari	4	4	No
Mr. Aditya Vij ^^	4	1	NA
Mr. Ashish Bhatia ^^^	4	1	NA

^ Resigned as Director of the Company w.e.f 24th January, 2012.

^^ Appointed as Chairman and non-executive Director of the Company w.e.f. 3rd August, 2011.

^^^ Appointed as non-executive Director of the Company w.e.f. 24th January, 2012.

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 thereto.
- Capital budgets and any updates.
- Quarterly results for the company and its operating divisions or business segments.
- Minutes of meetings of Audit, Risk and Controls Committee and other Committees of the Board.
- The information on recruitment and remuneration of senior officers just 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.

Code of Conduct

The Board has prescribed a Code of Conduct (”Code”) for all employees of the Company including Senior Management and Board Members.

The Code covers the transparency, behavioural conduct, a gender friendly work place, legal compliance and protection of the Company's property and information. The code is also posted on the website of the Company.

All employees including Senior Management and Board Members have confirmed the compliance with the code for the financial year 2011-12. A declaration to this effect signed by the Whole-time Director of the Company, is provided elsewhere in this Corporate Governance Report.

3. COMMITTEES OF THE BOARD

In terms of Clause 49 of the Listing Agreement read with the Companies Act, 1956, the Board has formed three Committees viz. Audit, Risk & Controls Committee, Shareholders' / Investors' Grievance Committee, Human Resources & Remuneration Committee.

Further, the Board also has Clause 41 Committee inter alia to approve the financial results of the company. During the year under review, no meeting of Clause 41 Committee was held.

Keeping in view the requirements of the Companies Act, 1956 as well as Clause 49 of the Listing Agreement, the Board decides the terms of reference of these Committees and the assignment of members to various committees. The recommendations, if any, of these Committees are submitted to the Board for approval.

A) AUDIT, RISK AND CONTROLS COMMITTEE

The Audit Committee has been renamed as Audit, Risk and Controls Committee on 12th October, 2011.

Composition of the Committee

The Composition of the Committee as on 31st March, 2012, was as follows:

S.No.	Name of Members	Designation	Category
1.	Mr. Ramesh L. Adige	Chairman	Non Executive Independent Director
2.	Mr. Aditya Vij^	Member	Non Executive Director
3.	Mr. Sanjay Jayavarthanavelu	Member	Non Executive Independent Director
4.	Mr. P. Murari	Member	Non Executive Independent Director

^Inducted as member of the Audit, Risk and Controls Committee w.e.f 3rd August, 2011.
Note: Dr. Llyod Nazareth, non executive director of the Company who was also a member of the Audit, Risk and Controls Committee stepped down as member of the Committee w.e.f 3rd August, 2011 and resigned as director of the Company from 24th January, 2012.

All members are financially literate and one member is having requisite accounting and financial management expertise. The Company Secretary acts as the Secretary of the Committee.*

*During the year, Mr. Ramit Rastogi resigned as Company Secretary of the Company. Ms. Poonam Makkar was appointed as Company Secretary w.e.f 11th November, 2011.

Accountabilities and Responsibilities

The Committee shall have the accountabilities and responsibilities set out below as well as any other matters that are specifically delegated to the Committee by the Board. In addition to these accountabilities and responsibilities, the Committee shall perform the duties required of an Audit, Risk and Controls Committee by applicable statute's, requirements of the stock exchanges on which the securities are listed and all other applicable laws.

1. Financial Reporting

a) General - The Committee is responsible for reviewing the integrity of the financial reporting process and the financial statements and disclosures. Management is responsible for the preparation, presentation and integrity of the financial statements and financial disclosures and for the appropriateness of the accounting principles and the reporting policies. The external auditors are responsible for auditing the annual consolidated financial statements and for reviewing the un-audited interim financial statements.

b) Review of Annual Financial Reports **-** The Committee shall review the annual audited financial statements of the company, the external auditors' report thereon and the related management's discussion and analysis of the financial condition and results of operations and management's report. The review will be done to assure that in all material respects the financials are correct, sufficient and credible, present a fair and full disclosure and that the statements are made in accordance with generally accepted accounting principles in which the financial statements of the company are prepared from time to time. The review will also provide assurance and disclosure to the financial condition, results of operations and cash flows of the company. After completing its review, if advisable, the Committee shall approve and recommend for Board approval the annual financial statements and the related management analysis and discussion.

c) Review of Interim Financial Reports — The Committee shall review the interim financial statements of the company, the external auditors' review report thereon and the related management discussion and analysis. The review will also provide assurance and disclosure to the financial condition, results of operations and cash flows of the company. After completing its review, if advisable, the Committee shall approve and recommend for Board approval the annual financial statements and the related management analysis and discussion.

d) Review Considerations — In conducting its review of the annual financial statements or the interim financial statements, the Committee shall:

(i) meet with management and the external auditors to discuss the financial statements and management discussion and analysis;

(ii) review the disclosures in the financial statements;

(iii) review 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;

(iv) review the audit report or review report prepared by the external auditors;

(v) discuss with management, the external auditors and internal legal counsel, as requested, any litigation claim or other contingency that could have a material effect on the financial statements;

(vi) review critical or material accounting and other significant estimates and judgments underlying the financial statements as presented by management;

(vii) review any material effects of regulatory accounting initiatives, significant transactions or off-balance sheet structures on the financial statements as presented by management;

(viii) review any material changes in accounting policies and practices, the reason for the same and their impact on the financial statements as presented by management or the external auditors;

(ix) review significant adjustments made in the financial statements arising out of audit findings;

(x) review disclosure of any related party transactions;

(xi) review management's and the external auditors' reports on the effectiveness of internal control over financial reporting;

(xii) 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 utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;

(xiii) review results of investigation into any material fraud or Code of Conduct complaint; and

(xiv) review any other matters, related to the financial statements, that are brought forward by the internal auditors, external auditors, management or which are required to be communicated to the Audit, Risk and Control Committee under accounting policies, auditing standards or applicable law. This includes any qualifications in the draft audit report.

e) Approval of Disclosures — The Committee shall review and, if advisable, approve or recommend for Board approval all external filings, advisories or press releases which disclose financial results or offer material disclosure of a financial nature.

(1A) Appointment of Chief Financial Officer

The Committee shall approve the appointment of Chief Financial Officer (i.e. the whole-time Finance Director or any other person heading the finance function or discharging that function) before finalization of the same by the management. The Audit Committee, while approving the appointment of CFO shall assess the qualifications, experience & background etc.

2. External Auditors

(a) General —The Committee shall be responsible for oversight of the work of the external auditors in auditing and reviewing the companies financial statements and internal controls over financial reporting including the resolution of disagreements between management and the external auditors regarding financial reporting.

(b) Appointment and Compensation — The Committee shall review and, if advisable, select and recommend:

(i) for shareholder approval, the appointment (or re-appointment as the case may be) of the external auditors and
(ii) for shareholder or Board approval, as applicable, the compensation of the external auditors.

(c) Annual Review Report — At least annually, the Committee shall obtain and review a report by the external auditors describing: (i) their internal quality–control procedures and (ii) availability of the peer review certificate and details on any material issues raised by their most recent internal quality-control review, peer review or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the external auditors and any steps taken to deal with any of these issues.

(d) Audit Plan — Annually, the Committee shall review the external auditors' annual audit plan. The Committee shall consider and review with the external auditors any material changes to the scope of the plan.

(e) Independence of External Auditors — Annually, and before the external auditors issue their report on the annual financial statements, the Committee shall obtain from the external auditors a formal written confirmation.

(i) as to the such relationships between the external auditors and a third party that may affect the objectivity and independence of the external auditors;

(ii) that they are independent within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the institute or order of chartered accountants to which they belong;

(iii) that they are in compliance with all audit firm and regulatory requirements relating to partner rotation, peer review and quality reviews and that the engagement team collectively possesses the experience and competence to perform an appropriate audit.

(f) Hiring Practices — The Committee shall review and approve guidelines regarding the hiring of employees or former employees of the external auditors or former external auditors.

3. Internal Audit Function

a) **General —**The Internal Audit function is responsible for providing independent and objective assurance and consulting services to add value and improve the operations of the company by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. The Committee shall review the independence of the internal auditors from management having regard to the scope, budget, planned activities and organization structure of the internal audit function.

b) **Appointment and Compensation —** The Committee shall review and, if advisable, select and recommend:

(i) the appointment (or re-appointment as the case may be) of the internal auditors and

(ii) for Board approval, as applicable, the compensation of the internal auditors.

c) **Internal Audit Charter** – The Committee is responsible for establishing and approving, the Internal Audit Charter and mandate, which will be reviewed annually and updated as required.

d) **Chief Auditor** — The Committee shall review and, if advisable, approve the appointment of the Chief Auditor. At least annually, the Audit Committee shall evaluate the performance of the Chief Auditor and shall meet with the Chief Auditor to discuss the execution of matters under his/her mandate.

(e) **Review —** At least annually, the Committee shall consider and review with management and the Chief Auditor:

(i) any difficulties encountered in the course of internal audits, including any restrictions on the scope of internal audit work or access to required information; and

(ii) the compliance of internal audit with professional standards promulgated by the professional body regulating internal audits

(iii) 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.

(f) **Audit Plans —** The Committee approves the annual audit plan presented by the Chief Auditor. The Chief Auditor, on a quarterly basis, will inform the Committee of the status of the Audit Plan and any scope of slippage or changes needed.

(g) **Audit Reports** – The Committee shall on a periodic basis review the findings of internal audit, deficiencies or opportunities for improvement notes, action plans agreed against status reports. In this regard the Committee can request for management to provide regular updates on corrective actions planned.

(h) **Review Considerations** - In conducting its review of the internal audit reports the Committee shall consider:

a. Management discussion and analysis of financial condition and results of operations;

b. Statement of significant related party transactions (as defined by the 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

e. Financial policies, processes, systems and controls covering, Accounting, Treasury, Taxation, Forex, Risk Management and Insurance.

Audit observations and progress to address the same will be tabled before the Committee at least 3 days in advance of the slotted meeting in order to allow members to review and discuss the same at the meeting.

4. Risk Management and Internal Control Frameworks

a) **Establishment, Review and Approval —** The Committee shall require management to implement and maintain an appropriate Risk management and internal control framework in accordance with applicable laws, regulations and guidance, including internal control over financial reporting and disclosure and will review, evaluate and, if advisable approve the frameworks with their associated procedures. At least annually, the Committee shall consider and review the Risk management and Internal Control Frameworks with management and the auditors relating to:

(i) The ability of the framework to drive identification and attention to primary business risks;

(ii) The effectiveness of the risk framework to allow for risk mitigation strategies to be adopted and provide for an on-going monitoring mechanism to revalidate the risk assumptions / profile of the organization;

(iii) The design and operational effectiveness of the Internal Control framework and the effectiveness of, or weaknesses or deficiencies in the design or operation of the internal controls; the overall control environment for managing business risks and accounting, financial and disclosure controls (including, without limitation, controls over financial reporting), operational controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management's conclusions;

(iv) any significant changes in the risk management framework (or risk appetite, profile) or internal control framework;

(v) any material design or operational issues raised by an incident, fraud or regulatory review;

(vi) adequacy of the internal control framework to address fraud prevention and detection, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the company to other significant internal or external fraud losses and the extent of those losses and any disciplinary action in respect of fraud taken against management or other employees who have a significant role in financial reporting or management;

(vii) the business continuity management and insurance programs, including, reviewing and recommending for Board approval a resolution establishing certain limits of insurance, to meet the requirements of the established risk appetite;

(viii) any related significant issues and recommendations of the external auditors and internal auditors together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses including those relating to risk management or internal controls over financial reporting and disclosure controls;

(ix) the self assessment, internal assessment and external assessment processes that constitute the continuous improvement cycle for the risk management and internal controls frameworks.

b) **Policies and Procedures —** The Committee shall review and, if advisable, approve key policies and procedures for the effective identification, measurement, monitoring and controlling of the principal business risks (including reputation and legal risks) consistent with the approved risk limits and overall risk appetite.

c) **Reporting** - The Committee shall report to the Board on all material risks reviewed by the Committee, which have the potential to impact the financials of the company.

d) **Outsourcing** – At least annually, the Committee shall review all outsourcing arrangements established by management.

5 **Regulatory Reports and Returns —** The Committee shall provide or review, as applicable, all reports and returns required of the Audit, Risk and Control Committee under applicable law.

6 **Compliance with Legal and Regulatory Requirements —** The Committee shall receive and review regular reports from the management on the legal or compliance matters that may have a material impact on the company; the effectiveness of the compliance policies; and any material reports received from regulators. The Committee shall review management's evaluation of and representations relating to compliance with specific regulatory requirements, and management's plan to remediate any deficiencies identified.

The Committee shall review management's assessment of compliance with laws and regulations and report any material findings to the Board and recommend changes it considers appropriate.

7 **Whistle blowing Procedures—** The Committee shall review and approve the procedures for the receipt, retention and treatment of complaints received by the company from employees or others, confidentially and anonymously, regarding accounting, internal accounting controls, or auditing matters.

8 **Delegation** — The Committee may designate a sub-committee to review any matter within this mandate as the Committee deems appropriate.

REPORTING TO THE BOARD

The Chair shall report to the Board on matters arising at the Committee meetings and, where applicable, shall present the Committee's recommendations to the Board for its approval.

Meetings and Attendance

During the financial year ended 31st March, 2012, four meetings were held on (i) May 16, 2011 (ii) August 03, 2011(iii) October 12, 2011 and (iv) January 24, 2012.

The attendance at the Audit, Risk and Controls Committee Meetings held during the year under review is as under:

S.No.	Name of Director	No. of Meetings Held	No. of Meetings attended
1	Mr. Ramesh L. Adige	4	4
2	Dr. Lloyd Nazareth ^	4	2
3	Mr. Sanjay Jayavarthanavelu	4	3
4	Mr. P. Murari	4	4
5	Mr. Aditya Vij ^^	4	None

^ Dr. Llyod Nazareth, non executive director of the Company who was also a member of the Audit Committee, stepped down as member of the Committee w.e.f 3rd August, 2011 and resigned as director of the Company from 24th January, 2012.
^^ Inducted as member of the Committee w.e.f 3rd August, 2011.

B) SHARE HOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

Composition

The Committee as on 31st March, 2012 comprised of:

S.No.	Name of Members	Designation	Category
1.	Mr. Ramesh L.Adige	Chairman	Non Executive Independent Director
2.	Dr. Nithya Ramamurthy	Member	Non Executive Director
3.	Mr. Krish Ramesh	Member	Executive Director
4.	Mr. Aditya Vij*	Member	Non Executive Director

*Inducted as member of the Committee w.e.f 3rd August, 2011.

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 Exchange.

Terms of reference:

(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.

Name and Designation of Compliance Officer

Ms. Poonam Makkar
Company Secretary

Status of Shareholders' Complaints during financial year 2011-12

Number of shareholders' complaints received	:	31
Number of complaints not resolved to the satisfaction of shareholders	:	Nil
Number of pending complaints	:	Nil

Meeting and Attendance

The Committee meets as and when required and during the year under review four meetings were held on (i) May 16, 2011 (ii) August 03, 2011(iii) October 12, 2011 and (iv) January 24, 2012.

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

S.No.	Names of the Members	No. of Meetings held	No. of Meeting attended
1.	Mr. Ramesh L. Agide	4	4
2.	Dr. Nithya Ramamurthy	4	4
3.	Mr. Krish Ramesh	4	4
4.	Mr. Aditya Vij^	4	None

^ Inducted as Member of the Committee w.e.f 3rd August, 2011

No share transfer was pending as on 31st March, 2012.

C) HUMAN RESOURCES AND REMUNERATION COMMITTEE

The Remuneration Committee has been renamed as Human Resources and Remuneration Committee on 12th October, 2011.

Composition of the Committee

The Composition of the Committee as on 31st March, 2012, was as follows:-

S.No.	Name of Members	Designation	Category
1.	Mr. Aditya Vij^	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

^ Inducted as Chairman and member of the Human Resources and Remuneration Committee w.e.f 3rd August, 2011.

ACCOUNTABILITIES AND RESPONSIBILITIES

The Committee shall have the accountabilities and responsibilities set out below as well as any other matters that are specifically delegated to the Committee by the Board. In addition to these accountabilities and responsibilities, the Committee shall perform the duties required of a Human Resources and Remuneration Committee by applicable statute's, requirements of the stock exchanges on which the securities are listed and all other applicable laws.

(1) **Board of Directors**

a) **Board Nomination** - The Human Resources and Remuneration Committee shall assist the Board and its Chairman in identifying and finalizing suitable candidates as members of the Board. The Committee shall establish and recommend for Board approval appropriate criteria for the selection of Board and Board committee members, including competencies and skills that the Board, as a whole, should possess.

