Fortis Malar Hospital
No. 52, 1st Main Road, Gandhi Nagar,
Adyar, Chennai - 600 020
Tel: + 91 44 2491 4023 / 4214
Fax: + 91 44 4289 2293
Email: contactus.malar@fortishealthcare.com
Website: www.fortishealthcare.com

FORM A

Annexure to the annual audit report for the year ended March 31, 2014

1	Name of the company	Fortis Malar Hospitals Limited BSE Scrip Code – 523696 CIN - L85110TN1989PLC017232
2	Annual financial statements for the year ended	March 31, 2014
3	Type of Audit observation	Unqualified
4	Frequency of observation	Not applicable

Mr. Raghunath P
Whole-time Director

Mr. Ramesh L. Adige
Chairman - Audit and Risk Management Committee

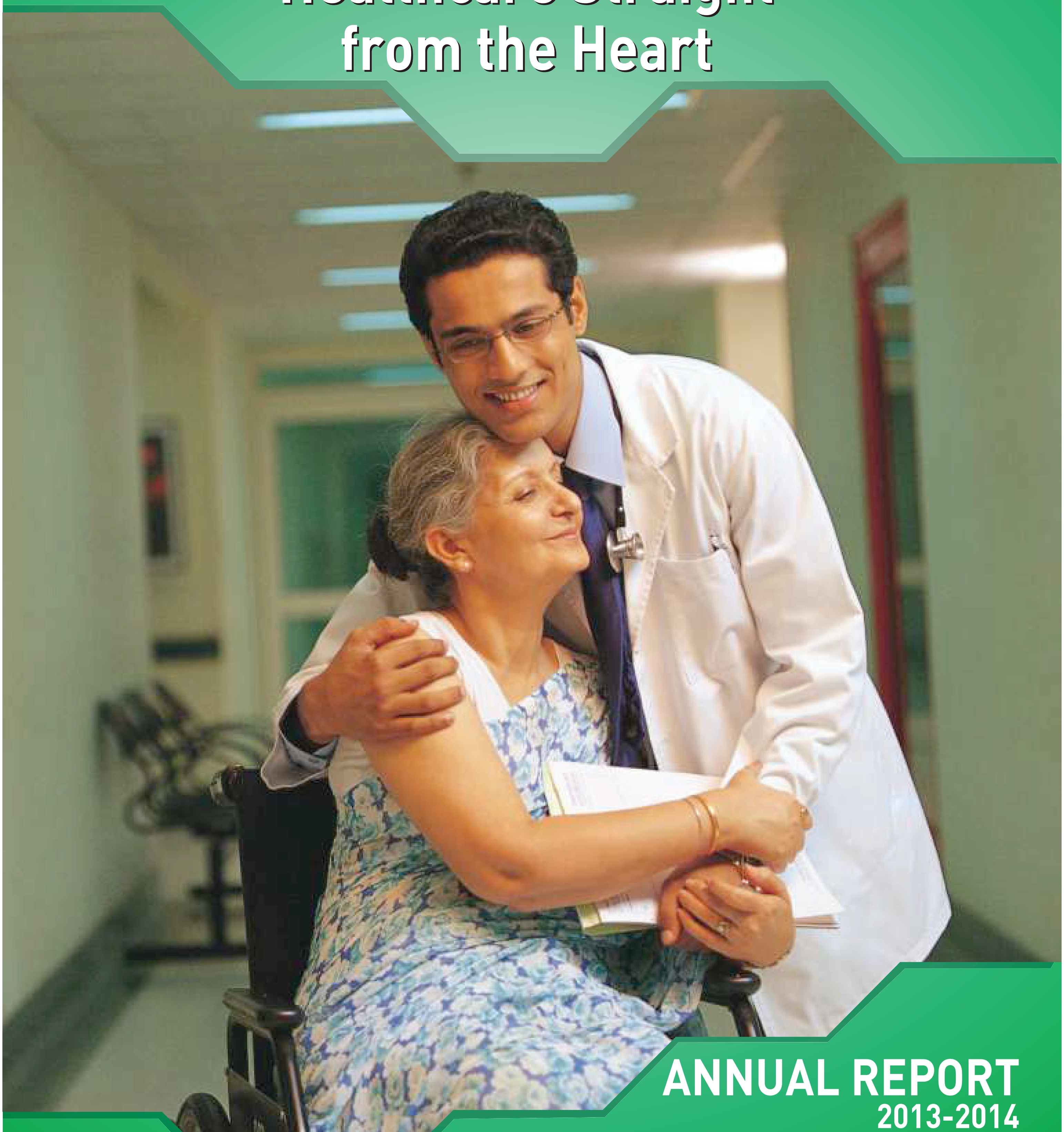
Mr. Akshaya Singh
Financial Controller

Mr. Aniruddh Sankaran
Partner
Membership No. – 211107
For S.R. Batliboi & Co. LLP
ICAI Firm Registration No. – 301003E

Date : July 26, 2014

Fortis Malar Hospital

Healthcare Straight from the Heart



ANNUAL REPORT
2013-2014

Contents

Company Information

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Mr. Dinesh Kumar Gupta (till June 02, 2014)

AUDITORS

M/s. S.R. Batliboi & 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

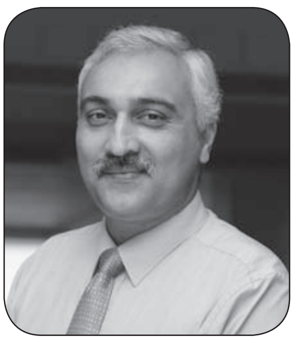
Fortis Malar Hospitals Limited
52, First Main Road, Gandhi Nagar,
Adyar, Chennai – 600 020
CIN No.: L85110TN1989PLC017232
Phone No.: + 91 – 44 – 2491 4023, 4289 2222
Fax No.: + 91 – 44 – 4289 2293
Website: www.fortismalar.com

REGISTRAR AND TRANSFER AGENT

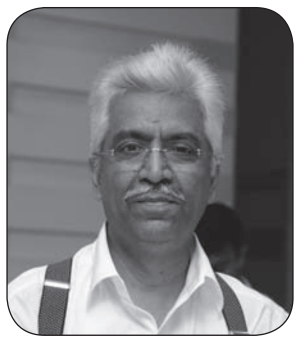
Karvy Computershare Private Limited
Plot No.17-24, Vittal Rao Nagar, Madhapur,
Hyderabad – 500 081
Tel: +91- 40- 4465 5000
Website: www.karvycomputershare.com

Board of Directors

Mr. Aditya Vij



Mr. Ashish Bhatia



Mr. L. T. Nanwani

Mr. Murari Pejavar

Dr. Nithya Ramamurthy

Mr. R. K. Shetty

Mr. Ramesh Lakshman 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, 2014.

We had a promising year, with Fortis Malar distinguishing itself as an institution with outstanding medical capabilities straddling multiple specialities. Annual revenues grew by 10% to Rs. 108.38 Crores from Rs 98.56 Crores in the previous financial year. Net profit before exceptional and extra-ordinary items was at Rs.13.39 Crores compared to Rs 12.57 Crores in the previous financial year. Net profit after tax was at Rs. 8.78 Crores against Rs. 43.48 crores earned in the previous year.

The average revenue per occupied bed (ARPOB) significantly improved during the current year increasing from Rs. 97 lakhs in FY 2013 to Rs. 109 lakhs in FY 2014. The average length of stay (ALOS) went up marginally from 3.69 days in FY 2013 to 3.81 days in FY 2014, primarily on account of the complex, high value surgeries requiring exceptional medical skills, being undertaken at your hospital.

During the year our surgeons continued to dedicate their efforts in the service of patients, performing several first-of-their-kind procedures. To name a few, we undertook a unique Heart Transplant operation on a 34 year old breast cancer survivor from Iraq. A Lap Sleeve Gastrectomy was performed successfully on a Sudanese patient weighing 260 kgs. We also performed four HVAD (Artificial Heart Pump HeartWare® Ventricular Assist Device) implants during the year and continued to be one of the leading hospitals in the country for Heart and Renal transplants.

We witnessed robust growth across all major specialties and further reiterated our focus on quality, emphasizing Patient Care and Patient Welfare services. These measures have led to a significant improvement in Patient satisfaction levels.

To handle the increasing work load and extend our suite of medical services, we inducted highly skilled surgeons and consultants to our accomplished faculty. All these endeavours have been useful in raising the bar for clinical excellence at Chennai.

As part of your Company's environment friendly initiatives aimed at reducing the carbon foot print, we made a progressive shift to alternate energy sources in 2012. I am pleased to report that most of our electricity and power needs (to the tune of nearly 83%) are now being met through clean wind power with minimal dependence on the conventional grid.

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 and for carving a niche for Fortis Malar as a significant landmark for healthcare in the country.

Meanwhile, I would like to take this opportunity to thank the members of the Board for their generous support and guidance. I would also like to express my gratitude to all our stakeholders, partners and employees, for their continued commitment, passion and confidence in the Company.

With Best Wishes and Warm Regards

Aditya Vij
Chairman - Fortis Malar Hospitals Limited

Notice of the Annual General Meeting

NOTICE is hereby given that the **Twenty Third Annual General Meeting** of the Company will be held on Friday, September 05, 2014, 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 to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Balance Sheet as at March 31, 2014, 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 Dr. Nithya Ramamurthy (DIN – 00255343), who retires by rotation and being eligible, seeks re-appointment.
3. To appoint a director in place of Mr. Aditya Vij (DIN – 03200194), who retires by rotation and being eligible, seeks re-appointment.
4. To appoint Auditors and 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 provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013 and the rules framed thereunder, as amended from time to time, M/s. S.R. Batliboi & Associates LLP, Chartered Accountants (Firm Registration No. - 101049W), be and is hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting ('AGM') up to the conclusion of the next AGM of the Company, in place of the retiring Auditors, M/s S.R. Batliboi & Co. LLP, Chartered Accountants (who have expressed their unwillingness to be re-appointed), at such remuneration plus service tax, out-of-pocket, travelling expenses, etc. as may be fixed by the Board of Directors."

   (The Company has received notice from a member signifying his intention to propose the above resolution)

SPECIAL BUSINESS:

5. To appoint Mr. Ramesh Lakshman Adige (DIN – 00101276) as an Independent Director 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 pursuant to the provisions of Section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 ("the Act") and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. Ramesh Lakshman Adige (DIN – 00101276), a non-executive director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for a term of 5 (five) consecutive years."
6. To appoint Mr. Sanjay Jayavarthnavelu (DIN – 00004505) as an Independent Director 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 pursuant to the provisions of Section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 ("the Act") and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. Sanjay Jayavarthnavelu (DIN – 00004505), a non-executive director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for a term of 5 (five) consecutive years."
7. To appoint Mr. Murari Pejavar (DIN – 00020437) as an Independent Director 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 pursuant to the provisions of Section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 ("the Act") and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. Murari Pejavar (DIN – 00020437), a non-executive director of the

Company, be and is hereby appointed as an Independent Director of the Company to hold office for a term of 5 (five) consecutive years."

8. To appoint Mr. Rama Krishna Shetty (DIN – 01521858) as an Independent Director 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 pursuant to the provisions of Section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 ("the Act") and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. Rama Krishna Shetty (DIN – 01521858), a non-executive director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for a term of 5 (five) consecutive years."

9. To appoint Mr. Lakshman Teckchand Nanwani (DIN – 00076536) as an Independent Director 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 pursuant to the provisions of Section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 ("the Act") and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mr. Lakshman Teckchand Nanwani (DIN – 00076536), a non-executive director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for a term of 5 (five) consecutive years."

10. To appoint Mr. Raghunath P. (DIN - 06929117) as a Whole-time Director 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 Mr. Raghunath P. (DIN - 06929117) who was appointed as the Whole-time Director w.e.f. July 26, 2014 also designated as the key Managerial Personnel, pursuant to applicable provisions of the Companies Act, 2013 (hereinafter referred to as 'the Act') and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) and in respect of whom the Company has received a Notice under Section 160 of the Act, in writing, proposing his candidature for the office of the Director, be and is hereby appointed as the Director of the Company.

   RESOLVED FURTHER THAT pursuant to the provisions of Sections 196, 197, 203 and any other applicable provisions, of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), read with Schedule V to the Act, 2013 and Articles of Association of the Company and subject to the approval of Central Government or other regulatory authority, if any, the consent of the members is hereby accorded to appoint Mr. Raghunath P. as the Whole-time Director of the Company for a period of three years with effect from July 26, 2014, on the terms and conditions as set below:

a) Total Remuneration: Remuneration payable by way of salary, perquisites and other allowances shall be upto Rs. 50,00,000 (Rupees Fifty Lac only) per annum in any financial year in the manner laid down in Section 198 and/or any other applicable provisions of the Act, in any financial year or with the authority granted to the Board of Directors and/or Human Resources and Remuneration Committee, to amend/ modify the remuneration components of the total remuneration, within the limits stipulated in this Resolution, from time to time.

   The perquisites shall be evaluated as per Income Tax Rules, wherever applicable and in the absence of any such rule, they shall be evaluated at actual cost.

b) Other terms:

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

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

   (iii) Whole-time Director will be entitled to reimbursement of all such expenses actually and properly incurred by him in the course of legitimate business of the Company, as per the policies of the Company.

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

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

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

RESOLVED FURTHER THAT the consent of the members of the Company be and is hereby also accorded that where in any financial year the Company has no profits or inadequate profits then remuneration as decided above be paid with the prior approval of the Central Government.

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

RESOLVED FURTHER THAT the Board of Directors of the Company or any committee thereof be and is hereby also authorized to amend, alter, modify or otherwise vary the terms and conditions of appointment of Mr. Raghunath P., Whole-time Director, including the components of the above mentioned remuneration payable to him subject to the overall cap of Rs. 50,00,000 (Rupees Fifty Lac only) per annum."

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

"RESOLVED THAT in supersession of the Ordinary Resolution passed at the Annual General Meeting of the Shareholders of the Company held on June 28, 1993 and pursuant to Section 180(1)(c) and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), the Board of Directors of the Company (hereinafter called "the Board"), which term shall be deemed to include any Committee of the Board, which the Board may have constituted or hereinafter constitute for the time being, to exercise its powers including the powers conferred on the Board of Directors by this resolution, or any person(s) authorized by the Board or its Committee for such purposes), is hereby authorized to borrow from time to time as it may think fit, by way of loans or any other financial facilities from, or issue of bonds, debentures or other securities whether convertible into equity/preference shares and/or securities with or without detachable warrants with a right exercisable by the warrant holder(s) to convert or subscribe for equity/preference shares to, bank(s), financial or other institution(s), mutual fund(s), non-resident Indians, foreign institutional investors or any other person(s), body(ies) corporate, etc., whether a shareholder of the Company or not, whether unsecured or secured and on such terms and conditions as the Board may deem fit, any sum or sums of monies which together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount so borrowed by the Board shall not, at any time, exceed the limit of Rs. 50,00,00,000 (Rupees Fifty Crores Only).

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things and to sign all such agreements, documents, papers and writings as may be deemed necessary, expedient or desirable to give effect to the above resolution.

RESOLVED FURTHER THAT all actions taken by the Board in connection with any matter referred to or contemplated in any of the foregoing resolution be and are hereby approved, ratified and confirmed in all respects."

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

"RESOLVED THAT in supersession of the Ordinary Resolution passed at the Annual General Meeting of the Shareholders of the Company held on September 29, 2008 and pursuant to Section 180(1)(a) and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), the Board of Directors of the Company (hereinafter called "the Board"), which term shall be deemed to include any Committee of the Board, which the Board may have constituted or hereinafter constitute for the time being, to exercise its powers including the powers conferred on the Board of Directors by this resolution, or any person(s) authorised by the Board or its Committee for such purposes) be and is hereby authorised to create such charges, mortgages and hypothecations in addition to the existing charges, mortgages and hypothecations created by the Company, on such movable and immovable properties, both present and future, or the whole, or substantially the whole, of the undertaking or undertakings of the Company, and with such ranking as to priority and for such time and on such terms and in such manner as the Board may think fit, in favour of lenders, agents, trustees and other agencies to secure the borrowings of the Company availed/to be availed by way of loan(s) (in foreign currency and/or rupee currency) and/or working capital facilities and/or Securities issued/ to be issued by the Company, from time to time, subject to the limits approved under Section 180(1)(c) of the Companies Act, 2013 as may be available to the Company from time to time, together with interests, compound/additional interest, commitment charges, costs, expenses and all other monies payable by the Company to the concerned lenders.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of directors or any executive director or directors or any other officer of the Company to do all such acts, deeds and things and to sign all such agreements, documents, papers and writings as may be deemed necessary, expedient or desirable to give effect to the above resolution.

RESOLVED FURTHER THAT all actions taken by the Board in connection with any matter referred to or contemplated in any of the foregoing resolution are hereby approved, ratified and confirmed in all respects."

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

"RESOLVED THAT pursuant to provisions of Section 94 of the Companies Act, 2013 and the rules made thereunder, the consent of the members be and is hereby accorded to the Board of Directors of the Company, for keeping the Register of Members together with the Index of members, the Register of Debenture Holders together with the Index of debenture holders, if any, under Section 88 of the Companies Act, 2013, at the office of the Registrar and Transfer Agent, Karvy Computershare Private Limited situated at F-11, First Floor, Akshaya Plaza, No. 108 Adithanar Salai, Egmore, Chennai – 600 002, Tamil Nadu or at such places within Chennai where the Registrar and Transfer Agent may shift its office from time to time, instead of the Registered Office of the Company.

