ANNUAL REPORT 2012-2013

Fortis
MALAR
HOSPITAL

Contents

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Aditya Vij
Mr. Ashish Bhatia
Mr. Lakshman Teckchand Nanwani
Dr. Nithya Ramamurthy
Mr. P. Murari
Mr. Rama Krishna Shetty
Mr. Ramesh L.Adige
Mr. Sandeep Puri
Mr. Sanjay Jayavarthanavelu
Mr. V. Vijayarathna

COMPANY SECRETARY

Mr. Dinesh Gupta

AUDITORS

M/s S R B C & Co. LLP
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
Fax : + 91 - 44 - 4289 2293
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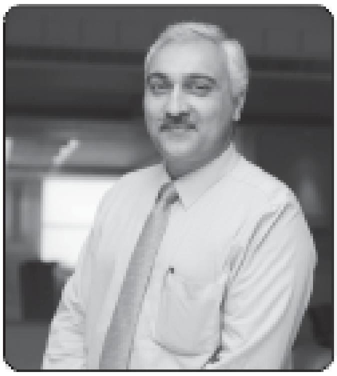
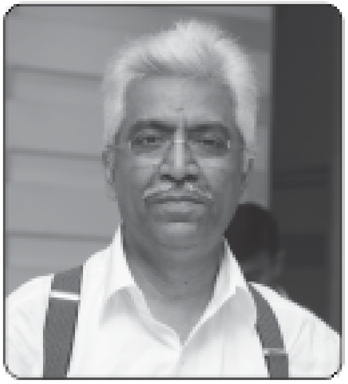
BOARD OF DIRECTORS

Mr. Aditya Vij



Mr. Ashish Bhatia



Mr. Lakshman Teckchand Nanwani

Dr. Nithya Ramamurthy

Mr. P. Murari

Mr. Ramakrishna Shetty

Mr. Ramesh L. Adige

Mr. Sandeep Puri

Mr. Sanjay Jayavarthanavelu

Mr. V. Vijayarathna

CHAIRMAN'S MESSAGE

Dear Shareholders,

I have great pleasure in presenting the results of your company for the year ended March 31, 2013. Your Company continued to show growth in revenues and profit.

Annual revenues grew 9% to Rs. 105.16 Crores from Rs. 96.13 Crores in the previous financial year. Operating EBITDA rose to Rs.18.82 Crores, a growth of 25% compared to the previous financial year. Net profit before extra-ordinary item jumped 44% to Rs.15.53 Crores compared to Rs.10.81 Crores in the previous financial year. During the year your Company realised an extraordinary profit of Rs. 41.40 crores from the sale of the Clinical Establishment. This resulted in a net profit after tax of Rs. 43.48 crores which is 460% higher than that of Rs.7.76 crores earned in the previous year.

Average revenue per occupied bed (ARPOB) increased from Rs. 93 Lacs in FY 2012 to Rs. 96 Lacs in FY 2013. The average length of stay (ALOS) reduced from 3.89 days in FY 2012 to 3.69 days in FY 2013.

During the year our surgeons continued to perform complex and first of their kind procedures. To name a few, we airlifted a very sick patient from Delhi who had severe heart failure and successfully resuscitated her using Artificial Heart Technology (ECMO) and then performed a Heart transplant. Our surgeons also successfully performed India's first Permanent Artificial Heart Pump (LVAD Heartmate II) implant on a 58-year old gentleman.

With the addition of highly skilled surgeons and consultants we strive to constantly improve our standards and set benchmarks for other hospitals in the country.

As part of your Company's initiatives to reduce the carbon foot print, your Company migrated to environment friendly wind energy and almost 97% of our Tamil Nadu Electricity Board (TNEB) energy requirements have been met by wind energy, since October 2012.

Our people and clinicians play a vital role in delivering superior patient care and have been instrumental in upholding the values of Fortis. On behalf of the management I take this opportunity to thank them for their contributions during the year.

As part of our initiatives to share medical breakthroughs with wider medical community, we organised "Advanced Heart Failure and Mechanical Assist Meet", a first-of-its-kind conclave in India where over 100 clinicians participated in discussions with guest lectures from renowned national and international surgeons.

All these endeavours have been useful in raising the bar of clinical excellence at Chennai.

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

With warm regards

Aditya Vij

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the **Twenty Second Annual General Meeting** of the Company will be held **on Monday, August 19, 2013, at 11.30 AM** at P. Obul Reddy Hall, Sri Thyaga Brahma Gana Sabha, Vani Mahal, 103, G.N. Road, T. Nagar, Chennai – 600 017 to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Balance Sheet as at March 31, 2013, the Statement of Profit and Loss for the year ended on that date and the Reports of the Board of Directors and Statutory Auditors thereon.

2. To appoint a director in place of Mr. Ramesh Lakshman Adige, who retires by rotation and is eligible for re-appointment.

3. To appoint a director in place of Mr. Murari Pejavar, who retires by rotation and is eligible for re-appointment.

4. To appoint Auditors and to authorise the Board of Directors of the Company to fix their remuneration and in this regard, to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

   "RESOLVED THAT subject to the applicable provisions, of the Companies Act, 1956, if any, M/s. S.R. Batliboi & Co. LLP, Chartered Accountants (Firm Registration No. 301003E), be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting untill the conclusion of the next Annual General Meeting in place of the retiring Auditors, M/s. S R B C & Co. LLP, Chartered Accountants, (who have expressed their unwillingness to be re-appointed) on such remuneration as shall be fixed by the Board of Directors."

   (The company had received notice from a member signifying his intention to propose the above resolution.)

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. Sandeep Puri (Director's Identification No. 05345943), who was appointed as an Additional Director of the Company w.e.f. September 14, 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 Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.

   RESOLVED FURTHER THAT the Directors and the 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. Rama Krishna Shetty (Director's Identification No. 01521858), who was appointed as an Additional Director of the Company w.e.f. January 30, 2013 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 director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.

   RESOLVED FURTHER THAT the Directors and the 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 an Ordinary Resolution:

   "RESOLVED THAT Mr. Lakshman Teckchand Nanwani (Director's Identification No.00076536), who was appointed as an Additional Director of the Company w.e.f. March 29, 2013 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 director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.

   RESOLVED FURTHER THAT the Directors and the 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."

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

Dinesh Gupta
Company Secretary

Dated: July 19, 2013
Place: Chennai

Notes:

1. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the businesses under Item nos. 5 to 7 is annexed hereto.

2. **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 of the Company.

3. Pursuant to Clause 49 of the Listing Agreement, the particulars of Directors seeking appointment / re-appointment at this Annual General Meeting are annexed.

4. The Register of Members and Share Transfer Books of the Company shall remain closed from **Monday, August 12, 2013** to **Monday, August 19, 2013** (both days inclusive).

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

6. Members / Proxies should bring the Attendance Slip duly filled in for attending the Meeting. The members who hold shares in dematerialized form are requested to bring their Client Master List / Depository Participant Statement / Delivery Instruction Slip, reflecting their Client Id. and DP Id. Nos. for easier identification of attendance at the meeting.

7. Members holding shares in physical form are requested to kindly notify the Company of any change in their addresses so as to enable the Company to address future communication to their correct addresses. Members holding shares in demat form are requested to notify their respective Depository Participant of any change in their addresses.

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. Corporate members are requested to send a duly certified copy of the Board Resolution / Power of Attorney authorizing their representative to attend and vote at the Annual General Meeting.

10. 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.

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 the 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 as regards the Accounts are requested to write to the Company Secretary, giving at least 7 days notice prior to the date of Annual General Meeting to enable the Management to reply at the Meeting.

14. The Ministry of Corporate Affairs has undertaken a **'Green Initiative in the Corporate Governance'** by allowing paperless compliances by Companies vide its Circular Nos.17/2011 and 18/2011 dated April 21, 2011 and April 29, 2011, respectively. A recent amendment to the Listing Agreement with the Stock Exchange(s) permits Companies to send soft copies of the Annual Report to all those shareholders who have registered their email address for the said purpose. Members are requested to support this Green Initiative by registering / updating their e-mail address for receiving electronic communications.

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. Sandeep Puri, as an additional director of the Company w.e.f. September 14, 2012, 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 resume of Mr. Sandeep Puri 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 a Non-Executive Director, the Company would be immensely benefitted by way of strategic guidance, leadership and knowledge of the above said director. Hence, the resolution as set out at item No.5 of the notice is recommended for your approval.

None of the Directors except Mr. Sandeep Puri is concerned or interested in the said resolution.

Item No. 6

The Board of Directors of your Company had co-opted Mr. Rama Krishna Shetty, as an additional director of the Company w.e.f. January 30, 2013. 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. Rama Krishna Shetty 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 immensely benefited from the expertise and knowledge of the above said director. Hence, the resolution as set out at Item No. 6 of the notice is recommended for your approval.

None of the Directors except Mr. Rama Krishna Shetty is concerned or interested in the said resolution.

Item No. 7

The Board of Directors of your Company had co-opted Mr. Lakshman Teckchand Nanwani, as an additional director of the Company w.e.f. March 29, 2013. 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. Lakshman Teckchand Nanwani 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 immensely benefited from the expertise and knowledge of the above said director. Hence, the resolution as set out at Item No. 7 of the notice is recommended for your approval.

None of the Directors except Mr. Lakshman Teckchand Nanwani is concerned or interested in the said resolution.

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

Dated: July 19, 2013
Place: Chennal

Dinesh Gupta
Company Secretary

DETAILS OF DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT IN THE ANNUAL GENERAL MEETING
(Pursuant to Clause 49 of the Listing Agreement)

NAME OF DIRECTOR	Mr. Ramesh Lakshman Adige	Mr. Murari Pejavar	Mr. Sandeep Puri	Mr. Rama Krishna Shetty	Mr. Lakshman Teckchand Nanwani
Date of Birth	June 18, 1950	August 19, 1934	February 21, 1962	March 19, 1948	October 7, 1960
Date of Appointment	February 19, 2008	March 3, 2009	September 14, 2012	January 30, 2013	March 29, 2013
Relationship with Directors	None	None	None	None	None
Expertise in specific functional areas	Corporate affairs, public policy and strategic and perspective planning	General Industrial Administration	Finance	General Management	General Management
Qualification	Bachelor of Engineering (Honours) and Post Graduate Degree from the Faculty of Management Studies (University of Delhi)	M.A. (Economics) – Madras University, passed State Civil Services and Indian Administrative Services	B.Com, Member of the Institute of Chartered Accountants of India	Bachelor's Degree in Mechanical Engineering (Karnataka University) and Executive Development program in Product Management Control (Mumbai)	SSLC
Details of Shares/ESOPs held in the company	Nil	Nil	Nil	Nil	Nil
Board Membership of other companies as on March 31, 2013 (excluding Private & Foreign Companies)	- Syndicate Bank - Premier Limited	- HEG Limited - Aban Offshore Limited - Xpro India Limited - Aditya Birla Nuvo Limited - Great Eastern Energy Corporation Limited	- Fortis Healthstaff Limited - Malar Stars Medicare Limited - Lalitha Healthcare Private Limited	- Religare Enterprises Limited - Religare Securities Limited - Dion Global Solution Limited	Nil

NAME OF DIRECTOR	Mr. Ramesh Lakshman Adige	Mr. Murari Pejavar	Mr. Sandeep Puri	Mr. Rama Krishna Shetty	Mr. Lakshman Teckchand Nanwani
		- Adyar Gate Hotels Limited - Bajaj Holdings & Investment Limited - Bajaj Auto Limited - Idea Cellular Limited	- Hiranandani Healthcare Private Limited - Fortis Health Management (North) Limited - Fortis Health Management (West) Limited - Fortis Health Management (South) Limited - Fortis Hospitals Limited - Fortis Emergency Services Limited	- Healthfore Technologies Limited - Religare Financial Consultancy Services Limited	
Chairman / Member of the Committees * of other Companies on which he is a Director as on March 31, 2013	**Audit Committee** Nil **Shareholders' & Investors' Grievance Committee** Syndicate Bank	**Audit Committee** - Aban Offshore Limited **(Chairman)** - Aditya Birla Nuvo Limited - Xpro India Limited - Great Eastern Energy Corporation - Adayar Gate Hotel Limited **(Chairman)** **Shareholders' & Investors' Grievance Committee** Bajaj Holdings and Investment Limited **(Chairman)**	**Audit Committee** Nil **Shareholders' & Investors' Grievance Committee** Nil	**Audit Committee** - Healthfore Technologies Limited **(Chairman)** **Shareholders' & Investors' Grievance Committee** Nil	**Audit Committee** Nil **Shareholders' & Investors' Grievance Committee** Nil

* The Committees include the Audit Committee and the Share holders'/ Investors' Grievance Committee.

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Twenty Second Annual Report together with the Audited Standalone and Consolidated Financial Accounts of your Company for the financial year ended March 31, 2013.

FINANCIAL RESULTS

The highlights of Consolidated and Standalone Financial Results of your Company and its subsidiary are as follows:

(Rs. in Lacs)

Particulars	Consolidated		Standalone	
	For the year ended March 31, 2013	For the year ended March 31, 2012	**For the year ended March 31, 2013**	For the year ended March 31, 2012
Total Income	**10,516.09**	9,612.62	**10,476.60**	9,607.82
Total Expenditure	**8,633.78**	8,101.13	**8,637.52**	8,103.32
Profit Before Interest, Tax & Depreciation	**1,882.31**	1,511.49	**1,839.08**	1,504.50
Less: Financial Cost	**80.04**	130.72	**80.04**	130.72
Less: Depreciation/Provision for Obsolescence/Impairment	**249.04**	299.69	**249.04**	299.69
Profits before Extraordinary items & Tax	**1,553.23**	1,081.08	**1,510.00**	1,074.09
Extraordinary item	**4,140.05**	-	**4,140.05**	-
Profits before Tax	**5,693.28**	1,081.08	**5,650.05**	1,074.09
Net Profits after tax	**4,347.83**	775.94	**4,317.96**	771.11

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, 2013, your Company recorded a growth of 9% in consolidated revenues to reach Rs. 10,516.09 Lacs in financial year 2012-13 from Rs. 9612.62 Lacs in financial year 2011 -12. The company generated Rs. 1,553.23 lacs in Profit before extraordinary items and tax, an increase of 44% over the previous year's profit of Rs. 1,081.08 Lacs. Profits after Tax increased to Rs. 4,347.83 Lacs mainly on account of extraordinary item arising on account of sale of Clinical establishment.

During the year, the Company witnessed moderate growth across all streams with significant growth in international revenues.

A detailed discussion on Operational and Financial Performance of the Company for the year is given in "Management Discussion and Analysis" Section of this Annual Report.

OPERATIONS

The growth in occupancies and revenues with focus on efficiency 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, 2013 under the "Malar Employees Stock Option Plan 2008" are set out in the Annexure – I to this Directors' Report.

SUBSIDIARY

During the Financial Year 2012-13, 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. In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Statement of Profit and Loss and other documents of the subsidiary company are not been attached with the Balance Sheet of the Company. The Company will make available the Annual Accounts of the subsidiary company and the related detailed information to any member of the Company who may be interested in obtaining the same.

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 members, if they so desire, may write to the Company to obtain a copy of financials of the subsidiary company.

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.

A detailed report on Corporate Governance pursuant of Clause 49 of the Listing Agreement forms part of the Annual Report. A Certificate from M/s. Sanjay Grover & Associates, Company Secretary in Whole-time Practice confirming compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange is annexed with the said Corporate Governance Report.

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

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Ramesh L. Adige and Mr. Murari Pejavar retire by rotation as Directors at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Since the last report, Mr. Sandeep Puri , Mr. Rama Krishna Shetty, Mr. Lakshman Teckchand Nanwani have been appointed as Additional Directors of the Company w.e.f. September 14, 2012, January 30, 2013 and March 29, 2013, respectively. 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.

A brief resume, nature of expertise, details of directorships held in other public limited companies, of the directors seeking appointment / re-appointment along with their shareholding in the Company as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange is appended as an annexure to the notice of the ensuing Annual General Meeting.

Dr. P.S. Joshi had resigned from the Directorship of the Company w.e.f. January 30, 2013. The Board wishes to accord its sincere appreciation for the valuable services and support rendered by him during his tenure as Director of the Company.

STATUTORY AUDITORS / AUDITORS' REPORT

M/s. S R B C & Co. LLP, Chartered Accountants, Statutory Auditors of your Company will retire at the conclusion of the ensuing Annual General Meeting. They have informed their inability to continue as the Statutory Auditors of the Company beyond the conclusion of the Annual General Meeting.

M/s S.R. Batliboi & Co. LLP, Chartered Accountants have confirmed their willingness and eligibility for appointment and have also confirmed that their appointment, if made, will be within the limits under Section 224(1B) and that they are not disqualified for such re-appointment within the meaning of Section 226 of the Companies Act, 1956.

The Board recommends the appointment of M/s S.R. Batliboi & Co. LLP, Chartered Accountants as the Statutory Auditors of the Company for the financial year 2013-14.

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.

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

The particulars relating to energy conservation, technology absorption, foreign exchange earnings and outgo, as required to be disclosed 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 provided in the Annexure II to this report.

DIRECTORS' RESPONSIBILITY STATEMENT:

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

(a) that in the preparation of the Annual Accounts for the year ended March 31, 2013, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;

(b) that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2013 and of the Profit or Loss of the company for that period;

(c) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

(d) that the directors had prepared the Annual Accounts on a going concern basis.