The committee is responsible for submitting nominations for consideration by the Board based on a review of the required skill sets and competencies. In making such nomination and if required, the Chairman of the Board and the Chair of the Human Resources and Remuneration committee would meet with the candidate to assess suitability, commitment and to obtain consent to serve on the Board before making such nomination. In making an assessment on suitability the committee will review the educational qualifications, integrity, potential conflicts and any independence concerns that may arise. It would be accepted best practice for the committee to maintain a list of potential candidates to facilitate nomination and ensure succession planning.

b) **Re-appointment proposals** - The Human Resources and Remuneration Committee is responsible for recommending reappointment of existing members for re-election. In making such recommendation the committee reviews the age, skill set, contribution, attendance and length of service on the Board of the candidates.

c) **Board Compensation** - The Human Resources and Remuneration Committee recommends the compensations norms for members of the Board on an annual plan. In making such proposal the committee considers and is bound by statutory requirements, workload of Board members as a collective or as individuals, time commitment and responsibility, skill's brought to compliment existing profile and industry norms. It is to be ensured that no member is involved in deciding upon his/her own compensation.

d) **Orientation and Development** - The Committee through the Chairman of the Board shall co-ordinate orientation and continuing Director development and education programs relating to the Boards mandate.

e) **Evaluation** - At least annually, the Committee shall conduct an assessment of the performance of the Board, the directors, each Board committee and the Chair of the Board against criteria the Committee considers appropriate. The Committee shall report its findings to the Board and, based on those findings, recommend any action plans that the Committee considers appropriate.

f) **External Advisors** - The committee may retain and seek help of external consultants in data collection and recommendation formulation for the Board compensation policy and practices.

(2) **Targets & Evaluation, Compensation, Employment Arrangements, Severance and Succession Planning**

a) **Target Setting, Appraisal and Evaluation Process** – The Committee shall upon recommendation of the management, review and approve the periodic target setting, appraisal and evaluation process/'s. These processes would establish requirements for management to set targets, measure performance against the same and base the payable remuneration to the degree of achievement. The supervisory and review responsibilities of the Committee are to ensure adequacy of design and operational effectiveness in the process rather than over the actual targets themselves.

b) **WTD Compensation —** At least annually, the Committee shall review, and, if advisable, approve and recommend for approval by the non-management members of the Board, the Whole Time Director compensation packages. The compensation package recommendation shall be based on their performance evaluation conducted pursuant to this mandate, as well as other factors and criteria, as may be determined by the Committee from time to time.

c) **WTD Employment Arrangements —** The Committee shall review, and, if advisable, approve and recommend for Board approval any arrangement with the Whole Time Director relating to employment terms, termination, severance, change in control or any similar arrangements. In undertaking this review, the Committee shall take into account the overall structure, costs and general implications of these arrangements.

d) **Senior Management Compensation and Employment Arrangements—** At least annually, the Committee shall review and, if advisable, approve the compensation and other employment arrangements of the senior management. The annual compensation recommendations shall be based on the performance evaluations conducted, as well as other factors and criteria, as may be directed by the Committee from time to time.

e) **Human Resource Plans—** Prior to making any annual compensation determinations, the Committee shall review a comprehensive assessment from the Financial Controller and the HR Head on the performance of the company, strategic plans for the company in relation to manpower and skill set needs, market and industry norms relating to compensation, any human resource and compensation plans and recommendations on allocation towards spend.

f) **Terminations and Severances—** The Committee shall also review all terminations / severance of employments where such has been occasioned for cause of breach of policy. The decision on communication (internal and external) and if thought advisable, manner in which such communication relating to such terminations / severances is to be done rests with the Committee.

g) **Succession Planning-** At least annually the Committee shall review and approve a succession and emergency preparedness plan as presented by the Whole Time Director for the Financial Controller and all senior management reporting directly to the Whole Time Director. The Committee shall review the succession pools for the balance of senior management and review progress against any corresponding development plans to address succession gaps. Upon the vacancy of any senior management position reporting directly to the Whole Time Director, the Committee, with the recommendation of the Whole Time Director, may make a replacement recommendation for Board approval based on the succession plan.

h) **Share Ownership -**The Committee shall review the share holdings of the WTD and such senior management as report directly to the WTD.

I) **Stock Options** – The Committee shall review and recommend to the Board for approval the grant of stock options or pension rights to the employees and/or Directors of the Company and subsidiary companies and perform such other functions as are required under Employees Stock Options Schemes of the Company, if any.

j) **Gratuities** - The Committee shall review and recommend to the Board for approval the grant or payment of any gratuities, pension and allowances to any person or persons, their widowed spouses, children and dependents as may appeal to the Committee just and proper, whether any such person or persons is/are still in the service of the Company or has/have retired from its services and to make contribution to / from any other funds and pay premium for the purpose or for provision for such gratuity, pension or allowances.

(3) **Development Plans**

At least annually the Committee shall review the senior management development plans. These plans are to be formulated in alignment with the appraisal process and succession plans respectively.

The review will include coverage of all internal and external training programs, coaching initiatives, high potential talent pool development and such development initiatives as may be in operation from time to time.

(4) Internal Controls, Regulatory Compliance and Human Resource Risks

a) **Assessment of Risk and Internal Controls —** At least annually, the Committee shall review management's assessment of significant human resource risks and the effectiveness of related internal controls and shall review a report on critical employee matters.

b) **Assessment of Regulatory Compliance —** The Committee shall review management's assessment of compliance with laws and regulations as they pertain to responsibilities under this mandate, report any material findings to the Board and recommend changes it considers appropriate.

c) **Organization Changes** — The Committee shall review and, if advisable, approve or recommend for Board or Management Committee approval any significant organization changes, provided the Audit, Risk and Controls Committee shall review and approve any such change that impacts controls or the independence of key control groups such as internal audit, finance, legal, compliance and risk management.

d) **Human Resource Policies and Procedures** - The Committee shall review and, if advisable approve human resource related policies and procedures before recommending the same to the Board for approval.

(5) Residual – The Committee shall discharge such other function(s) or exercise such power(s) as may be delegated to the Committee by the Board from time to time.

REPORTING TO THE BOARD

The Chair shall report to the Board on material matters arising at the Committee meetings and, where applicable, shall present the Committee's recommendations to the Board for its approval.

Meetings and Attendance

During the financial year ended 31st March, 2012, one meeting was held on May 16, 2011.

The attendance at the Human Resources and Remuneration Committee Meeting held during the year under review is as under:

S.No.	Name of Members	No. of Meetings Held	No. of Meetings attended
1	Mr. Aditya Vij ^	1	NA
2	Mr. Ramesh L. Adige	1	1
3	Mr. P. Murari	1	1
4	Mr. Sanjay Jayavarthanavelu	1	1

^Inducted as member of the Human Resources and Remuneration Committee w.e.f 3rd August, 2011.

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

The Directors' remuneration policy of your Company conforms to the provisions of the Companies Act, 1956. The Company is having only one Executive Director, designated as Whole-time Director. The remuneration paid/payable to the Whole-time Director is as recommended by the Human Resources & Remuneration Committee, decided by the Board and approved by the Shareholders and Central Government.

The non-executive Directors are being paid sitting fees for attending the meetings of Board of Directors and various Committees of the Board viz. Audit, Risk & Controls Committee, Shareholders'/ Investors' Grievance Committee, Human Resources and Remuneration Committee.

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

- Compensation will be based on credentials and the major driver of performance
- Compensation will be 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, 2012 is as under:

Name of the Director	Salary, Allowances & Perquisites (₹)	Performance Incentives (₹)	Retiral Benefits (₹)	Service Contract		Shareholding in the Company as on March 31, 2012 (No. of Shares)
				Tenure	Notice Period	
Krish Ramesh	5,409,101	500,000	261,360	5 years w.e.f. April 30, 2008	3 Months	7,866

The Company has vide its letter dated February 2, 2011 filed a representation to the Ministry of Corporate Affairs for allowing the Company to pay the remuneration to Mr. Krish Ramesh on an increased scale which may extend upto an amount of ₹ 12,000,000/- (Rupees One Crore and Twenty Lacs Only), for the remaining period of his tenure i.e., till 29.04.2013.

The Central Government vide its letter dated June 9, 2011 had accorded its approval for the payment of increased remuneration of ₹ 12,000,000/- (Rupees One Crore and Twenty Lacs Only) per annum to Mr. Krish Ramesh, Whole-time Director of the Company for a period of three years w.e.f. 30/04/2010 to 29/04/2013.

Notes:
1) Mr. Krish Ramesh was appointed as Whole-time Director 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 fee is payable on termination of contract.
3) He is also entitled to PF contribution @ 12% of salary.
4) Earned / privilige leave may be allowed to the managerial personal as per rules of the company. Leave accumulated and not availed of during his tenure as Whole-time Director may be allowed to be encashed at the time of his end of tenure as per rules of the company.
5) No Stock Options have been granted to the Executive Director of the Company under ESOP Scheme-2008.
6) The remuneration of Previous year ₹ 7,084,780 includes ₹ 1,700,000 declared and paid in F.Y. 11-12 towards Performance Incentive for F.Y. 10-11. The provision for the same was created in F.Y. 2010-11.

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, 2012 and their shareholding as on that date is as follows:

S.No.	Name of Members	Sitting Fee (Amount in ₹)	Shareholding in the Company as on 31st March, 2012
1	Dr. Lloyd Nazareth^	N.A.	-
2	Mr. Ramesh L. Adige	31,500	-
3	Dr. Nithiya Ramamurthy	18,500	893,377
4	Mr. Sanjay Jayavarthanavelu	22,500	-
5	Mr. P. Murari	26,500	-
6	Mr. Aditya Vij^^	N.A.	-
7	Mr. Ashish Bhatia^^^	N.A.	-

^ Resigned as Non Executive Director of the Company w.e.f. 24th January, 2012
^^ Appointed as Chairman and Non Executive Director of the Company w.e.f. 03rd August, 2011
^^^ Appointed as Non Executive Director of the Company w.e.f. 24th January, 2012

Except for Dr. Nithya Ramamurthy, Non-Executive Director, to whom 20000 Stock Options have been granted at an exercise price of 26.20 per share 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-a-vis the Company.

4. **SUBSIDIARY COMPANIES**

Basis the Consolidated Audited Annual Accounts of the Company for the financial year 2011-12, the Company has no "material non-listed subsidiary" in terms of Clause 49 of the Listing Agreement.

The Audit, Risk & Controls Committee of the Company reviews the financial statements and investments made by the unlisted subsidiary company. The minutes of the Board Meetings as well as the statements of significant transactions and arrangements entered into by the unlisted subsidiary, if any, are placed before the Board of Directors of the Company from time to time.

5. **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, 2012. The Board reviewed and took the same on record. The said certificate is provided elsewhere in the Annual Report.

6. **CERTIFICATE ON CORPORATE GOVERNANCE**

As required by Clause 49 of the Listing Agreement, the Certificate on Corporate Governance issued by Sanjay Grover & Associates, Practicing Company Secretary, is given 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
2008-09	21st August, 2009	3.00 p.m.	P.Obul Reddy Hall, Sri Thyaga Brahma Sabha (Regd)- Vani Mahal	- Amendment/modification/ alter-at ion in the ESOP Scheme- 2008. - Extend the benefit of ESOP Scheme 2008 to eligible employees of subsidary companies
2009-10	20th August, 2010	2.30 p.m.	P.Obul Reddy Hall, Sri Thyaga Brahma Sabha (Regd)- Vani Mahal	- Alteration of Articles of Association by insertion of Clause 1AA; - Increase in remuneration payable to Mr. Krish Ramesh, Whole Time Director of the Company.
2010-11	4th July, 2011	2.00 p.m.	P.Obul Reddy Hall, Sri Thyaga Brahma Sabha (Regd)- Vani Mahal	-

Further, an Ordinary resolution under section 293(1)(a) of the Companies Act, 1956, to sell and transfer the Company's Hospital Infrastructure Undertaking on a going concern basis by way of a slump sale was passed through Postal Ballot during the Financial Year 2011-12.

Details of resolution passed by way of Postal Ballots

A) During the year ended March 31, 2012, pursuant to Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001, the members of the Company have approved an Ordinary Resolution by means of postal ballot to sell and transfer the Hospital Infrastructure Undertaking of the Company on a Going Concern Basis by way of a Slump Sale vide Notice of Postal Ballot dated June 09, 2011 and whose results were declared on July 18, 2011, at the registered office of the Company.

For the conduct of Postal Ballot exercise, Mr. Vineet K Choudhary of M/s V.K. Choudhary & Co., Company Secretary in Practice, was appointed as Scrutinizer.

Summary of the result of the aforementioned Postal Ballot, announced by Krish Ramesh, Whole Time Director of the Company on July 18, 2011 is as follows:-

S.No.	Item	No. of Valid Postal Ballot Forms Received	Votes Casted in favour of the resolution	Votes against the resolution	No of invalid postal ballot forms received
1.	Ordinary Resolution under section 293(1) (a) and other applicable provisions of the Companies Act, 1956; if any, for selling/transferring/ disposing of Hospital Infrastructure Undertaking of the Company on a Going Concern Basis by way of a Slump Sale	129 (representing 11,803,350 Equity Shares)	102 (representing 11,784,670 Equity Shares)	6 (representing 607 Equity Shares)	21 (representing 18,073 Equity Shares)

B) During the current financial year, pursuant to Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2011, the members of the Company have approved the following resolution by means of postal ballot, vide Notice of Postal Ballot dated June 7, 2012 and results whereof were declared on July 24, 2012, at the registered office of the Company.

Special Resolution under section 17 and other applicable provisions of the Companies Act, 1956, for the Alteration of Object Clause of Memorandum and Articles of Association of the Company.

For the conduct of Postal Ballot exercise, Mr. Sanjay Grover, Company Secretary in Whole time practice, was appointed as Scrutinizer.

Summary of the result of the aforementioned Postal Ballot, announced by Mr. V Vijayarathna on July 24, 2012 is as follows:

S.No.	Item	No. of Valid Postal Ballot Forms Received	Votes Casted in favour of the resolution	Votes against the resolution	No of invalid postal forms received
1.	Special Resolution for alteration of Object Clause of Memorandum and Articles of Association the Company	179 (representing 11,798,206 Equity shares)	168 (representing 11,794,668 Equity shares)	11 (representing 3,538 Equity shares)	42 (representing 15,593 Equity shares)

Procedure for Postal Ballot

The Notice of Postal Ballot along with the Explanatory Statement pertaining the draft Resolution(s) explaining in detail, the material facts alongwith the Postal ballot form and the self-addressed, postage prepaid business reply envelope, are sent to all the members, under Certificate of Posting.

The members are required to carefully read the instructions printed in the Postal Ballot Form, fill up the Form, give their assent or dissent 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 Form received after this date, is 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 on the specified date. A resolution is deemed to have been passed as special resolution in 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.

Further, presently, no resolution has been proposed to be passed through Postal Ballot.

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, Risk and Controls 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 Exchange, 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 Exchange, 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 under review, 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) Quarterly Results: The quarterly financial results are generally published in Business Standard (English) and Malai Sudar (Vernacular).

b) Website: The quarterly, half yearly and annual financial statements are posted on the Company's website viz. www.fortismalar.com.

c) Intimation to Stock Exchange: The Company also intimates the Stock Exchange all price sensitive information or such other matters which in its opinion are material and of relevance to the Shareholders.

d) Various sections of the Company's website keep the investors updated on material developments of the Company by providing key and timely information like details of directors, financial results, annual reports, shareholding pattern, etc.

10. GENERAL SHAREHOLDERS INFORMATION

(i) Date of AGM

The Annual General Meeting is proposed to be held on Wednesday, the 5th day of September, 2012 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 August 11, 2012
Last date of receipt of Proxy Form	September 03, 2012 till 2:30 P.M.

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

(iii) Financial Calendar 2012-2013 (tentative & subject to change)

S.No.	Tentative Schedule	Tentative Date (On or before)
1	Financial Reporting for the quarter ended June 30, 2012	August 14, 2012
2	Financial Reporting for the quarter ended September 30, 2012	November 14, 2012
3	Financial Reporting for the quarter ended December 31, 2012	February 14, 2013
4	Financial Reporting for the quarter ended March 31, 2013*	May 15, 2013
5	Annual General Meeting for the year ending March 31, 2013	September 30, 2013

*As provided in Clause 41 of Listing Agreement, Board may also consider submission of Audited Financial Results for the year 2012-2013 in lieu of Unaudited Financial Results for fourth quarter, on or before 30th May, 2013 (or such other period as may be stipulated from time to time).

(iv) Date of Book Closure

The Share Transfer Books and Register of Members of the Company will remain closed from Friday, 31st day of August 2012 to Wednesday, 5th day of September 2012 (both days inclusive).

(v) Listing on Stock Exchanges

The Equity shares of the Company are listed on Bombay Stock Exchange Ltd. (BSE), PJ Tower, Dalal Street, Fort, Mumbai-400001

The Company has paid the listing fee of Bombay Stock Exchange Ltd. for the financial year 2012-13.