RESOLVED FURTHER THAT the Directors 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**

Dated: July 26, 2014
Place: Chennai

Aditya Vij
Director
DIN - 03200194
Address – 3/27 Second Floor,
Shanti Niketan, New Delhi - 110021

Notes:

1. An Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013, relating to the Special Business to be transacted under Item Nos. 5 to 13 is annexed hereto.

2. **A member entitled to attend and vote at the Annual General Meeting ("the Meeting") is entitled to appoint a proxy to attend and vote on a poll instead of himself/herself and the proxy need not be a member of the Company. The instrument appointing the proxy should, however, be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the Meeting.**

   A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.

3. Brief resume of Directors including those proposed to be appointed/re-appointed, nature of their expertise in specific functional areas, names of companies in which they hold directorships and memberships/ chairmanships of Board Committees, shareholding and relationships between directors *inter-se* as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange is annexed hereto.

4. The Company has notified the closure of Register of Members. The Share Transfer Books of the Company shall remain closed from **Saturday, 23rd day of August, 2014** to **Friday, 5th day of September, 2014** (both days inclusive).

5. The notice of Annual General Meeting will be sent to those members/beneficial owners whose name appear in the register of members/list of beneficiaries

received from the depositories as on Friday, July 25, 2014.

6. The Ministry of Corporate Affairs has undertaken a 'Green Initiative in the Corporate Governance' by allowing paperless compliances by Companies. Also, 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. The notice for annual general meeting along with the annual report of the Company will be made available on the Company's website- www.fortismalar.com.

7. 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.

8. Members holding shares in demat form are requested to notify their respective Depository Participant of any change in their addresses or bank mandates to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form are requested to kindly notify any change in their addresses or bank mandates immediately to the Company/Karvy.

9. In case of joint holders attending the meeting, only such joint holder who is highest in the order of names will be entitled to vote.

10. Corporate members intending to send their authorized representative to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution/Power of Attorney, authorizing their representative to attend and vote on their behalf at the Annual General Meeting.

11. Non-Resident Indian Members are requested to inform Karvy, immediately of:

    (a) Change in their residential status on return to India for permanent settlement.

    (b) Particulars of their bank account maintained in India with complete name, branch, account type, account number and address of the bank with pin code number, if not furnished earlier.

12. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN to the Company/Karvy.

13. 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.

14. 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.

15. All documents referred to in the Notice and Explanatory Statement, including Register of Director's Shareholding will be available for inspection at the Company's registered office during normal business hours on the working days upto the date of Annual General Meeting.

16. Electronic copy of the Notice of the 23rd Annual General Meeting of the Company is being sent to all members whose email IDs are registered with the Company/Depository Participants for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copy of the Notice is being sent in the permitted mode.

17. Pursuant to Section 72 of the Companies Act, 2013, 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 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.

18. Members desiring any information as regards the Accounts are requested to write to the Whole-time Director of the Company, giving at least 7 days notice prior to the date of Annual General Meeting to enable the Management to reply at the Meeting.

19. In compliance with the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 and Clause 35B of the Listing Agreement, the assent or dissent of the shareholders in respect of the resolutions contained in the Annual General Meeting Notice is also being taken through e-voting facility provided through Karvy Computershare Private Limited.

20. The e-voting event number, User Id and Password along with the detailed instructions for e-voting are provided in the notice of e-voting, being sent along with the Notice of Annual General Meeting.
21. In terms of provisions of Section 107 of the Companies Act, 2013 since the Company is providing the facility of e-voting to the shareholders, there shall be no voting by show of hands at the Annual General Meeting. The shareholders who will be physically present at the Annual General Meeting shall be provided with polling papers to cast their votes at the meeting.
22. The shareholders can opt for only one mode of voting i.e. through e-voting or through physical polling at the meeting. In case of voting by both the modes, vote casted through e-voting will be considered final and voting through physical ballot will be considered invalid.
23. The result on resolutions shall be declared on or before closing business hours on **Sunday, September 07, 2014** at the registered office of the Company and shall also be available on the website of the Company. The resolutions will be deemed to be passed on the Annual General Meeting date subject to receipt of the requisite number of votes in favour of the resolutions.
24. Members who have not registered their e-mail addresses so far are requested to register their e-mail address for receiving all communication including Annual Report, Notices, Circulars, etc. from the Company electronically.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013

The following Statement sets out all material facts relating to the Special Business mentioned in the accompanying Notice:

Item Nos. 5 to 9

The Company had, in compliance with the provisions of Clause 49 of the Listing Agreement entered with the BSE Limited, appointed Mr. Ramesh Lakshman Adige, Mr. Sanjay Jayavarthanavelu, Mr. Murari Pejavar, Mr. Rama Krishna Shetty and Mr. Lakshman Teckchand Nanwani, as Independent Directors, in the past.

Pursuant to the provisions of Section 149 of the Companies Act, 2013, herein after referred to as 'the Act', coming into effect from April 01, 2014, every listed public company is required to have at least one-third of the total number of Directors as Independent Directors, who are not liable to retire by rotation.

The Human Resources and Remuneration Committee at its meeting held on July 26, 2014 has recommended the appointment of these directors as Independent Directors up to such term(s) of five years for each of the above mentioned directors, as mentioned in their respective resolutions.

Mr. Ramesh Lakshman Adige, Mr. Sanjay Jayavarthanavelu, Mr. Murari Pejavar, Mr. Rama Krishna Shetty and Mr. Lakshman Teckchand Nanwani, Non-executive Independent Directors of the Company, have given respective declarations to the Board that they meet the criteria on Independence as provided under section 149(6) of the Act. In the opinion of the Board, each of these Directors fulfill the conditions specified in the Act and the Rules framed thereunder, for appointment as Independent Directors and also they are independent of the management.

In compliance with the provisions of section 149 read with Schedule IV of the Act, the appointment of these directors as Independent Directors is now being placed before the members for their approval.

The terms and conditions of appointment of the above mentioned Directors shall be open for inspection by the Members at the Registered Office of the Company during normal business hours on any working day, excluding Saturday.

A brief profile of the Independent Directors to be appointed is given below:-

Mr. Ramesh Lakshman Adige, a Non-Executive Independent Director, is a B.E. from BITS Pilani and has a Post Graduate degree from the Faculty of Management Studies, Delhi. He has 40 years of international exposure with proven track record in the areas of healthcare, pharmaceuticals, automobiles, financial services, marketing, branding, consumer durables, Global Corporate Communications, EHS, Administration, Corporate Social Responsibility, Sustainability Reporting, Intellectual Property Policy, Public Affairs, Public Policy & Higher Education. He is currently on the Board of Directors of Syndicate Bank, Premier Limited; Member of the Governing Council of T.A. Pai Management Institute, Manipal; Co-opted member of Biodiversity Foundation of NCT of Delhi; Member of Expert Committee of National Formulary of India and Chairman of PHD Rural Development Foundation.

Mr. Sanjay Jayavarthanavelu, a Non-Executive, Independent Director, is an MBA from Philadelphia University, USA, is the Chairman and Managing Director of Lakshmi Machine Works Ltd. (LMW), Coimbatore which is one of the three leading Textile Machinery Manufacturers in the world, manufacturing the complete range of textile spinning machinery. He is a Trustee of the Kuppuswamy Naidu Charity Trust for Education and Medical Relief, which runs a multi-speciality 550 bedded hospital and a Higher Secondary School and a feeder school in Coimbatore and an Arts College in Kovilpatti, Tamil Nadu. He is the Trustee of the Coimbatore Masonic Charity Trust, which runs a Children's Hospital and a Working Women's Hostel and is also a Trustee of GKD Charity Trust, which runs a Management Study College (DJ Academy for Managerial Excellence & DJ Academy of Design) and an Industrial Training Institute (GKD Institute for Technological Resources).

Mr. Murari Pejavar, a Non-Executive, Independent Director, is M.A. (Economics), 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 specializes in the areas of General Industrial Administration, formulation of industrial policies, administration of public and co-operative sector industrial undertakings including sick units, health and family planning sector management, energy sector, financial administration and food processing. At present Mr. Murari is Adviser to President, Federation of Indian Chambers of Commerce and Industry (FICCI); Advisory Board – Great Lakes Institutes of Management (Affiliated to Kellogg School – USA), Advisory Board – Loyola Institute of Business Administration and Member of Joint Electricity Regulatory Commission (State Advisory Committee), Chennai Port Trust Advisory Committee and also Former Chairman of Centre State Relations Committee appointed by GOI.

Mr. Rama Krishna Shetty, a Non-Executive Independent Director, holds a bachelor's degree in Engineering from Basaveshwara Engineering College, Bagalkot and has completed an Executive Development program from the Jamnalal Bajaj Institute of Management, Mumbai in Production Planning Control and Financial Management. Mr. Shetty has received the National Productivity Award in the year 1992 and was the President of the Indian Hockey Federation and Karnataka State Hockey Association and also the Vice-President of Karnataka Olympic Association. He has more than 31 years of extensive work experience.

Mr. Lakshman Teckchand Nanwani, a Non-Executive Independent Director, 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".

Other details of the Independent Directors, whose appointment is proposed at Item Nos. 5 to 9 of the accompanying Notice, have been given in the annexure attached, pursuant to Clause 49 of the Listing Agreement.

None of the Directors, Key Managerial Personnel of the Company or their relatives except Mr. Ramesh Lakshman Adige, Mr. Sanjay Jayavarthanavelu, Mr. Pejavar Murari, Mr. Rama Krishna Shetty and Mr. Lakshman Teckchand Nanwani themselves to the extent of their respective appointments, is concerned or interested in these resolutions.

The Board recommends the resolutions set forth in Item Nos. 5 to 9 for approval of the members.

Item No. 10

The Board of Directors have approved appointment of Mr. Raghunath P. as the Whole-time Director of the Company w.e.f. July 26, 2014 for a period of three years at a remuneration recommended by Human Resources and Remuneration Committee, subject to approval of shareholders and other requisite approvals required under Sections 196, 197, 203 and any other applicable provisions, of the Companies Act, 2013 ("the Act") and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), read with Schedule V to the Act and Articles of Association of the Company. The Company has also received a notice in writing in terms of Section 160 of the Companies Act, 2013, along with a deposit of Rs. 1,00,000/-, proposing his candidature for office of Director of the Company.

The Company has received from Mr. Raghunath P. (i) consent in writing to act as Director in Form DIR-2 pursuant to Rule 8 of Companies (Appointment & Qualification of Directors) Rules 2014, and (ii) intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014, to the effect that he is not disqualified under sub-section (2) of Section 164 of the Companies Act, 2013.

Mr. Raghunath P. is a Chartered Accountant and Cost Accountant with more than 17 years' experience in IT/ITES and Healthcare industries. He has worked with Companies like Scope International and Sify Limited where he has worked in key positions focusing on organization performance and controls. Since October 2012, he has been Financial Controller of Fortis Malar and has been involved in formulation of business strategies for the Company.

The terms and conditions of his appointment are as follows:-

1. Remuneration: As provided in the resolution.
2. Period of appointment: Three years beginning from July 26, 2014 and ending on July 25, 2017.
3. The appointment may be terminated by either party by giving three months' notice in writing, of such termination unless otherwise a shorter period is decided mutually between the Director and the Board of Directors.
4. Mr. Raghunath P. shall perform such duties as shall from time to time be entrusted to him by the Board of Directors, subject to superintendence, guidance and control of the Board of Directors.

The resolution seeks the approval of the members in terms of Sections 196 and 197 read with Schedule V and other applicable provisions of the Companies Act, 2013, and the rules made thereunder for the appointment of Mr. Raghunath P. as the Whole-time Director, for a period of three years commencing from July 26, 2014.

None of the Directors, Key Managerial Personnel of the Company or their relatives, except Mr. Raghunath P. himself, is interested or concerned in the said resolution.

The Board recommends the resolution set forth in Item No. 10 for approval of the members.

Item No. 11 & 12

The members of the Company at their Annual General Meeting held on August 29, 2003 had approved by way of an Ordinary Resolution under Section 293(1)(d) read with Section 293 (1)(a) of the Companies Act, 1956, borrowings over and above the aggregate of paid up share capital and free reserves of the Company provided that the total amount of such borrowings together with the amounts already borrowed and outstanding at any point of time shall not be in excess of Rs. 50,00,00,000 (Rupees Fifty Crores Only) and for creation of mortgages/charge/hypothecation on all present and future properties of the Company in favour of lenders up to a limit of Rs. 50,00,00,000 (Rupees Fifty Crores Only).

Section 180 of the Companies Act, 2013, effective from September 12, 2013, requires that consent of the Company accorded by way of a special resolution is required to borrow money in excess of the Company's paid up share capital and free reserves. Further, as per the clarification issued by the Ministry of Corporate Affairs approval granted by the shareholders under Companies Act, 1956 by way of an ordinary resolution shall be valid for one year from the date Section 180 became effective. Thus, the approval granted by members is valid up to September 11, 2014.

It is, therefore, proposed to seek approvals of the members of the Company by way of a Special Resolution under Section 180(1)(c) read with Section 180 (1)(a) and other applicable provisions of the Companies Act, 2013, as set out at Item Nos. 11 & 12 of the Notice, to enable the Board of Directors to borrow money in excess of the aggregate of the paid-up share capital and free reserves of the Company. Approval of members is being sought to borrow money upto Rs. 50,00,00,000 (Rupees Fifty Crores Only) in excess of the aggregate of the paid up share capital and free reserves of the Company.

None of the Directors, Key Managerial Personnel of the Company or their relatives is concerned or interested, financially or otherwise, in the said resolutions.

The Board of Directors recommends the resolutions as set out at Item Nos. 11 and 12 for approval of the members.

Item No. 13

Section 94 of the Companies Act, 2013 provides that for keeping the register of members together with Index of members, register of debenture holders together with Index of debenture holders, the copies of annual returns, the copies of certificates and documents required to be annexed with the annual return under section 88 and 92 of the Companies Act, 2013 at a place other than the registered office of the Company, approval of members by way of Special Resolution is required.

Since the register of members together with index of members, copies of certificates and documents required to be annexed with the annual return, under section 88 and 92 of the Companies Act, 2013 be kept with Karvy Computershare Private Limited, Registrar and Share Transfer Agent of the Company at their Chennai office situated at Karvy Computershare Private Limited, F-11, First Floor, Akshaya Plaza, No. 108 Adithanar Salai, Egmore, Chennai – 600 002, Tamil Nadu, approval of the members is sought.

None of the Directors, Key Managerial Personnel of the Company or their relatives is concerned or interested, financially or otherwise, in the said resolution.

The Board recommends the resolution set forth in Item No. 13 for approval of the members.

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

Dated: July 26, 2014
Place: Chennai

Aditya Vij
Director
DIN - 03200194
Address – 3/27 Second Floor,
Shanti Niketan, New Delhi - 110021

DETAILS OF DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING –

(Pursuant to Clause 49 of the Listing Agreement)

NAME OF DIRECTOR	Dr. Nithya Ramamurthy	Mr. Aditya Vij	Mr. Ramesh Lakshman Adige	Mr. Sanjay Jayavarthanavelu	Mr. Murari Pejavar	Mr. Rama Krishna Shetty	Mr. Lakshman Teckchand Nanwani	Mr. Raghunath P.
Date of Birth	January 22, 1952	October 24, 1958	June 18, 1950	June 15, 1968	August 19, 1934	March 19, 1948	October 7, 1960	December 13, 1974
Date of Appointment	May 01, 2006	August 03, 2011	February 19, 2008	July 31, 2008	March 3, 2009	January 30, 2013	March 29, 2013	July 26, 2014
Relationship with Directors	None	None	None	None	None	None	None	None
Expertise in specific functional areas	Extensive experience in Medical Profession as an expert in Gynaecology Obsterics	Extensive Management experience	Corporate affairs, public policy, strategic and perspective planning	Extensive experience in Textile Industry	Extensive General Industrial Administration experience	General Management	General Management	Extensive experience in Finance
Qualification	M.B.B.S and DGO (Diploma in Gynaecology Obsterics)	Chartered Accountant and Masters in Business Administration, International Institute for Management Development (IMD), Lausanne, Switzerland	Bachelor of Engineering (Honours) degree - (BITS, Pilani) and Post Graduate Degree from the Faculty of Management Studies (University of Delhi)	Masters in Business Administration, Philadelphia University, USA	M.A. (Economics) – Madras University, passed State Civil Services (1955) and Indian Administrative Services (1957)	Bachelor's Degree in Mechanical Engineering, Karnataka University, and Executive Development program in Product Management Control (Mumbai)	SSLC	Chartered Accountant and Cost Accountant
Details of Equity Shares held in the Company	905377	Nil	Nil	Nil	Nil	Nil	Nil	550
Board Membership of other companies as on March 31, 2014 (excluding Private & Foreign Companies)	Nil	– Fortis Hospitals Limited – Fortis HealthStaff Limited – Lalitha Healthcare Private Limited	- Syndicate Bank - Premier Limited	– Lakshmi Machine Works Limited – Super Sales India Limited – Quattro Engineering India Limited – Lakshmi Life Sciences Limited – Lakshmi Cargo Company Limited	– Aban Offshore Limited – Xpro India Limited – Aditya Birla Nuvo Limited – Great Eastern Energy Corporation Limited – Adayar Gate Hotels Limited	- Religare Enterprises Limited - Dion Global Solutions Limited - Healthfore Technologies Limited	Nil	Nil

NAME OF DIRECTOR	Dr. Nithya Ramamurthy	Mr. Aditya Vij	Mr. Ramesh Lakshman Adige	Mr. Sanjay Jayavarthanavelu	Mr. Murari Pejavar	Mr. Rama Krishna Shetty	Mr. Lakshman Teckchand Nanwani	Mr. Raghunath P.
				– Lakshmi Technology & Engineering Industries Limited – Lakshmi Ring Travellers (Coimbatore) Limited – Lakshmi Electrical Control Systems Limited – The Lakshmi Mills Company Limited – Carborundam Universal Limited	– Bajaj Holdings & Investment Limited – Bajaj Auto Limited – IDEA Cellular Limited – Pantaloons Fashion & Retail Limited			
Chairman / Member of the Committees* of other Companies on which he/ she is a Director as on March 31, 2014	Audit Committee Nil	Audit Committee - Fortis Hospitals Limited	Audit Committee Nil	Audit Committee - Carborundam Universal Limited	Audit Committee - Aban Offshore Limited (Chairman) - Aditya Birla Nuvo Limited - Xpro India Limited - Great Eastern Energy Corporation Limited - Adayar Gate Hotel Limited (Chairman)	Audit Committee - Healthfore Technologies Limited (Chairman)	Audit Committee Nil	Audit Committee Nil
	Shareholders' & Investors' Grievance Committee Nil	Shareholders' & Investors' Grievance Committee Nil	Shareholders' & Investors' Grievance Committee Nil	Shareholders' & Investors' Grievance Committee - Super Sales India Limited	Shareholders' & Investors' Grievance Committee - Bajaj Holdings and Investment Limited (Chairman)	Shareholders' & Investors' Grievance Committee Nil	Shareholders' & Investors' Grievance 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 Third Annual Report together with the Audited Standalone and Consolidated Financial Accounts of your Company for the financial year ended March 31, 2014.