ACKNOWLEDGEMENTS

Your Directors would like to express their appreciation for the co-operation and assistance extended by various Banks and the Government of Tamil Nadu. Your Directors also wish to place on record their appreciation for 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 19, 2013
Place : Chennai

Aditya Vij
Chairman

ANNEXURE - I TO DIRECTORS' REPORT

INFORMATION REGARDING THE EMPLOYEE STOCK OPTION PLAN AS ON MARCH 31, 2013

S.No.	Particulars	Malar Employee Stock Option Plan 2008
1.	Number of Stock Options Granted	3,70,000 options have been granted till March 31, 2013. No Option was granted during the year.
2.	Pricing Formula	Market price of share as on the date of grant, as per Securities Exchange Board of India (Employee Stock Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.
3.	Options Vested	2,21,250 options
4.	Number of Options Exercised	Nil
5.	Number of shares arising as a result of Exercise of Option	Nil
6.	Number of options lapsed	90,000 options have been lapsed till March 31, 2013
7.	Variation of terms of options	None
8.	Money realized by exercise of options	Nil
9.	Total number of options in force	2,80,000 options
10.	Employee-wise details of Options granted to:	
	i) senior management personnel;	Nil
	ii) any other employee who received a grant in any one year of Options amounting to 5% or more of options granted during that year; and	Nil
	iii) identified employees who are granted Options, during any one year, equal to or exceeding 1% of the issued capital of the Company at the time of Grant.	Nil
11.	Diluted earnings per share (EPS) as per Accounting Standard (AS) – 20	Rs. 23.26
12.	Difference between the employees compensation cost based on intrinsic value of the Stock and the fair value for the year and its impact on profits and on EPS of the Company	The effect on the profits and earnings per share, had the fair value method been adopted, is presented below: **Profit After Tax** **(Rs. In Lacs)** As reported 4,347.83 *Add:*Intrinsic Value Compensation Cost Nil *Less:*Fair Value Compensation Cost 12.69 **Adjusted Profit** **4,335.14** **Earnings Per Share** **Basic** **Diluted** As reported 23.36 23.32 As adjusted 23.30 23.26
13.	a) Weighted average exercise prices of options b) Weighted average fair values of options	Rs. 26.20 Rs.13.45
14.	A description of the method and significant assumptions used during the year to estimate the fair values of options. (i) Risk free interest rate (ii) Expected life (iii) Expected volatility (iv) Expected dividends (v) Market price of the underlying share on Grant Date	N.A. since there was no grant during the year.

ANNEXURE – II 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 March 31, 2013.

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

A. Conservation of Energy

a) Energy conservation measures taken:

- Your company started sourcing wind power from October, 2012 and wind energy contributed 97% of power consumption since then.

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

- Your company took several measures to save energy and installed a higher capacity generator which is more fuel efficient.
- Power factor is maintained at 1. This has been achieved by constantly testing all electrical equipment's and replacing old items.
- All the old LT panels were replaced with the new more efficient and safe panels.

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

- The above measures have resulted in considerable reduction of electricity cost. Power, fuel and water costs have increased only by 2.5% during the year despite steep hike in electricity tariffs and diesel costs.

B. Technology Absorption

1. Research & Development (R & D): NIL

- Nil

2. Technology Absorption, Adaptation & Innovation:

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

- Your Company purchased various medical equipments to facilitate our clinicians to diagnose and treat patients appropriately. Key among those are Turis, Portable Echo, Cardiotocograph, etc
- Your company installed electro surgical unit which is specifically designed for out - patient specialities.
- Your company installed Sterile Connecting Device - Terumo Sterile Connecting Device (TSCD-II) which accomplishes quick and safe tubing connections that maintain a functionally closed system in the blood bank.

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

- Excess prostate tissue can be removed very gently and safely in patients with Benign Prostatic Hyperplasia; can assess the heart, cardiac valves, great vessels, surrounding anatomical structures, overall cardiac performance and heart size for the presence or absence of pathology; automated maternal pulse detection via the Toco MP transducer without the need to monitor maternal ECG separately.

c) In case of imported technology (imported during last 5 years) reckoned from the beginning of the financial year, following information may be furnished: Nil

C. Foreign Exchange Earnings and Outgo

a) Activities relating to exports: initiatives taken to increase exports; development of new export markets for products and services; and export plans: Nil

b) Total foreign exchange earned and used:

(i) Earnings:		Rs. 462.44 Lacs
(ii) Expenditure:	CIF Value of Imports-	Rs. 44.87 Lacs
	Others-	Rs. 36.22 Lacs

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Overview: Indian healthcare sector

The Indian healthcare sector has undergone a major transformation in the last decade and is one of the most promising sunrise industries in terms of growth and employment. The Indian Healthcare sector, contributing around 5.0% to India‟s GDP, was estimated at USD 78.6 billion in the year 2012, and is expected to reach USD 119.6 billion by 2015, reflecting a CAGR of 15.0% over this period. The growing population, increase in lifestyle related diseases, increasing purchasing power of the middle class and rising awareness about chronic diseases will be the key growth driver for the sector. In 2011, India had a ratio of 0.9 hospital beds to every 1,000 people, as against the WHO recommendation of 4.0 beds per 1,000 people, thus providing a huge untapped potential for healthcare providers.

The growing contribution of the private sector to the healthcare industry, whose share has grown from 60% to80% 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.

The Indian healthcare delivery system is divided into two major segments; public and private. Government of India and State Government hospitals provides treatment at the taxpayers' expense. Most essential drugs are offered free of charge in these hospitals. In 2009-10, there were approximately 31,565 Government hospitals excluding Primary Health Centers ("PHCs") and 17,300 private hospitals in India. Nearly 95.0% of private hospital facilities are standalone hospitals and the remainder are corporate hospitals (chain of hospitals run by professional healthcare groups).Source: Frost & Sullivan report on the Healthcare Delivery Market

However, the existing investments in India's public healthcare are inadequate to meet the healthcare needs of the country. According to WHO, the global share of Government healthcare expenditure was nearly 61.0% of the total healthcare expenditure in 2010. This proportion is extremely high as compared to Government expenditure of 33.3% in 2010.

The Government has started a large number of PHCs focused on providing immunisation, malnutrition, pregnancy and childbirth care and treatment of common illnesses, to cater to the rural populace. The secondary and tertiary care is mostly provided by private healthcare organisations with a major concentration in tier 1 cities. Further, most of the tertiary care institutions run by the public sector have been facing various resource difficulties and are unable to meet the growing needs for complex diagnostic and therapeutic modalities in India.

Key Growth Drivers

Shift from communicable to lifestyle diseases: With increasing urbanisation and the problems related to modern day living in urban settings, over 50% of spending on in-patient beds currently is for lifestyle-related diseases; this has resulted in increased demand for specialised care. Lifestyle-related diseases represent an important high-volume and high-valueopportunity. These accounted for nearly 53 per cent of mortality in 2009-10. Average bill sizefor the treatment of lifestyle related diseases was over 50 per cent higher than the remaining in 2004-05. For thehospital, the 'lifetime value' of the patient will go up at no incremental capex.

Increasing penetration of health insurance: Health insurance is gaining momentum in India; gross healthcare insurance premium expanded at a CAGR of 39 per cent over FY06-10. This trend is likely to continue, thereby benefitting the country‟s healthcare industry. Further, with increasing number of companies offering insurance cover to their employees, the healthcare insurance business in India is set to expand further and the share of population having medical insurance is likely increase significantly. Given the huge opportunity in the sector, the health insurers need to strengthen focus on improving quality of service delivered by hospitals, continue efforts towards increasing awareness of health insurance and create appropriate products targeted at non-communicable diseases.

Expansion to tier-II and tier-III cities: There is substantial demand for high-quality and specialty healthcare services in tier-II and tier-III cities. In order to encourage the private sector to establish hospitals in these cities, Government has relaxed the tax burden on these hospitals for the first five years.This geographic segment will provide a large opportunity for secondary as well as tertiary multispecialty hospitals. The business model for these hospitalswill need to be adapted to lower costs, and staffed with a different set of talent pool.

Growing preference for private healthcare in India: In India, private healthcare accounts for almost 68 per cent of the country‟s total healthcare expenditure. Rising incomes have led to greater affordability of superior quality private sector healthcare facilities and private players have also been constantly innovating in their efforts to provide better healthcare services to a wider customer base. Some have been trying to combine traditional healthcare practices with conventional systems in a bid to offer a new avenue of growth for their business

Medical Tourism: The medical tourism industry in India is pegged at US$ 1 billion per annum, growing at around 18 per cent and is expected to touch US$ 2 billion by 2015.Presence of world-class hospitals and skilled medical professionals has strengthened India‟s position as a preferred destination for medical tourism

The growth in the sector is underscored by the cost advantage that India provides to the patients from developed countries. India has witnessed an influx of patients from Africa, CIS countries, Gulf and SAARC nations, Pakistan, Bangladesh and Myanmar, who mainly come for organ transplant, orthopedic, cardiac and oncology problems.

The inflow of medical tourists to India has increased by 23 per cent, with Chennai emerging to be the favourite hotspot. The city attracted about 40 per cent of the country's medical tourists, in addition to more than 600,000 tourists visit the state every year, according to a study by Confederation of Indian Industries (CII).

Government Initiatives: The Government of India has decided to increase health expenditure to 2.5 per cent of gross domestic product (GDP) by the end of the Twelfth Five Year Plan (2012-17). Dr Manmohan Singh, the Prime Minister of India, also emphasised the need for increased outlay to health sector during the Twelfth Five Year Plan.Moreover, 100 per cent FDI is permitted for health and medical services under the automatic route.

In an initiative, 348 essential medicines will now come under price control in India. These currently contribute Rs 13,033 Crore (USD 2.25 billion) to the total annual sales of Rs 72,762 Crore (USD 12.59 billion), according to market research firm IMS Health‟s analysis.

Some highlights of the Union Budget 2013-14for the healthcare are as follows:

- Health for all remains one of the priority sectors for the Government
- The Ministry of Health & Family Welfare has been allocated Rs 37,330 Crore (USD 6.46 billion). Of this, the new National Health Mission that combines the rural mission and the proposed urban mission will get Rs 21,239 Crore (USD 3.67 billion), an increase of 24.3 per cent over the revenue expenditure (RE).

- Rs 4,727 Crore (USD 817.82 million) for medical education, training and research
- The National Programme for the Health Care of Elderly is being implemented in 100 selected districts of 21 States. Eight regional geriatric centres are being funded for the development of dedicated geriatric departments. Rs 150 Crore (USD 25.95 million) has been provided for National Programme for the Health Care of Elderly
- Ayurveda, Unani, Siddha and Homoeopathy are being mainstreamed through the National Health Mission and Rs 1,069 Crore (USD 184.95 million) has been allocated to the Department of AYUSH

  Moreover, Rs 1,650 Crore (USD 285.47 million) was allocated for six AIIMS-like institutions

OPPORTUNITIES IN HEALTHCARE

Need for innovative Healthcare delivery models: Differentpopulation clusters vary significantly in terms of access, epidemiology and expenditure andare growing at highly different growth rates. These differences will drive the industry to evolvedifferent business models for each. For instance, the urban poor, which is currently the mostneglected segment from a healthcare access perspective, will grow to nearly 10% ofthe country‟s population by 2022. The provider industry will need to explore ways to servethis large population group at right price points. A low cost model will be needed.

Diagnostic Centers – Unbundling from the traditional setting: 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.

OUTLOOK

India initiated its health reform journey during the last decade. This journey now needs to gainmomentum. An ever growing disease burden for a large scale and evolving population demandsfast –paced health reforms. What peer nations have achieved across three to four decadesneeds to be achieved here in much lesser time. The government will need to lead this healthcare reform journey. The stated goal of universalhealth coverage in the draft of the Twelfth Five-Year Plan, and the HLEG‟s (High Level Expert Group Report) recommendations,provide a solid start to this journey. While the journey will be challenging, the outcomes andopportunities will be inspiring. We feel confident that purposeful and visionary leadership bythe government, along with concerted action by all stakeholders, will help India achieve itshealthcare vision and provide its populace with best-in-class health outcomes.

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:

- 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.
- Quantifying the need gap taking into account the year 2010 against the global average, leaves us with a shortfall of 1 million Doctors and 1.8 million nurses. Furthermore, there is an acute shortage of paramedical and administrative professionals in the country.
- Although the health insurance sector is growing in impressive manner, the health insurance market is approximately 3.5% of the total Indian healthcare market size and covers 15-20% of the country‟s population.
- 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.

HUMAN RESOURCE

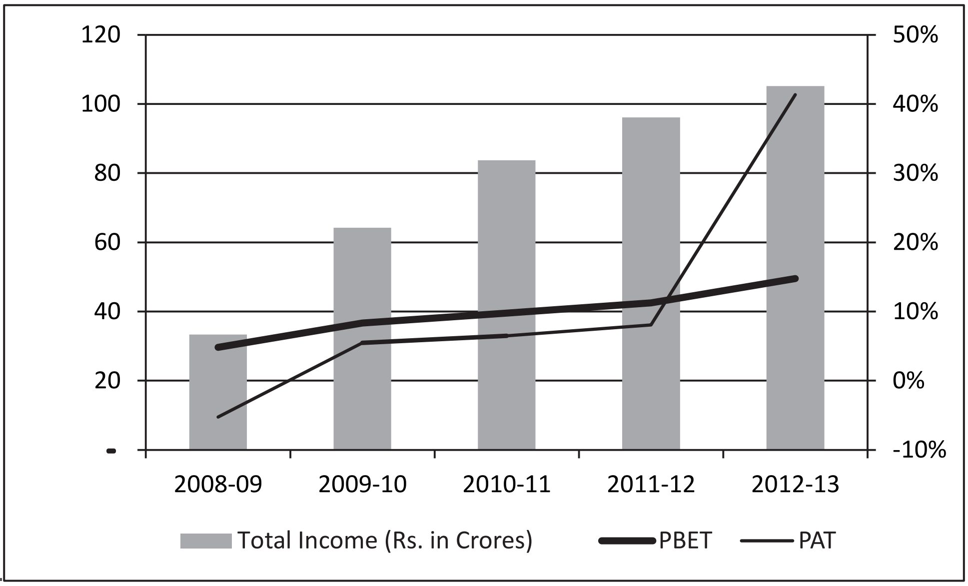
In the year every effort was made to source and retain competent employees to maximize the efficiency. We strive to create a community that has a high ethical value system. Employees were appreciated and awarded for performances during the year and were given training in their respective fields to improve their efficiency for them to have a chance to excel in their areas while providing superior patient care. We are committed to the development and well-being of our employees.

The numbers of employees stood at 626 as on 31st March, 2013.

OPERATIONAL AND FINANCIAL PERFORMANCE

During this financial year, your company achieved a total income of Rs. 105.16 Crores against Rs. 96.13 Crores during the last financial Year ended 31st March, 2012 which represents a 9% growth. The Profit before extra-ordinary item and tax (PBET) for the period stood at Rs. 15.53 Crores as against Rs. 10.81 Crores during the corresponding period, representing a 44% growth. During the year there was one off extra-ordinary income arising out of the profit on sale of clinical establishment amounting to Rs.41.40 crores. Consequently, the Net profit of the company for the year grew by 460% and stood at Rs.43.48 Crores against Rs. 7.76 Crores during the corresponding period.

Over the past 5 years your Company has shown consistent growth in total income, PBET and Profit after tax as highlighted below:



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 Company has a robust internal control process and key activities are backed up by Standard Operating Procedures. The Company has appointed independent auditors to review the operational processes of the Company. The auditors perform the audit and report audit findings and process improvement suggestions to the audit committee. The audit committee monitors open audit findings and guides the management to resolve audit issues and implement suggestions. The Internal auditors also perform a review and provide comfort to the audit committee on implementation of the audit findings.

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 include 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 (“the 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 10 (Ten) Directors, of whom, 1(One) is an Executive Director designated as Whole-time Director and 9 (Nine) are Non-Executive Directors. Amongst the Non-Executive Directors, 5 (Five) are Independent Directors. The Non-Executive Directors bring an external and wider perspective in Board’s deliberations and decisions.

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 the Directors as on March 31, 2013 are as follows:

S. no	Name of Director	Category	Directorships held in other Companies[4]	Committees Membership in other Companies[5]	Chairmanship in committees of other companies in which they are members[5]
1	Mr. Aditya Vij	Chairman and Non-Executive Director	5	2	1
2	Mr. Ashish Bhatia	Non-Executive Director	12	-	-
3	Mr. Lakshman Teckchand Nanwani[1]	Non-Executive Independent Director	-	-	-
4	Mr. Murari Pejavar	Non-Executive Independent Director	10	6	3
5	Dr. Nithya Ramamurthy	Non-Executive Director	-	-	-
6	Mr. Rama Krishna Shetty[2]	Non-Executive Independent Director	5	1	1
7	Mr. Ramesh L. Adige	Non-Executive Independent Director	2	1	-
8	Mr. Sandeep Puri[3]	Non-Executive Director	9	-	-
9	Mr. Sanjay Jayavarthanavelu	Non-Executive Independent Director	10	1	-
10	Mr. V. Vijayarathna	Whole-time Director	-	-	-

[1] Appointed as Non-Executive Independent Director w.e.f. March 29, 2013.
[2] Appointed as Non-Executive Independent Director w.e.f. January 30, 2013.
[3] Appointed as Non-Executive Director w.e.f. September 14, 2012.

[4] The Directorships held by Directors as mentioned above, do not include Directorships in Private Limited Companies which are not subsidiaries of Public Limited Companies, Foreign Companies and Companies registered under Section 25 of the Companies Act, 1956.
[5] In accordance with Clause 49, Memberships / Chairmanships of only Audit Committees and Shareholders'/ Investors' Grievance Committee in all Public Limited Companies (excluding Fortis Malar Hospitals Limited) have been considered.

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.

Disclosure regarding appointment or re-appointment 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. Ramesh L. Adige, a Non-Executive, Independent Director, is Masters in Business Administration with specialization in Marketing from the renowned Faculty of Management Studies, University of Delhi and holds a Bachelor of Engineering (Honours) degree from BITS, Pilani and has a post graduate degree from the Faculty of Management Studies, University of Delhi. Mr. Adige was President of RLL and spearheaded the corporate affairs and global corporate communication functions. He was also responsible for corporate social responsibility, environment, health and safety at RLL.