(vi) Stock Code

Stock Code at Bombay Stock Exchange Ltd is 523696

ISIN for Equity INE842B01015

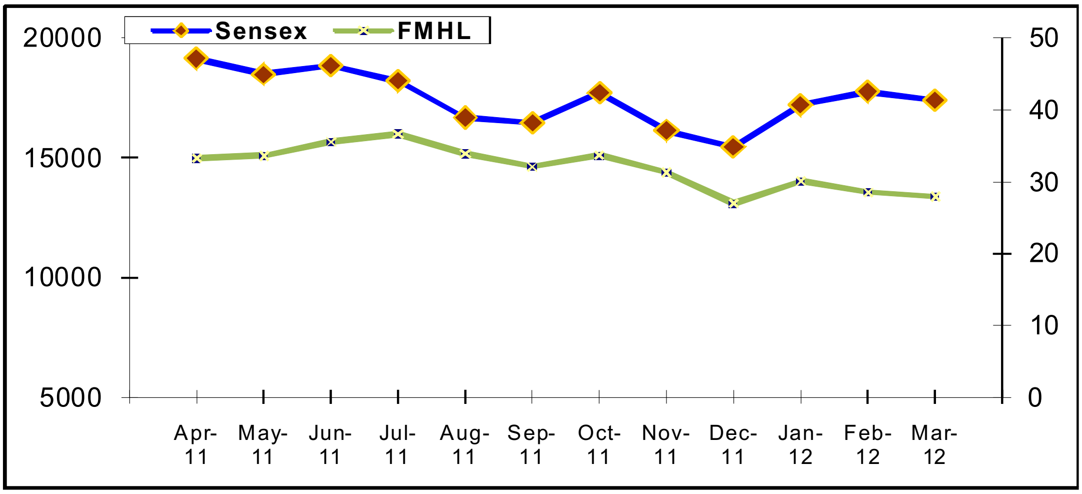
(vii) Market Price Data

The Equity shares of the Company are listed on Bombay Stock Exchange Ltd.

Monthly High and Low Quotations of Shares traded on BSE

Month Ending	BSE (₹)	
	High	Low
April 2011	35.90	30.75
May 2011	39.00	28.40
June 2011	38.30	32.05
July 2011	38.30	33.95
August 2011	41.95	32.55
September 2011	37.95	30.55
October, 2011	36.30	31.05
November, 2011	37.85	30.60
December, 2011	35.00	25.75
January, 2012	32.95	26.55
February, 2012	31.80	27.90
March, 2012	29.95	26.80

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

Karvy Computershare Private Limited are acting as Registrar and Transfer Agent (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:

Karvy Computershare Private Limited
Plot No.17 to 24, Vittalrao Nagar, Madhapur,
Hyderabad – 500081
Phone No. +91 40 44655000
Fax No. +91-40-23420814
E-mail: einward.ris@karvy.com

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

During the year, M/s Karvy Computershare Private Limited has been appointed as Registrar and Share Transfer Agent of the Company w.e.f October 8, 2011 in place of M/s GNSA Infotech Limited.

(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 (www.fortismalar.com) 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).

As on March 31, 2012, 16,470,428 Equity shares representing 88.57% of the paid up Equity Capital of the Company had been dematerialized.

(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 in addition to the office of Registrar and Share Transfer Agent (RTA), M/s Karvy Computershare Private Limited. The Company's share transfer authority has been delegated to the Whole-time Director. The Shareholders'/ Investors' Grievance Committee/ delegated authority attends the share transfer formalities on fortnightly basis to expedite all matters relating to transfer, transmission, transposition, split and rematerialization of shares etc. The share certificate received by the Company/ RTA for registration of transfers, are processed by RTA (on a fortnightly basis) and transferred expeditiously and the endorsed Share Certificate(s) are returned to the shareholder(s) by registered post.

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

(xiii) Reconciliation of Share Capital Audit

The Reconciliation of Share Capital Audit Report as stipulated under Regulation 55A of SEBI (Depositories and Participants) Regulations,1996 was carried out by a Practicing Company Secretary for each of the quarter in the financial for year 2011-12, 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 secretarial 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 Reconciliation of Share Capital Audit Reports for each quarter of the Financial Year ended March 31, 2012 has been filed with Stock Exchange within one month of end of the respective quarter.

(xiv) Demat Suspense Account as per Amended Clause 5A of the Listing Agreement and Unclaimed Shares

In compliance with Clause 5A of the Listing Agreement, M/s GNSA Infotech Limited, erstwhile Registrars and Transfer Agent of the Company, issued 2nd reminder letter and M/s Karvy Computershare Pvt. Limited, Registrars and Transfer Agent of the Company has issued 3rd reminder letter at the addresses given in the application form as well as captured in depository's database asking for the correct particulars and in response to which till March 31, 2012, 16 shareholders holding 2500 shares claimed for their shares.

Pursuant to the aforesaid clause, the Company has opened a Demat Suspense Account -"Fortis Malar Hospitals Limited - Unclaimed Shares Demat Suspense Account" and other information as required under amended Clause 5A of the Listing Agreement is as follows:

a) Aggregate Number of the Shareholders and the outstanding lying in the Unclaimed Suspense Account at the beginning of the year : Nil

b) Number of shareholders who approached issuer for transfer of shares from suspense account during the year: Nil

c) Number of shareholders to whom shares were transferred from suspense account during the year: Nil

d) Aggregate number of Shareholders and the outstanding shares in the suspense account lying at the end of the year i.e. March 31, 2012: 25 Shareholders and 19,700 shares.

The voting rights of these shares shall remain frozen till the rightful owners of such shares claim the subject shares.

Further as on March 31, 2012, 5,100 shares held by 2 shareholders remain unclaimed in physical form.

(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, 2012

Name of equity shares held	No. of Share Holders	% age of Share-Holders	Amount (in ₹)	(%) to Total
1 - 5000	13,478	93.82	13,961,160	7.51
5001 - 10000	447	3.11	3,958,460	2.13
10001 - 20000	188	1.31	2,916,320	1.57
20001 - 30000	73	0.51	1,924,730	1.03
30001 - 40000	21	0.15	737,560	0.40
40001 - 50000	39	0.27	1,908,860	1.03
50001 - 100000	59	0.41	4,714,560	2.53
100001 - and above	61	0.42	155,820,940	83.80
TOTAL	**14,366**	**100.00**	**185,942,590**	**100.00**

(xvii) Inter-se transfer amongst Group

During the financial year 2011-12, there was an inter-se transfer of shares amongst the group as defined in Monopolies and Restrictive Trade Practices Act, 1969, in accordance with Regulation 3(1)(e)(i) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 1997, whereby, 11,752,402 equity shares constituting 63.2% of paid capital of Fortis Malar Hospitals Limited were transferred from International Hospital Ltd. to Fortis Hospitals Limited by way of gift.

(xviii) Shareholding Pattern of Equity Shares as on 31st March, 2012

Category	Number of Shareholders	Number of Shares held	% of Share holding
Promoters and Promoter Group	1	11,752,402	63.20
Mutual Funds and UTI	4	108,200	0.58
Banks, Financial Institutions	-	-	0.00
FII's / Foreign Companies	1	37,155	0.20
Indian Body Corporates	132	946,595	5.09
NRIs / Foreign Nationals	93	413,872	2.23
Indian Public	14,128	4,280,603	23.02
Others	7	1,055,432	5.68
Total	**14,366**	**18,594,259**	100.00

(xix) Lock-in of Equity shares

As on 31.03.2012 none of the Shares of the Company are under Lock-in.

(xx) The Company has not issued any GDRs / ADRs / warrants or any convertible instruments.

(xxi) Hospital Location

Fortis Malar Hospitals Limited,
52, 1st 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:

Karvy Computershare Private Limited
Plot No.17 to 24, Vittalrao Nagar, Madhapur,
Hyderabad – 500081
Phone No. +91 40 44655000
Fax No. +91-40-23420814
E-mail: einward.ris@karvy.com

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:- secretarial.malar@malarhospitals.in

11. NON-MANDATORY REQUIREMENTS UNDER CLAUSE 49

A. Remuneration Committee

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

B. Shareholders Rights

The quarterly/half-yearly results in the prescribed performa are published in leading English and Tamil dailies. The results are also made available on Company's website www.fortismalar.com.

12. GO GREEN INITIATIVE

The Ministry of Corporate Affairs, New Delhi ("MCA") has taken a "Green Initiative" in the Corporate Governance by permitting paperless compliances by companies, vide its Circular No. 17/2011 dated April 21, 2011 and Circular No.18/2011 dated April 29, 2011, which validates the sending of documents through electronic mode and clarified that the service of documents by a Company can be made through electronic mode instead of sending the physical copy of the document(s).

In support of the Green Initiative, your Company had sent an email to all its members who have registered their e-mail addresses with their Depository Participant and made available to the Company by the Depositories, giving them an option to receive all communications / documents including the Notice calling the General Meeting(s), Audited Financial Statements, Directors' Report, Auditors' Report etc., financial year 2011-12 onwards, in electronic form. Subsequently, the Company has also issued a Letter to such members who, either did not provide the email IDs to depository participants or are holding the shares in physical form, giving them similar option. These Members were also given an option to continue to receive the documents in Physical Form.

Accordingly, the Annual Report for the year 2011-12, Notice for the Annual General Meeting, etc. are being sent in electronic mode to such of the Members of the Company who have opted to receive the communications / documents in electronic form. The members who have not opted to receive the communications / documents in electronic form, will continue to receive the same in physical form.

The Members are requested to support this Green Initiative by registering / updating their e-mail addresses with the Depository Participant (in case, Shares held in dematerialised form) or with Karvy Computershare Private Limited (in case, Shares held in physical form).

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 Code of Conduct of the Company for the financial year ended March 31, 2012.

July 24, 2012
Chennai

V Vijayarathna
Whole-time Director

CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members,
FORTIS MALAR HOSPITALS LIMITED

We have examined the compliance of conditions of Corporate Governance by M/s. Fortis Malar Hospitals Limited, for the year ended 31st March, 2012 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our review has been limited to review of the procedures and implementation thereof adopted by the Company for ensuring compliance with the condition of the certificate of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

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

For **Sanjay Grover & Associates**
Company Secretaries

Date : July 24, 2012
Place : New Delhi

Sanjay Grover
C.P No. 3850

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, 2012 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	**Krish Ramesh**	**K Sundar**
Dated : May 14, 2012	Whole Time Director	Financial Controller

AUDITOR'S REPORT TO THE MEMBERS

To

The Members of Fortis Malar Hospitals Limited

1. We have audited the attached Balance Sheet of Fortis Malar Hospitals Limited ('the Company') as at March 31, 2012 and also the statement of Profit and Loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
   - I. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
   - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   - iii. The balance sheet, statement of profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
   - iv. In our opinion, the balance sheet, statement of profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956; and
   - v. On the basis of the written representations received from the directors, as on March 31, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
   - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
     - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2012;
     - b) in the case of the statement of profit and loss account, of the profit for the year ended on that date; and
     - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S R B C & CO
Chartered Accountants
Firm's Registration No.324982E

per S Balasubrahmanyam
Partner
Membership No. 053315

Place : Chennai
Date : May 14, 2012

Annexure referred to in paragraph 3 of our report of even date
Re: Fortis Malar Hospitals Limited ('the Company')

(I) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.

c) There was no disposal of substantial portion of fixed assets during the year.

(ii) a) The management has conducted physical verification of inventory at reasonable intervals during the year.

b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

(iii) a) The Company has granted loan to one Company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 658 million and the year-end balance of loan granted to such party was ₹ 658 million.

b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.

c) In respect of loan granted, no repayment of loan and payment of interest was due during the year.

d) There is no overdue amount of loan granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.

e) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory, fixed assets and for sale of services and sale of goods. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the company in respect of these areas.

(v) In respect of transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lakhs entered into during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.

(vi) The Company has not accepted any 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 Company.

(ix) a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it. Statutory dues pertaining to wealth tax and excise duty are not applicable to the Company.

b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, customs duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

c) According to the information and explanations given to us, there are no dues of income tax, sales-tax, service tax, customs duty and cess which have not been deposited on account of any dispute.

(x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

(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 banks. The Company has not availed any loans from financial institutions or issued any debentures during the year.

(xii) According to the information and explanations given to us and based on the documents and records produced before 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 Order 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 Order 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) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any monies through public issues during the year.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For S R B C & CO
Chartered Accountants
Firm's Registration No.324982E

per S Balasubrahmanyam
Partner
Membership No. 053315

Place : Chennai
Date : May 14, 2012

STANDALONE BALANCE SHEET AS AT MARCH 31, 2012

PARTICULARS	Notes	As at March 31, 2012 ₹	As at March 31, 2011 ₹
I. Equity and Liabilities			
Share Holders' Funds			
Share Capital	3 (i)	**186,095,090**	186,095,090
Reserves and Surplus	3 (ii)	**149,701,890**	72,591,008
		335,796,980	**258,686,098**
Non-Current Liabilities			
Long term borrowings	3 (iii)	**45,538,661**	46,366,682
Deferred tax liabilities (Net)	3 (iv)	**24,168,135**	17,514,022
Long term provisions	3 (v)	**1,503,000**	1,439,449
TOTAL		**71,209,796**	**65,320,153**
Current Liabilities			
Short-term borrowings	3 (vi)	**15,095,986**	10,525,072
Trade payables	3 (vii)	**63,372,291**	85,904,073
Other current liabilities	3 (viii)	**692,293,192**	60,413,561
Short-term provisions	3 (ix)	**3,870,875**	3,858,690
		774,632,344	**160,701,396**
TOTAL		**1,181,639,120**	**484,707,647**
II. Assets			
Non-Current Assets			
Fixed Assets			
Tangible assets	3 (x)	389,681,861	350,967,806
Intangible assets	3 (x)	1,384,774	1,882,118
Capital work in progress	3 (x)	4,920,674	-
Non-current investments	3 (xi)	500,000	500,000
Long term loans and advances	3 (xii)	36,274,236	41,368,673
Other non-current assets	3 (xiii)	187,905	183,705
TOTAL		**432,949,450**	**394,902,302**
Current Assets			
Inventories	3 (xiv)	**5,075,507**	4,159,203
Trade receivables	3 (xv)	**35,922,802**	49,813,670
Cash and bank balances	3 (xvi)	**6,319,740**	3,240,996
Short term loans and advances	3 (xvii)	**672,751,038**	21,170,273
Other current assets	3 (xviii)	**28,620,583**	11,421,203
		748,689,670	**89,805,345**
TOTAL		**1,181,639,120**	**484,707,647**
Refer accompanying notes to the financial statements	**2.1**		

The notes referred to above form an integral part of the Balance Sheet.
As per our report of even date.

For **S R B C & CO**
Chartered Accountants
Firm's Registration No. 324982E

S. Balasubrahmanyam
Partner
Membership No. 053315

Place : Chennai
Date : May 14, 2012

For and on behalf of the Board of Directors of
Fortis Malar Hospitals Limited

Krish Ramesh
Whole Time Director

Aditya Vij
Director

K Sundar
Financial Controller

Poonam Makkar
Company Secretary

STANDALONE STATEMENT OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2012

PARTICULARS	Notes	For the Year Ended March 31, 2012 ₹	For the Year Ended March 31, 2011 ₹
Income			
Revenue from operations	3 (xix)	948,032,261	835,325,139
Other Income	3 (xx)	2,608,976	1,624,182
Total Revenue		**950,641,237**	**836,949,321**
Expenditure			
Purchase of Medical Consumables and drugs		197,404,537	187,949,515
Changes in inventories of medical consumables and drugs	3 (xxi)	(916,304)	1,628,587
Employee benefits expense	3 (xxii)	118,824,634	94,609,664
Other expenses	3 (xxiii)	494,494,885	427,834,504
Total Expenses		**809,807,752**	**712,022,270**
Earnings before interest, tax, depreciation and amortization (EBITDA)		**140,833,485**	**124,927,051**
Finance costs	3 (xxiv)	13,071,744	14,343,243
Profit before depreciation and amortization		**127,761,741**	**110,583,808**
Depreciation and amortisation expense	3 (x)	29,969,052	28,980,640
Profit before exceptional items and tax		**97,792,689**	**81,603,168**
Add: Exceptional items (Interest Income)	4	9,616,439	-
Profit Before Tax		**107,409,128**	**81,603,168**
Tax Expense			
Current tax		23,644,133	-
Minimum Alternate Tax ('MAT') payable		-	16,806,341
MAT Credit Entitlement		-	(16,806,341)
Deferred tax charge		12,533,113	27,306,131
Deferred tax credit relating to earlier years		(5,879,000)	-
Profit for the year carried over to the balance sheet		**77,110,882**	**54,297,037**
Earnings per share	**3 (xxv)**		
Basic & diluted (Nominal value of shares Rs.10/- each)		**4.14**	**2.92**
Refer accompanying notes to the financial statements	**2.1**		

The notes referred to above form an integral part of the Statement of Profit and Loss.
As per our report of even date.