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, 2014	For the year ended March 31, 2013	**For the year ended March 31, 2014**	For the year ended March 31, 2013
Total Income	**10,837.83**	9,856.18	**10,837.83**	9,856.18
Total Expenditure	**9,944.20**	8,633.78	**9,946.91**	8,637.52
Profit before Interest, Tax & Depreciation	**893.63**	1,222.40	**890.92**	1,218.66
Financial cost	**45.73**	80.04	**45.73**	80.04
Depreciation/Provision for Obsolescence/ Impairment	**199.27**	249.04	**199.27**	249.04
Interest Income	**(690.25)**	(363.42)	**(661.44)**	(267.14)
Profits before exceptional items	**1,338.88**	1,256.74	**1,307.36**	1,156.72
Exceptional Items	**–**	296.49	**–**	353.28
Profit before Extraordinary Items	**1,338.88**	1,553.23	**1,307.36**	1,510.00
Extraordinary item	**–**	4,140.05	**–**	4,140.05
Profits before Tax	**1,338.88**	5,693.28	**1,307.36**	5,650.05
Net profits after Tax	**877.56**	4,347.83	**855.78**	4,317.96

OPERATING RESULTS AND PROFITS

During the year ended March 31, 2014, your Company recorded a growth of 10% in consolidated revenues to reach Rs. 10,837.83 Lacs in financial year 2013-14 as compared to Rs. 9,856.18 Lacs in financial year 2012-13. The Company generated Rs. 1,338.88 Lacs in profits before exceptional items, extraordinary items and tax, an increase of 7% over the previous year's profit of Rs. 1,256.74 Lacs. Profits after tax stood at Rs. 877.56 Lacs in the financial year 2013-14 and the same was at Rs. 4,347.83 Lacs in the previous year. The Previous year figure had one exceptional income of Rs.296.49 Lacs and extraordinary income of Rs.4,140.05 Lacs.

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 Company witnessed growth across all its major specialties. Your Company continued its focus on Quality Parameters, Patient Care and Patient Welfare services resulting in significant improvement in patient satisfaction levels.

DIVIDEND AND TRANSFER TO RESERVES

During the year, the Board had declared Interim Dividend of Re 0.50 (fifty paisa) per share in its Board Meeting held on August 30, 2013 during the financial year 2013-14 which was duly paid to the members of the Company within the prescribed timelines under the statutory provisions. Keeping in view the growth strategy of the Company, the Board has not recommended any final dividend for the same financial 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, 2014 under the "Malar Employees Stock Option Plan 2008" are set out in the Annexure-I to this Directors' Report.

SUBSIDIARIES

During the Financial Year 2013-14, 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 hospital(s) 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 have 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 the 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 the subsidiary concerned, during 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 to 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 / Companies Act, 2013 and Articles of Association of the Company, Dr. Nitiya Ramamurthy and Mr. Aditya Vij, retire by rotation as Directors at the ensuing Annual General Meeting and being eligible, seeks re-appointment.

During the year under review, Mr. Ramesh Lakshman Adige, Mr. Sanjay Jayavarthanavelu, Mr. Murari Pejavar, Mr. Rama Krishna Shetty and Mr. Lakshmi Teckchand Nanwani are appointed as Independent Directors of the Company for a term of five consecutive years.

The Company has also received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed, both under sub-section (6) of Section 149 of the Companies Act, 2013 and under Clause 49 of the Listing Agreement with the Stock Exchange. Accordingly, the above mentioned Independent Directors are appointed for a fixed tenure as per the details annexed to the notice of the Annual General Meeting.

A brief resume, nature of expertise, details of directorships / committee memberships 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.

STATUTORY AUDITORS AND AUDITORS' REPORT

M/s. S. R. Batliboi & Co. LLP, Chartered Accountants (Firm Registration No. - 301003E), Statutory Auditors of the Company, hold office till the conclusion of the ensuing Annual General Meeting. They have expressed their inability to continue as the Statutory Auditors of the Company beyond the conclusion of the Annual General Meeting.

It is proposed to appoint M/s. S. R. Batliboi & Associates LLP, Chartered Accountants (Firm Registration No. - 101049W) as the Statutory Auditors of the Company at the ensuing Annual General Meeting.

The Company has received letter from the proposed Auditors to the effect that their appointment, if made, would be within the prescribed limits under Section 141(3)(g) of the Companies Act, 2013 and that they are not disqualified for appointment.

Therefore the Board recommends the appointment of M/s S. R. Batliboi & Associates LLP, Chartered Accountants (Firm Registration No. - 101049W), as the Statutory Auditors of the Company for the Financial Year 2014-15.

The Notes on Financial Statements referred to in the Auditor's Report are self-explanatory and do not call for any further comments.

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 financials are being sent to the members excluding this statement. Copies of this statement may be obtained by the members by writing to the Whole-time Directors 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

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

1. that in the preparation of the Annual Accounts for the year ended March 31, 2014, the applicable Accounting Standards read with requirements set out under Schedule VI of the Companies Act, 1956, have been followed and there are no material departures from the same;
2. that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2014 and of the profit or loss of the Company for the year ended on that date;
3. that the directors have 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
4. that the directors have prepared the annual accounts of the Company on a 'going concern' basis.

ACKNOWLEDGEMENT

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

For and on behalf of the Board of Directors

Date: July 26, 2014
Place: Chennai

Aditya Vij
Chairman

ANNEXURE - I TO DIRECTORS' REPORT

INFORMATION REGARDING THE EMPLOYEE STOCK OPTION PLAN AS ON MARCH 31, 2014

S. No.	Particulars	Malar Employee Stock Option Plan 2008 (ESOP 2008)
1.	Number of Stock Options Granted	370000 options have been granted till March 31, 2014. 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	280000 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	90000 options have been lapsed till March 31, 2014
7.	Variation of terms of options	None
8.	Money realized by exercise of options	Nil
9.	Total number of options in force	280000 options were in force on March 31, 2014
10.	Employee-wise details of Options granted to: i) senior management personnel; 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 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 Nil Nil
11.	Diluted earnings per share (EPS) as per Accounting Standard (AS) – 20	Rs. 4.69
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 — 877.56 *Add:* Intrinsic Value Compensation Cost — Nil *Less:* Fair Value Compensation Cost — 4.07 **Adjusted Profit** — **873.49** **Earnings Per Share** — **Basic** — **Diluted** As reported — 4.72 — 4.72 As adjusted — 4.69 — 4.69
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, 2014.

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 83% of power consumption since then.
- The air conditioning equipment in new operation theatre area, which had become obsolete and was consuming higher electricity, were changed to the latest and energy efficient electrical equipment.
- The lifts in B Block changed with newer and more energy efficient lifts.

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

- Passage light system was replaced with new LED fittings which are more energy efficient.

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

- Energy conservation measures taken by the Company from time to time including utilisation of wind energy have resulted in considerable reduction of energy consumption and thereby reducing the power and fuel cost by 5.7%.

B. Technology Absorption

1. **Research & Development (R & D):**
   - Nil
2. **Technology Absorption, Adaptation & Innovation:**

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

- Your Company purchased various medical equipments that offer superior technology for treating the patients. Key among those are ECMO, CUSA and Neonatal Bronchoscope.

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

In intensive care medicine, **extracorporeal membrane oxygenation** (commonly abbreviated ECMO) is an extracorporeal technique of providing both cardiac and respiratory support oxygen to patients whose heart and lungs are severely diseased or damaged. Initial cannulation of a patient receiving ECMO is performed by a surgeon or anaesthetist and maintenance of the patient is the responsibility of the Perfusionist or ECMO Specialist who gives 24/7 monitoring care for the duration of the ECMO treatment.

The Sonopet Ultrasonic Aspirator - One versatile system for exceptional control of soft tissue and fine bone dissection in close proximity to delicate anatomic structures. The Sonopet System delivers precise fragmentation, irrigation and aspiration simultaneously in one hand piece. The Stryker advantage is our proprietary LT technology, a wide variety of bone tips and the first aggressive tissue tip all in a lightweight hand piece to create a true synergy of control and efficacy.

Anaesthesia for paediatric bronchoscopy requires special equipment and a sound knowledge of the anatomy, physiology and pathology of the paediatric airway, which determine key differences between paediatric and adult bronchoscopy. There must be excellent communication between the anaesthetist and the endoscopist to ensure that adequate oxygenation is maintained via the shared airway.

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. 456.90 Lacs
(ii)	Expenditure: CIF Value of Imports	Rs. 180.13 Lac
	Others	Rs. 38.09 Lacs

Management Discussion and Analysis Report

INDIAN HEALTHCARE SECTOR: AN OVERVIEW

The Indian Healthcare sector is considered as one of the largest sectors in terms of both revenue and employment. Contributing over 4% to the country's Gross Domestic Product (GDP), the sector is valued at an estimated USD 79 billion. It is expected to grow at a CAGR of 15 per cent through 2017 to reach USD 160 billion. The growing population, increase in lifestyle related diseases, increasing purchasing power of the middle class and rising awareness of chronic diseases will be the key growth drivers for the sector.

India has a ratio of 0.7 doctors, 1.5 nurses and 1.3 beds per 1,000 people (McKinsey Report, 2013, WHO) compared to the WHO average of 2.5 doctors and nurses and 3.5 beds per 1,000 people. The projected density of doctors, nurses and beds clearly connotes a large demand-supply gap in the Indian health care industry, thus providing a huge untapped potential for healthcare providers. To meet the growing demand for healthcare services in the country, India needs an additional 2.6 million beds, 1.54 million doctors and 2.4 million nurses.

The Indian healthcare delivery system is divided into two major segments; public and private. Government of India / public hospitals provides treatment at the taxpayers' expense. Most essential drugs are offered free of charge in these hospitals.

The Indian private healthcare sector is highly fragmented with approximately 90% of the hospitals being established and operated by doctors and trusts and the remainder being corporate hospitals (chain of hospitals run by professional healthcare groups). Most of the private hospitals are usually smaller scale establishments (50-200 bed) that are managed as standalone entities.

The corporate hospital chains have been playing a key role in driving expansion and growth in the industry. So far, the corporate hospitals have mostly concentrated on expanding in Tier I cities (including metros) with large scale multi-specialty tertiary care facilities. However, given the high capex requirement, increasing cost of real estate acquisition and longer pay back periods, companies are looking at newer business models, which require lower investment, generate optimal returns sooner and also help expand geographical reach/ Medical services.

Private healthcare players are also focused on expansion beyond the large urban centers. Historically, the Tier II/III cities in India have been serviced by nursing homes, smaller standalone hospitals and government hospitals with limited service offerings & inadequate medical infrastructure. This underserved market provides significant opportunity for large private healthcare service players to address the strong need for multi-specialty tertiary care hospitals in these markets.

However, expansion in smaller cities has its own challenges and roadblocks such as low availability of specialty doctors, nurses and paramedical staff.

Although the government has taken several steps in eliminating healthcare related issues, it still remains insufficient and a lot remains to be done. In its 12th five year plan, the Government has articulated its long term vision to achieve "Universal Health Coverage". To achieve this vision, the Government will need to lead the journey over the next four decades to transform the country's healthcare situation.

KEY GROWTH DRIVERS

Favourable Demographics of the Indian Population: Rising income levels and urbanization, a growing middle aged population, a shift in the disease profile towards lifestyle related ailments and increased penetration of health insurance are driving strong demand for Indian healthcare delivery services.

Rise in lifestyle related diseases: India has been able to control diseases like polio, leprosy and tetanus but it has to now face a new breed of lifestyle related diseases like diabetes, obesity, cancer and cardiovascular ailments.

According to World Health Statistics 2012, about 61.3 million people in India are diabetic and as per National Family Health Survey (NFHS) about 13% of the female population and 11% of the male population in India are obese leading to several chronic ailments.

Further, according to the Indian Council of Medical Research, India had nearly 3.5 million cancer patients in 2013. More than 1 million patients are diagnosed with cancer every year. The WHO estimates the cancer burden to go up by 1.2 million cases annually, till 2016.

Higher health insurance penetration to help improve affordability: Health insurance penetration in India is estimated to be ~25% of the population. Rising income levels, emergence of lifestyle ailments and inflationary healthcare costs will drive demand for health insurance & as a result, the demand for quality healthcare delivery services, at affordable prices.

Underserved market provides huge demand for healthcare services: The current healthcare infrastructure in India is inadequate to meet the growing demand for healthcare services. India's expenditure on healthcare is close to 4 % of GDP, which is much below the global average. Healthcare spending in the country is driven by out-of-pocket expenses rather than government spending.

Medical Tourism - A growth opportunity: India is emerging as one of the destinations for elective and critical treatment for citizens of other nations, given the lower cost, availability of skilled Medical talent, sophisticated medical technology and infection control processes, without the long waiting period like in the developed countries. Due to these factors, medical tourism has great potential for healthcare service providers in India.

Healthcare: Key focus area in 12th Five Year Plan (2012-17): The Planning Commission has allocated USD55 billion under the 12th Five-Year Plan to the Ministry of Health and Family Welfare, which is about three times the actual expenditure under the 11th Five-Year Plan. The share of healthcare is set to rise to 2.5 per cent of GDP in the 12th Plan from 0.9 per cent in the 11th Plan. The plan focusses on providing universal healthcare, strengthening healthcare infrastructure, promoting R&D and enacting strong regulations for the healthcare sector. Besides the five year Plans, the Government continues to encourage private investment in the sector with financial incentives related to funding, tax breaks and duty waivers.

Major Challenges for the sector

Healthcare workforce remains inadequate: The shortage of qualified professionals is one of the key challenges for the Indian Healthcare Industry. The situation is aggravated by the concentration of medical professionals in the urban areas. Many Indians, especially those living in rural, semi urban areas, are still receiving services from unqualified providers. The Industry needs an additional 1.54 million doctors and 2.4 million nurses to match global averages. Furthermore, there is an acute shortage of paramedical and administrative professionals in the country.

Lack of Public Private Partnerships (PPP): The Public Private Partnership (PPP) model is yet to gather momentum. If the PPP model is implemented intensively it can enhance the quality of health care services in the country as the healthcare infrastructure can be provided by the Government and management skills can be provided by the private sector. Such initiatives will enhance the quality of healthcare services at affordable price points.

Long gestation period and capital intensive nature of the sector: The healthcare sector is capital intensive with long gestation and payback periods for the projects. Land and infrastructure costs account for 60-70% of the capital expenditure in case of hospitals. Further, the business also requires capital for upgradation/ maintenance / replacement of equipment and expansion. Therefore, availability of capital at a reasonable cost remains a key challenge for the industry.

Rising real estate costs: One of the key constraints in expansion for the private sector is the high cost of real estate. Over the last few years, land cost has risen and the land acquisition process has become more complex with increasing regulations, making projects in many large city locations, unviable. Hospitals are looking to mitigate this by shifting to a rent model or looking at other alternatives which could provide asset light growth & expansion opportunities.

OUTLOOK

Given the demand for quality healthcare services, private healthcare players are expected to witness healthy growth. The Indian market is highly underserved all across the country and with the fundamental growth drivers of increasing chronic ailments, greater awareness, higher penetration of health insurance etc., private players will play a significant role in bridging the demand supply gap in the sector.