He has 40 years of extensive experience in the areas of Corporate Policy, Public Affairs and Public Policy, Strategic and Perspective Planning, External Relations and the broader spectrum of business activities including joint ventures, technical and financial collaborations. He was RLL's representative in various pharma bodies and a participant in the CII and FICCI and heads the CII's Task Force on IP Policy. He is the Co-Chairman of The Associated Chambers of Commerce and Industry of India (ASSOCHAM) Drugs & Pharmaceutical expert committee. He is Chairman of Health Committee of PHD Chamber of Commerce & Industry. He interacts frequently with numerous departments and ministries in the Govt of India and is a member of the Round Table on Skills Development instituted by the Ministry of Human Resource Development, Govt. of India. Before joining Ranbaxy, in 2004, Ramesh was Executive Director in Fiat India. He has considerable exposure to the consumer durable and automobile industries. He has also served as President of the Governing Council of the Automotive Research Association of India, a premier institution for testing, homologation, validation and certification for all automobiles in India, having more than 500 Research scientists and engineers in its fold.

As on March 31, 2013, he does not hold any shares or any other convertible instrument in the Company.

Mr. Ramesh L. Adige 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.	Syndicate Bank - Director	Member-Management Committee Member-Investors' Grievance & Share Transfer Committee Member–Nomination Committee Member–Human Resources Committee

b) Mr. Murari Pejavar, a Non-Executive, Independent Director, M.A. (Economics) 1954, from Madras University and had passed State Civil Services in 1955 and Indian Administrative Services in 1957 and retired as Secretary to the President of India in August, 1992. He is specialized in the areas of General Industrial Administration, formulation of industrial policies, administration of public and cooperative sector industrial undertakings including sick units, health and family planning sector management, energy sector, financial administration and food processing. During his illustrious career as a civil servant, he has held many distinguished positions including: Sub-divisional and District Magistrate; Sub-Collector; Deputy Director of Census Operations; Chairman/Managing Director/Director in State undertakings of Government of Tamil Nadu; Health Secretary; Commissioner for Commercial Taxes, Government of Tamil Nadu; Additional Secretary to GOI, Ministry of Industry; Secretary to GOI; Cabinet Secretariat, Implementation Committee for Pandit Jawaharlal Nehru Centenary; Secretary, Ministry of Food Processing Industries, GOI; Secretary, Ministry of Information and Broadcasting, GOI. He has undertaken many special projects for Government of India and has chaired numerous high level commissions & committees. He has served on the Boards/ Councils of several reputed institutions and professional bodies. He has represented India in Asian Productivity Council. He has a number of important publications to his credit.

As on March 31, 2013, he does not hold any shares or any other convertible instrument in the Company.

Mr. Murari Pejavar 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.	Aban Offshore Limited - Director	Chairman – Audit Committee
2.	Aditya Birla Nuvo Limited - Director	Member – Audit Committee Chairman – Investor Relations & Finance Committee
3.	HEG Limited - Director	-
4.	Xpro India Limited - Director	Member – Audit Committee Chairman – Remuneration Committee
5.	Bajaj Holdings and Investment Limited – Director	Chairman – Shareholders' / Investors' Grievance Committee
6.	Great Eastern Energy Corporation Limited - Director	Member – Audit Committee Chairman – Remuneration Committee
7.	Adayar Gate Hotel Limited - Director	Chairman – Audit Committee
8	IDEA Cellular Limited - Director	-
9	Bajaj Auto Limited -– Director	-

c) Mr. Sandeep Puri, was appointed as additional (Non-Executive) Director on the Board of the Company on September 14, 2012. Mr. Puri is a member of the Institute of Chartered Accountants of India, and has worked in various roles at various locations providing leadership in finance function.

Mr. Puri is also Group Chief Financial Officer of Fortis Healthcare Limited and is responsible for driving the finance function of the Indian Operations and supporting value creation for the Organisation. In addition, he provides leadership to the global consolidation process and reporting of financials of the company as per IGAAP statutory requirements.

As on March 31, 2013, he does not hold any shares or any other convertible instrument in the Company.

Mr. Sandeep Puri 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 Healthstaff Limited – Director	-
2.	Fortis Health Management (North) Limited - Director	-
3.	Fortis Health Management (West) Limited - Director	-
4.	Fortis Health Management (South) Limited - Director	-
5.	Malar Stars Medicare Limited – Director	-
6.	Lalitha Healthcare Private Limited – Director	-
7.	Hiranandani Healthcare Private Limited – Director	-
8.	Fortis Hospitals Limited – Director	-
9.	Fortis Emergency Services Limited - Director	-

d) Mr. Rama Krishna Shetty was appointed as additional (Non-Executive) Director on the Board of the Company on January 30, 2013. Mr. Shetty holds a bachelor's degree in Mechanical Engineering from Karnataka University, Dharwad and has completed an executive development program from the Jamunalal Bajaj Institute of Management in Product Management Control in Mumbai. Mr. Shetty has received the National Productivity Award in the year 1992 and is presently the Chairman of Indian Hockey Federation and past President of Karnataka State Hockey Association. He has more than 38 years of work experience.

As on March 31, 2013 he does not hold any shares or any other convertible instrument in the Company.

Mr. Rama Krishna Shetty 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.	Healthfore Technologies Limited	Chairman – Audit, Risk & Controls Committee
2.	Religare Enterprises Limited	-
3.	Religare Securities Limited	-
4.	Dion Global Solution Limited	-
5.	Religare Financial Consultancy Services Limited	-

e) Mr. Lakshman Teckchand Nanwani was appointed as additional (Non-Executive) Director on the Board of the Company on March 29, 2013. Mr. Nanwani has rich experience in travel business and trading / exporting of Granite Blocks. He also shows active interest in the field of sports and owns the official franchisee of a hockey team - "Chennai Cheetahs".

As on March 31, 2013 he does not hold any shares or any other convertible instrument in the Company.

Presently, Mr. Nanwani is neither a Director on the Board nor a Committee Member of any other Company.

Board Functioning & Procedure

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

During the year ended March 31, 2013 five Board Meetings were held on:
(i) May 14, 2012 (ii) July 10, 2012 (iii) July 24, 2012 (iv) October 22, 2012 and (v) January 30, 2013.

The last Annual General Meeting of the Company was held on September 5, 2012.

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

Name of Directors	No. of Board Meetings held	No. of Board Meetings attended	Attendance at last AGM
Mr. Aditya Vij	5	4	No
Mr. Ashish Bhatia	5	1	No
Mr. Krish Ramesh[1]	1	1	NA
Mr. Lakshman Teckchand Nanwani[2]	0	0	NA
Mr. Murari Pejavar	5	2	Yes
Dr. Nithya Ramamurthy	5	4	Yes
Dr. Preetinder Singh Joshi[3]	2	0	NA
Mr. Rama Krishna Shetty[4]	0	0	NA
Mr. Ramesh L. Adige	5	4	Yes
Mr. Sandeep Puri[5]	2	0	NA
Mr. Sanjay Jayavarthanavelu	5	4	Yes
Mr. Venkatraman Vijayarathna[6]	3	3	Yes

[1] Resigned as Whole-time Director of the Company w.e.f. June 9, 2012.
[2] Appointed as Non-executive Director of the Company w.e.f. March 29, 2013.
[3] Resigned as Director of the Company w.e.f. January 30, 2013.
[4] Appointed as Non-executive Director of the Company w.e.f. January 30, 2013.
[5] Appointed as Non-executive Director of the Company w.e.f. September 14, 2012.
[6] Appointed as Whole-time Director of the Company w.e.f. July 10, 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.
- 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 judgment 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 Compliances

The Board periodically reviews the mechanism put in place by the Management to ensure the compliances with Laws and Regulations as may be 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 which 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.

In terms of Clause 49 of the Listing Agreement, the Senior Management and Board Members have confirmed the compliance with the code for the financial year 2012-13. 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 and Human Resources & Remuneration Committee.

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

Composition of the Committee

The Composition of the Committee as on March 31, 2013, was as follows:-

Sr. No.	Names of Members	Designation	Category
1	Mr. Ramesh L. Adige	Chairman	Non-Executive Independent Director
2	Mr. Aditya Vij	Member	Non-Executive Director
3	Mr. Murari Pejavar	Member	Non-Executive Independent Director
4	Mr. Sanjay Jayavarthanavelu	Member	Non-Executive Independent Director

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.

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 Controls 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.

(2) 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.

(3) External Auditors

(a) General - The Committee shall be responsible for oversight of the work of the external auditors in auditing and reviewing the company's 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) Pre Approval of Audit and Non-Audit Services - The Committee shall pre-approve any retainer of the external auditors for any non-audit service to the company or its subsidiaries in accordance with Position Paper adopted by the Committee and the Board.

(g) 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.

(4) 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 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.

(5) 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 off, 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.

(6) ***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.

(7) ***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 plans 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.

(8) ***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.

(9) ***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 March 31, 2013, four Audit, Risk & Controls Committee meetings were held on (i) May 14, 2012 (ii) July 24, 2012 (iii) October 22, 2012 (iv) January 30, 2013.

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

Sr. No.	Names of Members	No. of Meetings Held	No. of Meetings attended
1	Mr. Ramesh L. Adige	4	4
2	Mr. Aditya Vij	4	3
3	Mr. Murari Pejavar	4	1
4	Mr. Sanjay Jayavarthanavelu	4	3

(B) HUMAN RESOURCES AND REMUNERATION COMMITTEE

Composition of the Committee

The Composition of the Human Resources & Remuneration Committee as on March 31, 2013, was as follows:-

Sr. No.	Names of Members	Designation	Category
1	Mr. Aditya Vij[1]	Chairman	Non-Executive Director
2	Mr. Murari Pejavar	Member	Independent Director
3	Mr. Ramesh L.Adige	Member	Independent Director
4	Mr. Sanjay Jayavarthanavelu	Member	Independent Director

[1] Inducted as Chairman of the Human Resources and Remuneration Committee w.e.f. July 10, 2012.

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 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 Chief Financial Officer and the Chief People Officer 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 Chief Executive Officer, the Committee, with the recommendation of the Chief Executive Officer, 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 March 31, 2013, two meetings of the Human Resources & Remuneration Committee were held on (i) July 10, 2012 and (ii) January 30, 2013

The attendance at the above mentioned Meetings held during the year under review is as under:

Sr. No.	Names of Members	No. of Meetings attended
1	Mr. Aditya Vij[1]	2
2	Mr. Murari Pejavar	2
3	Mr. Ramesh L. Adige	2
4	Mr. Sanjay Jayavarthanavelu	2

[1] Inducted as Chairman of the Human Resources and Remuneration Committee w.e.f. July 10, 2012.

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

The Directors' remuneration policy of your Company confirms 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. Venkatraman Vijayarathna, Whole-time Director is drawing any remuneration from the Company as on March 31, 2013.

The details of remuneration paid to Mr. Krish Ramesh and Mr. Venkatraman Vijayarathna during the financial year ended March 31, 2013 are as under:

Name of the Director	Salary, Allowances & Perquisites (INR)	Performance Incentives (INR)	Retiral Benefits (INR)	Service Contract	
				Tenure	Notice Period
Mr. Krish Ramesh (up to June 9, 2012)	11,24,215	1,783,333	8,68,599	5 years w.e.f. April 30, 2008	3 Months
Mr. Venkatraman Vijayarathna (from July 10, 2012)	25,53,675	-	1,44,842	3 years w.e.f. July 10, 2012	3 Months

Notes:

1) Mr. Venkatraman Vijayarathna was appointed as Whole -time Director of the Company for a period of 3 years w.e.f. July 10, 2012 and the same was also approved in the last AGM.
2) Retiral Benefits of Rs. 1,44,842 are towards "Employer's PF Contributi on and Gratuity".
3) The notice period is 3 months from either side or a shorter period decided mutually. No severance fees is payable on termination of contract.

Non – Executive Directors

Only sitting fees are being paid to Non - Executive Directors. The sitting fees paid to the Non Executive Directors for the fi nancial year ended March 31, 2013 and their shareholding as on that-date is as follows:

Sr. No	Sitting Fee (Amount in Rs.)	Shareholding in the Company as on March 31, 2013
Mr. Aditya Vij	NA	-
Mr. Ashish Bhatia	NA	-
Mr. Lakshman Teckchand Nanwani	Nil	-
Mr. Murari Pejavar	30,000	-
Dr. Nithya Ramamurthy	50,000	8,93,377
Mr. Rama Krishna Shetty	Nil	-
Mr. Ramesh L. Adige	80,000	-
Mr. Sandeep Puri	NA	-
Mr. Sanjay Jayavarthanavelu	55,000	-

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

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

(C) SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

Composition

The Shareholders' / Investors' Grievance Committee as on March 31, 2013 comprised of :

Sr. No.	Names of Members	Designation	Category
1	Mr. Ramesh L. Adige	Chairman	Non-Executive Independent Director
2	Mr. Aditya Vij	Member	Non-Executive Director
3	Dr. Nithya Ramamurthy	Member	Non-Executive Director
4	Mr. Krish Ramesh[1]	Member	Executive Director
5	Mr. Venkatraman Vijayarathna[2]	Member	Executive Director

[1] Resigned from Directorship of the Company w.e.f. June 9, 2012.
[2] Inducted as member of the Committee w.e.f. July 10, 2012.

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.

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

(i) To approve/ refuse/ reject registration of transfer / transmission of Shares;
(ii) To authorize issue of Share Certificates after split/Consolidation/Replacement and duplicate Share certificates;
(iii) To authorize printing of Share Certificates;
(iv) To affix or authorize affixation of the Common Seal of the Company on Share Certificates approved by the Committee on behalf of the Company.
(v) To authorize Managers / Officers / Signatories for signing Share Certificates as well as for endorsing share transfers.
(vi) To monitor redressal of shareholders' and investors' complaints about transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc.
(vii) Such other functions as may be assigned by the Board.

Name and Designation of Compliance Officer

Mr. Dinesh Gupta
Company Secretary

Status of Shareholders' Complaints during financial year 2012-13

Number of shareholders' complaints received	:	37
Number of complaints not resolved to the satisfaction of shareholders	:	Nil
Number of pending complaints	:	Nil

Meeting and Attendance

The Shareholders' / Investors' Grievance Committee meets as and when required and during the year under review four meetings were held on (i) May 14, 2012 (ii) July 24, 2012 (iii) October 22, 2012 and (iv) January 30, 2013.

The attendance at the abovementioned meetings during the year under review is as under: -

Sr. No.	Names of the Members	No. of Meetings attended
1	Mr. Aditya Vij	3
2	Mr. Krish Ramesh[1]	1
3	Dr. Nithya Ramamurthy	4
4	Mr. Ramesh L. Adige	4
5	Mr. Venkatraman Vijayarathna[2]	3

[1] Resigned from Directorship of the Company w.e.f. June 9, 2012.
[2] Inducted as member of the Committee w.e.f. July 10, 2012.

There was no share transfer lying pending as on March 31, 2013.

4. SUBSIDIARY COMPANY

Basis the Consolidated Audited Annual Accounts of the Company for the financial year 2012-13, 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 along with financial statements for the year ended March 31, 2013. The Board reviewed and took the same on record. The said certificate is provided elsewhere in the Annual Report.

6. 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
2009-10	August 20, 2010	2.30 P.M.	P.Obul Reddy Hall, Sri Thyaga Brahma Sabha (Regd)- Vani Mahal, 103, G.N. Road, T. Nagar, Chennai – 600 017	• 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	July 4, 2011	2.00 P.M.	P.Obul Reddy Hall, Sri Thyaga Brahma Sabha (Regd)- Vani Mahal, 103, G.N. Road, T. Nagar, Chennai – 600 017	- None
2011-12	September 5, 2012	2.30 P.M.	P.Obul Reddy Hall, Sri Thyaga Brahma Sabha (Regd)- Vani Mahal, 103, G.N. Road, T. Nagar, Chennai – 600 017	• Appointment of Mr. Venkatraman Vijayarathna as a Director and Whole-time Director and approval of the terms and conditions of appointment including remuneration.

Further, a special resolution under Section 17 and all other applicable provisions of the Companies Act, 1956, for Alteration of Object Clause of Memorandum & Articles of Association of the Company was passed through Postal Ballot during the Financial Year 2012-13.

Details of resolution passed by way of Postal Ballot

During the year ended March 31, 2013, 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 a special resolution by means of postal ballot to Alter the Object Clause of Memorandum and Articles of Association of the Company vide Notice of Postal Ballot dated June 7, 2012 and whose results were declared on July 21, 2012, at the registered office of the Company at 52, First Main Road, Gandhi Nagar, Adyar, Chennai – 600 020.

For the conduct of Postal Ballot exercise, Mr. Sanjay Grover of M/s Sanjay Grover & Associates, Company Secretary in Practice, was appointed as Scrutinizer.

Summary of the result of the aforementioned Postal Ballot, announced by Mr. Venkatraman Vijayarathna, Whole-time Director of the Company 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 ballot forms received
1.	Special Resolution for alteration of Object Clause of Memorandum and Articles of Association of 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 Voting by Postal Ballot

The Notice of Postal Ballot along with the Explanatory Statement pertaining to the draft Resolution(s) explaining in detail, the material facts along with the Postal ballot Form and the self-addressed, postage prepaid business reply envelope, are sent to all the members, under secured mode 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 on the resolution(s) at the end of the Form and sign the same as per the specimen signature available with the Company or Depository Participant, as the case may be, and return the form duly completed in the attached self-addressed postage prepaid envelope so as to reach the scrutinizer before the close of working hours of the last date fixed for the purpose. Postal Ballot 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 if the votes cast in favour are at least three times than the votes cast against and in case of ordinary resolution; the resolution is deemed to have been passed, if the votes cast in favour are more than the votes cast against.

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

7. DISCLOSURES

Related party transactions

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

Accounting Treatment

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

Compliances by the Company

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

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

Management

A) Management Discussion and Analysis is forming part of the Annual Report to the members.

B) During the year under review, no material financial and commercial transaction 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.

8. 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) News Release, Presentations: The Company also makes a presentation to the investors and analysts after taking on record the quarterly results by the Company. The press releases/official news, detailed presentation made to media, analysts, institutional investors etc. are displayed on the Company's website. Official Media Releases are also sent to the stock exchange before dissemination to the media.

(d) Intimation to the Stock Exchange(s): 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.

9. GENERAL SHAREHOLDER INFORMATION

Annual General Meeting

(i) Date of AGM

The Annual General Meeting is proposed to be held on **Monday, August 19, 2013 at 11: 30 A.M.** at P. Obul Reddy Hall, Sri Thyaga Brahma Gana Sabha, Vani Mahal, 103, G.N. Road, T. Nagar, Chennai – 600 017.