For **S R B C & CO**
Chartered Accountants
Firm's Registration No. 324982E

S. Balasubrahmanyam
Partner
Membership No. 053315

Place : Chennai
Date : May 14, 2012

For and on behalf of the Board of Directors of Fortis Malar Hospitals Limited

Krish Ramesh
Whole Time Director

Aditya Vij
Director

K Sundar
Financial Controller

Poonam Makkar
Company Secretary

STANDALONE CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

	PARTICULARS	For the Year Ended March 31, 2012 ₹	For the Year Ended March 31, 2011 ₹
A	**CASH FLOW FROM OPERATING ACTIVITIES:**		
	Net profit before tax	**107,409,128**	**81,603,168**
	Adjustments for :		
	Depreciation and Amortisation	29,969,052	28,980,640
	Loss on sale of fixed assets	594,343	39,435
	Bad debts written off	4,229,727	-
	Provision for doubtful debts	355,399	157,151
	Provision for doubtful advances	3,509,068	-
	Interest income	(10,128,863)	(323,621)
	Interest expense	13,071,744	14,343,243
	Operating Profit before working capital changes	**149,009,598**	**124,800,016**
	Movements in working capital :		
	Increase / (decrease) in trade payables	(22,531,782)	21,571,244
	Increase / (decrease) in long term provisions	63,551	(5,688,551)
	Increase / (decrease) in short term provisions	12,185	1,691,810
	Increase / (decrease) in other current liabilities	4,769,423	(33,546,918)
	(Increase) / decrease in trade receivables	9,305,742	12,408,579
	(Increase) / decrease in inventories	(916,304)	1,628,587
	(Increase) / decrease in long term loans and advances	609,196	(6,149,723)
	(Increase) / decrease in short term loans and advances	(5,089,833)	21,318,850
	(Increase) / decrease in other current assets	(8,544,586)	(1,420,065)
	(Increase) / decrease in other non-current assets	(4,200)	(183,705)
	Cash generated from / (used in) operations	**12,682,990**	**136,430,124**
	Direct taxes paid	(19,158,892)	(20,013,427)
	Net cash from / (used in) operating activities (A)	**107,524,098**	**116,416,697**
B	**CASH FLOW FROM INVESTING ACTIVITIES:**		
	Purchase of fixed assets	(98,259,143)	(80,450,803)
	Proceeds from sale of fixed assets	1,668,571	443,926
	Advance received towards sale of undertaking	650,000,000	-
	Intercorporate deposit placed with subsidiary	(650,000,000)	-
	Interest received	1,474,069	323,621
	Net cash from / (used in) investing activities (B)	**(95,116,503)**	**(79,683,256)**

STANDALONE CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

	PARTICULARS	For the Year Ended March 31, 2012 ₹	For the Year Ended March 31, 2011 ₹
C	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Proceeds from long-term borrowings	26,000,000	-
	Repayment of long-term borrowings	(26,828,021)	(4,078,555)
	Proceeds / (Repayments) of short-term borrowings (net)	4,570,914	(24,063,570)
	Interest Paid	(13,071,744)	(14,343,243)
	Net Cash From / (Used in) Financing activities (C)	**(9,328,851)**	**(42,485,368)**
	Net Increase in cash and cash equivalents (A+B+C)	**3,078,744**	**(5,751,927)**
	Total Cash and Cash equivalents at the beginning of the year	**3,240,996**	**8,992,923**
	Cash and Cash equivalents at the end of the year	**6,319,740**	**3,240,996**
	Components of Cash and Cash equivalents :		
	Cash in hand	1,347,254	969,476
	Balances with scheduled banks on current accounts	4,972,486	2,271,520
	TOTAL	**6,319,740**	**3,240,996**

Refer accompanying notes of the financial statements 2.1

As per our report of even date.

For **S R B C & CO**
Chartered Accountants
Firm's Registration No. 324982E

S. Balasubrahmanyam
Partner
Membership No. 053315

Place : Chennai
Date : May 14, 2012

For and on behalf of the Board of Directors of
Fortis Malar Hospitals Limited

Krish Ramesh
Whole Time Director

Aditya Vij
Director

K Sundar
Financial Controller

Poonam Makkar
Company Secretary

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

1. Corporate information

Fortis Malar Hospitals Limited (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 the year 1992. The Company is a subsidiary of Fortis Hospitals Limited.

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year, except as given below.

2.1. Summary of significant accounting policies

a Change in accounting policy

Presentation and disclosure of financial statements

During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous year's figures in accordance with the requirements applicable in the current year.

b Inventories

Inventory of medical consumables, drugs, stores and spares are valued at cost or net realizable value. Cost is determined on First in First out (FIFO) basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

c Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

d Tangible fixed assets

Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

From accounting periods commencing on or after December 7, 2006, the Company adjusts exchange differences arising on translation/ settlement of long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset to the cost of the asset and depreciates the same over the remaining life of the asset.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

e Depreciation on tangible fixed assets

Depreciation is charged on straight line method at rates and manner prescribed under Schedule XIV of the Companies Act, 1956. The company has used the following rates to provide depreciation on its fixed assets.

Building	3.34%
Plant & machinery	4.75%
Medical equipments	7.07%
Furniture & fittings	9.50%
Computers	16.20%
Office equipments	9.50%
Vehicles	9.50%

Assets individually costing ₹ 5,000 /- or less are fully depreciated in the year of purchase.

f Intangible assets

Software

Costs relating to software, which are acquired, are capitalized and amortized on a straight-line basis over their estimated useful lives viz 6 years.

g Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership for the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

h Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

i Impairment of tangible and intangible assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

j Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

k Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

<u>Inpatient and Outpatient revenue</u>

Inpatient and outpatient revenue is recognised as and when the services are rendered.

<u>Management fees</u>

Management fee from hospitals and income from medical services is recognised as per the terms of the agreement with respective hospitals.

<u>Sale of traded goods – pharmacy items</u>

Revenue from sale of pharmacy items are recognised as and when the pharmacy items are sold to patients.

<u>Interest</u>

Revenue is recognised on a time proportion basis taking in to account the amount outstanding and the rate applicable.

<u>Income from Served from India Scheme (SFIS)</u>

Income from SFIS is recognised based on a prescribed percentage of foreign currency receipts on account of services rendered in accordance with the Served from India Scheme. The credit under the scheme is recognised only at the time when and to the extent there is no significant uncertainty as to its measurability and ultimate realisation.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

l Foreign Currency Translation

i. Initial Recognition

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. Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

iii. Exchange differences

From accounting periods commencing on or after December 7, 2006, the company accounts for exchange differences arising on translation/ settlement of foreign currency monetary items as below:

1. Exchange differences arising on long-term foreign currency monetary items related to acquisition of a fixed asset are capitalized and depreciated over the remaining useful life of the asset. For this purpose, the company treats a foreign monetary item as “long-term foreign currency monetary item”, if it has a term of 12 months or more at the date of its origination.
2. Exchange differences arising on other long-term foreign currency monetary items are accumulated in the “Foreign Currency Monetary Item Translation Difference Account” and amortized over the remaining life of the concerned monetary item.
3. All other exchange differences are recognized as income or as expenses in the period in which they arise.
4. Exchange differences arising on the settlement of monetary items or on reporting monetary items of the Company 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 as expenses in the year in which they arise.

m Retirement and other employee benefits

i. Contribution to provident fund

Retirement benefit in the form of provident fund is a defined contribution scheme. The contributions to the provident fund are charged to the statement of profit and loss for the year when the contributions are due. The Company has no obligation, other than the contribution payable to the provident fund.

ii. Gratuity

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 using projected unit credit method.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

iii. Compensated absences

Long term compensated absences are provided for based on actuarial valuation made at the end of the year using projected unit credit method.

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

iv. Actuarial gains/losses

Actuarial gains/ losses on gratuity and long term compensated absences are recognized in the profit and loss account as they occur.

n Taxes on Income

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

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax asset on unabsorbed depreciation or carry forward tax losses are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

o Employee stock compensation cost

Employees (including senior executives) of the Company receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

In accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, the cost of equity-settled transactions is measured using the intrinsic value method and recognized, together with a corresponding increase in the “Stock options outstanding account” in reserves. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognized in the statement of profit and loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total intrinsic value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

p Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

q Provisions

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

r Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

s Cash and cash equivalents

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

t Measurement of EBITDA

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956, the Company has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement of profit and loss. The Company measures EBITDA on the basis of profit/ (loss) from continuing operations. In its measurement, the Company does not include depreciation and amortization expense, finance costs and tax expense.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

PARTICULARS	As at March 31, 2012 ₹	As at March 31, 2011 ₹
Note 3 (i): Share Capital		
Authorised :		
30,000,000 (Previous year 30,000,000) Equity Shares of ₹ 10/- each	300,000,00	300,000,00
	300,000,00	**300,000,00**
Issued, Subscribed and Paid up :		
18,594,259 (Previous Year 18,594,259) Equity Shares of ₹ 10/- each	185,942,590	185,942,590
Add: 30,500 (Previous year 30,500) equity Shares of ₹ 10 each (₹ 5 paid up (Previous year ₹ 5 paid up) forfeited.	152,500	152,500
	186,095,090	**186,095,090**

Note A : Reconciliation of Equity Shares outstanding

Particulars	As at March 31, 2012		As at March 31, 2011	
	Number	Value ₹	Number	Value ₹
Shares outstanding (including forfeited shares) at the beginning of the year	18,609,509	186,095,090	18,609,509	186,095,090
Shares issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	18,609,509	186,095,090	18,609,509	186,095,090

Note B:

Shares held by holding/ ultimate holding company and /or their subsidiaries/ associates

Of the above :

11,752,402 Equity Shares (Previous year - 11,752,402 equity shares) are held by Fortis Hospitals Limited (Previous year - International Hospital Limited) , the holding company.

Note C: Details of shareholders having more than 5% interest in the Company

Name of Shareholder	As at March 31, 2012		As at March 31, 2011	
	No of Shares held	% of Holding	No of Shares held	% of Holding
Fortis Hospitals Limited	11,752,402	63.20%	-	-
International Hospital Limited	-	-	11,752,402	63.20%

Terms/ rights attached to equity shares

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

PARTICULARS	As at March 31, 2012 ₹	As at March 31, 2011 ₹
Note 3 (ii): Reserves and Surplus		
a. Securities premium account		
Opening Balance	93,333,320	93,333,320
Closing Balance	**93,333,320**	**93,333,320**
b. Surplus / (deficit) in the Statement of Profit and Loss		
Opening Balance	(20,742,312)	(75,039,349)
Net Profit for the year	77,110,882	54,297,037
Closing Balance	**56,368,570**	**(20,742,312)**
Total (a+b)	**149,701,890**	**72,591,008**
Note 3 (iii) : Long Term Borrowings		
Term loans from banks (Secured)	45,538,661	46,366,682
Total	**45,538,661**	**46,366,682**

a. Key terms of the borrowings

Name of the Bank	Loan Start Date	Loan Limit		Rate of Interest	Tenure of Loan	Number of Instalments due post March 31, 2012	March 31, 2012	March 31, 2011
HDFC Bank	01-Jan-09	INR	13,000,000	10.75%	6 Years	45	-	10,420,618
HDFC Bank	20-Sep-09	INR	15,000,000	10.75%	6 Years	46	11,448,374	13,634,473
HDFC Bank	20-Oct-09	INR	12,500,000	10.75%	6 Years	46	9,829,559	11,362,061
HDFC Bank	20-Nov-09	INR	6,659,000	10.75%	6 Years	46	5,082,320	6,052,800
HDFC Bank	20-May-10	INR	15,800,000	10.75%	6 Years	46	12,058,965	14,561,003
HDFC Bank	15-Dec-11	INR	26,292,500	13.50%	3 Years	32	23,600,620	-

Less: Amount disclosed under the head "Other current liabilities" (Note 3 (viii))	(16,481,177)	(9,664,273)
	45,538,661	**46,366,682**

b - Security/ Guarantee against long term borrowings

The loan is secured by sole and exclusive charge on all fixed assets and current assets both present and future, including land and building, medical assets and plant and machinery.Further, the loan is secured by corporate guarantee of International Hospitals Limited.

c - Repayment Terms of the long term borrowings

Repayment in respect of the loan outstanding of ₹ 23.60 million is 36 monthly instalments.

Repayment in respect of other loans is 60 monthly instalments to commence after 12 months principal moratorium from disbursement of each tranche. Interest to be serviced monthly.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

PARTICULARS	As at March 31, 2012 ₹	As at March 31, 2011 ₹
SCHEDULE		
Note 3 (iv) : Deferred Tax Liabilities, Net		
Deferred tax liability arising on account of :		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	**28,037,844**	**30,405,730**
	28,037,844	**30,405,730**
Deferred tax asset arising on account of:		
Effect of expenditure debited to profit and loss account in the current year but not allowed for tax purposes	3,869,709	3,795,180
On carry forward business losses and unabsorbed depreciation	-	9,096,528
	3,869,709	**12,891,708**
Deferred tax liabilities, net	**24,168,135**	**17,514,022**
Note 3 (v): Long Term Provisions		
Provision for employee benefits :		
Provision for leave encashment	1,503,000	1,439,449
	1,503,000	**1,439,449**
Note 3 (vi): Short Term Borrowings		
Other loans and advances:		
Bank overdraft (Secured)	15,095,986	10,525,072
Total	**15,095,986**	**10,525,072**

Bank overdraft from banks is secured by sole and exclusive charge on all fixed assets and current assets both present and future, including land and building, medical assets and plant and machinery. The bank overdraft is repayable on demand and carries interest at 15% p.a.

PARTICULARS	As at March 31, 2012 ₹	As at March 31, 2011 ₹
Note 3 (vii) : Trade Payables		
Trade Payable (Refer Note No.19)	63,372,291	85,904,073
	63,372,291	**85,904,073**
Note 3 (viii): Other Current Liabilities		
Current maturities of long term debts	16,481,177	9,664,273
Creditors for purchase of fixed assets	3,209,675	26,099,467
Advances from patients	14,985,749	8,177,000
Sundry deposits	3,493,020	3,600,522
Statutory payables	4,078,622	12,872,299
Advance received towards sale of undertaking (Refer Note 4)	650,000,000	-
Other liabilities	44,949	-
	692,293,192	**60,413,561**
Note 3 (ix) : Short Term Provisions		
a. Provision for employee benefits		
Provision for gratuity	1,507,435	1,413,000
Provision for leave encashment	252,000	236,000
b. Other provisions		
Other provisions		
Professional charges payable	2,111,440	2,209,690
	3,870,875	**3,858,690**

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

Note 3(x) : Fixed Assets

	GROSS BLOCK				DEPRECIATION & AMORTISATION				Net Block	
Description of Assets	As at April 1, 2011	Addition During the Year	Deletion During the year	As at March 31, 2012	As at April 1, 2011	For the year	Deletion during the year	As at March 31, 2012	As at March 31, 2012	As at March 31, 2011
Tangible assets										
Freehold land	22,819,716	-	-	22,819,716	-	-	-	-	22,819,716	22,819,716
Building	197,657,940	17,675,531	-	215,333,471	68,563,315	6,849,645	-	75,412,960	139,920,511	129,094,625
Plant and equipment										
Plant & machinery	73,121,870	18,742,527	12,128,584	79,735,813	37,021,858	3,808,860	10,278,773	30,551,946	49,183,867	36,100,012
Medical equipments (Refer Note below)	214,758,741	29,839,737	24,143,016	220,455,462	63,821,150	14,425,145	23,865,726	54,380,569	166,074,893	150,937,591
Furniture & Fittings	11,226,456	1,099,897	2,212,494	10,113,859	5,089,454	1,027,432	2,120,559	3,996,327	6,117,532	6,137,002
Computers	8,730,289	1,600,760	228,640	10,102,409	3,988,690	1,408,404	189,676	5,207,418	4,894,991	4,741,599
Office Equipments	1,389,726	-	292,250	1,097,476	957,851	93,717	287,336	764,232	333,244	431,875
Vehicles	3,936,383	-	59,760	3,876,623	3,230,997	368,279	59,760	3,539,516	337,107	705,386
	533,641,121	68,958,452	39,064,744	563,534,829	182,673,315	27,981,482	36,801,830	173,852,968	389,681,861	350,967,806
Previous Year	511,632,499	82,287,329	60,278,708	533,641,120	214,376,778	28,483,296	60,186,760	182,673,314	350,967,806	
Intangible assets										
Software	3,070,024	1,490,226	1,490,226	3,070,024	1,187,906	1,987,570	1,490,226	1,685,250	1,384,774	1,882,118
	3,070,024	1,490,226	1,490,226	3,070,024	1,187,906	1,987,570	1,490,226	1,685,250	1,384,774	1,882,118
Previous Year	3,070,024	-	-	3,070,024	690,562	497,344	-	1,187,906	1,882,118	
Total	536,711,145	70,448,678	40,554,970	566,604,853	183,861,221	29,969,052	38,292,056	175,538,218	391,066,635	352,849,924
Capital work in progress									4,920,674	
Grand Total	536,711,145	70,448,678	40,554,970	566,604,853	183,861,221	29,969,052	38,292,056	175,538,218	395,987,309	352,849,924
Previous Year	514,702,523	82,287,329	60,278,708	536,711,144	215,067,340	28,980,640	60,186,760	183,861,220	352,849,924	

Note: Additions to medical equipments includes exchange loss of ₹ 3,033,591 (previous year exchange gain ₹ 151,025) capitalised during the year.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