HUMAN RESOURCE

To maximize the operational efficiency, your company continued its efforts to source and retain competent employees. The company strives to create a community that has a high ethical value system. During the year, the company appreciated and rewarded its employees for their performance. Further, the employees were imparted training in their respective fields to improve their efficiency so that they excel in their areas while providing superior patient care. Your company is committed to the overall development and well-being of its employees.

The numbers of employees stood at 591 as on 31st March, 2014

OPERATIONAL AND FINANCIAL PERFORMANCE

During the financial year 2013-14, your company achieved a consolidated income from operations of Rs 108.38 Crores against Rs.98.56 Crores during the last financial year ended 31st March, 2013, representing a growth of 10%. The Profit before exceptional and extra-ordinary items and tax for the period stood at Rs.13.39 Crores as against Rs.12.57 Crores during the corresponding period, representing a 7% growth. Profits after tax stood at Rs. 8.78 Crores in the current financial year compared to Rs 43.48 Crores in the previous year. The Previous year figure had an exceptional income of Rs.2.96 Crores and extraordinary income of Rs 41.40 Crores.

Regarding the key performance indicators, the company's average revenue per occupied bed (ARPOB) improved significantly during the current year to Rs 109 lakhs from Rs. 97 lakhs in the previous year. The average length of stay (ALOS) increased marginally from 3.69 days in FY2013 to 3.81 days in FY2014, primarily on account of the complex, high value surgeries requiring exceptional medical skills.

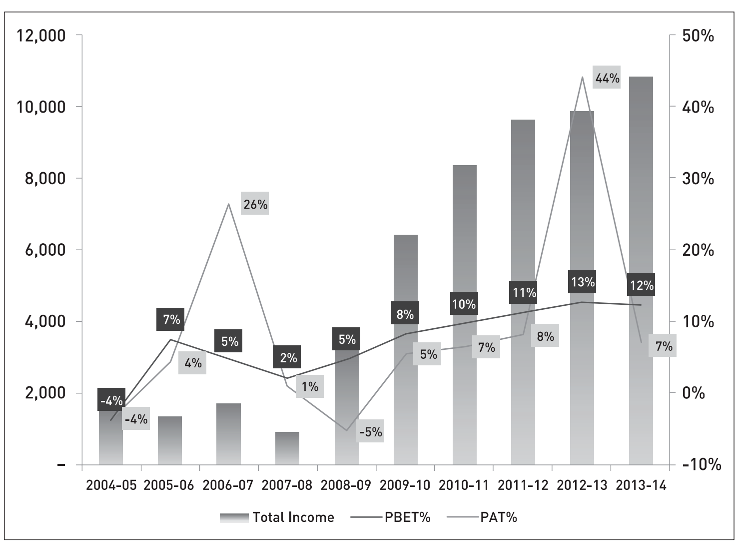
INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

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

CAUTIONARY STATEMENT

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

Trend analysis of Sales, PBET, PAT from 2004-05- to 2013-14



Note:-

1. Year 2004-05, the details given for 15 Months.
2. Year 2006-07, there is a Deferred Tax Impact ,else the percentage would be 5%.
3. Year 2007-08, the Details furnished for 6 Months.
4. Year 2012-13, there is Extraordinary items , Else the percentage would be 12%.

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 a 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 the Stock Exchange. Other details relating to the Directors as on March 31, 2014 are as follows:

S. No.	Name of Director	Category	Directorships held in other companies[1]	Committees Membership in Other Companies[2]	Chairmanship in committees of other companies in which they are members
1.	Mr. Aditya Vij DIN - 03200194	Chairman and Non-Executive Director	2	1	–
2.	Mr. Ashish Bhatia DIN - 01845421	Non-Executive Director	10	1	–
3.	Mr. Lakshman Teckchand Nanwani DIN - 00076536	Non-Executive Independent Director	–	–	–
4.	Mr. Murari Pejavar DIN - 00020437	Non-Executive Independent Director	9	3	3
5.	Dr. Nithya Ramamurthy DIN - 00255343	Non-Executive Director	–	–	–
6.	Mr. Rama Krishna Shetty DIN - 01521858	Non-Executive Independent Director	3	–	1
7.	Mr. Ramesh Lakshman Adige DIN - 00101276	Non-Executive Independent Director	2	–	–
8.	Mr. Sandeep Puri DIN - 05345943	Non-Executive Director	8	–	1
9.	Mr. Sanjay Jayavarthanavelu DIN - 00004505	Non-Executive Independent Director	10	2	–
10.	Mr. Venkatraman Vijayarathna DIN - 05323733	Whole-time (Executive) Director	–	–	–

[1] 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.

[2] In accordance with Clause 49, Memberships / Chairmanships of only Audit Committee 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

Pursuant to the provisions of the Companies Act, 2013, all the Independent Directors on the Board as on date will be appointed / re-appointed at the ensuing Annual General Meeting for a period of five years upto the date of the Annual General Meeting to be held in 2019.

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 Lakshman 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.

   He has 40 years of international exposure with proven track record in the areas of healthcare, pharmaceuticals, automobiles, financial services, marketing, branding, consumer durables, Global Corporate Communications, EHS, Administration, Corporate Social Responsibility, Sustainability Reporting, Intellectual Property Policy, Public Affairs, Public Policy & Higher Education.

   He is currently on the Board of Directors of Syndicate Bank, Premier Limited; member of the Governing Council of T.A. Pai Management Institute, Manipal; Co-opted member of Biodiversity Foundation of NCT of Delhi; Member of Expert Committee of National Formulary of India and Chairman of PHD Rural Development Foundation. He was RLL's representative in various pharma bodies and a participant in the CII and FICCI and was the Chairman of the CII's Task Force on IP Policy. 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, 2014, he does not hold any shares or any other convertible instrument in the Company.

   Mr. Ramesh Lakshman Adige holds Directorship and is a member of Committees of Board(s) 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-Risk Management Committee Member-Human Resources Committee
2.	Premier Limited – Director	–
3.	PHD Chamber of Commerce and Industry - Director	–

b) Mr. Murari Pejavar, a Non-Executive, Independent Director, is 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 co-operative 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 also has a number of important publications to his credit.

   At present Mr. Murari is Adviser to the President, Federation of Indian Chambers of Commerce and Industry

(FICCI); Advisory Board – Great Lakes Institutes of Management (Affiliated to Kellogg School – USA), Advisory Board – Loyola Institute of Business Administration and Member of Joint Electricity Regulatory Commission (State Advisory Committee), Chennai Port Trust Advisory Committee and also Former Chairman of Centre State Relations Committee appointed by GOI.

As on March 31, 2014, he does not hold shares or any other convertible instrument in the Company.

Mr. Murari Pejavar holds Directorship and is a member of Committees of Board(s) of the following other companies:

S. No.	Name of the Company/Entity in which interested	Committee Memberships
1.	Aban Offshore Limited – Chairman and Director	Chairman – Audit Committee
2.	Aditya Birla Nuvo Limited - Director	Member – Audit Committee Chairman – Investor Relations & Finance Committee
3.	Xpro India Limited - Director	Member – Audit Committee Chairman – Remuneration Committee
4.	Great Eastern Energy Corporation Limited - Director	Member – Audit Committee Chairman – Remuneration Committee
5.	Adayar Gate Hotels Limited - Director	Chairman – Audit Committee
6.	Bajaj Holdings and Investment Limited – Director	Chairman – Shareholders' / Investors' Grievance Committee
7.	Bajaj Auto Limited - Director	–
8.	Pantaloons Fashion & Retail Limited - Director	–
9.	S.M.V. Consultants Private Limited - Director	–
10.	IDEA Cellular Limited – Director	–

c) Mr. Rama Krishna Shetty a Non-Executive Independent Director holds a bachelor's degree in Engineering from Basaveshwara Engineering College, Bagalkot and has completed an Executive Development program from the Jamnalal Bajaj Institute of Management. Mumbai in Production Planning Control and Financial Management. Mr. Shetty has received the National Productivity Award in the year 1992 and was the President of the Indian Hockey Federation and Karnataka State Hockey Association and has also been the Vice-President of Karnataka Olympic Association. He has more than 31 years of work experience.

As on March 31, 2014 he does not hold shares or any other convertible instrument in the Company.

Mr. Rama Krishna Shetty holds Directorship and is a member of Committees of Board(s) of the following other companies:

S. No.	Name of the Company/Entity in which interested	Committee Memberships
1.	Healthfore Technologies Limited - Director	Chairman–Audit, Risk & Controls Committee
2.	Religare Enterprises Limited - Director	-
3.	Premier Hockey Development Private Limited - Director	-
4.	Dion Global Solutions Limited - Director	-

d) Mr. Lakshman Teckchand Nanwani (Non-Executive Independent) Director on the Board of the Company 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 named - "Chennai Cheetahs"

As on March 31, 2014 he does not hold 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.

e) Mr. Sanjay Jayavarthanavelu, a Non-Executive Independent Director, is MBA from Philadelphia University, USA. He is the Chairman and Managing Director of Lakshmi Machine Works Ltd. (LMW), Coimbatore which is one of the three leading Textile Machinery Manufacturers in the world, manufacturing the complete range of textile spinning machinery.

He was the past Chairman of the Textile Machinery Manufacturers' Association India and presently a Member of its Executive Committee. He is a Member of the Executive Committee of The Federation of Indian Chambers of Commerce and Industry (FICCI) and also a Member of the Southern Regional Council of the Confederation of Indian Industry (CII).

He is a Trustee of the Kuppuswamy Naidu Charity Trust for Education and Medical Relief, which runs a multi-speciality 550 bedded hospital and a Higher Secondary School and a feeder school in Coimbatore and an Arts College in Kovilpatti, Tamil Nadu. He is the Trustee of the Coimbatore Masonic Charity Trust, which runs a Children's Hospital and a Working Women's Hostel. He is a Trustee of GKD Charity Trust, which runs a Management Study College (DJ Academy for Managerial Excellence & DJ Academy of Design) and an Industrial Training Institute (GKD Institute for Technological Resources). He is a member of the Council of Administration of SITRA.

As on March 31, 2014, he does not hold shares or any other convertible instrument in the Company.

Mr. Sanjay Jayavarthanavelu holds Directorship and is a member of Committees of Board(s) of the following other companies:

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

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

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

As on March 31, 2014, he does not hold shares or any other convertible instrument in the Company.

Mr. Aditya Vij holds Directorship and is a member of Committees of Board(s) of the following other companies:

S. No.	Name of the Company/Entity in which interested	Committee Memberships
1.	Fortis Hospitals Limited – Managing Director	Chairman – Remuneration Committee Member – Audit Committee
2.	Fortis HealthStaff Limited - Director	–

(g) Dr. Nithya Ramamurthy, a Non-Executive Director, is a Senior Consultant Obstetrician & Gynaecologist having more than 38 years of rich experience as a medical professional. She has worked as Medical Officer at Govt. Hospital, Serambun, West Malaysia and then worked as Director & Obstetrician & Gynecologist at Malar Polyclinic, Chennai. Later, she has promoted Malar Hospitals (now Fortis Malar Hospitals) along with her husband. Dr. Nithya Ramamurthy specializes in Gynaecology & Obstetrics and also holds the record performing over 10,000 Laproscopic Surgeries. She is also a member of 'Inner Wheel of India' and Member of 'Federation of Obstetrician & Gynaecologists Association', South India.

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

As on March 31, 2014, she holds 905377 equity shares of the company and no other convertible instrument(s) is held by her in the Company.

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

Board Functioning & Procedure

At Fortis Malar Hospitals Limited, 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 also held. The agenda for each Board meeting is drafted in consultation with the Chairman, Whole-time Directors and circulated in advance to the Board Members.

Six Board Meetings were held during the year ended March 31, 2014. These were held on:

(i) May 10, 2013 (ii) May 27, 2013 (iii) July 19, 2013 (iv) August 30, 2013 (v) October 26, 2013 and (vi) January 24, 2014.

The following table gives the attendance record of the directors at the above said Board Meetings and at the last Annual General Meeting, which was held on August 19, 2013.

Name of the Director	No. of Board Meetings attended	Attendance at last AGM
Mr. Aditya Vij[3]	6	Yes
Mr. Ashish Bhatia	2	No
Mr. Lakshman Teckchand Nanwani	6	Yes
Mr. Murari Pejavar	3	Yes
Dr. Nithya Ramamurthy[4]	5	Yes
Mr. Rama Krishna Shetty	4	Yes
Mr. Ramesh Lakshman Adige	6	Yes
Mr. Sandeep Puri[5]	4	No
Mr. Sanjay Jayavarthanavelu	2	No
Mr. Venkatraman Vijayarathna[6]	6	Yes

Availability of information to the members of Board:

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

- Annual operating plans and budgets and any updates thereto.
- Capital budgets and any updates.
- Quarterly results for the company and its operating divisions or business segments.

[3] Mr. Aditya Vij attended two meetings through video conference which were held on October 26, 2013, and January 24, 2014.
[4] Dr. Nithya Ramamurthy attended two meetings through video conference which were held on May 27, 2013, and August 30, 2013.
[5] Mr. Sandeep Puri attended one meeting through video conference which was held on January 24, 2014.
[6] Mr. Venkatraman Vijayarathna attended one meeting through video conference which was held on August 30, 2013.

- 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 2013-14. 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 view of Clause 49 of the Listing Agreement read with the Companies Act, 2013, and/or Companies Act, 1956, the Board has formed four Committees viz. Audit, Risk & Controls Committee, Shareholders' / Investors' Grievance Committee, Human Resources & Remuneration Committee and Corporate Social Responsibility Committee.

Keeping in view the requirements of the Companies Act, 1956 including any re-enactment thereto 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 its approval.

AUDIT, RISK AND CONTROLS COMMITTEE

Composition of the Committee[7]

The Composition of the Committee as on March 31, 2014, was as follows:-

S. No.	Names of Members	Designation	Category
1.	Mr. Ramesh Lakshman 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 exchange 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;

[7] Mr. Aditya Vij attended two meetings through video conference which were held on October 26, 2013 and January 24, 2014.

(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.

(1A) Appointment of Chief Financial Officer

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

2. External Auditors

(a) General - The Committee shall be responsible for oversight of the work of the external auditors in auditing and reviewing the 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 shareholders 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.

(3) Internal Audit Function

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

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

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

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

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

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

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

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

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

(iii) adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

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

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

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

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

b. Statement of significant related party transactions (as defined by the committee), submitted by management;

c. Management letters/letters of internal control weaknesses issued by the statutory auditors;

d. Internal audit reports relating to internal control weaknesses; and

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

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

(4) **Risk Management and Internal Control Frameworks**

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

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

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

(iii) The design and operational effectiveness of the Internal Control framework and the effectiveness 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.

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

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

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

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

Reporting to the Board

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

Meetings and Attendance

Six Board Meetings of Audit, Risk and Controls Committee were held during the year ended March 31, 2014. These were held on:

(i) May 10, 2013 (ii) May 27, 2013 (iii) July 19, 2013 (iv) August 30, 2013 (v) October 26, 2013 and (vi) January 24, 2014

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

Sr. No.	Names of Members	No. of Meetings attended
1.	Mr. Ramesh Lakshman Adige	6
2.	Mr. Aditya Vij[8]	6
3.	Mr. Murari Pejavar	3
4.	Mr. Sanjay Jayavarthanavelu	2

HUMAN RESOURCES AND REMUNERATION COMMITTEE

Composition of the Committee[9]

The Composition of the Human Resources & Remuneration Committee as on March 31, 2014, was as follows:-

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

[8] Mr. Aditya Vij attended two meetings through video conference which were held on October 26, 2013 and January 24, 2014

[9] The Composition of the Human, Resource and Remuneration Committee stands changed w.e.f. July 26, 2014 as per the provisions of the Companies Act, 2013 and the rules made thereunder, along with its terms of reference and also the name of the Committee changed to Nomination and Remuneration 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 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 of 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, skills 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, 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.

6. **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, 2014, one meeting of the Human Resources & Remuneration Committee was held on (i) July 19, 2013.

The attendance at the above mentioned Meeting held during the year under review was as under:

Sr. No.	Names of Members	No. of Meetings attended
1.	Mr. Aditya Vij	1
2.	Mr. Murari Pejavar	0
3.	Mr. Ramesh Lakshman Adige	1
4.	Mr. Sanjay Jayavarthanavelu	0

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 as per the statutory norms.

The Non-Executive Independent 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 and 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, 2014.

The details of remuneration paid to Mr. Venkatraman Vijayarathna during the financial year ended March 31, 2014 is as under:

Name of the Director	Salary, Allowances & Perquisites (INR)	Performance Incentives (INR)	Retiral Benefits (INR)	Service Contract	
				Tenure	Notice Period
Mr. Venkatraman Vijayarathna	46,84,281	10,42,188	3,27,275	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.

2) Retiral Benefits of Rs. 3,27,275.00 are towards "Employer's PF Contribution 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.

4) The Board of Directors has vide resolution dated July 10, 2012, fixed the remuneration payable to Mr. Venkatraman Vijayarathna to which the shareholders accorded their approval in the Annual General Meeting held on August 19, 2013.

5) As on March 31, 2014, Mr. Venkatraman Vijayarathna does not hold shares or any other convertible instrument in the Company.