Posting of Annual Report	On or before July 26, 2013
Last date of receipt of Proxy Form	August 17, 2013 till 11:30 A.M.

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

(iii) Financial Calendar 2013-2014 (tentative & subject to change)

S.No.	Tentative Schedule	Tentative Date (On or before)
1.	Financial Reporting for the quarter ended June 30, 2013	August 14, 2013
2.	Financial Reporting for the quarter ended September 30, 2013	November 14, 2013
3.	Financial Reporting for the quarter ended December 31, 2013	February 14, 2014
4.	Financial Reporting for the quarter ended March 31, 2014*	May 15, 2014
5.	Annual General Meeting for the year ending March 31, 2014	September 30, 2014

*As provided in Clause 41 of Listing Agreement, Board may also consider submission of Audited Financial Results for the year 2013-2014 in lieu of Unaudited Financial Results for fourth quarter, on or before May 30, 2014 (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 Monday, August 12, 2013 to Monday, August 19, 2013 (both days inclusive).

(v) Listing on Stock Exchanges

The Equity shares of the Company are listed on BSE Limited (BSE), Phiroze Jeejeebhoy Tower, Dalal Street, Mumbai - 400001

The Company has paid the listing fee of BSE Limited for the financial year 2012-13.

(vi) Stock Code

Stock Code at BSE Limited is 523696

ISIN for Equity INE842B01015

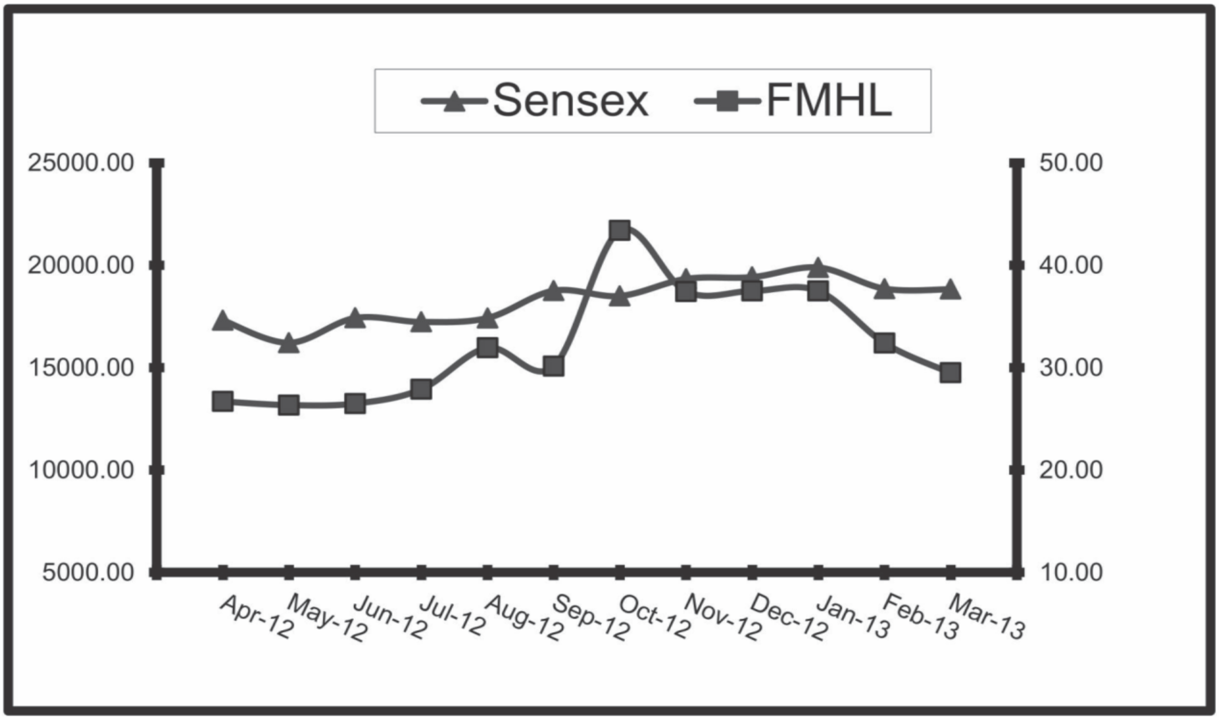
(vii) Market Price Data

The Equity shares of the Company are listed on BSE Limited.

Monthly High and Low Quotations of Shares traded on BSE

Month Ending	BSE (Rs.)	
	High	Low
April, 2012	29.40	26.60
May, 2012	28.30	25.00
June, 2012	27.65	24.50
July, 2012	29.85	25.25
August, 2012	36.00	25.90
September, 2012	32.90	28.05
October, 2012	47.45	29.65
November, 2012	44.50	34.75
December, 2012	40.50	35.90
January, 2013	39.60	33.55
February, 2013	41.45	31.80
March, 2013	38.30	29.15

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 Agents (RTA) for handling the shares related matters both in physical as well as dematerialized mode. All work relating to Equity Shares are being handled by them. The Shareholders are therefore, advised to send all their correspondence directly to the RTA. The address for communication is:

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, correspondences relating to shares received by the Company are forwarded to the RTA for necessary action thereon.

(ix) Nomination Facility

The shareholders holding shares in physical form may, if they so want, send their nominations in prescribed Form 2B of the Companies (Central Government's) General Rules and Forms,1956, which can be obtained from the Company's RTA or downloaded from the Company's website www.fortismalar.com. Those holding shares in dematerialized form may contact their respective Depository Participant (DP) to avail the nomination facility.

(x) Dematerialization of Shares

As on March 31, 2013, 168,14,948 Equity shares representing 90.43% of the paid up Equity Capital of the Company had been dematerialized.

ISIN Number: INE842B01015

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).

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

(xi) Elimination of Duplicate Mailing

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

(xii) Share Transfer System

The Company's share transfer authority has been delegated to the officials of the Company. The delegated authority(ies) attend the share transfer formalities on weekly basis to expedite all matters relating to transfer, transmission, transposition, split and re-materialization of shares and taking on record status of redressal of Investors' Grievance, etc., if any. The share certificate received by the Company / RTA for registration of transfers, are processed by RTA (on a weekly 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 Exchanges, 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 in each of the quarter in the financial year 2012-13, 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 the depositories. The Reconciliation of Share Capital Audit Reports for each quarter of the Financial Year ended March 31, 2013 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

Pursuant to the insertion of Clause 5A in the Listing Agreement, 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: 25 Shareholders and 19,700 shares.

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, 2013: 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 required under Clause 5A. II of the Listing agreement, as on March 31, 2013, 5100 shares held by 2 shareholders remained to be 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 March 31, 2013

Number of equity shares held	No. of Share-Holders	% of Share-Holders	Amount (in Rs.)	Total (%)
1 - 5000	14000	93.66	14790220	7.95
5001 - 10000	490	3.28	4324020	2.33
10001 - 20000	200	1.34	3174310	1.71
20001 - 30000	76	0.51	2002080	1.08
30001 - 40000	18	0.12	641230	0.34
40001 - 50000	33	0.22	1622420	0.87
50001 - 100000	62	0.41	4795120	2.58
100001 and above	68	0.45	154593190	83.14
TOTAL:	**14947**	**100.00**	**185942590**	**100.00**

(xvii) Shareholding Pattern of Equity Shares as on March 31, 2013

Category	Number of Shareholders	No. of Shares held	% of Share-holding
Promoters and Promoter Group	1	11752402	63.20
Mutual Funds and UTI	4	108200	0.59
Banks, Financial Institutions	-	-	0.00
FII's/Foreign Companies	1	23149	0.12
Indian Body Corporates	158	765778	4.12
NRIs/Foreign Nationals	92	435176	2.34
Indian Public	14676	4460662	24.00
Others	15	1048892	5.63
Total	**14947**	**18594259**	**100.00**

(xviii) Lock-in of Equity shares

As on March 31, 2013 none of the Shares of the Company are under Lock-in.

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

(xx) Hospital Location

52, 1st Main Road,
Gandhi Nagar, Adyar,
Chennai – 600 020.

(xxi) 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
Tel 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 No: + -91-44-24914023, 24914393
+ - 91-44-42892222
Fax No:+ - 91-44-42892293
E-Mail: secretarial.malar@malarhospitals.in

10. NON-MANDATORY REQUIREMENTS UNDER CLAUSE 49

A. Remuneration Committee

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

B. Shareholders Rights

The quarterly/half-yearly results, after they are taken on record by the Board of Directors, are sent forthwith to the Stock Exchange where Company's shares are listed. The results in the prescribed Performa are published in leading English and Tamil dailies. The results are also made available on Company's website www.fortismalar.com.

11. GO GREEN INITIATIVE

(a) The shareholders having shares in physical form are requested to register their e-mail IDs with us or our Registrar, at the address given elsewhere in this report, to enable us to serve any document, notice, communication annual report, etc. through e-mail.

(b) The shareholders holding shares in Demat form are requested to register their e-mail id with their respective Depository Participant for the above purpose.

Declaration as required under Clause 49 of the Listing Agreement

All Directors and Senior Management personnel of the Company have affirmed compliance with the provisions of the Fortis Code of Conduct for the financial year ended March 31, 2013.

Date: July 19, 2013 — **V Vijayarathna**
Place: Chennai — **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 March 31, 2013 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 19, 2013
Place : New Delhi

Sanjay Grover
C.P No. 3850

INDEPENDENT AUDITOR'S REPORT

To the Members of Fortis Malar Hospitals Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Fortis Malar Hospitals Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management‟s Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor‟s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company‟s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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, 2013;

(b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor‟s Report) Order, 2003 (“the Order”) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that:

(a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

(b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

(c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

(d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;

(e) On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E

per Sandeep Sharma
Partner
Membership Number: 093577

Place: Gurgoan
Date: May 27, 2013

Annexure referred to in 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) During the year, the Company has disposed off a substantial part of fixed assets. Based on the information and explanation given by the management and on the basis of audit procedures performed by us, we are of the opinion that the sale of the said part of fixed assets has not affected the going concern status of the Company.

(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 Act. The maximum amount involved during the year was Rs 650 million and the year-end balance of loan granted to such party was Rs 618 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, repayment of principal amount is as stipulated and payment of interest has been regular.

(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 Act.

(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 Act. 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) (a) 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 products of 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, service tax, customs 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 material 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 LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E

per Sandeep Sharma
Partner
Membership Number: 093577

Place: Gurgoan
Date: May 27, 2013

STANDALONE BALANCE SHEET AS AT MARCH 31, 2013

(All amounts are in Indian Rupees unless otherwise stated)

	Notes	As at March 31, 2013	As at March 31, 2012
I. Equity and Liabilities			
Shareholders' funds			
Share capital	3 (i)	186,095,090	186,095,090
Reserves and surplus	3 (ii)	581,497,503	149,701,890
		767,592,593	**335,796,980**
Non-current liabilities			
Long term borrowings	3 (iii)	-	45,538,661
Deferred tax liabilities (net)	3 (iv)	6,301,189	24,168,135
		6,301,189	**69,706,796**
Current liabilities			
Short-term borrowings	3 (v)	-	15,095,986
Trade payables	3 (vi)	77,556,329	65,483,731
Other current liabilities	3 (vii)	34,507,042	692,293,192
Short-term provisions	3 (viii)	12,066,551	3,262,435
		124,129,922	**776,135,344**
TOTAL		**898,023,704**	**1,181,639,120**
II. Assets			
Non-current assets			
Fixed Assets			
Tangible assets	3 (ix)	172,803,641	389,681,861
Intangible assets	3 (ix)	887,350	1,384,774
Capital work in progress	3 (ix)	-	4,920,674
Non-current investments	3 (x)	500,000	500,000
Long term loans and advances	3 (xi)	1,059,558	39,525,990
		175,250,549	**436,013,299**
Current assets			
Inventories	3 (xii)	3,942,958	5,075,507
Trade receivables	3 (xiii)	32,065,317	37,851,143
Cash and bank balances	3 (xiv)	29,222,300	6,319,740
Short term loans and advances	3 (xv)	630,520,277	669,499,284
Other current assets	3 (xvi)	27,022,303	26,880,147
		722,773,155	**745,625,821**
TOTAL		**898,023,704**	**1,181,639,120**
Summary of significant accounting policies	2.1		

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

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration number: 324982E

Sandeep Sharma
Partner
Membership No: 093577
Place: Gurgoan
Date: May 27, 2013

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

V. Vijayarathna
Whole Time Director

Aditya Vij
Director

Dinesh Gupta
Company Secretary
Place: Gurgoan
Date: May 27, 2013

Raghunath P
Financial Controller

STANDALONE STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2013
(All amounts are in Indian Rupees unless otherwise stated)

	Notes	For the year ended March 31, 2013	For the year ended March 31, 2012
Income			
Revenue from operations	**3 (xvii)**	976,047,164	948,556,354
Other income	**3 (xviii)**	9,570,886	2,096,552
Total revenue		**985,618,050**	**950,652,906**
Expenditure			
Purchase of medical consumables and drugs		201,427,684	197,404,537
Changes in inventories of medical consumables and drugs	**3 (xix)**	1,132,549	(916,305)
Employee benefits expense	**3 (xx)**	132,659,984	119,348,727
Other expenses	**3 (xxi)**	528,531,464	494,494,886
Total expenses		**863,751,681**	**810,331,845**
Earnings before interest, tax, depreciation and amortization (EBITDA)		**121,866,369**	**140,321,061**
Finance costs	**3 (xxii)**	8,003,991	13,071,744
Depreciation and amortisation expense	**3 (ix)**	24,903,773	29,969,052
Interest income	**3 (xxiii)**	(26,713,246)	(512,424)
Profit before exceptional and extraordinary items and tax		**115,671,851**	**97,792,689**
Add: Exceptional items (Interest income)	**4**	35,327,891	9,616,439
Profit before extraordinary items and tax		**150,999,742**	**107,409,128**
Add: Extraordinary items (Profit on transfer of business)	**5**	414,005,376	-
Profit before tax		**565,005,118**	**107,409,128**
Tax expense			
Current tax		151,076,451	23,644,133
Deferred tax charge		(17,866,946)	12,533,113
Deferred tax credit relating to earlier years		-	(5,879,000)
Profit for the year carried over to the balance sheet		**431,795,613**	**77,110,882**
Earnings per share before extraordinary items	**3 (xxiv)**		
Basic [Nominal value of shares Rs 10/- each]		**5.47**	**4.14**
Diluted [Nominal value of shares Rs. 10/- each]		**5.46**	**4.14**
Earnings per share after extraordinary items	**3 (xxiv)**		
Basic [Nominal value of shares Rs10/- each]		**23.20**	**4.14**
Diluted [Nominal value of shares Rs. 10/- each]		**23.16**	**4.14**
Summary of significant accounting policies	**2.1**		

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

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration number: 324982E

Sandeep Sharma
Partner
Membership No: 093577
Place: Gurgoan
Date: May 27, 2013

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

V. Vijayarathna
Whole Time Director

Aditya Vij
Director

Dinesh Gupta
Company Secretary
Place: Gurgoan
Date: May 27, 2013

Raghunath P
Financial Controller

STANDALONE CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

(All amounts are in Indian Rupees unless otherwise stated)

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
A. Cash flow from operating activities		
Net profit before tax and extraordinary item	**150,999,742**	**107,409,128**
Adjustments for :		
Depreciation and Amortisation	24,903,773	29,969,052
Loss on sale of fixed assets	612,397	594,343
Bad debts written off	4,450,307	4,229,727
Provision for doubtful debts	3,774,767	355,399
Provision for doubtful advances	-	3,509,068
Interest income	(62,041,137)	(10,128,863)
Interest expense	8,003,991	13,071,744
Operating profit before working capital changes	**130,703,840**	**149,009,598**
Movements in working capital :		
Increase/(decrease) in trade payables	22,390,324	(22,531,782)
Increase/(decrease) in long term provisions	-	63,551
Increase/(decrease) in short term provisions	1,746,565	12,185
Increase/(decrease) in other current liabilities	(657,786,150)	4,769,422
(Increase)/decrease in trade receivables	(2,439,248)	9,305,742
(Increase)/decrease in inventories	1,132,549	(916,303)
(Increase)/decrease in long term loans and advances	34,265,739	609,196
(Increase)/decrease in short term loans and advances	(14,122,431)	(5,089,833)
(Increase)/decrease in other current assets	(8,984,578)	(8,544,586)
(Increase)/decrease in other non-current assets	-	(4,200)
Cash generated from/ (used in) operations	**(493,093,390)**	**126,682,990**
Direct taxes paid	(139,818,207)	(19,158,892)
Net cash from / (used in) operating activities (A)	**(632,911,597)**	**107,524,098**
B. Cash flows from investing activities		
Purchase of fixed assets	(33,419,233)	(98,259,143)
Proceeds from sale of fixed assets	1,555,880	1,668,571
Advance received towards sale of undertaking	-	650,000,000
Intercorporate deposit placed with subsidiary	(60,500,000)	(650,000,000)
Intercorporate deposit placed with subsidiary - Repaid	156,900,000	-
Interest received	15,017,148	1,474,069
Net cash from /(used in) investing activities before extraordinary item	**79,553,795**	**(95,116,503)**
Proceeds from sale of clinical establishment business (extraordinary item)	700,000,000	-
Business transfer expense (extraordinary item)	(55,101,000)	-
Net cash from /(used in) investing activities after extraordinary item (B)	**724,452,795**	**(95,116,503)**
C. Cash flows from financing activities		
Proceeds from long-term borrowings	-	26,000,000
Repayment of long-term borrowings	(45,538,661)	(26,828,021)
Proceeds / (Repayments) of short-term borrowings (net)	(15,095,986)	4,570,914
Interest paid	(8,003,991)	(13,071,744)
Net cash from/ (used in) financing activities (C)	**(68,638,638)**	**(9,328,851)**
Net increase in cash and cash equivalents (A + B + C)	**22,902,560**	**3,078,744**
Total cash and cash equivalents at the beginning of the year	**6,319,740**	**3,240,996**
Cash and cash equivalents at the end of the year	**29,222,300**	**6,319,740**
Components of cash and cash equivalents:		
Cash in hand	1,576,234	1,347,254
Balances with scheduled banks on current and deposit accounts	27,646,066	4,972,486
Total	**29,222,300**	**6,319,740**

Summary of significant accounting policies **2.1**

As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration number: 324982E

Sandeep Sharma
Partner
Membership No: 093577
Place: Gurgoan
Date: May 27, 2013

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

V. Vijayarathna
Whole Time Director

Aditya Vij
Director

Dinesh Gupta
Company Secretary
Place: Gurgoan
Date:

Raghunath P
Financial Controller

Notes to Standalone financial statement for the year ended March 31, 2013
(All amounts are in Indian Rupees unless otherwise stated)

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.