PARTICULARS	As at March 31, 2012 ₹	As at March 31, 2011 ₹
Note 3 (xi) : Non Current Investments		
Trade, Unquoted		
Investments in subsidiary companies		
50,000 (Previous year 50,000) equity shares of face value of ₹ 10 in Malar Stars Medicare Limited	500,000	500,000
	500,000	**500,000**
Note :		
Aggregate amount of unquoted investments	500,000	500,000
Note 3 (xii) : Long Term Loans and Advances		
Unsecured, Considered good		
Capital advances	5,540,527	6,149,723
Gratuity Fund	10,000	10,000
MAT credit entitlement	26,523,016	28,661,295
Advance tax and tax deducted as source (Net)	4,200,693	6,547,655
	36,274,236	**41,368,673**
Note 3 (xiii) : Other Non Current Assets		
Unsecured, Considered good		
Long term trade receivables	187,905	183,705
	187,905	**183,705**

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

PARTICULARS	As at March 31, 2012 ₹	As at March 31, 2011 ₹
Note 3 (xiv) : Inventories (at lower of cost and net relisable value)		
Medical Consumables and drugs	5,075,507	4,159,203
	5,075,507	**4,159,203**
Note 3 (xv) : Trade Receivables		
Aggregate amount outstanding for a period exceeding six months (From due date of payment)		
Unsecured, considered good	4,979,199	12,665,024
Doubtful	2,520,850	2,685,976
Less : Provision for doubtful debts	(2,520,850)	(2,685,976)
	4,979,199	12,665,024
Other Debts		
Unsecured, considered good	30,943,603	37,148,646
Doubtful	256,993	37,500
Less : Provision for doubtful debts	(256,993)	(37,500)
	30,943,603	37,148,646
	35,922,802	**49,813,670**
Note 3 (xvi) : Cash and Bank Balances		
Cash and Cash equivalents		
Balances with banks		
On current accounts	4,972,486	2,271,520
Cash on hand	1,347,254	969,476
	6,319,740	**3,240,996**
Note 3 (xvii) : Short Term Loans and Advances		
Unsecured, Considered good unless stated otherwise		
Loans and advances to related parties		
Advances recoverable in cash in kind or for value to be received	627,133	-
Loans and advanced to others		
Capital advances	-	-
Security deposits	9,557,341	7,933,154
Inter corporate deposit to subsidiary (Refer Note 9)	650,000,000	-
Advances recoverable in cash or in kind or for value to be received	12,566,564	13,237,119
	672,751,038	**21,170,273**
Note 3 (xviii) : Other Current Assets		
Unsecured, Considered goods		
Accrued operating income	18,225,353	10,345,067
Other receivables	1,740,436	1,076,136
Interest accrued but not due	8,654,794	-
	28,620,583	**11,421,203**

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

PARTICULARS	For the year ended March 31, 2012 ₹	For the year ended March 31, 2011 ₹
Note 3 (xix) : Revenue from operations		
Sales of Services		
In Patient	738,046,723	678,417,945
Out Patient	152,568,670	127,201,972
Income from medical services	543,734	811,335
Management fees from hospitals (Refer Note 5)	19,125,440	-
Sub Total (a)	910,284,567	806,431,252
Sales of Traded Goods		
Pharmacy Items	31,380,553	24,570,669
Sub Total (b)	31,380,553	24,570,669
Other operating revenue		
Income from Served from India Scheme (SFIS)	4,968,660	-
Income from Disposal of medical waste etc.	885,281	1,503,069
Income from sponsorship camps	513,200	2,820,149
Sub Total (c)	6,367,141	4,323,218
Total (a+b+c)	**948,032,261**	**835,325,139**

PARTICULARS	For the year ended March 31, 2012 ₹	For the year ended March 31, 2011 ₹
Note 3 (xx) : Other Income		
Interest Income		
Interest on bank deposits	147,920	167,703
Interest from other deposits	191,955	155,918
Interest on income tax refunds	172,549	-
Other Non Operating Income		
Others		
Income from rent	1,557,902	839,935
Parking fees	538,650	460,626
	2,608,976	**1,624,182**

PARTICULARS	For the year ended March 31, 2012 ₹	For the year ended March 31, 2011 ₹
Note 3 (xxi) : Changes in Inventories of Medical Consumables and drugs		
Opening Stock	4,159,203	5,787,790
Closing Stock	5,075,507	4,159,203
	(916,304)	**1,628,587**

PARTICULARS	For the year ended March 31, 2012 ₹	For the year ended March 31, 2011 ₹
Note 3 (xxii) : Employee Benefits		
Salaries, wages and bonus	100,375,727	74,970,259
Gratuity	1,344,435	1,214,000
Leave encashment	1,621,812	1,375,136
Contribution to provident & other funds	5,384,973	4,541,406
Staff welfare expenses	9,293,640	10,307,469
Recruitment & training	804,047	2,201,394
	118,824,634	**94,609,664**

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

PARTICULARS	For the year ended March 31, 2012 ₹	For the year ended March 31, 2011 ₹
Note 3 (xxiii) : Other Expenses		
Contractual manpower	7,779,459	8,046,245
Power, fuel and water	21,752,206	20,801,294
Housekeeping expenses including cosumables	5,695,881	4,463,222
Patient food and beverages	10,960,746	9,910,329
Pathology laboratory expenses	30,272,653	27,505,536
Radiology expenses	38,806,875	37,681,872
Consultation fees to doctors	89,423,164	96,545,516
Professional charges to doctors	156,442,882	118,421,714
Cost of medical services	19,596,741	12,145,518
Repairs & maintenance		
- Building	3,670,961	4,578,109
- Plant & machinery	8,190,225	6,442,764
- Others	2,666,845	3,059,468
Rent		
- Hospital building	2,313,079	4,074,852
- Equipments	3,519,241	4,226,784
- Others	7,993,944	6,222,202
Donations	12,000	3,000
Legal & professional fee	4,333,726	2,751,523
Travel & conveyance	13,947,626	11,679,298
Rates & taxes	3,023,076	2,189,838
Printing & stationary	4,722,335	4,936,356
Communication expenses	2,921,044	2,582,148
Directors' sitting fees	99,000	46,000
Insurance	7,152,895	5,595,260
Marketing & business promotion	34,821,554	28,328,589
Loss on sale of fixed assets	594,343	39,435
Auditors' remuneration		
a. Statutory audit	674,160	154,420
b. Tax audit	56,180	60,665
c. others	168,540	33,090
d. out of pocket expenses	10,000	15,000
Bad debts	4,229,727	-
Provision for doubtful debt	355,399	157,151
Doubtful advances written off	3,509,068	-
Miscellaneous expenses	4,779,310	5,137,306
	494,494,885	**427,834,504**
Note 3 (xxiv) : Financial expenses		
Interest Expense	12,140,921	14,343,243
Exchange differences to the extent considered as an adjustment to borrowing costs	930,823	-
	13,071,744	**14,343,243**
Note 3 (xxv) : Earnings per share		
Net profit as per profit and loss account	77,110,882	54,297,037
Weighted average number of equity shares in calculating Basic EPS	18,609,509	18,609,509
Add: Weighted average number of equity shares which would be issued on the allotment of equity shares against stock option granted under ESOP 2007	-	-
Weighted average number of equity shares in calculating Diluted EPS	18,609,509	18,609,509

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

4 Proposed sale of Hospital Infrastructure Undertaking

The Shareholders of the Company have approved vide resolution dated July 18, 2011, the transfer / sale / disposal of Hospital Infrastructure Undertaking including Out Patient Department business and radio diagnosis equipments ('Hospital Infrastructure Undertaking') on a Going Concern Basis through slump sale to any one of the Affiliates / Group Company / Companies under the same management for a consideration of an amount not less than ₹ 600,000,000. On February 7, 2012, the Company has signed a Term Sheet with Fortis Health Management Limited ('FHML'), one of its group companies expressing intent to sell the Hospital Infrastructure Undertaking and proposed to enter into an exclusive and irrevocable Business Transfer Agreement effecting the transfer at a later date not exceeding six months from the date of the Term Sheet. The Company has also received an advance of ₹ 650,000,000 on February 7, 2012 towards the proposed transfer. The Company is in the process of taking necessary steps to execute the transfer. The Company has temporarily invested this amount as inter corporate deposit and has earned an interest of ₹ 9,616,439. The Company is still in discussion with FHML regarding finalizing the valuation for the transaction and other terms and conditions including the arrangement to lease back the infrastructure post the proposed transfer.

5 Management fee from Hospitals

During the current year, the Company has received management fee from two hospitals with which the Company had entered into operation and management agreements aggregating to ₹ 19,125,440. Of the above, one agreement has been terminated during December 2011 and the other agreement subsequent to the year end in April 2012.

6 Segment reporting

Primary Segment

The Company is engaged in providing health care services, which in the context of Accounting Standard 17 (Segmental Information) is considered as the only business segment. Accordingly, no separate segmental information has been provided herein.

Secondary Segment – Geographical Segment.

The Company primarily operates in India and therefore mainly caters to the needs of the domestic market. Therefore, there are no reportable geographical segments.

7 Capital and other commitments

At March 31, 2012, the Company has capital commitments of ₹ 1,075,617 (Previous year ₹ Nil) towards purchase of assets.

8 Contigent Liabilities

	March 31, 2012 ₹	March 31, 2011 ₹
Claims against the Company not acknowledged as debts (in respect of compensation demanded by the patients / their relatives for negligence). The cases are pending with various Consumer Disputes Redressal Commissions. Based on expert opinion obtained, the management believes that the Company has good chance of success in these cases.	72,323,252	3,223,252

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

9 Loans and advances in the nature of loans given to subsidiaries and associates and firms/companies in which directors are interested

Particulars	March 31, 2012 ₹	March 31, 2011 ₹
a Malar Star Medicare Limited		
Balance outstanding at the year end	658,654,794	Nil
Maximum amount outstanding during the year	658,654,794	Nil

10 Deferral/capitalization of exchange differences

The Ministry of Corporate Affairs (MCA) has issued the amendment dated December 29, 2011 to AS 11 The Effects of Changes in Foreign Exchange Rates, to allow companies deferral/ capitalization of exchange differences arising on long-term foreign currency monetary items.

In accordance with the amendment/earlier amendment to AS 11, the company has capitalized exchange loss, arising on long-term foreign currency loan, amounting to ₹ 3,033,591 (March 31, 2011: Exchange gain ₹ 151,025) to the cost of plant and equipments.

11 Value of imports calculated on CIF basis

Particulars	March 31, 2012 ₹	March 31, 2011 ₹
Capital goods	11,682,579	4,665,827

12 Expenditure in foreign currency (accrual basis)

Particulars	March 31, 2012 ₹	March 31, 2011 ₹
Professional Fees	586,584	-
Travelling and Conveyance	203,786	-
Others	-	294,030

13 Expenditure in foreign currency (accrual basis)

Particulars	March 31, 2012 ₹	March 31, 2011 ₹
Health Care Services rendered for international patients	33,760,434	16,484,100

14 Derivative Instruments and unhedged foreign currency exposure

Particulars	Foreign Currency	March 31, 2012		March 31, 2011	
		Amount in ₹	Amount in Foreign Currency	Amount in ₹	Amount in Foreign Currency
Long term loan (Deferred letter of credit (Unsecured)	USD	-	-	24,029,201	539,376

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

15 Gratuity

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 service.

The Company also provides leave encashment benefit to employees, which is unfunded. The Company also provides superannuation benefits to its senior executives

Profit and Loss Account		**March 31, 2012** ₹	**March 31, 2011** ₹
Net employee benefit expense (recognised in Employee benefits)			
(I)	Current service cost	1,591,000	1,129,000
(ii)	Past Service Cost	-	-
(iii)	Interest cost on Benefit Obligations	595,000	521,000
(iv)	Expected return on plan assets	(614,848)	(317,000)
(v)	Past Service Cost (Non Vested Benefits)	-	-
(vi)	Net actuarial (gains)/ losses recognised in the year	(226,717)	(119,000)
(vii)	Net (benefit) / expense	**1,344,435**	1,214,000
(viii)	Actual return on plan assets	174.432	559,224
Balance Sheet			
Details of Provision for gratuity			
(I)	Defined benefit obligation	8,781,000	7,741,000
(ii)	Fair value of plan assets	7,273,565	6,328,000
(iii)	Unrecognized past service cost	-	-
(iv)	Plan (Liability) /Asset	**(1,507,435)**	**(1,413,000)**
Changes in the present value of the defined benefit obligation are as follows:			
(I)	Opening defined benefit obligation	7,741,000	6,835,000
(ii)	Current service cost	1,591,000	1,129,000
(iii)	Past Service Cost	-	-
(iv)	Interest cost	595,000	521,000
(v)	Actuarial (gains) / losses on obligation	(534,000)	(91,000)
(vi)	Benefits paid	(612,000)	(653,000)
(vii)	Closing defined benefit obligation	**8,781,000**	**7,741,000**
Changes in the fair value of the plan assets are as follows :			
(I)	Opening fair value of plan assets	6,328,000	1,483,000
(ii)	Expected return	614,848	317,000
(iii)	Actuarial gains / (losses)	(307,283)	28,000
(iv)	Contributions by employer	638,000	5,153,000
(v)	Benefits Paid	-	(653,000)
(vi)	Closing fair value of plan assets	**7,273,565**	**6,328,000**

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

The principal assumptions used in determining gratuity and post-employment medical benefit obligations for the Company's plans are shown below:

Particulars	March 31, 2012	March 31, 2011
Discount rate	8%	8%
Expected rate of return on assets	9.25%	9.25%
Employee turnover		
Age upto 30 years	18%	18%
Age 31 to 44 years	6%	6%
Age Above 44 years	2%	2%

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

The company expects to contribute ₹ 1,600,000 to gratuity in the next year (March 31, 2011: ₹ 638,000).

The fund is 100% administered by Life Insurance Corporation of India ("LIC"). The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

Amounts for the current and previous four periods are as follows:

	March 31, 2012	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008
Gratuity					
Defined benefit obligation	(8,781,000)	(7,741,000)	(6,835,000)	(6,311,000)	NA
Plan assets	7,273,565	6,328,000	1,483,000	1,329,000	NA
Surplus / (deficit)	(1,507,435)	(1,413,000)	(5,352,000)	(4,982,000)	NA
Experience adjustments on plan liabilities	(11,000)	91,000	116,000	(2,546,000)	NA
Experience adjustments on plan assets	(307,283)	28,000	(7,000)	(14,000)	NA

4 Employee stock option plans

The Company provides share-based payment schemes to its employees. During the year ended March 31, 2012, an employee stock option plan (ESOP) was in existence. The relevant details of the scheme and the grant are as below.

Malar Employee Stock Option Plan 2008 (Scheme) was approved by the board of directors of the company on 31st July 2008/28th May 2009 and by shareholders in the annual general meeting held on 29th September, 2008 /21st August 2009. The following are some of the important conditions to the scheme:

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

Vesting Plan

- 25% of the option shall vest on the completion of 12 months from the grant date.
- 25% of the option shall vest on the completion of 24 months from the grant date.
- 25% of the option shall vest on the completion of 36 months from the grant date.
- 25% of the option shall vest on the completion of 48 months from the grant date.

Exercise Plan

There shall be no lock in period after the options have vested. The vested options will be eligible to be exercised on the vesting date itself. Notwithstanding any provisions to the contrary in this plan the options must be exercised before the end of the tenure of the plan.

Effective Date

The plan shall be deemed to have come to in force on the 21 August 2009 or on such other date as may be prescribed by the board of directors of the company subject to the approval of shareholders of the company in general meeting.

The details of activity under the Scheme are summarized below:

	March 31, 2012		March 31, 2011	
	No. of options	WAEP (₹)	No. of options	WAEP (₹)
Outstanding at the beginning of the year	295,000	26.20	295,000	26.20
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	295,000	26.20	295,000	26.20
Exercisable at the end of the year	73,750	26.20	73,750	26.20

The weighted average remaining contractual life for the stock options outstanding as at 31 March 2012 is 4.75 years (31 March 2011: 5.75 years). The range of exercise prices for options outstanding at the end of the year was ₹ 10. (31 March 2011: Rs. 10.)