Non – Executive Directors

Only sitting fees is paid to Non-Executive Independent Directors. The sitting fees paid to the Non-Executive Independent Directors for the financial year ended March 31, 2014 and their shareholding as on that date was as follows:

	Sitting Fee (Amount in INR)	Shareholding in the Company as on March 31, 2014
Mr. Aditya Vij	NA	–
Mr. Ashish Bhatia	NA	–
Mr. Lakshman Teckchand Nanwani	Nil	–
Mr. Murari Pejavar	37,500	–
Dr. Nithya Ramamurthy	52,500	905377
Mr. Rama Krishna Shetty	30,000	–
Mr. Ramesh Lakshman Adige	1,00,000	–
Mr. Sandeep Puri	NA	–
Mr. Sanjay Jayavarthanavelu	25,000	–

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 was no other pecuniary relationship or transaction of the Non-executive Directors vis-a-vis the Company.

SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

Composition of the Committee[10]

The Committee as on March 31, 2014 comprised of:

Sr. No.	Names of Members	Designation	Category
1.	Mr. Ramesh Lakshman Adige	Chairman	Non-Executive Independent Director
2.	Mr. Aditya Vij	Member	Non-Executive Director
3.	Dr. Nithya Ramamurthy	Member	Non-Executive Director
4.	Mr. Venkatraman Vijayarathna	Member	Executive Director (Whole-time Director)

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.

[10] The Composition of the Shareholders' / Investors' Grievance Committee stands changed w.e.f. July 26, 2014 as per the provisions of the Companies Act, 2013 and also the name of the Committee changed to Stakeholders Relationship Committee.

(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 Kumar Gupta (till June 02, 2014)

Company Secretary

Status of Shareholders' Complaints during financial year 2013-14

Number of shareholders' complaints received	:	51
Number of complaints not resolved to the satisfaction of shareholders	:	Nil
Number of pending complaints	:	01*

* The pending complaint has already been resolved as on date.

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 10, 2013 (ii) July 19, 2013 (iii) October 26, 2013 and (iv) January 24, 2014.

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

Sr. No.	Names of the Members	No. of Meetings attended
1.	Mr. Ramesh Lakshman Adige	4
2.	Mr. Aditya Vij[11]	4
3.	Dr. Nithya Ramamurthy	3
4.	Mr. Venkatraman Vijayarathna	4

There was no share transfer lying pending as on March 31, 2014.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Corporate Social Responsibility Committee has been constituted as per the provision of the companies Act, 2013 and the rules made thereunder.

Composition of the Committee

The Committee was formilated on April 28, 2014 and comprised of:

Sr. No.	Names of Members	Designation	Category
1.	Mr. Aditya Vij	Chairman	Non-Executive Director
2.	Mr. L.T. Nanwani	Member	Non-Executive Independent Director
3.	Dr. Nithya Ramamurthy	Member	Non-Executive Director

The Company Secretary acts as the Secretary of the Committee.

4. SUBSIDIARY COMPANY

Basis the Consolidated Audited Annual Accounts of the Company for the financial year 2013-14, 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 i.e. Malar Stars Medicare Limited. 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.

[11] Mr. Aditya Vij attended two meetings through video conference which were held on October 26, 2013 and January 24, 2014.

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, 2014. The Board reviewed and took the same on record.

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
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	–
2011-12	September 05, 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.
2012-13	August 19, 2013	11.30 A.M.	P. Obul Reddy Hall, Sri Thyaga Brahma Sabha (Regd)- Vani Mahal, 103, G.N. Road, T. Nagar, Chennai – 600 017	–

Details of resolution passed by way of Postal Ballot

During the year ended March 31, 2014, no resolution was passed by way of Postal Ballot pursuant to Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001.

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, if any Postal Ballot is done.

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 Annual General Meeting.

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 Exchange, SEBI and other statutory authorities on all matters relating to capital markets during the last three years.

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

Management

A) Management Discussion and Analysis is forming part of the Annual Report to the 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-all India editions) 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 Friday, September 05, 2014 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 August 09, 2014
Last date of receipt of Proxy Form	48 hours before the Annual General Meeting

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

(iii) **Financial Calendar 2014-2015 (tentative & subject to change)**

S. No.	Tentative Schedule	Tentative Date (On or before)
1.	Financial Reporting for the quarter ended June 30, 2014	August 14, 2014
2.	Financial Reporting for the quarter ended September 30, 2014	November 14, 2014
3.	Financial Reporting for the quarter ended December 31, 2014	February 14, 2015
4.	Financial Reporting for the quarter ended March 31, 2015*	May 14, 2015
5.	Annual General Meeting for the year ending March 31, 2015	September 30, 2015

*As provided in Clause 41 of Listing Agreement, Board may also consider submission of Audited Financial Results for the year 2014-2015 in lieu of Unaudited Financial Results for fourth quarter, on or before May, 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 Saturday, August 23, 2014 to Friday, September 05, 2014 (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 2014-15.

(vi) **Stock Code**

Stock Code at BSE Ltd is 523696

ISIN for Equity INE842B01015

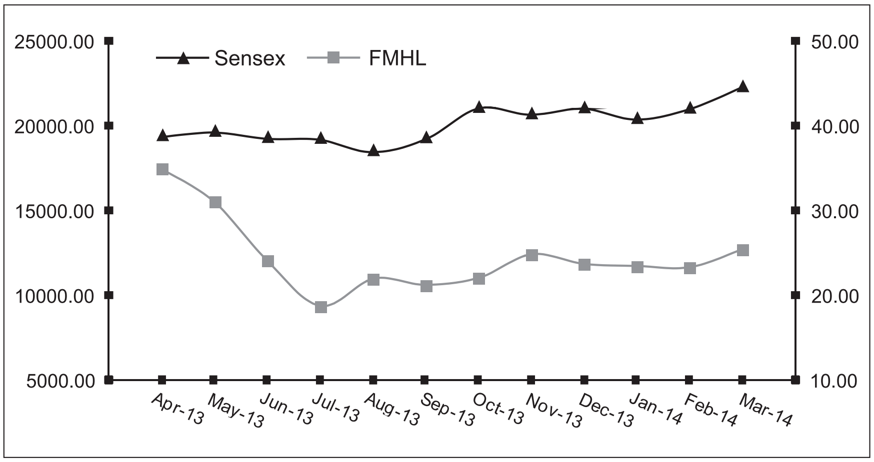
(vii) **Market Price Data**

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

Monthly High and Low Quotations of Shares traded on BSE Limited

Month Ending	BSE (Rs.)	
	High	Low
April, 2013	37.85	29.20
May, 2013	36.25	30.50
June, 2013	32.00	23.15
July, 2013	26.95	17.10
August, 2013	25.45	15.80
September, 2013	23.45	20.00
October, 2013	24.50	20.90
November, 2013	25.85	20.50
December, 2013	25.45	21.65
January, 2014	27.90	22.75
February, 2014	24.80	22.15
March, 2014	25.80	22.10

Performance in comparison to broad based indices (BSE Sensex)



Based on monthly closing data of BSE Sensex (Value) and Fortis Malar (Rupee 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 SH-13 of the Companies (Share Capital and Debentures) Rules, 2013, 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, 2014, 16830987 Equity shares representing 90.52% of the paid up Equity Capital of the Company had been dematerialized.

ISIN: 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 Practising Company Secretary in each of the quarter in the financial year 2013-14, 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, 2014 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 19700 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, 2014: 25 Shareholders and 19700 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, 2014, **5100** shares held by 2 shareholders are 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, 2014

Number of equity shares held	No. of Share-Holders	% age of Share-Holders	Amount (in INR)	(%) to Total
1 - 5000	14059	93.30	14501810	7.80
5001 - 10000	514	3.41	4527100	2.43
10001 - 20000	221	1.47	3481200	1.87
20001 - 30000	84	0.56	2187590	1.18
30001 - 40000	27	0.18	968960	0.52
40001 - 50000	39	0.26	1904480	1.02
50001 - 100000	61	0.40	4846360	2.61
100001 and above	63	0.42	153525090	82.57
TOTAL:	**15068**	**100.00**	**185942590**	**100.00**

(xvii) Shareholding Pattern of Equity Shares as on March 31, 2014

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	0.58
Banks, Financial Institutions	–	–	–
FII's/Foreign Companies	–	–	–
Indian Body Corporates	131	655932	3.53
NRIs/Foreign Nationals	101	467617	2.51
Indian Public	14656	4452487	24.46
Others	175	1157621	6.23
Total	**15068**	**18594259**	**100.00**

(xviii) Lock-in of Equity shares

As on March 31, 2014 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

Fortis Malar Hospital
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
Phone No. - +91 40 44655000; Fax No. - +91-40-23420814
E-mail: einward.ris@karvy.com

For Investor Assistance

Secretarial Department
Fortis Malar Hospitals Limited,
No. 52, First Main Road, Gandhi Nagar, Adyar, Chennai – 600 020
Tel: + 91-44- 24914023, 24914393, 42892222
Fax:+ 91-44- 24426015
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, 2014.

Date: July 26, 2014
Place: Chennai

V Vijayarathna
Whole-time Director

CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members
FORTIS MALAR HOSPITALS LIMITED

We have examined the compliance of conditions of Corporate Governance by Fortis Malar Hospitals Limited, for the year ended March 31, 2014 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange.

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

In our opinion and to 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 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 25, 2014
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, 2014, 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 notified under the Companies Act, 1956 read with General Circular 8/2014 dated April 4, 2014, issued by the Ministry of Corporate Affairs. 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 but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 Companies Act, 1956 ("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, 2014;

(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, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 8/2014 dated April 4, 2014, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013; and

   (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, 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. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E

per Aniruddh Sankaran
Partner
Membership Number: 211107

Place: Chennai
Date : April 28, 2014

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) There was no disposal of a substantial part of fixed assets during the year.

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

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

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

(iii) (a) The Company has renewed a loan of Rs 553.60 million and granted a further loan of Rs 64.33 million to one company covered in the register maintained under section 301 of the Act. The maximum amount involved during the year was Rs 631.65 million and the year-end balance of loan granted to such party was Rs 631.65 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) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.

(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 s Act 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) The Company has not availed any loans from any banks or 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) The Company did not have any term loans outstanding during the year.

(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. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E

per Aniruddh Sankaran
Partner
Membership Number: 211107

Place: Chennai
Date : April 28, 2014

STANDALONE BALANCE SHEET AS AT MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

	Notes	As at March 31, 2014	As at March 31, 2013
I. Equity and Liabilities			
Shareholders' funds			
Share capital	3 (i)	186,095,090	186,095,090
Reserves and surplus	3 (ii)	656,195,535	581,497,503
		842,290,625	**767,592,593**
Non-current liabilities			
Deferred tax liabilities (net)	3 (iii)	7,425,818	6,301,189
		7,425,818	**6,301,189**
Current liabilities			
Trade payables	3 (iv)	102,856,208	88,585,920
Other current liabilities	3 (v)	37,709,658	23,477,451
Short-term provisions	3 (vi)	16,939,120	12,066,551
		157,504,986	**124,129,922**
TOTAL		**1,007,221,429**	**898,023,704**
II. Assets			
Non-current assets			
Fixed Assets			
Tangible assets	3 (vii) (a)	174,333,678	172,803,641
Intangible assets	3 (vii) (b)	1,983,263	887,350
Capital work in progress		6,422,636	–
Non-current investments	3 (viii)	500,000	500,000
Long term loans and advances	3 (ix)	1,166,558	1,059,558
		184,406,135	**175,250,549**
Current assets			
Inventories	3 (x)	2,692,603	3,942,958
Trade receivables	3 (xi)	39,048,019	32,065,317
Cash and bank balances	3 (xii)	101,486,751	29,222,300
Short term loans and advances	3 (xiii)	630,878,016	566,186,700
Other current assets	3 (xiv)	48,709,905	91,355,880
		822,815,294	**722,773,155**
TOTAL		**1,007,221,429**	**898,023,704**
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. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration number: 301003E

per Aniruddh Sankaran
Partner
Membership No: 211107
Place : Chennai
Date : April 28, 2014

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

Aditya Vij
Chairman
Place : Gurgaon
Date : April 28, 2014

V. Vijayarathna
Whole Time Director
Place : Chennai
Date : April 28, 2014

Dinesh Gupta
Company Secretary
Place : Chennai
Date : April 28, 2014

Raghunath P
Financial Controller
Place : Chennai
Date : April 28, 2014

STANDALONE STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

	Notes	For the year ended March 31, 2014	For the year ended March 31, 2013
Income			
Revenue from operations	3 (xv)	1,082,052,290	976,047,164
Other income	3 (xvi)	1,731,165	9,570,886
Total revenue		**1,083,783,455**	**985,618,050**
Expenditure			
Purchase of medical consumables and drugs	3 (xvii) (a)	229,275,035	201,427,684
Changes in inventories of medical consumables and drugs	3 (xvii) (b)	1,250,355	1,132,549
Employee benefits expense	3 (xviii)	143,131,850	137,907,840
Other expenses	3 (xix)	621,033,481	523,283,608
Total expenses		**994,690,721**	**863,751,681**
Earnings before interest, tax, depreciation and amortization (EBITDA)		**89,092,734**	**121,866,369**
Finance costs	3 (xx)	4,572,696	8,003,991
Depreciation and amortisation expense	3 (vii) (a) & (b)	19,927,110	24,903,773
Interest income	3 (xxi)	(66,142,678)	(26,713,246)
Profit before exceptional and extraordinary items and tax		**130,735,606**	**115,671,851**
Add: Exceptional items (Interest income)	4	–	35,327,891
Profit before extraordinary items and tax		**130,735,606**	**150,999,742**
Add: Extraordinary items (Profit on transfer of business)	5	–	414,005,376
Profit before tax		**130,735,606**	**565,005,118**
Tax expense			
Current tax			
Pertaining to profit for the year		46,030,798	151,076,451
Adjustment of tax relating to earlier years		(1,997,668)	–
Deferred tax charge		1,124,629	(17,866,946)
Profit for the year carried over to the balance sheet		**85,577,847**	**431,795,613**
Earnings per share before extraordinary items	3 (xxii)		
Basic [Nominal value of shares Rs. 10/- each]		4.60	5.47
Diluted [Nominal value of shares Rs. 10/- each]		4.60	5.46
Earnings per share after extraordinary items	3 (xxii)		
Basic [Nominal value of shares Rs. 10/- each]		4.60	23.20
Diluted [Nominal value of shares Rs. 10/- each]		4.60	23.16
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. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration number: 301003E

per Aniruddh Sankaran
Partner
Membership No: 211107
Place : Chennai
Date : April 28, 2014

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

Aditya Vij
Chairman
Place : Gurgaon
Date : April 28, 2014

V. Vijayarathna
Whole Time Director
Place : Chennai
Date : April 28, 2014

Dinesh Gupta
Company Secretary
Place : Chennai
Date : April 28, 2014

Raghunath P
Financial Controller
Place : Chennai
Date : April 28, 2014

STANDALONE CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

	Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
A.	**Cash flow from operating activities**		
	Net profit before tax and extraordinary item	**130,735,606**	**150,999,742**
	Adjustments for :		
	Depreciation and Amortisation	19,927,110	24,903,773
	Loss on sale of fixed assets	472,748	612,397
	Bad debts written off	1,662,370	3,774,767
	Provision for doubtful debts	4,953,734	4,450,307
	Interest income	(66,142,678)	(62,041,137)
	Interest expense	706,898	4,859,279
	Operating profit before working capital changes	**92,315,788**	**127,559,128**
	Movements in working capital :		
	Increase/(decrease) in trade payables	11,487,151	22,390,324
	Increase/(decrease) in short term provisions	(98,000)	1,746,565
	Increase/(decrease) in other current liabilities	13,650,069	(657,786,150)
	(Increase)/decrease in trade receivables	(11,936,436)	(2,439,248)
	(Increase)/decrease in inventories	1,250,355	1,132,549
	(Increase)/decrease in long term loans and advances	(107,000)	34,265,739
	(Increase)/decrease in short term loans and advances	(2,020,109)	(14,122,431)
	(Increase)/decrease in other current assets	(7,974,555)	(8,984,578)
	Cash generated from/ (used in) operations	**96,567,263**	**(496,238,102)**
	Direct taxes paid	(39,062,561)	(139,818,207)
	Net cash from / (used in) operating activities (A)	**57,504,702**	**(636,056,309)**
B.	**Cash flows from investing activities**		
	Purchase of fixed assets	(26,880,129)	(33,419,233)
	Proceeds from sale of fixed assets	214,822	1,555,880
	Fixed Deposits placed with Bank	(40,000,000)	–
	Intercorporate deposit placed with subsidiary	(64,333,577)	(60,500,000)
	Intercorporate deposit placed with subsidiary - Repaid	–	156,900,000
	Interest received	116,763,208	15,017,148
	Net cash from /(used in) investing activities before extraordinary item	**(14,235,676)**	**79,553,795**
	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)	**(14,235,676)**	**724,452,795**
C.	**Cash flows from financing activities**		
	Proceeds from long-term borrowings	–	–
	Repayment of long-term borrowings	–	(45,538,661)
	Dividend paid on equity shares	(8,716,355)	–
	Tax on equity dividend paid	(1,581,322)	–
	Proceeds / (Repayments) of short-term borrowings (net)	–	(15,095,986)
	Interest paid	(706,898)	(4,859,279)
	Net cash from/ (used in) financing activities (C)	**(11,004,575)**	**(65,493,926)**
	Net increase in cash and cash equivalents (A + B + C)	**32,264,451**	**22,902,560**
	Total cash and cash equivalents at the beginning of the year	**29,222,300**	**6,319,740**
	Cash and cash equivalents at the end of the year	**61,486,751**	**29,222,300**
	Components of cash and cash equivalents:		
	Cash in hand	3,265,051	1,576,234
	Balances with banks		
	On current accounts	2,903,150	7,081,229
	On unpaid dividend account*	582,138	–
	On Deposits with original maturity of less than three months	54,736,412	20,564,837
	Total	**61,486,751**	**29,222,300**

* The Company can utilize these balance only toward settlement of the respective unpaid dividend.