2.1. Summary of significant accounting policies

a 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.

b Inventories

Inventory of medical consumables, drugs, stores and spares are valued at cost or net realizable value whichever is lower. 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 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.

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. In accordance with MCA circular dated 09 August 2012, exchange differences adjusted to the cost of fixed assets are total differences, arising on long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset, for the period. In other words, the company does not differentiate between exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost and other exchange difference.

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.

d Depreciation on tangible fixed assets

Depreciation on fixed assets is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management, or those prescribed under the Schedule XIV to the Companies Act, 1956, whichever is higher. 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 Rs. 5,000 /- or less are fully depreciated in the year of purchase.

e 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.

f 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 statement of Profit and Loss on a straight-line basis over the lease term.

g Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings.

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 Standalone financial statement for the year ended March 31, 2013

(All amounts are in Indian Rupees unless otherwise stated)

h 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.

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.

i 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.

j 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:

Inpatient and Outpatient revenue

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

Management fees& income from medical services

Management fee from hospitals and income from medical services is recognised as and when the related services are rendered 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 realization.

k 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

The company accounts for exchange differences arising on translation/ settlement of foreign currency monetary items as below:

1. Exchange differences arising on a monetary item that, in substance, forms part of the company"s net investment in a non-integral foreign operation is accumulated in the foreign currency translation reserve until the disposal of the net investment. On the disposal of such net investment, the cumulative amount of the exchange differences which have been deferred and which relate to that investment is recognized as income or as expenses in the same period in which the gain or loss on disposal is recognized.

Notes to Standalone financial statement for the year ended March 31, 2013
(All amounts are in Indian Rupees unless otherwise stated)

2. 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.

3. 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.

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

l 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.

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/ losseson gratuity and long term compensated absences are recognizedin the statement of profit and loss as they occur.

m 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.

At each reporting date, the company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

n 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.

o 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.

p 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

Notes to Standalone financial statement for the year ended March 31, 2013

(All amounts are in Indian Rupees unless otherwise stated)

balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the management‟s current estimates.

q 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.

r 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.

s 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, interest income, finance costs and tax expense.

Notes to Standalone financial statement for the year ended March 31, 2013
(All amounts are in Indian Rupees unless otherwise stated)

	As at March 31, 2013	As at March 31, 2012
Note 3(i): Share Capital		
Authorised:		
30,000,000 (Previous year 30,000,000) Equity Shares of Rs. 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 Rs. 10/- each	185,942,590	185,942,590
Add:30,500 (Previous year 30,500) equity shares of Rs. 10 each [Rs. 5 paid up (Previous year Rs. 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, 2013		As at March 31, 2012	
	Number	Value Rs	Number	Value Rs
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 - Fortis Hospitals Limited), the holding company.

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

Name of Shareholder	As at March 31, 2013		As at March 31, 2012	
	No. of Shares held	% of Holding	No. of Shares held	No. of Shares held
Fortis Hospitals Limited	11,752,402	63.20%	11,752,402	63.20%

Terms/ rights attached to equity shares
The Company has only one class of equity shares having par value of Rs.10per 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 eventof 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 Standalone financial statement for the year ended March 31, 2013
(All amounts are in Indian Rupees unless otherwise stated)

	As at March 31, 2013	As at March 31, 2012
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	56,368,570	(20,742,312)
Net Profit for the year	431,795,613	77,110,882
Closing balance	**488,164,183**	**56,368,570**
Total (a+b)	**581,497,503**	**149,701,890**
Note 3(iii) : Long Term Borrowings		
Term loans from banks (Secured)	-	45,538,661
Total	**-**	**45,538,661**

a. Key terms of the borrowings

Name of the Bank	March 31, 2013	March 31, 2012	Rate of interest	Tenure of loan	Loan Limit	Loan Start Date	Number of instalments due post March 31, 2013
HDFC Bank	-	-	10.75%	6 years	INR 13,000,000	01-Jan-09	-
HDFC Bank	-	11,448,374	10.75%	6 years	INR 15,000,000	20-Sep-09	-
HDFC Bank	-	9,829,559	10.75%	6 years	INR 12,500,000	20-Oct-09	-
HDFC Bank	-	5,082,320	10.75%	6 years	INR 6,659,000	20-Nov-09	-
HDFC Bank	-	12,058,965	10.75%	6 years	INR 15,800,000	20-May-10	-
HDFC Bank	-	23,600,620	13.50%	3 Years	INR 26,292,500	15-Dec-11	-
Less: Amount disclosed under the head "Other current liabilities" (Note 3 (vii))	-	(16,481,177)					
	-	**45,538,661**					

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 Rs. 23.60 million outstanding during the previous year was 36 monthly instalments.
Repayment in respect of other loans outstanding as at the previous year was 60 monthly instalments to commence after 12 months principal moratorium from disbursement of each tranche. Interest to be serviced monthly.
The Company has preclosed all the long term borrowings during the current year.

Notes to Standalone financial statement for the year ended March 31, 2013
(All amounts are in Indian Rupees unless otherwise stated)

	As at March 31, 2013	As at March 31, 2012
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	11,666,216	28,037,844
	11,666,216	**28,037,844**
Deferred tax asset arising on account of:		
Effect of expenditure debited to statement of profit and loss in the current year but not allowed for tax purposes	5,365,027	3,869,709
	5,365,027	**3,869,709**
Deferred tax liabilities, net	**6,301,189**	**24,168,135**
Note 3 (v): Short Term Borrowings		
Other loans and advances:		
Bank overdraft (Secured)	-	15,095,986
Total	**-**	**15,095,986**

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.

	As at March 31, 2013	As at March 31, 2012
Note 3 (vi) : Trade Payables		
Trade Payable (Also refer Note No 17)	77,556,329	65,483,731
	77,556,329	**65,483,731**
Note 3 (vii): Other Current Liabilities		
Current maturities of long term debts (Also refer Note 3 (iii))	-	16,481,177
Creditors for purchase of fixed assets	1,369,463	3,209,675
Advances from patients	14,215,437	14,985,749
Sundry deposits	1,674,370	3,493,020
Statutory payables	7,587,644	4,078,622
Advance received towards sale of undertaking (Also refer Note 5)	-	650,000,000
Other liabilities	9,660,128	44,949
	34,507,042	**692,293,192**
Note 3 (viii) : Short Term Provisions		
a. Provision for employee benefits		
Provision for gratuity (Also refer Note 13)	2,313,000	1,507,435
Provision for leave encashment	2,696,000	1,755,000
b. Other provisions		
Provision for Income tax (net)	7,057,551	-
	12,066,551	**3,262,435**

Notes to Standalone financial statement for the year ended March 31, 2013

All amounts are in Indian Rupees unless otherwise stated

Note 3(ix) : Fixed Assets

	Gross block					Accumulated Depreciation & amortisation					Net block	
	As at April 1, 2012	Addition during the year	Deletions due to business transfer (Refer note 5)	Deletion during the year	As at March 31, 2013	As at April 1, 2012	For the year	Deletions due to business transfer (Refer note 5)	Deletion during the year	As at March 31, 2013	As at March 31, 2013	As at March 31, 2012
Tangible assets												
Freehold land	22,819,716	-	22,819,716	-	-	-	-	-	-	-	-	22,819,716
Building	215,333,471	7,856,354	223,189,825	-	-	75,412,960	3,986,023	79,398,983	-	-	-	139,920,511
Plant & machinery	80,833,289	12,129,730	63,651,877	7,414,512	21,896,630	31,316,178	2,631,333	21,645,610	5,823,234	6,478,667	15,417,963	49,517,111
Medical equipments	220,455,462	16,677,399	23,731,646	34,013	213,367,202	54,380,569	15,071,647	5,781,831	34,013	63,636,372	149,730,830	166,074,893
Furniture & fittings	10,113,859	443,688	2,743,095	853,352	6,961,100	3,996,327	924,785	746,328	405,531	3,769,253	3,191,847	6,117,532
Computers	10,102,409	1,232,736	-	1,028,612	10,306,533	5,207,418	1,591,775	-	955,661	5,843,532	4,463,001	4,894,991
Vehicles	3,876,623	-	-	3,876,623	-	3,539,516	200,786	-	3,740,302	-	-	337,107
	563,534,829	38,339,907	336,136,159	13,207,112	252,531,465	173,852,968	24,406,349	107,572,752	10,958,741	79,727,824	172,803,641	389,681,861
Previous Year	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
Intangible assets												
Software	3,070,024	-	-	-	3,070,024	1,685,250	497,424	-	-	2,182,674	887,350	1,384,774
	3,070,024	-	-	-	3,070,024	1,685,250	497,424	-	-	2,182,674	887,350	1,384,774
Previous Year	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
Total	**566,604,853**	**38,339,907**	**336,136,159**	**13,207,112**	**255,601,489**	**175,538,218**	**24,903,773**	**107,572,752**	**10,958,741**	**81,910,498**	**173,690,991**	**391,066,635**
Capital work in progress											-	4,920,674
Grand Total	**566,604,853**	**38,339,907**	**336,136,159**	**13,207,112**	**255,601,489**	**175,538,218**	**24,903,773**	**107,572,752**	**10,958,741**	**81,910,498**	**173,690,991**	**395,987,309**
Previous Year	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	

Note : Additions to medical equipments includes exchange differences of Rs 28,668 (March 31, 2012 - Rs 3,033,591) capitalised during the year.

Notes to Standalone financial statement for the year ended March 31, 2013

(All amounts are in Indian Rupees unless otherwise stated)

	As at March 31, 2013	As at March 31, 2012
Note 3 (x) : Non Current Investments		
Trade, Unquoted		
Investment in subsidiary companies		
50,000 (Previous year 50,000) equity shares of face value Rs. 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 (xi) : Long Term Loans and Advances		
Unsecured, Considered good		
Capital advances	-	3,789,606
Gratuity fund	-	10,000
Security Deposit	1,059,558	5,002,675
MAT credit entitlement	-	26,523,016
Advance tax and tax deducted at source (Net)	-	4,200,693
	1,059,558	**39,525,990**

Notes to Standalone financial statement for the year ended March 31, 2013
(All amounts are in Indian Rupees unless otherwise stated)

	As at March 31, 2013	As at March 31, 2012
Note 3 (xii) :Inventories (at lower of cost and net realisable value)		
Medical consumables and drugs	3,942,958	5,075,507
	3,942,958	**5,075,507**
Note 3 (xiii) : Trade Receivables		
Aggregate amount outstanding for a period exceeding six months (from due date of payment)		
Unsecured, considered good	2,850,249	6,907,540
Doubtful	2,932,842	2,520,850
Less : Provision for doubtful debts	(2,932,841)	(2,520,850)
	2,850,250	6,907,540
Other Debts		
Unsecured, considered good	29,215,067	30,943,603
Doubtful	1,201,461	256,993
Less : Provision for doubtful debts	(1,201,461)	(256,993)
	29,215,067	30,943,603
	32,065,317	**37,851,143**
Note 3 (xiv) : Cash and Bank Balances		
Cash and cash equivalents		
Cash on hand	1,576,234	1,347,254
Balances with banks		
On current accounts	7,081,229	4,972,486
On Deposits account	20,564,837	-
	29,222,300	**6,319,740**
Note 3 (xv) : Short Term Loans and Advances (Unsecured, Considered good unless stated otherwise)		
Loans and advances to related parties		
Advances recoverable in cash or in kind or for value to be received	28,695	627,133
Inter corporate deposit to subsidiary (Also refer Note 9)	617,933,577	650,000,000
Loans and advances to others		
Security deposits	-	57,450
Advances recoverable in cash or in kind or for value to be received	12,558,005	18,814,701
	630,520,277	**669,499,284**
Note 3 (xvi) : Other Current Assets		
Unsecured, Considered good		
Accrued operating income	27,022,303	18,225,353
Interest accrued but not due	-	8,654,794
	27,022,303	**26,880,147**

Notes to Standalone financial statement for the year ended March 31, 2013
(All amounts are in Indian Rupees unless otherwise stated)

	For the year ended March 31, 2013	For the year ended March 31, 2012
Note 3 (xvii) : Revenue from operations		
Sales of Services		
In patient	775,711,254	738,046,723
Out patient	155,899,356	152,568,670
Income from medical services	821,357	543,734
Management fees from hospitals	267,335	19,125,440
Sub Total (a)	932,699,302	910,284,567
Sales of Traded Goods		
Pharmacy items	36,581,648	31,380,553
Sub Total (b)	36,581,648	31,380,553
Other operating revenue		
Income from Served from India Scheme (SFIS)	5,141,494	4,968,660
Income from sponsorship camps	4,500	513,200
Other operating income	1,620,220	1,409,374
Sub Total (c)	6,766,214	6,891,234
Total (a+b+c)	**976,047,164**	**948,556,354**

Note 3 (xviii) : Other Income

	For the year ended March 31, 2013	For the year ended March 31, 2012
Other non operating Income		
Others		
Income from rent	801,426	1,557,902
Parking fees	305,260	538,650
Unclaimed balances and excess provision written back	8,464,200	-
	9,570,886	**2,096,552**

Note 3 (xix) : Changes in Inventories of Medical Consumables and drugs

	For the year ended March 31, 2013	For the year ended March 31, 2012
Opening Stock	5,075,507	4,159,202
Closing Stock	3,942,958	5,075,507
	1,132,549	**(916,305)**

Note 3 (xx) : Employee Benefit expense

	For the year ended March 31, 2013	For the year ended March 31, 2012
Salaries, wages and bonus	113,162,486	100,899,820
Gratuity (Also refer Note 13)	1,858,000	1,344,435
Leave encashment	2,480,230	1,621,812
Contribution to provident & other funds	8,590,456	5,384,973
Staff welfare expenses	5,934,387	9,293,640
Recruitment & training	634,425	804,047
	132,659,984	**119,348,727**

Notes to Standalone financial statement for the year ended March 31, 2013

(All amounts are in Indian Rupees unless otherwise stated)

	For the year ended March 31, 2013	For the year ended March 31, 2012
Note 3 (xxi) : Other Expenses		
Contractual manpower	5,177,248	7,779,459
Power, fuel and water	22,296,084	21,752,206
Hospital Service fee expense	73,057,189	-
Housekeeping expenses including consumables	4,619,539	5,695,881
Patient food and beverages	12,258,918	10,960,746
Pathology laboratory expenses	25,881,361	30,272,653
Radiology expenses	19,408,892	38,806,875
Consultation fees to doctors	82,023,383	89,423,164
Professional charges to doctors	164,734,925	156,442,882
Cost of medical services	13,253,556	19,596,741
Repairs & maintenance		
- Building	2,131,965	3,670,961
- Plant & machinery	9,032,881	8,190,225
- Others	6,101,821	2,666,845
Rent		
- Hospital building	468,179	2,313,079
- Equipments	3,855,957	3,519,241
- Others	8,235,971	7,993,944
Legal & professional fee	5,044,654	4,333,726
Travel & conveyance	12,194,181	13,947,626
Rates & taxes	1,676,334	3,023,076
Printing & stationary	4,823,423	4,722,335
Communication expenses	2,858,161	2,921,044
Directors' sitting fees	215,000	99,000
Insurance	5,515,232	7,152,895
Marketing & business promotion	24,961,364	34,821,554
Loss on sale of fixed assets	612,397	594,343
Auditors' remuneration		
a. Statutory audit	674,160	674,160
b. Tax audit	56,180	56,180
c. others	252,810	168,540
d. out of pocket expenses	55,619	10,000
Bad debts	4,450,307	4,229,727
Provision for doubtful debts	3,774,767	355,399
Doubtful advances written off	-	3,509,068
Miscellaneous expenses	8,829,006	4,779,311
Donations	-	12,000
	528,531,464	**494,494,886**
Note 3 (xxii) : Financial costs		
Interest Expense	4,859,279	9,460,731
Bank charges	3,144,712	2,680,190
Exchange differences to the extent considered as an adjustment to borrowing costs	-	930,823
	8,003,991	**13,071,744**
Note 3 (xxiii) : Interest Income		
Interest income		
Interest on bank deposits	175,822	147,920
Interest from Inter corporate deposit	26,537,424	-
Interest from other deposits	-	191,955
Interest on income tax refunds	-	172,549
	26,713,246	**512,424**
Note 3 (xxiv) : Earnings per share		
Net profit as per profit and loss account - before Extraordinary items	101,741,219	77,110,882
Net profit as per profit and loss account - after Extraordinary items	431,795,613	77,110,882
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	31,322	18,470
Weighted average number of equity shares in calculating Diluted EPS	18,640,831	18,627,979

Notes to Standalone financial statement for the year ended March 31, 2013

(All amounts are in Indian Rupees unless otherwise stated)

4 Interest Income

Interest income aggregating Rs. 35,327,891, earned on Inter Corporate Deposit placed out of advance money received from Fortis Health Management Limited ('FHML') towards sale of the 'Clinical Establishment Business' ('CEB') upto October 16, 2012, being the effective date of transfer of the CEB has been disclosed as an exceptional item and the related interest income aggregating Rs.26,537,424 pertaining to the period subsequent to October 16, 2012 has been included as part of other income.

5 Sale of Clinical Establishment Business

The Shareholders of the Company had 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 Rs. 600,000,000. Accordingly, the net assets of Rs. 230,893,623 of the clinical establishment business have been transferred as a going concern on a slump sale basis effective October 17, 2012 for an aggregate consideration of Rs. 700,000,000. The net profit aggregating Rs. 313,258,461(net of tax expense of Rs. 100,746,916) arising from the sale of the said business has been disclosed as an „extraordinary item".