The weighted average fair value of stock options granted during the year was ₹ 13.45 (31 March 2011: ₹ 13.45). The Black Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

Particulars	March 31, 2012	March 31, 2011
Dividend yield (%)	00.00%	00.00%
Expected volatility	67.42%	67.42%
Risk-free interest rate	07.50%	07.50%
Weighted average share price (₹)	Nil	Nil
Exercise price (₹)	26.20	26.20
Expected life of options granted in years	5	5

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

The expected life of the stock is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The company measures the cost of ESOP using the intrinsic value method. Had the company used the fair value model to determine compensation, its profit after tax and earnings per share as reported would have changed to the amounts indicated below:

Particulars	March 31, 2012	March 31, 2011
Profit after tax as reported	77,110,882	54,297,037
Add: ESOP cost using the intrinsic value method	Nil	Nil
Less: ESOP cost using the fair value method	1,294,918	1,248,959
Proforma profit after tax	76,298,931	53,181,420
Earnings Per Share		
Basic		
- As reported	4.14	2.92
- Proforma	4.10	2.86
Diluted		
- As reported	4.14	2.92
- Proforma	4.10	2.86

17 Related Party Disclosures

17.1. List of related parties with whom transactions have taken place and relationships.

Ultimate Holding Company	Fortis Healthcare Limited
Holding Company	Fortis Hospitals Limited
Key Management Personnel	Mr. Krish Ramesh (Whole-time Director)
Subsidiary Company	Malar Stars Medicare Limited
Enterprises under common control	Fortis Health Management Limited Hospitalia Eastern Private Limited Lalitha Healthcare Private Limited Super Religare Laboratories Limited Escorts Heart Institute and Research Centre Limited Fortis Hospotel Limited

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

17.2. Transactions during the year with related parties

Particulars	March 31, 2012					March 31, 2011				
	Key Management Personnel	Ultimate holding company	Holding Company	Subsidiary Company	Entities under Common Control	Key Management Personnel	Ultimate holding company	Holding Company	Subsidiary Company	Entities under Common Control
Transactions during the year										
Advance received towards sale of undertaking										
Fortis Health Management Limited					650,000,000					
Inter corporate deposit placed										
Malar Stars Medicare Limited				650,000,000						
Repayment of Loan taken										
Fortis Hospotel Limited										15,000,000
Interest Earned										
Malar Stars Medicare Limited				9,616,438						
Interest Paid										
Fortis Hospotel Limited										4,603,553
Sale of Pharmacy Items										
Escorts Heart Institute and Research Centre Limited										166,095
Reimbursement of expenses incurred on behalf of group Companies										
Fortis Healthcare Limited		474,215					462,045			
Hospitalia Eastern Private Limited					44,275					
Malar Stars Medicare Limited				130,095					472,260	
Super Religare Laboratories Limited					152,041					

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

Particulars	March 31, 2012					March 31, 2011				
	Key Management Personnel	Ultimate holding company	Holding Company	Subsidiary Company	Entities under Common Control	Key Management Personnel	Ultimate holding company	Holding Company	Subsidiary Company	Entities under Common Control
Reimbursement of expenses incurred by group Companies on behalf of the Company										
Fortis Healthcare Limited		407,253								
Fortis Hospitals Limited			572,548							
Purchase of Medical Equipments										
Lalitha Healthcare Private Limited					537,500					
Services Received										
Super Religare Laboratories Limited				44,14,397						385,601
Malar Stars Medicare Limited			4,343,250						4,560,000	
Managerial Remuneration										
Mr. Krish Ramesh (Whole-time Director)	5,909,101					7,084,780				
Closing Balance										
Trade Payable										
Super Religare Laboratories Limited				(3,171,396)						
Advance Recoverable										
Hospitalia Eastern Private Limited				44,275						
Fortis Healthcare Limited				627,133						
Other Liabilities										
Fortis Hospitals Limited			(44,949)							
Advance received towards sale of undertaking										
Fortis Health Management Limited					(650,000,000)					
Inter Corporate deposit placed										
Malar Stars Medicare Limited				650,000,000						
Interest accrued but not due										
Malar Stars Medicare Limited				8,654,794						

Note: The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the company as a whole.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

18 Operating lease payments

Operating lease agreements have been entered in to by the Company with respect to office premises and medical equipments. The total lease payments made during the year are as follows:

Particulars	March 31, 2012	March 31, 2011
Lease rentals paid	13,826,264	14,523,838

19 There are no overdue amounts payable to Micro and Small Enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006 based on information available with the Company. Further, the Company has not paid any interest to any Micro and Small Enterprises during the year ended March 31, 2012 and year ended March 31, 2011.

20 The figures of previous year were audited by a firm of Chartered accountants other than S R B C & Co. Previous year's figures have been regrouped where necessary to conform to the current year's classification.

As per our report even date.

For **S R B C & CO**
Chartered Accountants
Firm's Registration No. 324982E

S. Balasubrahmanyam
Partner
Membership No. 053315

Place : Chennai
Date : May 14, 2012

For and behalf of the Board of Directors of
Fortis Malar Hospitals Limited

Krish Ramesh
Whole Time Director

Aditya Vij
Director

K Sundar
Financial Controller

Poonam Makkar
Company Secretary

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

NAME OF THE SUBSIDIARY COMPANY	**MALAR STARS MEDICARE LTD**
1. **Financial year of the Subsidiary ended on**	**March 31, 2012**
2. **Shares of the Subsidiary Company held on the above date and extent of holding**	
I) Equity Shares of ₹ 10/- each (50,000 equity shares of ₹ 10/- each fully paid)	**₹ 500,000**
ii) Extent of Holding	**100%**
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.**	
I) Dealt with in Accounts of Fortis Malar Hospitals Ltd.	**Nil**
ii) Not dealt with in Accounts of Fortis Malar Hospitals Ltd.	**₹ 482,966**
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.**	
i) Dealt with in Accounts of Fortis Malar Hospitals Ltd.	**Nil**
ii) Not dealt with in Accounts of Fortis Malar Hospitals Ltd	**₹ 133,344**

For and on behalf of the Board of Directors

Aditya Vij
(Director)

Krish Ramesh
(Whole-time Director)

Place : Chennai
Date : May 14, 2012

Poonam Makkar
Company Secretary

K. Sundar
Financial Controller

ABSTRACT OF FINANCIALS OF SUBSIDIARY COMPANIES AS AT MARCH 31, 2012

NAME OF THE SUBSIDIARY COMPANY : MALAR STARS MEDICARE LIMITED

		For the year Ended March 31, 2012 ₹	For the year Ended March 31, 2011 ₹
a)	Capital	500,000	500,000
b)	Reserves and Surplus (adjusted for debit balance of profit & loss account)	646,089	163,123
c)	Total Assets	661,044,038	674,153
d)	Total Liabilities	659,782,477	11,030
e)	Details of Investment (except in case of investment in Subsidiaries)	NIL	NIL
f)	Turnover	4,343,250	4,560,000
g)	Profit / (Loss) before Taxation	698,939	192,979
h)	Provision for Taxation	215,973	59,628
I)	Profit / (Loss) after Taxation	482,966	133,344
j)	Proposed Dividend	NIL	NIL

For and on behalf of the Board of Directors

Aditya Vij
(Director)

Krish Ramesh
(Whole-time Director)

Place : Chennai
Date : May 14, 2012

Poonam Makkar
Company Secretary

K. Sundar
Financial Controller

AUDITOR'S REPORT TO THE MEMBERS

To

The Members of Fortis Malar Hospitals Limited

1. We have audited the attached consolidated balance sheet of Fortis Malar Hospitals Limited and its subsidiary, Malar Stars Medicare Limited (together referred to as the "Group") as at March 31, 2012, the consolidated statement of profit and loss account and also the related consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Fortis Malar Hospitals Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding the component. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by the Fortis Malar Hospitals Limited's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements, notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended).
4. Based on our audit, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the consolidated balance sheet, of the state of affairs of the Group as at March 31, 2012;

(b) in the case of the consolidated statement of profit and loss, of the profit of the Group, for the year ended on that date; and

© in the case of the consolidated cash flow statement, of the consolidated cash flows of the Group, for the year ended on that date.

For S R B C & CO
Chartered Accountants
Firm's Registration No.324982E

per S Balasubrahmanyam
Partner
Membership No. 053315

Place : Chennai
Date : May 14, 2012

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2012

PARTICULARS	Notes	As at March 31, 2012 ₹	As at March 31, 2011 ₹
I. Equity and Liabilities			
Share Holders' Funds			
Share Capital	3 (i)	186,095,090	186,095,090
Reserves and Surplus	3 (ii)	150,347,979	72,754,131
		336,443,069	**258,849,221**
Non-Current Liabilities			
Long Term Borrowings	3 (iii)	45,538,661	46,366,682
Deferred tax liabilities (Net)	3 (iv)	24,168,135	17,514,022
Long term provisions	3 (v)	1,618,472	1,439,448
TOTAL		**71,325,268**	**65,320,152**
Current Liabilities			
Short-term borrowings	3 (vi)	15,095,986	10,525,071
Trade payables	3 (vii)	63,372,292	85,915,103
Other Current Liabilities	3 (viii)	693,420,874	60,413,563
Short-term provisions	3 (ix)	3,870,875	3,858,690
		775,760,027	**160,712,427**
TOTAL		**1,183,528,364**	**484,881,800**
II. Assets			
Non-Current Assets			
Fixed Assets			
Tangible assets	3 (x)	389,681,861	350,967,806
Intangible assets	3 (x)	1,384,774	1,882,118
Capital work in progress	3 (x)	4,920,674	-
Non-current investments	3 (xi)	52,267	-
Long term loans and advances	3 (xii)	37,829,042	42,032,438
Other non-current assets	3 (xiii)	187,905	183,705
TOTAL		**434,056,523**	**395,066,067**
Current Assets			
Inventories	3 (xiv)	5,075,507	4,159,203
Trade receivables	3 (xv)	35,922,802	49,813,670
Cash and bank balances	3 (xvi)	6,669,171	3,251,384
Short term loans and advances	3 (xvii)	672,751,038	21,170,273
Other current assets	3 (xviii)	29,053,323	11,421,203
		749,471,841	**89,815,733**
TOTAL		**1,183,528,364**	**484,881,800**
Refer accompanying notes to the financial statements	**2.1**		

The notes referred to above form an integral part of the Balance Sheet.
As per our report of even date.

For **S R B C & CO**
Chartered Accountants
Firm's Registration No. 324982E

S. Balasubrahmanyam
Partner
Membership No. 053315

Place : Chennai
Date : May 14, 2012

For and on behalf of the Board of Directors of Fortis Malar Hospitals Limited

Krish Ramesh
Whole Time Director

Aditya Vij
Director

K Sundar
Financial Controller

Poonam Makkar
Company Secretary

STATEMENT OF CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2012

PARTICULARS	Notes	For the year ended March 31, 2012 ₹	For the year ended March 31, 2011 ₹
Income			
Revenue from operations	3 (xix)	948,032,261	835,325,139
Other Income	3 (xx)	2,608,976	1,624,182
Total Revenue		**950,641,237**	**836,949,321**
Expenditure			
Purchase of Medical Consumables and drugs		197,404,537	187,949,515
Changes in inventories of medical consumables and drugs	3 (xxi)	(916,304)	1,628,587
Employer benefits expense	3 (xxii)	121,200,649	97,209,402
Other expenses	3 (xxiii)	491,900,090	425,041,794
Total Expenses		**809,588,972**	**711,829,298**
Earnings before interest, tax, depreciation and amortization (EBITDA)		**141,052,265**	**125,120,023**
Finance costs	3 (xxiv)	13,072,406	14,343,243
Profit before depreciation and amortization		**127,979,859**	**110,776,780**
Depreciation and amortisation expense	3 (x)	29,969,052	28,980,640
Profit before exception items and tax		**98,010,807**	**81,796,140**
Add: Exceptional items (Interest Income)	4	10,097,260	-
Profit Before Tax		**108,108,067**	**81,796,140**
Tax Expense			
Current tax		23,912,373	59,628
Minimum Alternate Tax ('MAT') payable		-	16,806,341
MAT Credit Entitlement		-	(16,806,341)
Deferred tax charge		12,480,846	27,306,131
Deferred tax credit relating to earlier years		(5,879,000)	-
Profit for the year carried over to the balance sheet		**77,593,848**	**54,430,381**
Earnings per share	**3 (xxv)**		
Basic & diluted (Nominal value of shares ₹ 10/- each)		**4.14**	**2.92**
Refer accompanying notes to the financial statements	**2.1**		

The notes referred to above form an integral part of the Statement of Profit and Loss.
As per our report of even date.

For **S R B C & CO**
Chartered Accountants
Firm's Registration No. 324982E

S. Balasubrahmanyam
Partner
Membership No. 053315

Place : Chennai
Date : May 14, 2012

For and on behalf of the Board of Directors of.
Fortis Malar Hospitals Limited

Krish Ramesh
Whole Time Director

Aditya Vij
Director

K Sundar
Financial Controller

Poonam Makkar
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

		For the Year Ended March 31, 2012 ₹	For the Year Ended March 31, 2011 ₹
A	**CASH FLOW FROM OPERATING ACTIVITIES:**		
	Net profit before tax	**108,108,067**	**81,796,140**
	Adjustments for :		
	Depreciation and Amortisation	29,969,052	28,980,640
	Loss on sale of fixed assets	594,343	39,435
	Bad debts written off	4,229,727	-
	Provision for doubtful debts	355,399	157,151
	Provision for doubtful advances	3,509,068	-
	Interest income	(10,609,684)	(323,621)
	Interest expense	13,072,406	14,343,243
	Operating Profit before working capital changes	**149,228,378**	**124,992,988**
	Movements in working capital :		
	Increase / (decrease) in trade payables	(22,542,811)	23,641,240
	Increase / (decrease) in long term provisions	179,024	(5,452,551)
	Increase / (decrease) in short term provisions	12,185	1,455,810
	Increase / (decrease) in other current liabilities	5,897,107	(27,428,134)
	(Increase) / decrease in trade receivables	9,305,742	12,408,579
	(Increase) / decrease in inventories	(916,304)	1,628,587
	(Increase) / decrease in long term loans and advances	609,196	(6,149,723)
	(Increase) / decrease in short term loans and advances	(5,089,833)	21,318,850
	(Increase) / decrease in other current assets	(8,544,586)	(1,420,065)
	(Increase) / decrease in other non-current assets	(4,200)	(183,705)
	Cash generated from / (used in) operations	**128,133,898**	**144,811,876**
	Direct taxes paid	(20,318,173)	(20,469,427)
	Net cash from / (used in) operating activities (A)	**107,815,725**	**124,342,449**
B	**CASH FLOW FROM INVESTING ACTIVITIES:**		
	Purchase of fixed assets	(98,259,146)	(80,450,803)
	Proceeds from sale of fixed assets	1,668,571	443,926
	Advance received towards sale of undertaking	650,000,000	-
	Intercorporate deposit placed with subsidiary	(650,000,000)	-
	Interest received	1,522,150	323,621
	Net cash from / (used in) operating activities (B)	**(95,068,425)**	**(79,683,256)**

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

		For the Year Ended March 31, 2012 ₹	For the Year Ended March 31, 2011 ₹
C	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Proceeds from long-term borrowings	26,000,000	-
	Repayment of long-term borrowings	(26,828,021)	(12,267,606)
	Proceeds / (Repayments) of short-term borrowings (net)	4,570,914	(24,399,530)
	Interest Paid	(13,072,406)	(14,343,242)
	Net Cash From / (Used in) Financing activities (C)	**(9,329,513)**	**(51,010,378)**
	Net Increase in cash and cash equivalents (A+B+C)	**3,417,787**	**(6,351,185)**
	Total Cash and Cash equivalents at the beginning of the year	**3,251,384**	**9,602,569**
	Cash and Cash equivalents at the end of the year	**6,669,171**	**3,251,384**
	Components of Cash and Cash equivalents :		
	Cash in hand	1,349,254	975,476
	Balances with scheduled banks on current accounts	5,319,917	2,275,908
	TOTAL	**6,669,171**	**3,251,384**

Refer accompanying notes of the financial statements 2.1

As per our report of even date.

For **S R B C & CO**
Chartered Accountants
Firm's Registration No. 324982E

S. Balasubrahmanyam
Partner
Membership No. 053315

Place : Chennai
Date : May 14, 2012

For and on behalf of the Board of Directors of
Fortis Malar Hospitals Limited

Krish Ramesh
Whole Time Director

Aditya Vij
Director

K Sundar
Financial Controller

Poonam Makkar
Company Secretary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

1. Corporate information

Fortis Malar Hospitals Limited ('Fortis Malar' or '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 the year 1992. The Company is a subsidiary of Fortis Hospitals Limited. The Company has one subsidiary company, Malar Stars Medicare Limited ('Malar Star') as at the year end, which is engaged in providing medical services to Fortis Malar. Fortis Malar along with its subsidiary company, Malar Star, shall hereinafter, be collectively referred to as “the Group”.

2. Basis of preparation

The financial statements of the Group have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Group has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention.

2.1. Summary of significant accounting policies

a Change in accounting policy

Presentation and disclosure of financial statements

During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Group, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Group has also reclassified the previous year's figures in accordance with the requirements applicable in the current year.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

b Preparation of consolidation

- The Consolidated Financial Statements ('CFS') of the Group have been prepared based on a line-by line consolidation of the balance sheet as at March 31, 2012 and statement of profit and loss and cash flows of the Group for the year ended March 31, 2012.
- The financial statements of the Subsidiaries considered for the purpose of consolidation are drawn for the same reporting period as that of the Company i.e. year ended March 31, 2012.
- The CFS have been prepared using uniform accounting policies, except as stated otherwise, for similar transactions and are presented to the extent possible, in the same manner as the Company's separate financial statements.
- All material inter-company transactions and balances between the entities included in the CFS have been eliminated on consolidation.

c Inventories

Inventory of medical consumables, drugs, stores and spares are valued at cost or net realizable value. Cost is determined on First in First out (FIFO) basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

d Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

e Tangible fixed assets

Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

From accounting periods commencing on or after December 7, 2006, the Group adjusts exchange differences arising on translation/ settlement of long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset to the cost of the asset and depreciates the same over the remaining life of the asset.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

f Depreciation on tangible fixed assets

Depreciation is charged on straight line method at rates and manner prescribed under Schedule XIV of the Companies Act, 1956. The Group has used the following rates to provide depreciation on its fixed assets.