Summary of significant accounting policies 2.1

As per our report of even date
For S. R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration number: 301003E

per Aniruddh Sankaran
Partner
Membership No: 211107
Place : Chennai
Date : April 28, 2014

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

Aditya Vij
Chairman
Place : Gurgaon
Date : April 28, 2014

V. Vijayarathna
Whole Time Director
Place : Chennai
Date : April 28, 2014

Dinesh Gupta
Company Secretary
Place : Chennai
Date : April 28, 2014

Raghunath P
Financial Controller
Place : Chennai
Date : April 28, 2014

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(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 Financial Statements of the Company have been prepared in accordance with generally accepted accounting principles in India, mandatory accounting standards notified under the Companies (Accounting Standards) Rules,2006, (as amended) and the relevant provisions of the Companies Act, 1956 read with General Circular 8/2014 dated 4 April 2014, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013. 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 used in the 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 and equipment	4.75%
Medical equipments	7.07%
Furniture and Fixtures	9.50%
Computers	16.20%
Office equipments*	9.50%
Vehicles	9.50%

*included as part of furniture and fixtures

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

e **Intangible assets**

Computer 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.

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, 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

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

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 recognize 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:

<u>Inpatient and Outpatient revenue</u>

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

<u>Management fees & income from medical services</u>

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.

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

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

<u>Interest</u>

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

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

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

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

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.

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 Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre payment will lead to, for example, a reduction in future payment or a cash refund.

ii. Gratuity

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation made at the end of the year using projected unit credit method.

iii. Compensated absences

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

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

iv. Actuarial gains/losses

Actuarial gains/ losses on gratuity and long term compensated absences are recognized in 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

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

sheet date. Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences 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 realized. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets 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 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.

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

r **Cash and cash equivalents**

Cash and cash equivalents 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 its operations. In its measurement, the Company does not include depreciation and amortization expense, finance costs, interest income and tax expense.

	As at March 31, 2014	As at March 31, 2013
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, 2014		As at March 31, 2013	
	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, 2014		As at March 31, 2013	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
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.

During the year ended March 31, 2014, the amount of per share dividend recognized as distributions to equity shareholders was Rs 0.50 per share (March 31, 2013 : Nil).

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 STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

	As at March 31, 2014	As at March 31, 2013
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	488,164,183	56,368,570
Net Profit for the year	85,577,847	431,795,613
Less: Appropriations		
(i) Interim Dividend paid during the year	(9,298,493)	–
(ii) Tax on Interim Dividend	(1,581,322)	–
Closing balance	**562,862,215**	**488,164,183**
Total (a+b)	**656,195,535**	**581,497,503**
Note 3 (iii) : 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	14,393,067	11,666,216
	14,393,067	**11,666,216**
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	6,967,249	5,365,027
	6,967,249	**5,365,027**
Deferred tax liabilities, net	**7,425,818**	**6,301,189**
Note 3 (iv) : Trade Payables		
Trade Payable (Also refer Note 17)	98,910,608	87,423,457
Creditors for purchase of fixed assets	3,945,600	1,162,463
	102,856,208	**88,585,920**
Note 3 (v): Other Current Liabilities		
Advances from patients	26,974,355	14,215,437
Sundry deposits	1,742,870	1,674,370
Statutory payables	8,197,491	7,587,644
Unclaimed Dividend	582,138	–
Other liabilities	212,804	–
	37,709,658	**23,477,451**
Note 3 (vi) : Short Term Provisions		
a. Provision for employee benefits		
Provision for gratuity (Also refer Note 13)	1,965,000	2,313,000
Provision for leave encashment	2,946,000	2,696,000
b. Other provisions		
Provision for Income tax (net)	12,028,120	7,057,551
	16,939,120	**12,066,551**

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

Note 3 (vii) (a) Tangible assets

	Freehold Land	Building	Plant and equipment	Medical Equipments	Furniture and fixtures	Computers	Vehicles	Total
Original cost								
At 1 April 2012	22,819,716	215,333,471	80,833,289	220,455,462	10,113,859	10,102,409	3,876,623	563,534,829
Additions	–	7,856,354	12,129,730	16,677,399	443,688	1,232,736	–	38,339,907
Disposal through business transfer	(22,819,716)	(223,189,825)	(63,651,877)	(23,731,646)	(2,743,095)	–	–	(336,136,159)
Disposals	–	–	(7,414,512)	(34,013)	(853,352)	(1,028,612)	(3,876,623)	(13,207,112)
At 31 March 2013	**–**	**–**	**21,896,630**	**213,367,202**	**6,961,100**	**10,306,533**	**–**	**252,531,465**
Additions	–	–	1,024,045	12,630,729	3,249,136	3,004,114	1,089,157	20,997,181
Disposals	–	–	(1,005,443)	(3,966,654)	(217,875)	(426,750)	–	(5,616,722)
At 31 March 2014	**–**	**–**	**21,915,232**	**222,031,277**	**9,992,361**	**12,883,897**	**1,089,157**	**267,911,924**
Depreciation								
At 1 April 2012	–	75,412,960	31,316,178	54,380,569	3,996,327	5,207,418	3,539,516	173,852,968
Charge for the year	–	3,986,023	2,631,333	15,071,647	924,785	1,591,775	200,786	24,406,349
Disposal through business transfer	–	(79,398,983)	(23,054,261)	(5,781,831)	(746,329)	–	–	(108,981,404)
Disposals	–	–	(4,414,583)	(34,013)	(405,530)	(955,661)	(3,740,302)	(9,550,089)
At 31 March 2013	**–**	**–**	**6,478,667**	**63,636,372**	**3,769,253**	**5,843,532**	**–**	**79,727,824**
Charge for the year	–	–	1,097,949	15,206,414	995,880	1,435,960	43,372	18,779,575
Disposals	–	–	(625,981)	(3,728,451)	(147,972)	(426,749)	–	(4,929,153)
At 31 March 2014	**–**	**–**	**6,950,635**	**75,114,335**	**4,617,161**	**6,852,743**	**43,372**	**93,578,246**
Net Block								
At 31 March 2013	**–**	**–**	**15,417,963**	**149,730,830**	**3,191,847**	**4,463,001**	**–**	**172,803,641**
At 31 March 2014	**–**	**–**	**14,964,597**	**146,916,942**	**5,375,200**	**6,031,154**	**1,045,785**	**174,333,678**

Note 3 (vii) (b) Intangible assets

	Computer software
Original cost	
At 1 April 2012	3,070,024
Additions	–
At 31 March 2013	**3,070,024**
Additions	2,243,448
At 31 March 2014	**5,313,472**
Amortization	
At 1 April 2012	1,685,250
Charge for the year	497,424
At 31 March 2013	**2,182,674**
Charge for the year	1,147,535
At 31 March 2014	**3,330,209**
Net Block	
At 31 March 2013	**887,350**
At 31 March 2014	**1,983,263**

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

	As at March 31, 2014	As at March 31, 2013
Note 3 (viii) : Non Current Investments (valued at cost unless stated otherwise)		
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 (ix) : Long Term Loans and Advances		
Unsecured, Considered good		
Security Deposit	1,166,558	1,059,558
	1,166,558	1,059,558
Note 3 (x) :Inventories (at lower of cost and net realisable value)		
Medical consumables and drugs	2,692,603	3,942,958
	2,692,603	**3,942,958**
Note 3 (xi) : Trade Receivables (Unsecured)		
Aggregate amount outstanding for a period exceeding six months (from due date of payment)		
Considered good	4,931,862	2,850,249
Considered doubtful	2,917,975	2,932,842
Less : Provision for doubtful debts	(2,917,975)	(2,932,841)
	4,931,862	2,850,250
Other Debts		
Considered good	34,116,157	29,215,067
Considered doubtful	5,211,502	1,201,461
Less : Provision for doubtful debts	(5,211,502)	(1,201,461)
	34,116,157	29,215,067
	39,048,019	**32,065,317**
Note 3 (xii) : Cash and Bank Balances		
Cash and cash equivalents		
Cash on hand	3,265,051	1,576,234
Balances with banks		
On current accounts	2,903,150	7,081,229
On unpaid dividend account*	582,138	
On Deposits with original maturity of less than three months	54,736,412	20,564,837
	61,486,751	**29,222,300**
Other bank balances		
On Deposits with original maturity for more than 3 months but less than 12 months	40,000,000	–
	101,486,751	**29,222,300**

* The Company can utilize these balance only toward settlement of the respective unpaid dividend.

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

	As at March 31, 2014	As at March 31, 2013
Note 3 (xiii) : Short Term Loans and Advances (Unsecured, Considered good)		
Loans and advances to related parties		
Advances recoverable in cash or in kind or for value to be received	1,441,918	28,695
Inter corporate deposit placed with subsidiary (Also refer Note 9)	617,933,576	553,600,000
Loans and advances to others		
Advances recoverable in cash or in kind or for value to be received	11,502,522	12,558,005
	630,878,016	566,186,700
Note 3 (xiv) : Other Current Assets		
Unsecured, Considered good		
Income from Undischarged Patients	26,523,431	17,354,252
Accrued Served from India Scheme (SFIS) Income	8,473,427	9,668,051
Interest accrued but not due	13,713,047	64,333,577
	48,709,905	91,355,880

	For the year ended March 31, 2014	For the year ended March 31, 2013
Note 3 (xv) : Revenue from operations		
Sales of Services		
In patient	862,001,356	775,711,254
Out patient	177,253,116	155,899,356
Income from referral fees	881,152	821,357
Management fees from hospitals	–	267,335
Sub Total (a)	1,040,135,624	932,699,302
Sales of Traded Goods		
Pharmacy products	36,865,600	36,581,648
Sub Total (b)	36,865,600	36,581,648
Other operating revenue		
Income from Served from India Scheme (SFIS)	4,299,478	5,141,494
Income from sponsorship camps	140,140	4,500
Other operating income	611,448	1,620,220
Sub Total (c)	5,051,066	6,766,214
Total (a+b+c)	1,082,052,290	976,047,164
Note 3 (xvi) : Other Income		
Other non operating Income		
Income from rent	–	801,426
Parking fees	–	305,260
Unclaimed balances and excess provision written back	1,731,165	8,464,200
	1,731,165	9,570,886

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014
(All amounts are in Indian Rupees unless otherwise stated)

	For the year ended March 31, 2014	For the year ended March 31, 2013
Note 3 (xvii) (a) : Purchase of medical consumables and drugs		
Cardio Consumables	72,766,913	65,580,372
Ortho Consumables	17,619,607	4,128,085
Others	138,888,515	131,719,227
	229,275,035	**201,427,684**
Note 3 (xvii) (b) : Changes in Inventories of Medical Consumables and drugs		
Opening Stock	3,942,958	5,075,507
Closing Stock	2,692,603	3,942,958
	1,250,355	**1,132,549**
Note 3 (xviii) : Employee Benefit expense		
Salaries, wages and bonus	117,511,526	113,162,486
Gratuity (Also refer Note 13)	2,635,000	1,858,000
Leave encashment	1,459,000	2,480,230
Contribution to provident & other funds	9,295,362	8,590,456
Staff welfare expenses	12,175,767	11,182,243
Recruitment & training	55,195	634,425
	143,131,850	**137,907,840**
Note 3 (xix) : Other Expenses		
Contractual manpower	3,087,662	5,177,248
Power, fuel and water	21,025,805	22,296,084
Hospital Service fee expense	166,726,430	73,057,189
Housekeeping expenses including consumables	3,931,421	4,619,539
Patient food and beverages	13,891,227	12,258,918
Pathology laboratory expenses	30,582,877	25,881,361
Radiology expenses	(174,200)	19,408,892
Consultation fees to doctors	76,310,148	82,023,383
Professional charges to doctors	184,708,693	164,734,925
Cost of medical services	14,722,767	13,253,556
Repairs & maintenance		
– Building	1,585,699	2,131,965
– Plant & machinery	9,714,625	9,032,881
– Others	4,628,091	6,101,821
Rent		
– Hospital building	–	468,179
– Equipments	3,551,023	3,855,957
– Others	2,999,845	2,988,115
Legal & professional fee	6,623,590	5,044,654
Travel & conveyance	13,855,335	12,194,181
Rates & taxes	470,170	1,676,334
Printing & stationary	4,815,209	4,823,423

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

	For the year ended March 31, 2014	For the year ended March 31, 2013
Communication expenses	2,712,600	2,858,161
Directors' sitting fees	275,542	215,000
Insurance	8,340,099	5,515,232
Marketing & business promotion	33,921,307	24,961,364
Loss on sale of fixed assets	472,748	612,397
Auditors' remuneration		
a. Statutory audit	906,420	674,160
b. Tax audit	56,180	56,180
c. Others	252,810	252,810
d. Out of pocket expenses	10,754	55,619
Bad debts/ advances written off	1,662,370	3,774,767
Provision for doubtful debts	4,953,734	4,450,307
Miscellaneous expenses	4,412,500	8,829,006
	621,033,481	**523,283,608**
Note 3 (xx) : Financial costs		
Interest Expense	706,898	4,859,279
Bank charges	3,865,798	3,144,712
	4,572,696	**8,003,991**
Note 3 (xxi) : Interest Income		
Interest income		
Interest on bank deposits	4,182,443	175,822
Interest from Inter corporate deposit	61,793,357	26,537,424
Interest from other deposits	166,878	–
	66,142,678	**26,713,246**
Note 3 (xxii) : Earnings per share		
Net profit as per profit and loss account - before Extra ordinary items	85,577,847	101,741,219
Net profit as per profit and loss account - after Extra ordinary items	85,577,847	431,795,613
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
Weighted average number of equity shares in calculating Diluted EPS	18,609,509	18,640,831

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

4 Interest Income

During the year ended March 31, 2013, 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. 2,308.93 lakhs 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. 7,000 lakhs. The net profit aggregating Rs. 3,132.59 lakhs (net of tax expense of Rs. 1,007.47 lakhs) 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, 2014, the Company has capital commitments of Rs 517,500 (Previous year Rs. 2,139,502) towards purchase of assets.

8 Contingent liabilities

	31 March 2014 Rs	31 March 2013 Rs
Claims against the Company not acknowledged as debts (in respect of compensation demanded by the patients / their relatives for negligence).	81,892,872	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, 2014	March 31, 2013
A	**Malar Star Medicare Limited**			
	Balance outstanding at the year end	Note 3(xiii)	617,933,577	553,600,000
	Interest accrued and due	Note 3(xiv)	13,713,046	64,333,577
	Total		**631,646,623**	**617,933,577**
	Maximum amount outstanding during the year		631,951,358	658,654,794

Loans given to related party is repayable on for a tenure of 12 months. This loan carry interest @ 10% p.a.

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

10 Value of imports calculated on CIF basis

Particulars	March 31, 2014	March 31, 2013
Capital goods	621,500	4,487,162
Medical Consumables	17,391,988	–

11 Expenditure in foreign currency (accrual basis)

Particulars	March 31, 2014	March 31, 2013
Professional fees	2,234,559	2,736,810
Travelling and Conveyance	1,041,667	506,494
Others	532,532	379,040

12 Earnings in foreign exchange (accrual basis)

Particulars	March 31, 2014	March 31, 2013
Health care services rendered to international patients	45,690,100	46,243,662

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 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, 2014	March 31, 2013
Net employee benefit expense (recognised in Employee benefits)		
(i) Current service cost	1,799,000	1,600,000
(ii) Past Service Cost	–	–
(iii) Interest cost on Benefit Obligations	792,000	713,000
(iv) Expected return on plan assets	(840,000)	(676,000)
(v) Net actuarial (gains)/ losses recognised in the year	884,000	221,000
(vi) Net (benefit) / expense	**2,635,000**	**1,858,000**
(vii) Actual return on plan assets	–	–
Balance Sheet	**March 31, 2014**	**March 31, 2013**
Details of Provision for gratuity		
(i) Defined benefit obligation	12,911,000	10,330,000
(ii) Fair value of plan assets	10,946,000	8,017,000
(iii) Unrecognized past service cost	–	–
(iv) Plan (Liability) /Asset	**(1,965,000)**	**(2,313,000)**
Changes in the present value of the defined benefit obligation are as follows:		
(i) Opening defined benefit obligation	10,330,000	8,781,000
(ii) Current service cost	1,799,000	1,600,000
(iii) Past Service Cost	–	–
(iv) Interest cost	792,000	713,000
(v) Actuarial (gains) / losses on obligation	850,000	210,000
(vi) Benefits paid	(860,000)	(974,000)
(vii) Closing defined benefit obligation	**12,911,000**	**10,330,000**
Changes in the fair value of the plan assets are as follows:		
(i) Opening fair value of plan assets	8,017,000	7,274,000
(ii) Expected return	840,000	676,000
(iii) Actuarial gains / (losses)	(34,000)	(11,000)
(iv) Contributions by employer	2,123,000	78000
(v) Benefits paid	–	–
(vi) Closing fair value of plan assets	**10,946,000**	**8,017,000**

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014
(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, 2014	March 31, 2013
Discount rate	9.25%	8%
Expected rate of return on assets	9.25%	9.25%
Employee turnover		
Age 20 to 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. 1,965,000 to gratuity in the next year (March 31, 2013: Rs. 2,313,000).