The Company has entered into a Hospital and Medical Services Agreement (HMSA) with Fortis Health Management Limited (FHML), whereby, the Company has engaged FHML to provide the clinical establishment services including the radiology and the out-patient consultation services on behalf of the Company.

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 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, 2013, the Company has capital commitments of Rs 2,139,502 (Previous year Rs. 1,075,617) towards purchase of assets.

Notes to Standalone financial statement for the year ended March 31, 2013

(All amounts are in Indian Rupees unless otherwise stated)

8 Contingent liabilities

	31 March 2013 Rs	31 March 2012 Rs
Claims against the Company not acknowledged as debts (in respect of compensation demanded by the patients / their relatives for negligence).	72,323,252	72,323,252

The cases are pending with various Consumer Disputes Redressal Commissions. The company has been advised by its legal counsel that it is possible, but not probable, the action will succeed and accordingly no provision for liability has been recognized in the financial statements.

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, 2013	March 31, 2012
a	**Malar Star Medicare Limited**		
	Balance outstanding at the year end	617,933,577	658,654,794
	Maximum amount outstanding during the year	658,654,794	658,654,794

10 Value of imports calculated on CIF basis

Particulars	March 31, 2013	March 31, 2012
Capital goods	4,487,162	11,682,579

11 Expenditure in foreign currency (accrual basis)

Particulars	March 31, 2013	March 31, 2012
Professional fees	2,736,810	586,584
Travelling and Conveyance	506,494	203,786
Others	379,040	-

12 Earnings in foreign currency (accrual basis)

Particulars	March 31, 2013	March 31, 2012
Health care services renderedto international patients	46,243,662	33,760,434

(All amounts are in Indian Rupees unless otherwise stated)

13 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

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

Statement of Profit and Loss		**March 31, 2013**	**March 31, 2012**
Net employee benefit expense (recognised in Employee benefits)			
(i)	Current service cost	1,600,000	1,591,000
(ii)	Past Service Cost	-	-
(iii)	Interest cost on Benefit Obligations	713,000	595,000
(iv)	Expected return on plan assets	(676,000)	(614,848)
(v)	Past Service Cost (Non Vested Benefits)	-	-
(vi)	Net actuarial (gains)/ losses recognised in the year	221,000	(226,717)
(vii)	Net (benefit) / expense	**1,858,000**	**1,344,435**
(viii)	Actual return on plan assets	-	174.432

Balance Sheet		**March 31, 2013**	**March 31, 2012**
Details of Provision for gratuity			
(i)	Defined benefit obligation	10,330,000	8,781,000
(ii)	Fair value of plan assets	8,017,000	7,273,565
(iii)	Unrecognized past service cost		
(iv)	Plan (Liability) /Asset	**(2,313,000)**	**(1,507,435)**
Changes in the present value of the defined benefit obligation are as follows:			
(i)	Opening defined benefit obligation	8,781,000	7,741,000
(ii)	Current service cost	1,600,000	1,591,000
(iii)	Past Service Cost	-	-
(iv)	Interest cost	713,000	595,000
(v)	Actuarial (gains) / losses on obligation	210,000	(534,000)
(vi)	Benefits paid	(974,000)	(612,000)
(vii)	Closing defined benefit obligation	**10,330,000**	**8,781,000**
Changes in the fair value of the plan assets are as follows:			
(i)	Opening fair value of plan assets	7,273,565	6,328,000
(ii)	Expected return	676,435	614,848
(iii)	Actuarial gains / (losses)	(11,000)	(307,283)
(iv)	Contributions by employer	78000	638,000
(v)	Benefits paid	-	-
(vi)	Closing fair value of plan assets	**8,017,000**	**7,273,565**

Notes to Standalone financial statement for the year ended March 31, 2013

(All amounts are in Indian Rupees unless otherwise stated)

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

Particulars	March 31, 2013	March 31, 2012
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 Rs. 2,313,000 to gratuity in the next year (March 31, 2012: Rs. 1,600,000).

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, 2013	March 31, 2012	March 31, 2011	March 31, 2010
Gratuity				
Defined benefit obligation	(10,330,000)	(8,781,000)	(7,741,000)	(6,835,000)
Plan assets	8,017,000	7,273,565	6,328,000	1,483,000
Surplus / (deficit)	(2,313,000)	(1,507,435)	(1,413,000)	(5,352,000)
Experience adjustments on plan liabilities	388,000	(11,000)	91,000	116,000
Experience adjustments on plan assets	(11,000)	(307,283)	28,000	(7,000)

Notes to Standalone financial statement for the year ended March 31, 2013

(All amounts are in Indian Rupees unless otherwise stated)

14 Employee stock option plans

The Company provides share-based payment schemes to its employees. During the year ended March 31, 2013, 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:

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, 2013		**March 31, 2012**	
	No. of options	**WAEP (Rs)**	**No. of options**	**WAEP (Rs)**
Outstanding at the beginning of the year	295,000	26.20	295,000	26.20
Granted during the year	-	-	-	-
Forfeited during the year	15,000	-	-	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	280,000	26.20	295,000	26.20
Exercisable at the end of the year	70,000	26.20	73,750	26.20

Notes to Standalone financial statement for the year ended March 31, 2013

(All amounts are in Indian Rupees unless otherwise stated)

The weighted average remaining contractual life for the stock options outstanding as at 31 March 2013 is 3.75 years (31 March 2012: 4.75 years). The range of exercise prices for options outstanding at the end of the year was Rs. 10. (31 March 2012: Rs. 10).

The weighted average fair value of stock options granted during the year was Rs. 13.45 (31 March 2012: Rs 13.45). The Black Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

	March 31, 2013	March 31, 2012
Dividend yield (%)	0%	0%
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

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:

	March 31, 2013 (Rs)	March 31, 2012 (Rs)
Profit after tax as reported	431,795,613	77,110,882
Add: ESOP cost using the intrinsic value method	Nil	Nil
Less: ESOP cost using the fair value method	1,268,927	1,294,918
Proforma profit after tax	430,526,686	75,815,964
Earnings Per Share		
Basic		
- As reported	23.20	4.14
- Proforma	23.13	4.07
Diluted		
- As reported	23.16	4.14
- Proforma	23.10	4.07

Notes to Standalone financial statement for the year ended March 31, 2013

(All amounts are in Indian Rupees unless otherwise stated)

15 Related Party Disclosures

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

Name of the related Party	Relationship
Ultimate Holding Company	Fortis Healthcare Limited
Holding Company	Fortis Hospitals Limited
Key Management Personnel	Mr. Krish Ramesh(Whole-time Director) (Resigned with effect from June 9, 2012) Mr.V.Vijayarathna(Whole-time Director) (with effect from July 10, 2012)
Subsidiary Company	Malar Stars Medicare Limited
Enterprises under common control	Hospitalia Eastern Private Limited
	Lalitha Healthcare Private Limited
	Super Religare Laboratories Limited
	Escorts Heart Institute and Research Centre Limited
	Fortis Hospotel Limited
Enterprises under significant influence of the ultimate holding company	Fortis Health Management Limited (With effect from October 19, 2012, the company has come under the significant influence of the ultimate holding company. Prior to October 19, 2012, the Company was under the common control of the ultimate holding company.)

Notes to Standalone financial statement for the year ended March 31, 2013

(All amounts are in Indian Rupees unless otherwise stated)

15.2. Transactions during the year with related parties

Particulars	March 31, 2013						March 31, 2012				
	Key Management Personnel	Ultimate holding Company	Holding Company	Subsidiary Company	Entities under Common Control	Entities under significant influence of the ultimate holding company	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	-	-	-	-	50,000,000	-	-	-	-	-	650,000,000
Advance Settled against sale of undertaking											
Fortis Health Management Limited	-	-	-	-	700,000,000	-	-	-	-	-	-
Inter corporate deposit placed											
Malar Stars Medicare Limited	-	-	-	60,500,000	-	-	-	-	-	650,000,000	-
Inter corporate deposit repayment receipts											
Malar Stars Medicare Limited	-	-	-	156,900,000	-	-	-	-	-	-	-
Interest Earned											
Malar Stars Medicare Limited	-	-	-	61,865,315	-	-	-	-	-	9,616,438	-
Reimbursement of expenses incurred on behalf of group Companies											
Fortis Healthcare Limited	-	3,106,918	-	-	-	-	-	474,215	-	-	-
Hospitalia Eastern Private Limited	-	-	-	-	325	-	-	-	-	-	44,275
Malar Stars Medicare Limited	-	-	-	1,462	-	-	-	-	-	130,095	-
Super Religare Laboratories Limited	-	-	-	-	970,135	-	-	-	-	-	152,041

Notes to Standalone financial statement for the year ended March 31, 2013

(All amounts are in Indian Rupees unless otherwise stated)

Particulars	March 31, 2013						March 31, 2012				
	Key Management Personnel	Ultimate holding Company	Holding Company	Subsidiary Company	Entities under Common Control	Entities under significant influence of the ultimate holding company	Key Management Personnel	Ultimate holding Company	Holding Company	Subsidiary Company	Entities under Common Control
Fortis Health Management North Limited	-	-	-	-	28,695	-	-	-	-	-	-
Reimbursement of expenses incurred by group Companies on behalf of the Company											
Fortis Healthcare Limited	-	1,003,572	-	-	-	-	-	407,253	-	-	-
Fortis Hospitals Limited	-	-	1,516,602	-	-	-	-	-	572,548	-	-
Purchase of medical equipments											
Lalitha Healthcare Private Limited	-	-	-	-	-	-	-	-	-	-	537,500
Services received											
Super Religare Laboratories Limited	-	-	-	-	25,220,272	-	-	-	-	-	44,14,397
Malar Stars Medicare Limited	-	-	-	3,933,000	-	-	-	-	-	4,343,250	-
Fortis Health Management Limited	-	-	-	-	697,581	72,359,608	-	-	-	-	-
Managerial Remuneration											
Mr. Krish Ramesh (Whole-time Director)	3,721,545	-	-	-	-	-	5,909,101	-	-	-	-
Mr. Vijayarathna (Whole-time Director)	2,553,675	-	-	-	-	-	-	-	-	-	-
Closing balance											
Trade Payable											
Super Religare Laboratories	-	-	-	-	(1,772,139)	-	-	-	-	-	(3,171,396)

Notes to Standalone financial statement for the year ended March 31, 2013

(All amounts are in Indian Rupees unless otherwise stated)

Particulars	March 31, 2013						March 31, 2012				
	Key Management Personnel	Ultimate holding Company	Holding Company	Subsidiary Company	Entities under Common Control	Entities under significant influence of the ultimate holding company	Key Management Personnel	Ultimate holding Company	Holding Company	Subsidiary Company	Entities under Common Control
Limited											
Fortis Health Management Limited	-	-	-	-	-	(9,431,867)	-	-	-	-	-
Advance recoverable											
Hospitalia Eastern Private Limited	-	-	-	-	-	-	-	-	-	-	44,275
Fortis Healthcare Limited	-	267,657	-	-	-	-	-	627,133	-	-	-
Fortis Health Management North Limited	-	-	-	-	28,695	-	-	-	-	-	-
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	-	-	-	617,933,577	-	-	-	-	-	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 Standalone financial statement for the year ended March 31, 2013

(All amounts are in Indian Rupees unless otherwise stated)

16 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, 2013	March 31, 2012
Lease rentals paid	7,312,251	8,304,210

17 Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

Particulars	March 31, 2013	March 31, 2012
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	Nil	Nil
The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006.	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of each accounting year	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006	Nil	Nil

18 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 LLP
ICAI Firm registration number : 324982E
Chartered Accountants

per **Sandeep Sharma**
Partner
Membership No.: 093577
Place: Gurgoan
Date: May 27, 2013

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

V. Vijayarathna
Whole Time Director

Aditya Vij
Director

Dinesh Gupta
Company Secretary
Place: Gurgoan
Date: May 27, 2013

Raghunath P
Financial Controller

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**	**31st March, 2013**
2.	**Shares of the Subsidiary Company held on the above date and extent of holding**	
	i) Equity Shares of Rs. 10/- each (50,000 equity shares of Rs. 10/- each fully paid)	**Rs. 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.	**Rs. 2,987,203**
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.	**Rs. 482,966**

For and on behalf of the Board of Directors

V.Vijayarathna
Whole Time Director

Aditya Vij
Director

Place : Chennai
Date : May 27 , 2013

Dinesh Gupta
Company Secretary

Raghunath.P
Financial Controller

ABSTRACT OF FINANCIALS OF SUBSIDIARY COMPANIES AS AT 31ST MARCH 2013

NAME OF THE SUBSIDIARY COMPANY : MALAR STARS MEDICARE LIMITED

		For the year Ended 31st March 2013 Rs.	For the year Ended 31st March 2012 Rs.
a)	Capital	500,000	500,000
b)	Reserves and Surplus (adjusted for debit balance of profit & loss account)	3,633,292	646,089
c)	Total Assets	628,594,447	661,044,038
d)	Totals Liabilities	624,461,155	659,897,949
e)	Details of Investment (except in case of investment in Subsidiaries)	NIL	NIL
f)	Turnover (Including Interest Income –Net)	8,256,013	5,042,189
g)	Profit/ (Loss) before Taxation	4,323,013	698,939
h)	Provision for Taxation	1,335,810	215,973
i)	Profit/ (Loss) after Taxation	2,987,203	482,966
j)	Proposed Dividend	NIL	NIL

For and on behalf of the Board of Directors

V.Vijayarathna Whole Time Director

Aditya Vij Director

Place : Chennai
Date : May 27 , 2013

Dinesh Gupta Company Secretary

Raghunath.P Financial Controller

Auditor's Report

The Board of Directors

Fortis Malar Hospitals Limited

We have audited the attached consolidated balance sheet of Fortis Malar Hospitals Limited, as at 31st March 2013, and also the consolidated statement of profit and loss and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. 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.

We report that the consolidated financial statements have been prepared by the 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).

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the consolidated balance sheet, of the state of affairs of the Fortis Malar Hospitals Limited as at 31st March 2013;

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

(c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For S R B C & CO LLP
ICAI Firm registration number: 324982E
Chartered Accountants

per Sandeep Sharma
Partner
Membership No.:093577

Place: Gurgoan
Date: May 27, 2013

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2013

All amounts are in Indian Rupees unless otherwise stated

	Notes	As at March 31, 2013	As at March 31, 2012
I. Equity and Liabilities			
Shareholders' funds			
Share capital	**3 (i)**	186,095,090	186,095,090
Reserves and surplus	**3 (ii)**	585,130,794	150,347,978
		771,225,884	**336,443,068**
Non-current liabilities			
Long term borrowings	**3 (iii)**	-	45,538,661
Deferred tax liabilities (net)	**3 (iv)**	6,301,189	24,168,135
		6,301,189	**69,706,796**
Current liabilities			
Short-term borrowings	**3 (v)**	-	15,095,986
Trade payables	**3 (vi)**	77,711,131	65,638,534
Other current liabilities	**3 (vii)**	40,704,810	693,266,072
Short-term provisions	**3 (viii)**	12,241,559	3,377,907
		130,657,500	**777,378,499**
TOTAL		**908,184,573**	**1,183,528,363**
II. Assets			
Non-current assets			
Fixed Assets			
Tangible assets	**3 (ix)**	172,803,640	389,681,860
Intangile assets	**3 (ix)**	887,350	1,384,774
Capital work in progress	**3 (ix)**	-	4,920,674
Deferred tax assets, net	**3 (x)**	70,664	52,267
Long term loans and advances	**3 (xi)**	7,845,105	41,080,796
		181,606,759	**437,120,371**
Current assets			
Inventories	**3 (xii)**	3,942,958	5,075,507
Trade receivables	**3 (xiii)**	32,065,317	37,851,143
Cash and bank balances	**3 (xiv)**	30,050,154	6,669,171
Short term loans and advances	**3 (xv)**	633,497,082	669,499,284
Other current assets	**3 (xvi)**	27,022,303	27,312,887
		726,577,814	**746,407,992**
TOTAL		**908,184,573**	**1,183,528,363**
Summary of significant accounting policies	**2.1**		

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

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration number: 324982E

Sandeep Sharma
Partner
Membership No: 093577
Place: Gurgoan
Date: May 27, 2013

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

V.Vijayarathna Whole Time Director	**Aditya Vij** Director
Dinesh Gupta Company Secretary Place: Gurgoan Date: May 27, 2013	**Raghunath P** Financial Controller

STATEMENT OF CONSOLIDATED PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2013
All amounts are in Indian Rupees unless otherwise stated

	Notes	For the year ended March 31, 2013	For the year ended March 31, 2012
Income			
Revenue from operations	**3 (xvii)**	976,047,164	948,556,354
Other income	**3 (xviii)**	9,570,886	2,096,552
Total revenue		**985,618,050**	**950,652,906**
Expenditure			
Purchase of medical consumables and drugs		201,427,684	197,404,537
Changes in inventories of medical consumables and drugs	**3 (xix)**	1,132,549	(916,304)
Employee benefits expense	**3 (xx)**	134,705,700	121,724,742
Other expenses	**3 (xxi)**	526,111,696	491,900,091
Total expenses		**863,377,629**	**810,113,066**
Earnings before interest, tax, depreciation and amortization (EBITDA)		**122,240,421**	**140,539,840**
Finance costs	**3 (xxii)**	8,003,991	13,072,406
Depreciation and amortisation expense	**3 (ix)**	24,903,773	29,969,052
Interest Income	**3 (xxiii)**	(36,341,582)	(512,424)
Profit before exceptional and extraordinary items and tax		**125,674,239**	**98,010,806**
Exceptional items - Interest income	**4**	29,648,516	10,097,260
Profit before extraordinary item and tax		**155,322,755**	**108,108,066**
Add : Extra Ordinary items (Profit on transfer of business)		414,005,376	-
Profit before tax		**569,328,131**	**108,108,066**
Tax expense			
Current tax		152,430,658	23,912,373
Deferred tax charge		(17,885,343)	12,480,846
Deferred tax credit relating to earlier years		-	(5,879,000)
Profit for the year carried over to the balance sheet		**434,782,816**	**77,593,847**
Earnings per share before extraordinary items	**3 (xxiv)**		
Basic [Nominal value of shares Rs 10/- each]		6.53	4.17
Diluted [Nominal value of shares Rs 10/- each]		6.52	4.17
Earnings per share after extraordinary items			
Basic [Nominal value of shares Rs 10/- each]	**3 (xxiv)**	23.36	4.17
Diluted [Nominal value of shares Rs 10/- each]		23.32	4.17
Summary of significant accounting policies	**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 LLP
Chartered Accountants
ICAI Firm Registration number: 324982E