Building	3.34%
Plant & machinery	4.75%
Medical equipments	7.07%
Furniture & fittings	9.50%
Computers	16.20%
Office equipments	9.50%
Vehicles	9.50%

Assets individually costing ₹ 5,000 /- or less are fully depreciated in the year of purchase.

g Intangible assets

Software

Costs relating to software, which are acquired, are capitalized and amortized on a straight-line basis over their estimated useful lives viz 6 years.

h Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership for the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

i Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

j Impairment of tangible and intangible assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

k Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

l Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

<u>Inpatient and Outpatient revenue</u>

Inpatient and outpatient revenue is recognised as and when the services are rendered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Management fees

Management fee from hospitals and income from medical services is recognised as per the terms of the agreement with respective hospitals.

Sale of traded goods – pharmacy items

Revenue from sale of pharmacy items are recognised as and when the pharmacy items are sold to patients.

Interest

Revenue is recognised on a time proportion basis taking in to account the amount outstanding and the rate applicable.

Income from Served from India Scheme (SFIS)

Income from SFIS is recognised based on a prescribed percentage of foreign currency receipts on account of services rendered in accordance with the Served from India Scheme. The credit under the scheme is recognised only at the time when and to the extent there is no significant uncertainty as to its measurability and ultimate realisation.

m Foreign Currency Translation

1. Initial Recognition
   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.

2. Conversion

   Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

3. Exchange differences
   From accounting periods commencing on or after December 7, 2006, the Group accounts for exchange differences arising on translation/ settlement of foreign currency monetary items as below:

   i. Exchange differences arising on long-term foreign currency monetary items related to acquisition of a fixed asset are capitalized and depreciated over the remaining useful life of the asset. For this purpose, the Group treats a foreign monetary item as “long-term foreign currency monetary item”, if it has a term of 12 months or more at the date of its origination.

   ii. Exchange differences arising on other long-term foreign currency monetary items are accumulated in the “Foreign Currency Monetary Item Translation Difference Account” and amortized over the remaining life of the concerned monetary item.

   iii. All other exchange differences are recognized as income or as expenses in the period in which they arise.

   iv. Exchange differences arising on the settlement of monetary items or on reporting monetary items of Group 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 as expenses in the year in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

n Retirement and other employee benefits

i) Contribution to provident fund

Retirement benefit in the form of provident fund is a defined contribution scheme. The contributions to the provident fund are charged to the statement of profit and loss for the year when the contributions are due. The Group has no obligation, other than the contribution payable to the provident fund.

ii) Gratuity

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 using projected unit credit method.

iii) Compensated absences

Long term compensated absences are provided for based on actuarial valuation made at the end of the year using projected unit credit method.

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

iv) Actuarial gains/losses

Actuarial gains/ losses relating to gratuity and long term compensated absences are recognized in the profit and loss account as they occur.

o Taxes on Income

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

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax asset unabsorbed depreciation or carry forward tax losses are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

p Employee stock compensation cost

Employees (including senior executives) of the Group receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

In accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, the cost of equity-settled transactions is measured using the intrinsic value method and recognized, together with a corresponding increase in the “Stock options outstanding account” in reserves. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognized in the statement of profit and loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total intrinsic value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

q Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

r Provisions

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

s Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. The Group does not recognize a contingent liability but discloses its existence in the financial statements.

t Cash and cash equivalents

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

u Measurement of EBITDA

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956, the Group has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement of profit and loss. The Group measures EBITDA on the basis of profit/ (loss) from continuing operations. In its measurement, the Group does not include depreciation and amortization expense, finance costs and tax expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

PARTICULARS	As at March 31, 2012 ₹	As at March 31, 2011 ₹
Note 3 (i): Share Capital		
Authorised :		
30,000,000 (Previous year 30,000,000) Equity Shares of ₹ 10/- each	300,000,000	300,000,000
	300,000,000	**300,000,000**
Issued, Subscribed and Paid up :		
18,594,259 (Previous Year 18,594,259) Equity Shares of ₹ 10/- each	185,942,590	185,942,590
Add: 30,500 (Previous year 30,500) equity Shares of ₹ 10 each (₹ 5 paid up (Previous year ₹ 5 paid up) forfeited.	152,500	152,500
	186,095,090	**186,095,090**

Note A : Reconciliation of Equity Shares outstanding

Particulars	As at March 31, 2012		As at March 31, 2011	
	Number	Value ₹	Number	Value ₹
Shares outstanding (including forfeited shares) at the beginning of the year	18,609,509	186,095,090	18,609,509	186,095,090
Shares issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	18,609,509	186,095,090	18,609,509	186,095,090

Note B:

Shares held by holding/ ultimate holding company and /or their subsidiaries/ associates

Of the above :

11,752,402 Equity Shares (Previous year - 11,752,402 equity shares) are held by Fortis Hospitals Limited (Previous year - International Hospital Limited) , the holding company.

Note C: Details of shareholders having more than 5% interest in the Company

Name of Shareholder	As at March 31, 2012		As at March 31, 2011	
	No. of Shares held	% of Holdings	No. of Shares held	No. of Shares held
Fortis Hospitals Limited	11,752,402	63.20%	-	-
International Hospital Limited	-	-	11,752,402	63.20%

Terms/ rights attached to equity shares

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

PARTICULARS	As at March 31, 2012 ₹	As at March 31, 2011 ₹
Note 3 (ii): Reserves and Surplus		
a. Securities premium account		
Opening Balance	93,333,320	93,333,320
Closing Balance	**93,333,320**	**93,333,320**
b. Surplus / (deficit) in the Statement of Profit and Loss		
Opening Balance	(20,579,189)	(75,009,570)
Net Profit for the year	77,593,848	54,430,381
Closing Balance	**57,014,659**	**(20,579,189)**
Total (a+b)	**150,347,979**	**72,754,131**
Note 3 (iii) : Long Term Borrowings		
Term loans from banks (Secured)	45,538,661	46,366,682
Total	**45,538,661**	**46,366,682**

a. Key terms of the borrowings

Name of the Bank	Loan Start Date	Loan Limit		Rate of Interest	Tenure of Loan	Number of Instalments due post March 31, 2012	March 31, 2012	March 31, 2011
HDFC Bank	01-Jan-09	INR	13,000,000	10.75%	6 Years	45	-	10,420,618
HDFC Bank	20-Sep-09	INR	15,000,000	10.75%	6 Years	46	11,448,374	13,634,473
HDFC Bank	20-Oct-09	INR	12,500,000	10.75%	6 Years	46	9,829,559	11,362,061
HDFC Bank	20-Nov-09	INR	6,659,000	10.75%	6 Years	46	5,082,320	6,052,800
HDFC Bank	20-May-10	INR	15,800,000	10.75%	6 Years	46	12,058,965	14,561,003
HDFC Bank	15-Dec-11	INR	26,292,500	13.50%	3 Years	32	23,600,620	-

Less: Amount disclosed under the head "Other current liabilities" (Note 3 (viii))	(16,481,177)	(9,664,273)
	45,538,661	**46,366,682**

b - Security/ Guarantee against long term borrowings

The loan is secured by sole and exculsive charge on all fixed assets and current assets both present and future, including land and building, medical assets and plant and machinary.Further, the loan is secured by corporate guarantee of International Hospitals Limited.

c - Repayment Terms of the long term borrowings

Repayment in respect of the loan outstanding of ₹ 15.72 million is 36 monthly instalments.
Repayment in respect of other loans is 60 monthly installments to commence after 12 months principal moratorium from disbursement of each tranche. Interest to be serviced monthly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

PARTICULARS	As at March 31, 2012 ₹	As at March 31, 2011 ₹
SCHEDULE		
Note 3 (iv) : Deferred Tax Liabilities, Net		
Deferred tax liability arising on account of :		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	**28,037,844**	**30,405,730**
Deferred tax asset arising on account of:		
Effect of expenditure debited to profit and loss account in the current year but not allowed for tax purposes	3,869,709	3,795,180
On carry forward business losses and unabsorbed depreciation	-	9,096,528
	3,869,709	**12,891,708**
Deferred tax liabilities, net	**24,168,135**	**17,514,022**
Note 3 (v): Long Term Provisions		
Provision for employee benefits :		
Provision for leave encashment	1,503,000	1,439,448
Provisions for gratuity	115,472	-
Other provisions	-	-
	1,618,472	**1,439,448**
Note 3 (vi): Short Term Borrowings		
Other loans and advances:		
Bank overdraft (Secured)	15,095,986	10,525,072
	15,095,986	**10,525,072**

Bank overdraft from banks is secured by sole and exclusive charge on all fixed assets and current assets both present and future, including land and building, medical assets and plant and machinery. The bank overdraft is repayable on demand and carries interest at 15% p.a.

PARTICULARS	As at March 31, 2012 ₹	As at March 31, 2011 ₹
Note 3 (vii) : Trade Payables		
Trade Payable	63,372,292	85,915,103
	63,372,292	**85,915,103**
Note 3 (viii): Other Current Liabilities		
Current maturities of long term debts	16,481,177	9,664,273
Creditors for purchase of fixed assets	3,209,675	26,099,469
Advances from patients	14,985,749	8,177,000
Sundry deposits	3,493,020	3,600,520
Statutory payables	5,040,265	12,872,300
Advance received towards sale of undertaking (Refer Note 4)	650,000,000	-
Other liabilities	210,988	-
	693,420,874	**60,413,562**
Note 3 (ix) : Short Term Provisions		
a. Provision for employee benefits		
Provision for gratuity	1,507,435	1,413,000
Provision for leave encashment	252,000	236,000
b. Other provisions		
Other provisions		
Professional charges payable	2,111,440	2,209,690
	3,870,875	**3,858,690**

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

Note 3(x) : Fixed Assets

	GROSS BLOCK				DEPRECIATION & AMORTISATION				Net Block	
Description of Assets	As at April 1, 2011	Addition During the Year	Deletion During the year	As at March 31, 2012	As at April 1, 2011	For the year	Deletion during the year	As at March 31, 2012	As at March 31, 2012	As at March 31, 2011
Tangible assets										
Freehold land	22,819,716	-	-	22,819,716	-	-	-	-	22,819,716	22,819,716
Building	197,657,940	17,675,531	-	215,333,471	68,563,315	6,849,645	-	75,412,960	139,920,511	129,094,625
Plant and equipment										
Plant & machinery	73,121,870	18,742,527	12,128,584	79,735,813	37,021,858	3,808,860	10,278,773	30,551,946	49,183,867	36,100,012
Medical equipments (Refer Note below)	214,758,741	29,839,737	24,143,016	220,455,462	63,821,150	14,425,145	23,865,726	54,380,569	166,074,893	150,937,591
Furniture & Fittings	11,226,456	1,099,897	2,212,494	10,113,859	5,089,454	1,027,432	2,120,559	3,996,327	6,117,532	6,137,002
Computers	8,730,289	1,600,760	228,640	10,102,409	3,988,690	1,408,404	189,676	5,207,418	4,894,991	4,741,599
Office Equipments	1,389,726	-	292,250	1,097,476	957,851	93,717	287,336	764,232	333,244	431,875
Vehicles	3,936,383	-	59,760	3,876,623	3,230,997	368,279	59,760	3,539,516	337,107	705,386
	533,641,121	68,958,452	39,064,744	563,534,829	182,673,315	27,981,482	36,801,830	173,852,968	389,681,861	350,967,806
Previous Year	511,632,499	82,287,329	60,278,708	533,641,120	214,376,778	28,483,296	60,186,760	182,673,314	350,967,806	
Intangible assets										
Software	3,070,024	1,490,226	1,490,226	3,070,024	1,187,906	1,987,570	1,490,226	1,685,250	1,384,774	1,882,118
	3,070,024	1,490,226	1,490,226	3,070,024	1,187,906	1,987,570	1,490,226	1,685,250	1,384,774	1,882,118
Previous Year	3,070,024	-	-	3,070,024	690,562	497,344	-	1,187,906	1,882,118	
Total	536,711,145	70,448,678	40,554,970	566,604,853	183,861,221	29,969,052	38,292,056	175,538,218	391,066,635	352,849,924
Capital work in progress									4,920,674	
Grand Total	536,711,145	70,448,678	40,554,970	566,604,853	183,861,221	29,969,052	38,292,056	175,538,218	395,987,309	352,849,924
Previous Year	514,702,523	82,287,329	60,278,708	536,711,144	215,067,340	28,980,640	60,186,760	183,861,220	352,849,924	

Note: Additions to medical equipments includes exchange loss of ₹ 3,033,591 (previous year exchange gain ₹ 151,025) capitalised during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

PARTICULARS	As at March 31, 2012 ₹	As at March 31, 2011 ₹
Note 3 (xi) : Deferred Tax Assets, Net		
Deferred tax asset arising on account of :		
Investments in subsidiary companies		
Effect of expenditure debited to profit and loss account in the current year but not allowed for tax purposes	52,267	-
Deferred tax asset, net	**52,267**	**-**
Note 3 (xii) : Long Term Loans and Advances		
Unsecured, Considered good		
Capital advances	5,540,527	6,149,723
Gratuity Fund	10,000	10,000
MAT credit entitlement	26,523,016	28,661,295
Advance tax and tax deducted as source (Net)	5,755,499	7,211,420
	37,829,042	**42,032,438**
Note 3 (xiii) : Other Non Current Assets		
Unsecured, Considered good		
Long term trade receivables	187,905	183,705
	187,905	**183,705**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

PARTICULARS	As at March 31, 2012 ₹	As at March 31, 2011 ₹
Note 3 (xiv) : Inventories (at lower of cost and net relisable value)		
Medical Consumables and drugs	5,075,507	4,159,203
	5,075,507	**4,159,203**
Note 3 (xv) : Trade Receivables		
Aggregate amount outstanding for a period exceeding six months (From due date of payment)		
Unsecured, considered good	4,979,199	12,665,024
Doubtful	2,520,850	2,685,976
Less : Provision for doubtful debts	(2,520,850)	(2,685,976)
	4,979,199	12,665,024
Other Debts		
Unsecured, considered good	30,943,603	37,148,646
Doubtful	256,993	37,500
Less : Provision for doubtful debts	(256,993)	(37,500)
	30,943,603	37,148,646
	35,922,802	**49,813,670**
Note 3 (xvi) : Cash and Bank Balances		
Cash and Cash equivalents		
Balances with banks		
On current accounts	5,319,917	2,275,908
Cash on hand	1,349,254	975,476
	6,669,171	**3,251,384**
Note 3 (xvii) : Short Term Loans and Advances		
Unsecured, Considered good unless stated otherwise		
Loans and advances to related parties		
Advances recoverable in cash in kind or for value to be received	627,133	-
Loans and advanced to others		
Capital advances		
Security deposits	9,557,341	7,933,154
Inter corporate deposit to subsidiary	650,000,000	-
Advances recoverable in cash or in kind or for value to be received	12,566,564	13,237,119
	672,751,038	**21,170,273**
Note 3 (xviii) : Other Current Assets		
Unsecured, Considered goods		
Accrued operating income	18,225,353	10,345,067
Other receivables	9,087,534	-
Interest accrued but not due	1,740,436	1,076,136
	29,053,323	**11,421,203**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

PARTICULARS	For the year ended March 31, 2012 ₹	For the year ended March 31, 2011 ₹
Note 3 (xix) : Revenue from operations		
Sales of Services		
In Patient	738,046,723	678,417,945
Out Patient	152,568,670	127,201,972
Income from medical services	543,734	811,335
Management fees from hospitals (Refer Note 5)	19,125,440	-
Sub Total (a)	910,284,567	806,431,252
Sales of Traded Goods		
Pharmacy Items	31,380,553	24,570,669
Sub Total (b)	31,380,553	24,570,669
Other operating revenue		
Income from Served from India Scheme (SFIS)	4,968,660	-
Income from Disposal of medical waste etc.	885,281	1,503,069
Income from sponsorship camps	513,200	2,820,149
Sub Total C	6,367,141	4,323,218
Total (a+b+c)	**948,032,261**	**835,325,139**
Note 3 (xx) : Other Income		
Interest Income		
Interest on bank deposits	147,920	167,703
Interest from other deposits	191,955	155,918
Interest on income tax refunds	172,549	-
Other Non Operating Income		
Others	-	-
Income from rent	1,557,902	839,935
Parking fees	538,650	460,626
	2,608,976	**1,624,182**
Note 3 (xxi) : Changes in Inventories of Medical Consumables and drugs		
Opening Stock	4,159,203	5,787,790
Closing Stock	5,075,507	4,159,203
	(916,304)	**1,628,587**
Note 3 (xxii) : Employee Benefits		
Salaries, wages and bonus	102,615,952	77,569,997
Gratuity	1,480,225	1,214,000
Leave encashment	1,621,812	1,375,136
Contribution to provident & other funds	5,384,973	4,541,406
Staff welfare expenses	9,293,640	10,307,469
Recruitment & training	804,047	2,201,394
	121,200,649	**97,209,402**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