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 years are as follows:

	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010
Gratuity					
Defined benefit obligation	(12,911,000)	(10,330,000)	(8,781,000)	(7,741,000)	(6,835,000)
Plan assets	10,946,000	8,017,000	7,273,565	6,328,000	1,483,000
Surplus / (deficit)	(1,965,000)	(2,313,000)	(1,507,435)	(1,413,000)	(5,352,000)
Experience adjustments on plan liabilities	(2,508,000)	388,000	(11,000)	91,000	116,000
Experience adjustments on plan assets	(34,000)	11,000	(307,283)	28,000	(7,000)

14 Employee stock option plans

The Company provides share-based payment schemes to its employees. During the year ended March 31, 2014, 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.

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014
(All amounts are in Indian Rupees unless otherwise stated)

The details of activity under the Scheme are summarized below:

	March 31, 2014		March 31, 2013	
	No. of options	WAEP (Rs)	No. of options	WAEP (Rs)
Outstanding at the beginning of the year	280,000	26.20	295,000	26.20
Granted during the year	–	–	–	–
Forfeited during the year	50,000	26.20	15,000	26.20
Exercised during the year	–	–	–	–
Outstanding at the end of the year	230,000	26.20	280,000	26.20
Exercisable at the end of the year	22,212	26.20	70,000	26.20

The weighted average remaining contractual life for the stock options outstanding as at 31 March 2014 is 2.75 years (31 March 2013: 3.75 years). The range of exercise prices for options outstanding at the end of the year was Rs. 10. (31 March 2013: Rs. 10).

The weighted average fair value of stock options granted during the year was Rs. 13.45 (31 March 2013: Rs 13.45). The Black Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

	March 31, 2014	March 31, 2013
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, 2014 (Rs)	March 31, 2013 (Rs)
Profit after tax as reported	85,577,847	431,795,613
Add: ESOP cost using the intrinsic value method	Nil	Nil
Less: ESOP cost using the fair value method	407,368	1,268,927
Proforma profit after tax	85,170,479	430,526,686
Earnings Per Share		
Basic		
- As reported	4.60	23.20
- Proforma	4.58	23.13
Diluted		
- As reported	4.60	23.16
- Proforma	4.58	23.20

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014
(All amounts are in Indian Rupees unless otherwise stated)

15 Related Party Disclosures

15.1. Related parties where control exists

Relationship	Name of the related Party
Ultimate Holding Company	Fortis Healthcare Limited
Holding Company	Fortis Hospitals Limited
Subsidiary Company	Malar Stars Medicare Limited

15.2. Related parties with whom transactions have taken place during the year

Relationship	Name of the related party
Ultimate Holding Company	Fortis Healthcare Limited
Holding Company	Fortis Hospitals Limited
Key Management Personnel	Mr. V. Vijayarathna (Whole-time Director) (with effect from July 10, 2012) Mr. Krish Ramesh (Whole time Director) (Resigned from July 10, 2012)
Subsidiary Company	Malar Stars Medicare Limited
Enterprises under common control	Fortis Health Management Limited
	Hospitalia Eastern Private Limited
	Lalitha Healthcare Private Limited
	Super Religare Laboratories Limited
	Escorts Heart Institute and Research Centre Limited

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

15.3. Transactions during the year with related parties

Particulars	March 31, 2014						March 31, 2013					
	Key Management Personnel	Ultimate Holding Company	Holding Company	Subsidiary Company	Entities under Common Control	Entities under significance of the ultimate holding Company	Key Management Personnel	Ultimate Holding Company	Holding Company	Subsidiary Company	Entities under Common Control	Entities under significance of the ultimate holding Company
Transactions during the year												
Advances received towards sale of undertaking												
Fortis Health Management Limited	–	–	–	–	–	–	–	–	–	–	5,000,000	–
Advances settled against the sale of undertaking												
Fortis Health Management Limited	–	–	–	–	–	–	–	–	–	–	700,000,000	–
Contribution to Technology renewal fund												
Fortis Health Management Limited	–	–	–	–	500,000	–	–	–	–	–	228,261	–
Utilisation from Technology renewal fund												
Fortis Health Management Limited	–	–	–	–	728,261	–	–	–	–	–	–	–
Intercorporate Deposit Placed												
Malar Star Medicare Limited	–	–	–	64,333,577	–	–	–	–	–	60,500,000	–	–
Intercorporate deposit repayment receipts												
Malar Star Medicare Limited	–	–	–	–	–	–	–	–	–	156,900,000	–	–

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014
(All amounts are in Indian Rupees unless otherwise stated)

Particulars	March 31, 2014						March 31, 2013					
	Key Management Personnel	Ultimate Holding Company	Holding Company	Subsidiary Company	Entities under Common Control	Entities under significance of the ultimate holding Company	Key Management Personnel	Ultimate Holding Company	Holding Company	Subsidiary Company	Entities under Common Control	Entities under significance of the ultimate holding Company
Interest earned												
Malar Star Medicare Limited	–	–	–	61,793,357	–	–	–	–	–	61,865,315	–	–
Reimbursement of expenses incurred on behalf of group Companies												
Fortis Healthcare Limited	–	19,743,753	–	–	–	–	–	3,106,918	–	–	–	–
Fortis Hospitals Limited	–	–	196,354	–	–	–	–	–	–	–	–	–
Malar Stars Medicare Limited	–	–	–	–	–	–	–	–	–	1,462	–	–
Super Religare Laboratories Limited	–	–	–	–	952,283	–	–	–	–	–	970,135	–
Fortis Health Management North Limited	–	–	–	–	–	–	–	–	–	–	28,695	–
Reimbursement of expenses incurred by group companies on behalf of the Company												
Fortis Healthcare Limited	–	37,958	–	–	–	–	–	1,003,572	–	–	–	–
Fortis Hospitals Limited	–	–	1,101,942	–	–	–	–	–	1,516,602	–	–	–
Purchase of consumables												
Fortis Hospitals Limited	–	–	3,297,076	–	–	–	–	–	–	–	–	–

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

Particulars	March 31, 2014						March 31, 2013					
	Key Management Personnel	Ultimate Holding Company	Holding Company	Subsidiary Company	Entities under Common Control	Entities under significance of the ultimate holding Company	Key Management Personnel	Ultimate Holding Company	Holding Company	Subsidiary Company	Entities under Common Control	Entities under significance of the ultimate holding Company
Operations and Management services received												
Super Religare Laboratories Limited	–	–	–	–	28,037,959	–	–	–	–	–	25,135,435	–
Malar Stars Medicare Limited	–	–	–	3,657,000	–	–	–	–	–	3,933,000	–	–
Fortis Health Management Limited	–	–	–	–	–	166,726,430	–	–	–	–	–	73,057,189
Sale of medical equipments/ Assets												
Fortis Healthcare Limited	–	3,866,255	–	–	–	–	–	–	–	–	–	–
Fortis Health Management Limited	–	–	–	–	71,562	–	–	–	–	–	–	–
Managerial remuneration												
Mr Krish Ramesh	–	–	–	–	–	–	3,721,545	–	–	–	–	–
Mr. Vijayarathna	6,053,743	–	–	–	–	–	2,553,675	–	–	–	–	–
Balances at the end of the year												
Trade payable												
Super Religare Laboratories Limited	–	–	–	–	861,993	–	–	–	–	–	1,772,139	–
Fortis Health Management Limited	–	–	–	–	–	28,833,927	–	–	–	–	–	9,431,867

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014
(All amounts are in Indian Rupees unless otherwise stated)

Particulars	March 31, 2014						March 31, 2013					
	Key Management Personnel	Ultimate Holding Company	Holding Company	Subsidiary Company	Entities under Common Control	Entities under significance of the ultimate holding Company	Key Management Personnel	Ultimate Holding Company	Holding Company	Subsidiary Company	Entities under Common Control	Entities under significance of the ultimate holding Company
Advance Recoverable												
Fortis Healthcare limited	–	878,657	–	–	–	–	–	267,657	–	–	–	–
Fortis Health Management North Limited	–	–	–	–	–	–	–	–	–	–	28,695	–
Malar Stars Medicare Limited	–	–	–	563,261	–	–	–	–	–	–	–	–
Balance with Technology renewal fund												
Fortis Health Management Limited	–	–	–	–	–	–	–	–	–	–	228,261	–
Inter corporate deposit placed												
Malar Stars Medicare Limited	–	–	–	617,933,576	–	–	–	–	–	553,600,000	–	–
Interest accrued but not due												
Malar Stars Medicare Limited	–	–	–	13,713,046	–	–	–	–	–	64,333,577	–	–

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 STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(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 equipment. All lease commitments are cancellable. The total lease payments made during the year are as follows:

Particulars	March 31, 2014	March 31, 2013
Lease rentals paid	6,550,868	7,312,251

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

There is no overdue amount payable to Micro, Small and Medium Enterprises as defined under The Micro, Small and Medium Enterprises Development Act, 2006. Further, the Company has not paid any interest to any Micro, Small and Medium Enterprises during the current year and previous year.

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. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration number: 301003E

per Aniruddh Sankaran
Partner
Membership No: 211107
Place : Chennai
Date : April 28, 2014

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

Aditya Vij
Chairman
Place : Gurgaon
Date : April 28, 2014

V. Vijayarathna
Whole Time Director
Place : Chennai
Date : April 28, 2014

Dinesh Gupta
Company Secretary
Place : Chennai
Date : April 28, 2014

Raghunath P
Financial Controller
Place : Chennai
Date : April 28, 2014

Statement Pursuant 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, 2014.
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. 2,178,427
4.	**Net aggregate amount of profits for previous financial year 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. 2,987,203

For and on behalf of the Board of Directors

Aditya Vij
Director

V. Vijayarathna
Whole Time Director

Dinesh Gupta
Company Secretary

Raghunath P
Financial Controller

Place : Chennai
Date : April 28, 2014

Abstract of Financials of Subsidiary Companies as at 31st March 2014

NAME OF THE SUBSIDIARY COMPANY : MALAR STARS MEDICARE LIMITED

		For the year Ended 31st March 2014 Rs.	For the year Ended 31st March 2013 Rs.
a)	Capital	500,000	500,000
b)	Reserves and Surplus (adjusted for debit balance of Profit & loss account)	5,811,719	3,633,292
c)	Total Assets	640,467,792	628,594,447
d)	Total Liabilities	634,156,073	624,461,155
e)	Details of Investment (except in case of investment in Subsidiaries)	NIL	NIL
f)	Turnover (Including Interest Income - Net)	6,899,709	8,256,013
g)	Profit / (Loss) before Taxation	3,152,573	4,323,013
h)	Provision for Taxation	974,146	1,335,810
i)	Profit / (Loss) after Taxation	2,178,427	2,987,203
j)	Proposed Dividend	NIL	NIL

For and on behalf of the Board of Directors

Aditya Vij
Director

V. Vijayarathna
Whole Time Director

Dinesh Gupta
Company Secretary

Raghunath P
Financial Controller

Place : Chennai
Date : April 28, 2014

Independent Auditor's Report

To the Board of Directors of Fortis Malar Hospitals Limited

We have audited the accompanying consolidated financial statements of Fortis Malar Hospitals Limited and its subsidiaries, which comprise the consolidated Balance Sheet as at March 31, 2014, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 consolidated 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 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 Company as at March 31, 2014;

(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 Batliboi & Co LLP**
Chartered Accountants
ICAI Firm Registration number: 301003E

per Aniruddh Sankaran
Partner
Membership Number: 211107

Place: Chennai
Date: April 28, 2014

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

	Notes	As at March 31, 2014	As at March 31, 2013
I. Equity and Liabilities			
Shareholders' funds			
Share capital	3 (i)	186,095,090	186,095,090
Reserves and surplus	3 (ii)	662,007,255	585,130,794
		848,102,345	**771,225,884**
Non-current liabilities			
Deferred tax liabilities (net)	3 (iii)	7,425,818	6,301,189
		7,425,818	**6,301,189**
Current liabilities			
Trade payables	3 (iv)	103,064,370	88,740,722
Other current liabilities	3 (v)	39,244,566	29,675,220
Short-term provisions	3 (vi)	17,142,238	12,241,559
		159,451,174	**130,657,501**
TOTAL		**1,014,979,337**	**908,184,574**
II. Assets			
Non-current assets			
Fixed Assets			
Tangible assets	3 (vii)(a)	174,333,678	172,803,641
Intangible assets	3 (vii)(b)	1,983,263	887,350
Capital work in progress	3 (vii)	6,422,636	–
Deferred tax assets	3 (viii)	95,838	70,664
Long term loans and advances	3 (ix)	12,575,126	7,845,105
		195,410,541	**181,606,760**
Current assets			
Inventories	3 (x)	2,692,603	3,942,958
Trade receivables	3 (xi)	39,048,019	32,065,317
Cash and bank balances	3 (xii)	101,631,445	30,050,154
Short term loans and advances	3 (xiii)	626,881,179	574,264,233
Other current assets	3 (xiv)	49,315,550	86,255,152
		819,568,796	**726,577,814**
TOTAL		**1,014,979,337**	**908,184,574**
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. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration number: 301003E

per Aniruddh Sankaran
Partner
Membership No: 211107
Place : Chennai
Date : April 28, 2014

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

Aditya Vij
Chairman
Place : Gurgaon
Date : April 28, 2014

V. Vijayarathna
Whole Time Director
Place : Chennai
Date : April 28, 2014

Dinesh Gupta
Company Secretary
Place : Chennai
Date : April 28, 2014

Raghunath P
Financial Controller
Place : Chennai
Date : April 28, 2014

STATEMENT OF CONSOLIDATED PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

	Notes	For the year ended March 31, 2014	For the year ended March 31, 2013
Income			
Revenue from operations	3 (xv)	1,082,052,290	976,047,164
Other income	3 (xvi)	1,731,165	9,570,886
Total revenue		**1,083,783,455**	**985,618,050**
Expenditure			
Purchase of medical consumables and drugs	3 (xvii)(a)	229,275,035	201,427,684
Changes in inventories of medical consumables and drugs	3 (xvii)(b)	1,250,355	1,132,549
Employee benefits expense	3 (xviii)	146,313,802	141,321,556
Other expenses	3 (xix)	617,580,973	519,495,840
Total expenses		**994,420,165**	**863,377,629**
Earnings before interest, tax, depreciation and amortization (EBITDA)		**89,363,290**	**122,240,421**
Finance costs	3 (xx)	4,572,696	8,003,991
Depreciation and amortisation expense	3 (vii)(a) & (b)	19,927,110	24,903,773
Interest income	3 (xxi)	(69,024,696)	(36,341,582)
Profit before exceptional and extraordinary items and tax		**133,888,180**	**125,674,239**
Add: Exceptional items (Interest income)	4	–	29,648,516
Profit before extraordinary items and tax		**133,888,180**	**155,322,755**
Add: Extraordinary items (Profit on transfer of business)	5	–	414,005,376
Profit before tax		**133,888,180**	**569,328,131**
Tax expense			
Current tax			
Pertaining to profit for the current year		47,030,117	152,430,658
Adjustment of tax relating to earlier years		(1,997,668)	–
Deferred tax charge		1,099,455	(17,885,343)
Profit for the year carried over to the balance sheet		**87,756,276**	**434,782,816**
Earnings per share before extraordinary items	3 (xxii)		
Basic [Nominal value of shares Rs. 10/- each]		**4.72**	**6.53**
Diluted [Nominal value of shares Rs. 10/- each]		**4.72**	**6.52**
Earnings per share after extraordinary items	3 (xxii)		
Basic [Nominal value of shares Rs. 10/- each]		**4.72**	**23.36**
Diluted [Nominal value of shares Rs. 10/- each]		**4.72**	**23.32**
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. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration number: 301003E

per Aniruddh Sankaran
Partner
Membership No: 211107
Place : Chennai
Date : April 28, 2014