Sandeep Sharma
Partner
Membership No: 093577
Place: Gurgoan
Date: May 27, 2013

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

V.Vijayarathna
Whole Time Director

Aditya Vij
Director

Dinesh Gupta
Company Secretary
Place: Gurgoan
Date: May 27, 2013

Raghunath P
Financial Controller

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

All amounts are in Indian Rupees unless otherwise stated

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
A. Cash flow from operating activities		
Net profit before tax and extraordinary item	**155,322,755**	**108,108,066**
Adjustments for :		
Depreciation and Amortisation	24,903,773	29,969,052
Loss on sale of fixed assets	612,397	594,343
Bad debts written off	4,450,307	4,229,727
Provision for doubtful debts	3,774,767	355,399
Provision for doubtful advances	-	3,509,068
Interest income	(65,990,098)	(10,609,684)
Interest expense	8,003,991	13,072,406
Operating profit before working capital changes	**131,077,892**	**149,228,377**
Movements in working capital :		
Increase/(decrease) in trade payables	22,209,998	(22,542,811)
Increase/(decrease) in long term provisions	-	179,024
Increase/(decrease) in short term provisions	1,806,101	12,185
Increase/(decrease) in other current liabilities	(653,930,725)	5,897,108
(Increase)/decrease in trade receivables	(2,439,248)	9,305,742
(Increase)/decrease in inventories	1,132,549	(916,304)
(Increase)/decrease in long term loans and advances	27,480,192	609,196
(Increase)/decrease in short term loans and advances	(14,555,171)	(5,089,833)
(Increase)/decrease in other current assets	(8,984,579)	(8,544,586)
(Increase)/decrease in other non-current assets	-	(4,200)
Cash generated from/ (used in) operations	**(496,202,991)**	**128,133,898**
Direct taxes paid	(139,617,608)	(20,318,173)
Net cash from / (used in) operating activities (A)	**(635,820,599)**	**107,815,725**
B. Cash flows from investing activities		
Purchase of fixed assets	(31,869,444)	(98,259,146)
Proceeds from sale of fixed assets	1,555,880	1,668,571
Advance received towards sale of undertaking	-	650,000,000
Intercorporate deposit placed (net)	(60,500,000)	(650,000,000)
Intercorporate deposit placed - Repaid	157,910,000	
Interest received	15,844,784	1,522,150
Net cash from /(used in) investing activities before extraordinary item	**82,941,220**	**(95,068,425)**
Proceeds from sale of clinical establishment business (extraordinary item)	700,000,000	-
Business transfer expense (extraordinary item)	(55,101,000)	-
Net cash from /(used in) investing activities after extraordinary item (B)	**727,840,220**	**(95,068,425)**
C. Cash flows from financing activities		
Proceeds from long-term borrowings	-	26,000,000
Repayment of long-term borrowings	(45,538,661)	(26,828,021)
Proceeds / (Repayments) of short-term borrowings (net)	(15,095,986)	4,570,914
Interest paid	(8,003,991)	(13,072,406)
Net cash from/ (used in) financing activities (C)	**(68,638,638)**	**(9,329,513)**
Net increase in cash and cash equivalents (A + B + C)	**23,380,983**	**3,417,787**
Total cash and cash equivalents at the beginning of the year	**6,669,171**	**3,251,384**
Cash and cash equivalents at the end of the year	**30,050,154**	**6,669,171**
Components of cash and cash equivalents:		
Cash in hand	**1,578,234**	**1,349,254**
Balances with scheduled banks on current and deposit accounts	**28,471,920**	**5,319,917**
Total	**30,050,154**	**6,669,171**

Summary of significant accounting policies **2.1**

As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration number: 324982E

Sandeep Sharma
Partner
Membership No: 093577
Place: Gurgoan
Date: May 27, 2013

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

V. Vijayarathna
Whole Time Director

Aditya Vij
Director

Dinesh Gupta
Company Secretary
Place: Gurgoan
Date: May 27, 2013

Raghunath P
Financial Controller

Notes To Consolidated Financial Statement For The Year Ended March 31, 2013

(All amounts are Indian Rupees, unless otherwise stated)

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 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, 2013 and statement of profit and loss and cash flows of the Group for the year ended March 31, 2013.
- 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, 2013.
- 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.

b 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.

c Inventories

Inventory of medical consumables, drugs, stores and spares are valued at cost or net realizable value whichever is lower. 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.

(All amounts are in Indian Rupees unless otherwise stated)

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.

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. In accordance with MCA circular dated 09 August 2012, exchange differences adjusted to the cost of fixed assets are total differences, arising on long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset, for the period. In other words, the company does not differentiate between exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost and other exchange difference.

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 on fixed assets is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management, or those prescribed under the Schedule XIV to the Companies Act, 1956, whichever is higher. 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 Rs. 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 Statement of Profit and Loss on a straight-line basis over the lease term.

Notes To Consolidated Financial Statement For The Year Ended March 31, 2013
(All amounts are in Indian Rupees unless otherwise stated)

h Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings.

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 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 Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group‟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.

Impairment losses of operations, including impairment on inventories, are recognized in the statement of profit and loss, except for previously revalued tangible fixed assets, where the revaluation was taken to revaluation reserve. In this case, the impairment is also recognized in the revaluation reserve up to the amount of any previous revaluation.

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 Group 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 Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Inpatient and Outpatient revenue

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

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.

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

Notes To Consolidated Financial Statement For The Year Ended March 31, 2013
(All amounts are in Indian Rupees unless otherwise stated)

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

The company accounts for exchange differences arising on translation/ settlement of foreign currency monetary items as below:

1. Exchange differences arising on a monetary item that, in substance, forms part of the company"s net investment in a non-integral foreign operation is accumulated in the foreign currency translation reserve until the disposal of the net investment. On the disposal of such net investment, the cumulative amount of the exchange differences which have been deferred and which relate to that investment is recognized as income or as expenses in the same period in which the gain or loss on disposal is recognized.

2. 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.

3. 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.

4. All other exchange differences are recognized as income or as expenses in the period 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 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 Group 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/ lossesrelating to gratuity and long term compensated absencesare recognizedin the statement of profit and loss 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 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.

At each reporting date, the company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

o 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.

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 Consolidated Financial Statement For The Year Ended March 31, 2013
(All amounts are in Indian Rupees unless otherwise stated)

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 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.

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 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, interest income and tax expense.

Notes to the consolidated financial statement for the year ended March 31, 2013
All amounts are in Indian Rupees unless otherwise stated

	As at March 31, 2013	As at March 31, 2012
Note 3(i): Share Capital		
Authorised:		
30,000,000 (Previous year 30,000,000) Equity Shares of Rs. 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 Rs. 10/- each	185,942,590	185,942,590
Add:30,500 (Previous year 30,500) equity shares of Rs. 10 each [Rs. 5 paid up (Previous year Rs. 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, 2013		As at March 31, 2012	
	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 - Fortis Hospitals Limited) , the holding company.

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

Name of Shareholder	As at March 31, 2013		As at March 31, 2012	
	No. of Shares held	% of Holding	No. of Shares held	No. of Shares held
Fortis Hospitals Limited	11,752,402	63.20%	11,752,402	63.20%

Terms/ rights attached to equity shares
The Company has only one class of equity shares having par value of Rs.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 statement for the year ended March 31, 2013
All amounts are in Indian Rupees unless otherwise stated

	As at March 31, 2013	As at March 31, 2012
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	57,014,658	(20,579,189)
Net Profit for the year	434,782,816	77,593,847
Closing balance	**491,797,474**	**57,014,658**
Total (a+b)	**585,130,794**	**150,347,978**
Note 3(iii) : Long Term Borrowings		
Term loans from banks (Secured)	-	45,538,661
Total	**-**	**45,538,661**

a. Key terms of the borrowings

Name of the Bank/ Financials institution	March 31, 2013	March 31, 2012	Rate of interest	Tenure of loan	Loan Limit	Loan Start Date	Number of instalments Due post March 31, 2013
HDFC Bank	-	-	13.75%	6 years	13,000,000	01-Jan-09	-
HDFC Bank	-	11,448,374	10.75%	6 years	15,000,000	20-Sep-09	-
HDFC Bank	-	9,829,559	10.75%	6 years	12,500,000	20-Oct-09	-
HDFC Bank	-	5,082,320	10.75%	6 years	6,659,000	20-Nov-09	-
HDFC Bank	-	12,058,965	10.75%	6 years	15,800,000	20-May-10	-
HDFC Bank	-	23,600,620	13.50%	3 Years	26,292,500	15-Dec-11	-
Less: Amount disclosed under the head "Other current liabilities" (Note 3 (vii))	-	(16,481,177)					
Long term borrowings	**-**	**45,538,661**					

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 Rs. 23.60 million outstanding during the previous year was 36 monthly instalments.
Repayment in respect of other loans outstanding as at the previous year was 60 monthly instalments to commence after 12 months principal moratorium from disbursement of each tranche. Interest to be serviced monthly.
The Company has preclosed all the long term borrowings during the current year.

Notes to the consolidated financial statement for the year ended March 31, 2013
All amounts are in Indian Rupees unless otherwise stated

	As at March 31, 2013	As at March 31, 2012
Note 3 (iv) : Deferred Tax Liabilities, net		
Deferred tax liability arising on account of :		
Differencesin depreciation and other differences in block of fixed assets as per tax books and financial books	11,666,216	28,037,844
	11,666,216	**28,037,844**
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	5,365,027	3,869,709
On carry forward business losses and unabsorbed depreciation	-	-
	5,365,027	**3,869,709**
Deferred tax liabilities, net	**6,301,189**	**24,168,135**
Note 3 (v): Short Term Borrowings		
Other loans and advances:		
Bank overdraft (Secured)	-	15,095,986
Total	**-**	**15,095,986**

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.

	As at March 31, 2013	As at March 31, 2012
Note 3 (vi) : Trade Payables		
Trade Payable (Also refer Note No 14)	77,711,131	65,638,534
	77,711,131	**65,638,534**
Note 3 (vii): Other Current Liabilities		
Current maturities of long term debts	-	16,481,177
Creditors for purchase of fixed assets	1,369,463	3,209,675
Advances from patients	14,215,437	14,985,749
Sundry deposits	1,674,370	3,493,020
Statutory payables	13,785,412	5,040,265
Advance received towards sale of undertaking (Refer Note 5)	-	650,000,000
Other liabilities	9,660,128	56,186
	40,704,810	**693,266,072**
Note 3 (viii) : Short Term Provisions		
a. Provision for employee benefits		
Provision for gratuity (Also refer note 10)	2,488,008	1,622,907
Provision for leave encashment	2,696,000	1,755,000
b. Other provisions		
Provision for Tax	7,057,551	-
	12,241,559	**3,377,907**

Notes to the consolidated financial statement for the year ended March 31, 2013
All amounts are in Indian Rupees unless otherwise stated

Note 3(ix) : Fixed Assets

	Gross block					Accumulated Depreciation & amortisation					Net block	
	As at April 1, 2012	Addition during the year	Deletions due to business transfer (Refer note 5)	Deletion during the year	As at March 31, 2013	As at April 1, 2012	For the year	Deletions due to business transfer (Refer note 5)	Deletion during the year	As at March 31, 2013	As at March 31, 2013	As at March 31, 2012
Tangible assets												
Freehold land	22,819,716	-	22,819,716	-	-	-	-	-	-	-	-	22,819,716
Building	215,333,471	7,856,354	223,189,825	-	-	75,412,960	3,986,023	79,398,983	-	-	-	139,920,511
Plant & machinery	80,833,289	12,129,730	63,651,877	7,414,512	21,896,630	31,316,178	2,631,333	21,645,610	5,823,234	6,478,667	15,417,963	49,517,111
Medical equipments	220,455,462	16,677,399	23,731,646	34,013	213,367,202	54,380,569	15,071,647	5,781,831	34,013	63,636,372	149,730,830	166,074,893
Furniture & fittings	10,113,859	443,688	2,743,095	853,352	6,961,100	3,996,327	924,785	746,328	405,531	3,769,253	3,191,847	6,117,532
Computers	10,102,409	1,232,736	-	1,028,612	10,306,533	5,207,418	1,591,775	-	955,661	5,843,532	4,463,001	4,894,991
Vehicles	3,876,623	-	-	3,876,623	-	3,539,516	200,786	-	3,740,302	-	-	337,107
	563,534,829	38,339,907	336,136,159	13,207,112	252,531,465	173,852,968	24,406,349	107,572,752	10,958,741	79,727,824	172,803,641	389,681,861
Previous Year	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
Intangible assets												
Software	3,070,024	-	-	-	3,070,024	1,685,250	497,424	-	-	2,182,674	887,350	1,384,774
	3,070,024	-	-	-	3,070,024	1,685,250	497,424	-	-	2,182,674	887,350	1,384,774
Previous Year	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
Total	**566,604,853**	**38,339,907**	**336,136,159**	**13,207,112**	**255,601,489**	**175,538,218**	**24,903,773**	**107,572,752**	**10,958,741**	**81,910,498**	**173,690,991**	**391,066,635**
Capital work in progress											-	4,920,674
Grand Total	**566,604,853**	**38,339,907**	**336,136,159**	**13,207,112**	**255,601,489**	**175,538,218**	**24,903,773**	**107,572,752**	**10,958,741**	**81,910,498**	**173,690,991**	**395,987,309**
Previous Year	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	

Note : Additions to medical equipments includes exchange differences of Rs 28,668 (March 31, 2012 - Rs 3,033,591) capitalised during the year.

Notes to the consolidated financial statement for the year ended March 31, 2013
All amounts are in Indian Rupees unless otherwise stated

	As at March 31, 2013	As at March 31, 2012
Note 3 (x) : Deferred Tax Assets, net		
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	70,664	52,267
Deferred tax asset, net	**70,664**	**52,267**

	As at March 31, 2013	As at March 31, 2012
Note 3 (xi) : Long Term Loans and Advances		
Unsecured, Considered good		
Capital advances	-	3,789,606
Gratuity fund	-	10,000
Security Deposit	1,059,558	5,002,675
MAT credit entitlement	-	26,523,016
Advance tax and tax deducted at source	6,785,547	5,755,499
	7,845,105	**41,080,796**

Notes to the consolidated financial statement for the year ended March 31, 2013
All amounts are in Indian Rupees unless otherwise stated

	As at March 31, 2013	As at March 31, 2012
Note 3 (xii) :Inventories (at lower of cost and net realisable value)		
Medical consumables and drugs	3,942,958	5,075,507
	3,942,958	**5,075,507**
Note 3 (xiii) : Trade Receivables		
Aggregate amount outstanding for a period exceeding six months (from due date of payment)		
Unsecured, considered good	2,850,249	6,907,540
Doubtful	2,932,842	2,520,850
Less : Provision for doubtful debts	(2,932,841)	(2,520,850)
	2,850,250	6,907,540
Other Debts		
Unsecured, considered good	29,215,067	30,943,603
Doubtful	1,201,461	256,993
Less : Provision for doubtful debts	(1,201,461)	(256,993)
	29,215,067	30,943,603
	32,065,317	**37,851,143**
Note 3 (xiv) : Cash and Bank Balances		
Cash and cash equivalents		
Cash on hand	1,578,234	1,349,254
Balances with banks		
On current accounts	7,907,083	5,319,917
On deposit accounts	20,564,837	-
	30,050,154	**6,669,171**
Note 3 (xv) : Short Term Loans and Advances		
Unsecured, Considered good unless stated otherwise		
Loans and advances to related parties		
Advances recoverable in cash or in kind or for value to be received	28,695	627,133
Inter corporate deposit	620,910,382	650,000,000
Loans and advances to others		
Security deposits	-	57,450
Advances recoverable in cash or in kind or for value to be received	12,558,005	18,814,701
	633,497,082	**669,499,284**
Note 3 (xvi) : Other Current Assets		
Unsecured, Considered good		
Accrued operating income	27,022,303	18,225,353
Interest accrued but not due	-	9,087,534
	27,022,303	**27,312,887**

Notes to the consolidated financial statement for the year ended March 31, 2013
All amounts are in Indian Rupees unless otherwise stated

	For the year ended March 31, 2013	For the year ended March 31, 2012
Note 3 (xvii) : Revenue from operations		
Sales of Services		
In patient	775,711,254	738,046,723
Out patient	155,899,356	152,568,670
Income from medical services	821,357	543,734
Management fees from hospitals (Also refer Note 5)	267,335	19,125,440
Sub Total (a)	932,699,302	910,284,567
Sales of Traded Goods		
Pharmacy items	36,581,648	31,380,553
Sub Total (b)	36,581,648	31,380,553
Other operating revenue		
Income from Served from India Scheme (SFIS)	5,141,494	4,968,660
Other operating income	1,620,220	1,409,374
Income from sponsorship camps	4,500	513,200
Sub Total (c)	6,766,214	6,891,234
Total (a+b+c)	**976,047,164**	**948,556,354**
Note 3 (xviii) : Other Income		
Other non operating Income		
Income from rent	801,426	1,557,902
Unclaimed balances and excess provision written back	8,464,200	-
Parking fees	305,260	538,650
	9,570,886	**2,096,552**
Note 3 (xix) : Changes in Inventories of Medical Consumables and drugs		
Opening Stock	5,075,507	4,159,203
Closing Stock	3,942,958	5,075,507
	1,132,549	**(916,304)**
Note 3 (xx) : Employee Benefits		
Salaries, wages and bonus	115,148,666	103,140,045
Gratuity (Also refer Note 10)	1,917,536	1,480,225
Leave encashment	2,480,230	1,621,812
Contribution to provident & other funds	8,590,456	5,384,973
Staff welfare expenses	5,934,387	9,293,640
Recruitment & training	634,425	804,047
	134,705,700	**121,724,742**