PARTICULARS	For the year ended March 31, 2012 ₹	For the year ended March 31, 2011 ₹
Note 3 (xxiii) : Other Expenses		
Contractual manpower	7,779,459	8,046,245
Power, fuel and water	21,752,206	20,801,294
Housekeeping expenses including cosumables	5,695,881	4,463,222
Patient food and beverages	10,960,746	9,910,329
Pathology laboratory expenses	30,272,653	27,505,536
Radiology expenses	38,806,875	37,681,872
Consultation fees to doctors	89,423,164	96,545,516
Professional charges to doctors	152,099,632	113,861,714
Cost of medical services	19,596,741	12,145,518
Repairs & maintenance		
- Building	3,670,961	4,578,109
- Plant & machinery	8,190,225	6,442,764
- Others	2,666,845	3,059,468
Rent		
- Hospital building	2,313,079	4,074,852
- Equipments	3,519,241	4,226,784
- Others	7,993,944	6,222,202
Donations	12,000	3,000
Legal & professional fee	4,333,756	2,751,523
Travel & conveyance	15,580,721	13,432,998
Rates & taxes	3,023,076	2,189,838
Printing & stationary	4,725,305	4,938,916
Communication expenses	2,921,044	2,582,148
Directors' sitting fees	99,000	46,000
Insurance	7,152,895	5,595,260
Marketing & business promotion	34,821,554	28,328,589
Loss on sale of fixed assets	594,343	39,435
Auditors' remuneration		
a. Statutory audit	786,520	165,450
b. Tax audit	56,180	60,665
c. others	168,540	33,090
d. out of pocket expenses	10,000	15,000
Bad debts	4,229,727	-
Provision for doubtful debt	355,399	157,151
Doubtful advances written off	3,509,068	-
Miscellaneous expenses	4,779,310	5,137,306
	491,900,090	**425,041,794**
Note 3 (xxiv) : Financial expenses		
Interest Expense	12,140,921	14,343,243
Exchange differences to the extent considered as an adjustment to borrowing costs	931,485	-
	13,072,406	**14,343,243**
Note 3 (xxv) : Earnings per share		
Net profit as per profit and loss account	77,593,848	54,430,381
Weighted average number of equity shares in calculating Basic EPS	18,609,509	18,609,509
Add: Weighted average number of equity shares which would be issued on the allotment of equity shares against stock option granted under ESOP 2007	-	-
Weighted average number of equity shares in calculating Diluted EPS	18,609,509	18,609,509

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

4 Proposed sale of Hospital Infrastructure Undertaking

The Shareholders of the Group have approved vide resolution dated July 18, 2011, the transfer / sale / disposal of Hospital Infrastructure Undertaking including Out Patient Department business and radio diagnosis equipments ('Hospital Infrastructure Undertaking') on a Going Concern Basis through slump sale to any one of the Affiliates / Group Company / Companies under the same management for a consideration of an amount not less than ₹ 600,000,000. On February 7, 2012, the Group has signed a Term Sheet with Fortis Health Management Limited ('FHML'), one of its group companies expressing intent to sell the Hospital Infrastructure Undertaking and proposed to enter into an exclusive and irrevocable Business Transfer Agreement effecting the transfer at a later date not exceeding six months from the date of the Term Sheet. The Group has also received an advance of ₹ 650,000,000 on February 7, 2012 towards the proposed transfer. The Group is in the process of taking necessary steps to execute the transfer. The Group has temporarily invested this amount as inter corporate deposit and earned an interest of ₹ 10,097,260. The Company is still in discussion with FHML regarding finalizing the valuation for the transaction and other terms and conditions including the arrangement to lease back the infrastructure post the proposed transfer.

5 Management fee from Hospitals

During the current year, the Company has received management fee from two hospitals with which the Company had entered into operation and management agreements aggregating to ₹ 19,125,440. Of the above, one agreement has been terminated during December 2011 and the other agreement subsequent to the year end in April 2012.

6 Composition of the group

The list of subsidiaries considered in the preparation of the consolidated financial statements of Fortis Malar Hospitals Limited are as under:

Sl.No.	Name of the Group Company	County of incorporation	Proportion of ownership interest as at March 31, 2012	Proportion of ownership interest as at March 31, 2012
I	**Subsidiary**			
a	Malar Stars Medicare Limited	India	100%	100%

7 Segment reporting

Primary Segment

The Group's operations predominantly relate to providing health care services, which in the context of Accounting Standard 17 (Segmental Information) is considered as the only business segment. Accordingly, no separate segmental information has been provided herein.

Secondary Segment – Geographical Segment.

The Group primarily operates in India and therefore mainly caters to the needs of the domestic market. Therefore, there are no reportable geographical segments.

8 Capital and other commitments

At March 31, 2012, the Group has capital commitments of ₹ 1,075,617 (Previous year ₹ Nil) towards purchase of assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

9 Contingent liabilities

	March 31, 2012 ₹	March 31, 2011 ₹
Claims against the Company not acknowledged as debts (in respect of compensation demanded by the patients / their relatives for negligence). The cases are pending with various Consumer Disputes Redressal Commissions. Based on expert opinion obtained, the management believes that the Company has good chance of success in these cases.	72,323,252	3,223,252

10 Deferral/capitalization of exchange differences

The Ministry of Corporate Affairs (MCA) has issued the amendment dated December 29, 2011 to AS 11 The Effects of Changes in Foreign Exchange Rates, to allow companies deferral/ capitalization of exchange differences arising on long-term foreign currency monetary items.

In accordance with the amendment/earlier amendment to AS 11, the Group has capitalized exchange loss, arising on long-term foreign currency loan, amounting to ₹ 3,033,591 (March 31, 2011: ₹ (151,025)) to the cost of plant and equipments.

11 Gratuity

The Group 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 service.

The Group also provides leave encashment benefit to employees, which is unfunded. The Group also provides superannuation benefits to its senior executives

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

The following table summarises the components of net benefit expense recognised in the profit and loss account and the fund status and amounts recognised in the balance sheet.

Profit and Loss Account		**March 31, 2012** ₹	**March 31, 2011** ₹
Net employee benefit expense (recognised in Employee benefits)			
(I)	Current service cost	1,641,323	1,129,000
(ii)	Past Service Cost	85,467	-
(iii)	Interest cost on Benefit Obligations	595,000	521,000
(iv)	Expected return on plan assets	(614,848)	(317,000)
(v)	Past Service Cost (Non Vested Benefits)	-	-
(vi)	Net actuarial (gains)/ losses recognised in the year	(226,717)	(119,000)
(vii)	Net (benefit) / expense	**1,480,225**	1,214,000
(viii)	Actual return on plan assets	174.432	559,224
Balance Sheet			
Details of Provision for gratuity			
(I)	Defined benefit obligation	8,896,472	7,741,000
(ii)	Fair value of plan assets	7,273,565	6,328,000
(iii)	Unrecognized past service cost		
(iv)	Plan (Liability) /Asset	**(1,622,907)**	**(1,413,000)**
Changes in the present value of the defined benefit obligation are as follows:			
(I)	Opening defined benefit obligation	7,741,000	6,835,000
(ii)	Current service cost	1,726,790	1,129,000
(iii)	Past Service Cost	-	-
(iv)	Interest cost	595,000	521,000
(v)	Actuarial (gains) / losses on obligation	(534,000)	(91,000)
(vi)	Benefits paid	(632,318)	(653,000)
(vii)	Closing defined benefit obligation	**8,896,472**	**7,741,000**
Changes in the fair value of the plan assets are as follows :			
(I)	Opening fair value of plan assets	6,328,000	1,483,000
(ii)	Expected return	614,848	317,000
(iii)	Actuarial gains / (losses)	(307,283)	28,000
(iv)	Contributions by employer	638,000	5,153,000
(v)	Benefits Paid	-	(653,000)
(vi)	Closing fair value of plan assets	**7,273,565**	**6,328,000**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

The principal assumptions used in determining gratuity and post-employment medical benefit obligations for the Group's plans are shown below :

Particulars	March 31, 2012	March 31, 2011
Discount rate	8.00%	8.00%
Expected rate of return on assets	9.25%	9.25%
Employee turnover		
Age upto 30 years	18.00%	18.00%
Age 31 to 44 years	6.00%	6.00%
Age Above 44 years	2.00%	2.00%

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

The company expects to contribute ₹ 1,600,000 to gratuity in the next year (March 31, 2011: ₹ 638,000).

The fund is 100% administered by Life Insurance Corporation of India ("LIC"). The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

Amounts for the current and previous four periods are as follows:

	March 31, 2012	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008
Gratuity					
Defined benefit obligation	(8,781,000)	(7,741,000)	(6,835,000)	(6,311,000)	NA
Plan assets	7,273,565	6,328,000	1,483,000	1,329,000	NA
Surplus / (deficit)	(1,507,435)	(1,413,000)	(5,352,000)	(4,982,000)	NA
Experience adjustments on plan liabilities	(11,000)	91,000	116,000	(2,546,000)	NA
Experience adjustments on plan assets	(307,283)	28,000	(7,000)	(14,000)	NA

12 Employee stock option plans

The Group provides share-based payment schemes to its employees. During the year ended March 31, 2012, an employee stock option plan (ESOP) was in existence. The relevant details of the scheme and the grant are as below.

Malar Employee Stock Option Plan 2008 was approved by the board of directors of the Company on 31st July 2008/28th May 2009 and by shareholders in the annual general meeting held on 29th September, 2008 /21st August 2009. The following are some of the important conditions to the scheme:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Vesting Plan

- 25% of the option shall vest on the completion of 12 months from the grant date.
- 25% of the option shall vest on the completion of 24 months from the grant date.
- 25% of the option shall vest on the completion of 36 months from the grant date.
- 25% of the option shall vest on the completion of 48 months from the grant date.

Exercise Plan

There shall be no lock in period after the options have vested. The vested options will be eligible to be exercised on the vesting date itself. Notwithstanding any provisions to the contrary in this plan the options must be exercised before the end of the tenure of the plan.

Effective Date

The plan shall be deemed to have come to in force on the 21 August 2009 or on such other date as may be prescribed by the board of directors of the Company subject to the approval of shareholders of the Company in general meeting.

The details of activity under the Scheme are summarized below:

	March 31, 2012		March 31, 2011	
	No. of options	WAEP (₹)	No. of options	WAEP (₹)
Outstanding at the beginning of the year	295,000	26.20	295,000	26.20
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	295,000	26.20	295,000	26.20
Exercisable at the end of the year	73,750	26.20	73,750	26.20

The weighted average remaining contractual life for the stock options outstanding as at 31 March 2012 is 4.75 years (31 March 2011: 5.75 years). The range of exercise prices for options outstanding at the end of the year was ₹ 10. (31 March 2011: ₹ 10.)

The weighted average fair value of stock options granted during the year was ₹ 13.45 (31 March 2011: ₹ 13.45). The Black Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

Particulars	March 31, 2012	March 31, 2011
Dividend yield (%)	0.00%	0.00%
Expected volatility	67.42%	67.42%
Risk-free interest rate	7.50%	7.50%
Weighted average share price (Rs.)	Nil	Nil
Exercise price (Rs.)	26.20	26.20
Expected life of options granted in years	5	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

The expected life of the stock is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The Group measures the cost of ESOP using the intrinsic value method. Had the Group used the fair value model to determine compensation, its profit after tax and earnings per share as reported would have changed to the amounts indicated below:

Particulars	March 31, 2012	March 31, 2011
Profit after tax as reported	77,593,848	54,430,381
Add: ESOP cost using the intrinsic value method	Nil	Nil
Less: ESOP cost using the fair value method	1,294,918	1,248,959
Proforma profit after tax	76,298,930	53,181,422
Earnings Per Share		
Basic		
- As reported	4.17	2.92
- Proforma	4.10	2.86
Diluted		
- As reported	4.17	2.92
- Proforma	4.10	2.86

13 Related Party Disclosures

13.1. List of related parties with whom transactions have taken place and relationships.

Ultimate Holding Company	Fortis Healthcare Limited
Holding Company	Fortis Hospitals Limited
Key Management Personnel	Mr. Krish Ramesh (Whole-time Director)
Enterprises under common control	Fortis Health Management Limited Fortis Healthcare (India) Limited Hospitalia Eastern Private Limited Lalitha Healthcare Private Limited Super Religare Laboratories Limited Fortis Health Management (North) Limited Escorts Heart Institute and Research Centre Limited Fortis Hospotel Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

13.2. Transactions during the year with related parties

Particulars	FY 2011-12				FY 2010-11			
	Key Management Personnel	Ultimate holding company	Holding Company	Entities under Common Control	Key Management Personnel	Ultimate holding company	Holding Company	Entities under Common Control
Transactions during the year								
Advance received towards sale of undertaking								
Fortis Health Management Limited				650,000,000				
Inter corporate deposit placed								
Fortis Health Management (North) Limited				650,000,000				
Repayment of Loan taken								
Fortis Hospotel Limited								15,000,000
Interest Earned								
Fortis Health Management (North) Limited				10,097,260				
Interest Paid								
Fortis Hospotel Limited								4,603,553
Sale of Pharmacy Items								
Escorts Heart Institute and Research Centre Limited								166,095
Reimbursement of expenses incurred on behalf of group Companies								
Fortis Healthcare Limited		474,215				462,045		
Hospitalia Eastern Private Limited				44,275				
Super Religare Laboratories Limited				152,041				
Reimbursement of expenses incurred by group Companies on behalf of the Group								
Fortis Healthcare Limited		407,253						
Fortis Hospitals Limited			572,548					
Purchase of medical equipments								
Lalitha Healthcare Private Limited				537,500				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

Particulars	FY 2011-12				FY 2010-11			
	Key Management Personnel	Ultimate holding company	Holding Company	Entities under Common Control	Key Management Personnel	Ultimate holding company	Holding Company	Entities under Common Control
Services received								
Super Religare Laboratories Limited				44,14,397				385,601
Escorts Heart Institute and Research Centre Limited				1,095,891				
Managerial Remuneration								
Mr. Krish Ramesh (Whole-time Director)	5,909,101				7,084,780			
Balance outstanding at the end of the year Trade Payable								
Super Religare Laboratories Limited				(3,171,396)				
Advance recoverable								
Hospitalia Eastern Private Limited				44,275				
Fortis Healthcare (India) Limited				627,133				
Other Liabilities								
Fortis Hospitals Limited			(44,949)					
Advance received towards sale of undertaking								
Fortis Health Management Limited				650,000,000				
Inter Corporate deposit								
Fortis Health Management (North) Limited				(650,000,000)				
Interest accrued on but not due								
Fortis Health Management (North) Limited				8,631,148				

Note: The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Group as a whole.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

14 **Operating lease payments**

Operating lease agreements have been entered in to by the Company with respect to office premises and medical equipments. The total lease payments made during the year are as follows:

Particulars	March 31, 2012	March 31, 2011
Lease rentals paid	13,826,264	14,523,838

15 The figures of previous year were audited by a firm of Chartered accountants other than S R B C & CO. Previous year's figures have been regrouped where necessary to conform to the current year's classification.

As per our report of even date.

For **S R B C & CO**
Chartered Accountants
Firm's Registration No. 324982E

S. Balasubrahmanyam
Partner
Membership No. 053315

Place : Chennai
Date : May 14, 2012

For and on behalf of the Board of Directors of
Fortis Malar Hospitals Limited

Krish Ramesh
Whole Time Director

Aditya Vij
Director

K Sundar
Financial Controller

Poonam Makkar
Company Secretary

Fortis Malar Hospitals Limited

Regd. Office: 52, First Main Road, Gandhi Nagar, Adyar, Chennai - 600 020.

Fortis MALAR HOSPITAL

ATTENDANCE SLIP

Folio No / (DP Id - Client Id) : ____

No. of Shares:_____________

I/ We ________________________________ hereby record my/ our presence at the 21st ANNUAL GENERAL MEETING of the Company to be held on Wednesday, the 5th September, 2012 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(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: 52, First Main Road, Gandhi Nagar, Adyar, Chennai - 600 020.

Fortis MALAR HOSPITAL

PROXY FORM

Folio No / (DP Id- Client Id) : ____

No. of Shares:_____________

Name (s) in Full	Father's/ Husband's Name	Address as Regd. with the Company
1. ______________________	_________________________	_________________________
2. ______________________	_________________________	_________________________
3. ______________________	_________________________	_________________________

being a member of Fortis Malar Hospitals Limited, hereby appoint _____________________ of ___________________ in the district of _______________or failing him _________________ of _______________ in the district of ____________________ as my/our Proxy to attend and vote for me/us on my/our behalf at the Twenty First Annual General Meeting of the Company scheduled to be held on 5th day of September, 2012 at P.Obul Reddy Hall, Sri Thyaga Brahma Gana Sabha (Regd) – Vani Mahal, 103, G.N.Road, T.Nagar, Chennai – 600 017at 2.30 P.M. and/or at any adjournment thereof.

AS WITNESS my hand / our hand this ___________________ day of____________ 2012

Affix
50 paise
Revenue
Stamp

Signature ____

Note: The Proxy form duly completed and signed should be deposited at the Registered Office of the Company situated at 52, First Main Road, Gandhi Nagar, Adyar, Chennai – 600 020 not later than 48 hours before the commencement of the Annual General Meeting. A proxy need not be a member.

Book-Post

Fortis
M A L A R
H O S P I T A L

Fortis Malar Hospitals Ltd.
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