Notes to the consolidated financial statement for the year ended March 31, 2013
All amounts are in Indian Rupees unless otherwise stated

	For the year ended March 31, 2013	For the year ended March 31, 2012
Note 3 (xxi) : Other Expenses		
Contractual manpower	5,177,248	7,779,460
Power, fuel and water	22,296,084	21,752,206
Housekeeping expenses including consumables	4,619,539	5,695,881
Hospital Service fee expense	73,057,189	-
Patient food and beverages	12,258,918	10,960,746
Pathology laboratory expenses	25,881,361	30,272,653
Radiology expenses	19,408,892	38,806,875
Consultation fees to doctors	82,023,383	89,423,164
Professional charges to doctors	160,801,925	152,099,632
Cost of medical services	13,253,556	19,596,741
Repairs & maintenance		
- Building	2,131,965	3,670,961
- Plant & machinery	9,032,881	8,190,225
- Others	6,101,821	2,666,845
Rent		
- Hospital building	468,179	2,313,079
- Equipments	3,855,957	3,519,241
- Others	8,235,971	7,993,944
Donations	-	12,000
Legal & professional fee	5,074,722	4,333,756
Travel & conveyance	13,562,181	15,580,721
Rates & taxes	1,679,138	3,023,076
Printing & stationary	4,823,423	4,725,305
Communication expenses	2,858,161	2,921,044
Directors' sitting fees	215,000	99,000
Insurance	5,515,232	7,152,895
Marketing & business promotion	24,961,364	34,821,554
Loss on sale of fixed assets	612,397	594,343
Auditors' remuneration		
a. Statutory audit	758,430	786,520
b. Tax audit	84,270	56,180
c. Others	252,810	168,540
d. Out of pocket expense	55,619	10,000
Bad debts	4,450,307	4,229,727
Provision for doubtful debts	3,774,767	355,399
Doubtful advances written off	-	3,509,068
Miscellaneous expenses	8,829,006	4,779,310
	526,111,696	**491,900,091**
Note 3 (xxii) : Financial expenses		
Interest Expense	4,859,279	9,460,731
Exchange differences to the extent considered as an adjustment to borrowing costs	-	931,485
Bank Charges	3,144,712	2,680,190
	8,003,991	**13,072,406**
Note 3 (xxiii) : Other Income		
Interest income		
Interest on bank deposits	175,822	147,920
Interest from other deposits	36,165,760	191,955
Interest on income tax refunds	-	172,549
	36,341,582	**512,424**
Note 3 (xxiv) : Earnings per share		
Net profit as per profit and loss account before extraordinary items	121,524,422	77,593,848
Net profit as per profit and loss account after extraordinary items	434,782,816	77,593,848
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	31,322	18,470
Weighted average number of equity shares in calculating Diluted EPS	18,640,831	18,609,509

Notes To Consolidated Financial Statement For The Year Ended March 31, 2013
(All amounts are in Indian Rupees unless otherwise stated)

4 Interest Income

Interest income aggregating Rs. 29,648,516, earned on Inter Corporate Deposit placed out of advance money received from Fortis Health Management Limited ('FHML') towards sale of the 'Clinical Establishment Business' ('CEB') upto October 16, 2012, being the effective date of transfer of the CEB has been disclosed as an exceptional item and the related interest income aggregating Rs.36,165,760 pertaining to the period subsequent to October 16, 2012 has been included as part of other income.

5 Proposed sale of Hospital Infrastructure Undertaking

The Shareholders of the Group had 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 Rs. 600,000,000. Accordingly, the net assets of Rs. 230,893,623 of the clinical establishment business have been transferred as a going concern on a slump sale basis effective October 17, 2012 for an aggregate consideration of Rs. 700,000,000. The net profit aggregating Rs. 313,258,461(net of tax expense of Rs. 100,746,916) arising from the sale of the said business has been disclosed as an „extraordinary item".

The Group has entered into a Hospital and Medical Services Agreement (HMSA) with Fortis Health Management Limited (FHML), whereby, the Group has engaged FHML to provide the clinical establishment services including the radiology and the out-patient consultation services on behalf of the Group.

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	Country of incorporation	Proportion of ownership interest as at March 31, 2013	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 Groupis engaged inproviding 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 operates in India and therefore entirely caters to the needs of the domestic market. Therefore, there are no reportable geographical segments.

8 Capital and other commitments

At March 31, 2013, the Group has capital commitments of Rs 2,139,502 (Previous year Rs. 1,075,617) towards purchase of assets.

Notes To Consolidated Financial Statement For The Year Ended March 31, 2013
(All amounts are in Indian Rupees unless otherwise stated)

9 Contingent liabilities

	31 March 2013 Rs	31 March 2012 Rs
Claims against the Group 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. The company has been advised by its legal counsel that it is possible, but not probable, the action will succeed and accordingly no provision for liability has been recognized in the financial statements.	72,323,252	72,323,252

10 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

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

Statement of Profit and Loss		**March 31, 2013**	**March 31, 2012**
Net employee benefit expense (recognised in Employee benefits)			
(i)	Current service cost	1,659,536	1,641,323
(ii)	Past Service Cost	-	85,467
(iii)	Interest cost on Benefit Obligations	713,000	595,000
(iv)	Expected return on plan assets	(676,000)	(614,848)
(v)	Past Service Cost (Non Vested Benefits)	-	-
(vi)	Net actuarial (gains)/ losses recognised in the year	221,000	(226,717)
(vii)	Net (benefit) / expense	**1,917,536**	**1,480,225**
(viii)	Actual return on plan assets	-	174.432
Balance Sheet			
Details of Provision for gratuity			
(i)	Defined benefit obligation	10,505,008	8,896,472
(ii)	Fair value of plan assets	8,017,000	7,273,565
(iii)	Unrecognized past service cost	-	-
(iv)	Plan (Liability) /Asset	**(2,488,008)**	**(1,622,907)**
Changes in the present value of the defined benefit obligation are as follows:			
(i)	Opening defined benefit obligation	8,896,472	7,741,000
(ii)	Current service cost	1,659,536	1,726,790
(iii)	Past Service Cost	-	-
(iv)	Interest cost	713,000	595,000
(v)	Actuarial (gains) / losses on obligation	210,000	(534,000)
(vi)	Benefits paid	(974,000)	(632,318)
(vii)	Closing defined benefit obligation	**10,505,008**	**8,896,472**
Changes in the fair value of the plan assets are as follows:			
(i)	Opening fair value of plan assets	7,273,565	6,328,000
(ii)	Expected return	676,435	614,848
(iii)	Actuarial gains / (losses)	(11,000)	(307,283)
(iv)	Contributions by employer	78000	638,000
(v)	Benefits paid	-	-
(vi)	Closing fair value of plan assets	**8,017,000**	**7,273,565**

(All amounts are in Indian Rupees unless otherwise stated)

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

Particulars	March 31, 2013	March 31, 2012
Discount rate	8%	8%
Expected rate of return on assets	9.25%	9.25%
<u>Employee turnover</u>		
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 Group expects to contribute Rs. 2,488,008 to gratuity in the next year (March 31, 2011: Rs. 1,600,000).

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, 2013	March 31, 2012	March 31, 2011	March 31, 2010	March 31, 2009
Gratuity					
Defined benefit obligation	(10,330,000)	(8,781,000)	(7,741,000)	(6,835,000)	(6,311,000)
Plan assets	8,017,000	7,273,565	6,328,000	1,483,000	1,329,000
Surplus / (deficit)	(2,313,000)	(1,507,435)	(1,413,000)	(5,352,000)	(4,982,000)
Experience adjustments on plan liabilities	388,000	(11,000)	91,000	116,000	(2,546,000)
Experience adjustments on plan assets	(11,000)	(307,283)	28,000	(7,000)	(14,000)

11 Employee stock option plans

The Group provides share-based payment schemes to its employees. During the year ended March 31, 2013, 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:

<u>Vesting Plan</u>

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.

<u>Exercise Plan</u>

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.

Notes To Consolidated Financial Statement For The Year Ended March 31, 2013
(All amounts are in Indian Rupees unless otherwise stated)

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, 2013		March 31, 2012	
	No. of options	**WAEP (Rs)**	**No. of options**	**WAEP (Rs)**
Outstanding at the beginning of the year	295,000	26.20	295,000	26.20
Granted during the year	-	-	-	-
Forfeited during the year	15,000	-	-	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	280,000	26.20	295,000	26.20
Exercisable at the end of the year	70,000	26.20	73,750	26.20

The weighted average remaining contractual life for the stock options outstanding as at 31 March 2013 is 3.75 years (31 March 2012: 4.75 years). The range of exercise prices for options outstanding at the end of the year was 10. (31 March 2012: Rs. 10).

The weighted average fair value of stock options granted during the year was Rs. 13.45 (31 March 2012: Rs. 13.45). The Black Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

	March 31, 2013	March 31, 2012
Dividend yield (%)	0%	0%
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

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:

(All amounts are in Indian Rupees unless otherwise stated)

	March 31, 2013 Amount (Rs)	March 31, 2012 Amount (Rs)
Profit after tax as reported	434,782,816	77,593,847
Add: ESOP cost using the intrinsic value method	Nil	Nil
Less: ESOP cost using the fair value method	1,268,927	1,294,918
Proforma profit after tax	433,513,889	76,298,929
Earnings Per Share		
Basic		
- As reported	23.36	4.17
- Proforma	23.30	4.10
Diluted		
- As reported	23.32	4.17
- Proforma	23.26	4.10

12 Related Party Disclosures

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

Name of the related Party	Relationship
Ultimate Holding Company	Fortis Healthcare Limited
Holding Company	Fortis Hospitals Limited
Key Management Personnel	Mr. Krish Ramesh (Whole-time Director)UptoJune 9, 2012 Mr. V. Vijayarathna (Whole-time Director) from July 10, 2012
Enterprises under common control	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
Enterprises under significant influence of the ultimate holding company	Fortis Health Management Limited (With effect from October 19, 2012, the company has come under the significant influence of the ultimate holding company. Prior to October 19, 2012, the Company was under the common control of the ultimate holding company.)

Notes To Consolidated Financial Statement For The Year Ended March 31, 2013
(All amounts are in Indian Rupees unless otherwise stated)

12.2. Transactions during the year with related parties

	FY 2012-13					FY 2011-12			
Particulars	**Key Management Personnel**	**Ultimate holding Company**	**Holding Company**	**Entities under Common Control**	**Entities under significant influence of the ultimate holding company**	**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	-	-	-	50,000,000	-	-	-	-	650,000,000
Advance Settled against sale of undertaking									
Fortis Health Management Limited	-	-	-	700,000,000	-	-	-	-	-
Inter corporate deposit placed (including interest)									
Fortis Health Management (North) Limited	-	-	-	60,500,000	-	-	-	-	650,000,000
Inter corporate deposit repaid									

(Notes To Consolidated Financial Statement For The Year) Ended March 31, 2013

(All amounts are in Indian Rupees unless otherwise stated)

	FY 2012-13					FY 2011-12			
Particulars	**Key Management Personnel**	**Ultimate holding Company**	**Holding Company**	**Entities under Common Control**	**Entities under significant influence of the ultimate holding company**	**Key Management Personnel**	**Ultimate holding Company**	**Holding Company**	**Entities under Common Control**
Fortis Health Management (North) Limited	-	-	-	157,910,000	-	-	-	-	-
Interest Earned									
Fortis Health Management (North) Limited	-	-	-	65,814,276	-	-	-	-	10,097,260
Reimbursement of expenses incurred on behalf of group Companies									
Fortis Healthcare Limited	-	3,106,918	-	-	-	-	474,215	-	-
Hospitalia Eastern Private Limited	-	-	-	325	-	-	-	-	44,275
Super Religare Laboratories Limited	-	-	-	970,135	-	-	-	-	152,041
Fortis Health Management (North) Limited	-	-	-	28,695	-	-	-	-	-
Reimbursement of expenses incurred by group Companies on behalf of the Company									
Fortis Healthcare Limited	-	1,003,572	-	-	-	-	407,253	-	-
Fortis Hospitals Limited	-	-	1,516,602	-	-	-	-	572,548	-

Notes To Consolidated Financial Statement For The Year Ended March 31, 2013

(All amounts are in Indian Rupees unless otherwise stated)

	FY 2012-13					FY 2011-12			
Particulars	**Key Management Personnel**	**Ultimate holding Company**	**Holding Company**	**Entities under Common Control**	**Entities under significant influence of the ultimate holding company**	**Key Management Personnel**	**Ultimate holding Company**	**Holding Company**	**Entities under Common Control**
Purchase of medical equipments									
Lalitha Healthcare Private Limited	-	-	-	-	-	-	-	-	537,500
Services received									
Super Religare Laboratories Limited	-	-	-	25,220,272	-	-	-	-	44,14,397
Escorts Heart Institute and Research Centre Limited	-	-	-	-	-	-	-	-	1,095,891
Fortis Health Management Limited	-	-	-	697,581	72,359,608	-	-	-	-
Managerial Remuneration									
Mr. Krish Ramesh (Whole-time Director)	3,721,545	-	-	-	-	5,909,101	-	-	-
Mr. Vijayarathna (Whole-time Director)	2,553,675	-	-	-	-	-	-	-	-
Balance outstanding at									

Notes To Consolidated Financial Statement For The Year Ended March 31, 2013

(All amounts are in Indian Rupees unless otherwise stated)

	FY 2012-13					FY 2011-12			
Particulars	**Key Management Personnel**	**Ultimate holding Company**	**Holding Company**	**Entities under Common Control**	**Entities under significant influence of the ultimate holding company**	**Key Management Personnel**	**Ultimate holding Company**	**Holding Company**	**Entities under Common Control**
the end of the year									
Trade Payable									
Super Religare Laboratories Limited	-	-	-	(1,772,139)	-	-	-	-	(3,171,396)
Fortis Health Management Limited	-	-	-	-	(9,431,867)	-	-	-	-
Advance recoverable									
Hospitalia Eastern Private Limited	-	-	-	-	-	-	-	-	44,275
Fortis Healthcare Limited	-	267,657	-	-	-	-	627,133	-	-
Fortis Health Management (North) Limited	-	-	-	28,695	-	-	-	-	-
Other Liabilities									
Fortis Hospitals Limited	-	-	-	-	-	-	-	(44,949)	-
Advance received towards sale of undertaking									

Notes To Consolidated Financial Statement For The Year Ended March 31, 2013

(All amounts are in Indian Rupees unless otherwise stated)

	FY 2012-13					FY 2011-12			
Particulars	**Key Management Personnel**	**Ultimate holding Company**	**Holding Company**	**Entities under Common Control**	**Entities under significant influence of the ultimate holding company**	**Key Management Personnel**	**Ultimate holding Company**	**Holding Company**	**Entities under Common Control**
Fortis Health Management Limited	-	-	-	-	-	-	-	-	(650,000,000)
Inter Corporate deposit									
Fortis Health Management (North) Limited	-	-	-	620,910,382	-	-	-	-	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 Consolidated Financial Statement For The Year Ended March 31, 2013
(All amounts are in Indian Rupees unless otherwise stated)

13 Operating lease payments

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

Particulars	March 31, 2013	March 31, 2012
Lease rentals paid	7,312,251	8,304,210

14 Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

Particulars	March 31, 2013	March 31, 2012
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	Nil	Nil
The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006.	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of each accounting year	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006	Nil	Nil

15 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 LLP
ICAI Firm registration number: 324982E
Chartered Accountants

per **Sandeep Sharma**
Partner
Membership No.:
Place: Gurgoan
Date: May 27, 2013

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

V. Vijayarathna
Whole Time Director

Aditya Vij
Director

Dinesh Gupta
Company Secretary
Place: Gurgoan
Date: May 27, 2013

Raghunath P
Financial Controller

Fortis Malar Hospitals Limited

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

ATTENDANCE SLIP

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

No. of Shares:_____________

I/We_________________ hereby record my / our presence at the Twenty Second Annual General Meeting of the Company scheduled to be held on Monday, the 19th day of August, 2013 at P.Obul Reddy Hall, Sri Thyaga Brahma Gana Sabha (Regd) - Vani Mahal, 103, G.N. Road, T.Nagar, Chennai - 600 017 at 11.30 A.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.

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 Second Annual General Meeting of the Company scheduled to be held on 19th day of August, 2013 at P.Obul Reddy Hall, Sri Thyaga Brahma Gana Sabha (Regd) – Vani Mahal, 103, G.N.Road, T.Nagar, Chennai – 600 017 at 11.30 A.M. and/or at any adjournment thereof.

AS WITNESS my hand / our hand this ___________________ day of____________ 2013

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.

CSR INITIATIVES

"Save the Girl Child" – Dinner with girl children in an orphanage

Free Health check up for children in an orphanage

Free Cardiac Screening Camp held for poor patients

"Chennai Cycling 2013" – Health Partners to an event that promotes cycling as a Healthy lifestyle and environment friendly option

Book-Post

FORTIS MALAR HOSPITAL

Fortis Malar Hospitals Ltd.
Regd. Office: 52, First Main Road, Gandhi Nagar, Adyar, Chennai - 600 020.
Tel: +91 44 4289 2222 Fax: +91 44 4289 2293
E-mail: contactus.malar@fortishealthcare.com | **Website:** www.fortismalar.com

Form A

Annexure to the annual audit report for the year ended March 31, 2013

1	Name of the Company	Fortis Malar Hospitals Limited BSE Scrip Code - 523696
2	Annual Financial statements for the year ended	March 31, 2013
3	Type of audit observation	Unqualified
4	Frequency of observation	Not applicable

V Vijayarathna
Whole time Director

Ramesh L Adige
Audit Committee Chairman

Sandeep Sharma
Partner
Membership No.: 093577
For S R B C & CO LLP
ICAI Firm registration number: 324982E

Raghunath P
Finance Controller