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

Aditya Vij
Chairman
Place : Gurgaon
Date : April 28, 2014

V. Vijayarathna
Whole Time Director
Place : Chennai
Date : April 28, 2014

Dinesh Gupta
Company Secretary
Place : Chennai
Date : April 28, 2014

Raghunath P
Financial Controller
Place : Chennai
Date : April 28, 2014

Fortis MALAR HOSPITAL

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
A. Cash flow from operating activities		
Net profit before tax and extraordinary item	**133,888,180**	**155,322,755**
Adjustments for :		
Depreciation and Amortisation	19,927,110	24,903,773
Loss on sale of fixed assets	472,748	612,397
Bad debts written off	1,662,370	3,774,767
Provision for doubtful debts	4,953,734	4,450,307
Interest income	(69,024,696)	(65,990,098)
Interest expense	706,898	4,859,279
Operating profit before working capital changes	**92,586,344**	**127,933,180**
Movements in working capital :		
Increase/(decrease) in trade payables	11,540,511	22,209,998
Increase/(decrease) in short term provisions	(69,890)	1,806,101
Increase/(decrease) in other current liabilities	8,987,208	(653,930,725)
(Increase)/decrease in trade receivables	(11,936,436)	(2,439,248)
(Increase)/decrease in inventories	1,250,355	1,132,549
(Increase)/decrease in long term loans and advances	(107,000)	27,480,192
(Increase)/decrease in short term loans and advances	(1,456,849)	(14,555,171)
(Increase)/decrease in other current assets	(7,974,555)	(8,984,579)
Cash generated from/ (used in) operations	**92,819,688**	**(499,347,703)**
Direct taxes paid	(44,684,901)	(139,617,608)
Net cash from / (used in) operating activities (A)	**48,134,787**	**(638,965,311)**
B. Cash flows from investing activities		
Purchase of fixed assets	(26,880,129)	(31,869,444)
Proceeds from sale of fixed assets	214,822	1,555,880
Fixed Deposits placed with Bank	(40,000,000)	–
Intercorporate deposit placed	(614,500,000)	(60,500,000)
Intercorporate deposit repaid	561,677,533	157,910,000
Interest received	113,938,853	15,844,784
Net cash from /(used in) investing activities before extraordinary item	**(5,548,921)**	**82,941,220**
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)	**(5,548,921)**	**727,840,220**
C. Cash flows from financing activities		
Repayment of long-term borrowings	–	(45,538,661)
Dividend paid on equity shares	(8,716,355)	–
Tax on equity dividend paid	(1,581,322)	–
Proceeds / (Repayments) of short-term borrowings (net)	–	(15,095,986)
Interest paid	(706,898)	(4,859,279)
Net cash from/ (used in) financing activities (C)	**(11,004,575)**	**(65,493,926)**
Net increase in cash and cash equivalents (A + B + C)	**31,581,291**	**23,380,983**
Total cash and cash equivalents at the beginning of the year	**30,050,154**	**6,669,171**
Cash and cash equivalents at the end of the year	**61,631,445**	**30,050,154**
Components of cash and cash equivalents:		
Cash in hand	3,265,051	1,578,234
Balances with banks		
On current accounts	3,047,844	7,907,083
On unpaid dividend account*	582,138	–
On Deposits with original maturity of less than three months	54,736,412	20,564,837
Total	**61,631,445**	**30,050,154**

* The company can utilize these balance only toward settlement of the respective unpaid dividend.

Summary of significant accounting policies 2.1

As per our report of even date
For S. R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration number: 301003E

per Aniruddh Sankaran
Partner
Membership No: 211107
Place : Chennai
Date : April 28, 2014

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

Aditya Vij
Chairman
Place : Gurgaon
Date : April 28, 2014

V. Vijayarathna
Whole Time Director
Place : Chennai
Date : April 28, 2014

Dinesh Gupta
Company Secretary
Place : Chennai
Date : April 28, 2014

Raghunath P
Financial Controller
Place : Chennai
Date : April 28, 2014

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in 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 financial Statements of the group have been prepared in accordance with generally accepted accounting principles in India, mandatory accounting standards notified under the Companies (Accounting Standards) Rules,2006, (as amended) and the relevant provisions of the Companies Act, 1956 read with General Circular 8/2014 dated 4 April 2014, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013. The financial statements have been prepared on an accrual basis and under the historical cost convention.

2.1. Summary of significant accounting policies

a Principles 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, 2014 and statement of profit and loss and cash flows of the Group for the year ended March 31, 2014.
- 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, 2014.
- 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 Group adjusts exchange differences arising on translation/ settlement of long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset to the cost of the asset and depreciates the same over the remaining life of the asset. 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 Group 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 de-recognition 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 Group has used the following rates to provide depreciation on its fixed assets.

Building	3.34%
Plant and equipment	4.75%
Medical equipments	7.07%
Furniture & fixtures	9.50%
Computers	16.20%
Office equipments*	9.50%
Vehicles	9.50%

*included as part of furniture and fixtures

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

f Intangible assets

Computer 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

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, 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 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 Group 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 Group'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 Group has no obligation, other than the contribution payable to the provident fund. The Group recognizes contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre payment will lead to, for example, a reduction in future payment or a cash refund.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

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/ losses relating to gratuity and long term compensated absences are recognized in 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 Group 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 STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(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 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.

	As at March 31, 2014	As at March 31, 2013
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**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

Note A: Reconciliation of Equity Shares outstanding

Particulars	As at March 31, 2014		As at March 31, 2013	
	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, 2014		As at March 31, 2013	
	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%

Note D :

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.

During the year ended March 31, 2014, the amount of per share dividend recognized as distributions to equity shareholders was Rs 0.50 per share (March 31, 2013 : Nil).

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.

	As at March 31, 2014	As at March 31, 2013
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	491,797,474	57,014,658
Net Profit for the year	87,756,276	434,782,816
Less: Appropriations		
(i) Interim Dividend paid during the year	(9,298,493)	–
(ii) Tax on Interim Dividend	(1,581,322)	–
Closing balance	**568,673,935**	**491,797,474**
Total (a+b)	**662,007,255**	**585,130,794**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

	As at March 31, 2014	As at March 31, 2013
Note 3 (iii) : 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	14,393,067	11,666,216
	14,393,067	**11,666,216**
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	6,967,249	5,365,027
	6,967,249	**5,365,027**
Deferred tax liabilities, net	**7,425,818**	**6,301,189**
Note 3 (iv) : Trade Payables		
Trade Payable (Also refer Note No 14)	99,118,770	87,578,259
Creditors for purchase of fixed assets	3,945,600	1,162,463
	103,064,370	**88,740,722**
Note 3 (v): Other Current Liabilities		
Advances from patients	26,974,355	14,215,438
Sundry deposits	1,742,870	1,674,370
Statutory payables	9,732,399	13,785,412
Unclaimed Dividend	582,138	–
Other liabilities	212,804	–
	39,244,566	**29,675,220**
Note 3 (vi) : Short Term Provisions		
a. Provision for employee benefits		
Provision for gratuity (Also refer Note 10)	2,168,118	2,488,008
Provision for leave encashment	2,946,000	2,696,000
b. Other provisions		
Provision for Income tax (net)	12,028,120	7,057,551
	17,142,238	12,241,559

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

Note 3 (vii)(a) Tangible assets

	Freehold Land	Building	Plant and equipment	Medical Equipments	Furniture and fixtures	Computers	Vehicles	Total
Cost or valuation								
At 1 April 2012	22,819,716	215,333,471	80,833,289	220,455,462	10,113,859	10,102,409	3,876,623	563,534,829
Additions	–	7,856,354	12,129,730	16,677,399	443,688	1,232,736	–	38,339,907
Disposal through business transfer	(22,819,716)	(223,189,825)	(63,651,877)	(23,731,646)	(2,743,095)	–	–	(336,136,159)
Disposals	–	–	(7,414,512)	(34,013)	(853,352)	(1,028,612)	(3,876,623)	(13,207,112)
At 31 March 2013	**–**	**–**	**21,896,630**	**213,367,202**	**6,961,100**	**10,306,533**	**–**	**252,531,465**
Additions	–	–	1,024,045	12,630,729	3,249,136	3,004,114	1,089,157	20,997,181
Disposals	–	–	(1,005,443)	(3,966,654)	(217,875)	(426,750)	–	(5,616,722)
At 31 March 2014	**–**	**–**	**21,915,232**	**222,031,277**	**9,992,361**	**12,883,897**	**1,089,157**	**267,911,924**
Depreciation								
At 1 April 2012	–	75,412,960	31,316,178	54,380,569	3,996,327	5,207,418	3,539,516	173,852,968
Charge for the year	–	3,986,023	2,631,333	15,071,647	924,785	1,591,775	200,786	24,406,349
Disposal through business transfer	–	(79,398,983)	(23,054,261)	(5,781,831)	(746,329)	–	–	(108,981,404)
Disposals	–	–	(4,414,583)	(34,013)	(405,530)	(955,661)	(3,740,302)	(9,550,089)
At 31 March 2013	**–**	**–**	**6,478,667**	**63,636,372**	**3,769,253**	**5,843,532**	**–**	**79,727,824**
Charge for the year	–	–	1,097,949	15,206,414	995,880	1,435,960	43,372	18,779,575
Disposals	–	–	(625,981)	(3,728,451)	(147,972)	(426,749)	–	(4,929,153)
At 31 March 2014	**–**	**–**	**6,950,635**	**75,114,335**	**4,617,161**	**6,852,743**	**43,372**	**93,578,246**
Net Block								
At 31 March 2013	**–**	**–**	**15,417,963**	**149,730,830**	**3,191,847**	**4,463,001**	**–**	**172,803,641**
At 31 March 2014	**–**	**–**	**14,964,597**	**146,916,942**	**5,375,200**	**6,031,154**	**1,045,785**	**174,333,678**

Note 3 (vii)(b) Intangible assets

	Computer software
Cost or valuation	
At 1 April 2012	3,070,024
Additions	–
At 31 March 2013	**3,070,024**
Additions	2,243,448
At 31 March 2014	**5,313,472**
Amortization	
At 1 April 2012	1,685,250
Charge for the year	497,424
At 31 March 2013	**2,182,674**
Charge for the year	1,147,535
At 31 March 2014	**3,330,209**
Net Block	
At 31 March 2013	**887,350**
At 31 March 2014	**1,983,263**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

	As at March 31, 2014	As at March 31, 2013
Note 3 (viii) : Deferred Tax Assets		
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	95,838	70,664
	95,838	**70,664**
Note 3 (ix) : Long Term Loans and Advances		
Unsecured, Considered good		
Security Deposit	1,166,558	1,059,558
Advance tax and tax deducted at source (Net)	11,408,568	6,785,547
	12,575,126	**7,845,105**
Note 3 (x) :Inventories (at lower of cost and net realisable value)		
Medical consumables and drugs	2,692,603	3,942,958
	2,692,603	**3,942,958**
Note 3 (xi) : Trade Receivables (Unsecured)		
Aggregate amount outstanding for a period exceeding six months (from due date of payment)		
Considered good	4,931,862	2,850,249
Considered Doubtful	2,917,975	2,932,842
Less : Provision for doubtful debts	(2,917,975)	(2,932,841)
	4,931,862	2,850,250
Other Debts		
Considered good	34,116,157	29,215,067
Considered Doubtful	5,211,502	1,201,461
Less : Provision for doubtful debts	(5,211,502)	(1,201,461)
	34,116,157	29,215,067
	39,048,019	32,065,317
Note 3 (xii) : Cash and Bank Balances		
Cash and cash equivalents		
Cash on hand	3,265,051	1,578,234
Balances with banks		
On current accounts	3,047,844	7,907,083
On unpaid dividend account*	582,138	–
On Deposits with original maturity of less than three months	54,736,412	20,564,837
	61,631,445	**30,050,154**
Other bank balances		
On Deposits with original maturity for more than 3 months but less than 12 months	40,000,000	–
	101,631,445	**30,050,154**

* The Company can utilize these balance only toward settlement of the respective unpaid dividend.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

	As at March 31, 2014	As at March 31, 2013
Note 3 (xiii) : Short Term Loans and Advances (Unsecured, Considered good)		
Loans and advances to related parties		
Advances recoverable in cash or in kind or for value to be received	878,657	28,695
Inter corporate deposit to entity under common control	614,500,000	561,677,533
Loans and advances to others		
Advances recoverable in cash or in kind or for value to be received	11,502,522	12,558,005
	626,881,179	**574,264,233**
Note 3 (xiv) : Other Current Assets		
Unsecured, Considered good		
Accrued operating income	34,996,858	27,022,303
Interest accrued but not due	14,318,692	59,232,849
	49,315,550	**86,255,152**

	For the year ended March 31, 2014	For the year ended March 31, 2013
Note 3 (xv) : Revenue from operations		
Sales of Services		
In patient	862,001,356	775,711,254
Out patient	177,253,116	155,899,356
Income from medical services	881,152	821,357
Management fees from hospitals	–	267,335
Sub Total (a)	1,040,135,624	932,699,302
Sales of Traded Goods		
Pharmacy items	36,865,600	36,581,648
Sub Total (b)	36,865,600	36,581,648
Other operating revenue		
Income from Served from India Scheme (SFIS)	4,299,478	5,141,494
Income from sponsorship camps	140,140	4,500
Other operating income	611,448	1,620,220
Sub Total (c)	5,051,066	6,766,214
Total (a+b+c)	**1,082,052,290**	**976,047,164**
Note 3 (xvi) : Other Income		
Other non operating Income		
Income from rent	–	801,426
Parking fees	–	305,260
Unclaimed balances and excess provision written back	1,731,165	8,464,200
	1,731,165	**9,570,886**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

	For the year ended March 31, 2014	For the year ended March 31, 2013
Note 3 (xvii)(a) : Purchase of medical consumables and drugs		
Cardio Consumables	72,766,913	65,580,372
Ortho Consumables	17,619,607	4,128,085
Others	138,888,515	131,719,227
	229,275,035	201,427,684
Note 3 (xvii)(b) : Changes in Inventories of Medical Consumables and drugs		
Opening Stock	3,942,958	5,075,507
Closing Stock	2,692,603	3,942,958
	1,250,355	1,132,549
Note 3 (xviii) : Employee Benefit expense		
Salaries, wages and bonus	120,665,368	116,516,666
Gratuity (Also refer Note 10)	2,663,110	1,917,536
Leave encashment	1,459,000	2,480,230
Contribution to provident & other funds	9,295,362	8,590,456
Staff welfare expenses	12,175,767	11,182,243
Recruitment & training	55,195	634,425
	146,313,802	141,321,556

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

	For the year ended March 31, 2014	For the year ended March 31, 2013
Note 3 (xix) : Other Expenses		
Contractual manpower	3,087,662	5,177,248
Power, fuel and water	21,025,805	22,296,084
Hospital Service fee expense	166,726,430	73,057,189
Housekeeping expenses including consumables	3,931,421	4,619,539
Patient food and beverages	13,891,227	12,258,918
Pathology laboratory expenses	30,582,877	25,881,361
Radiology expenses	(174,200)	19,408,892
Consultation fees to doctors	76,310,148	82,023,383
Professional charges to doctors	181,051,693	160,801,925
Cost of medical services	14,722,767	13,253,556
Repairs & maintenance		
– Building	1,585,699	2,131,965
– Plant & machinery	9,714,625	9,032,881
– Others	4,628,091	6,101,821
Rent		
– Hospital building	–	468,179
– Equipments	3,551,023	3,855,957
– Others	2,999,845	2,988,115
Legal & professional fee	6,709,261	5,074,722
Travel & conveyance	13,855,335	12,194,181
Rates & taxes	475,396	1,679,138
Printing & stationary	4,815,209	4,823,423
Communication expenses	2,712,600	2,858,161
Directors' sitting fees	275,542	215,000
Insurance	8,340,099	5,515,232
Marketing & business promotion	33,921,307	24,961,364
Loss on sale of fixed assets	472,748	612,397
Auditors' remuneration		
a. Statutory audit	990,690	758,430
b. Tax audit	84,270	84,270
c. others	252,810	252,810
d. out of pocket expenses	11,990	55,619
Bad debts/Advances written off	1,662,370	4,450,307
Provision for doubtful debts	4,953,734	3,774,767
Miscellaneous expenses	4,412,499	8,829,006
	617,580,973	519,495,840

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

	For the year ended March 31, 2014	For the year ended March 31, 2013
Note 3 (xx) : Financial costs		
Interest Expense	706,898	4,859,279
Bank charges	3,865,798	3,144,712
	4,572,696	8,003,991
Note 3 (xxi) : Interest Income		
Interest income		
Interest on bank deposits	4,182,443	175,822
Interest from Inter corporate deposit	64,585,239	36,165,760
Interest from other deposits	166,878	–
Interest Receipt on TDS Refund	90,136	–
	69,024,696	36,341,582
Note 3 (xxii) : Earnings per share		
Net profit as per profit and loss account - before Extra ordinary items	87,756,276	121,524,422
Net profit as per profit and loss account - after Extra ordinary items	87,756,276	434,782,816
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 2008	–	31,322
Weighted average number of equity shares in calculating Diluted EPS	18,609,509	18,640,831

4 **Interest Income**

During the year ended March 31, 2013, 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 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. 2,308.93 lakhs 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. 7,000 lakhs. The net profit aggregating Rs. 3,133.62 lakhs (net of tax expense of Rs. 1,006.23 lakhs) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

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, 2014	Proportion of ownership interest as at March 31, 2013
I	**Subsidiary**			
a	Malar Stars Medicare Limited	India	100%	100%

7 Segment reporting

Primary Segment

The Group 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 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, 2014, the Group has capital commitments of Rs 5,17,500 (Previous year Rs. 21,39,502) towards purchase of assets.

9 Contingent liabilities

	31 March 2014 Rs	31 March 2013 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 Group 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 Consolidated financial statements.	81,892,872	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 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, 2014	March 31, 2013
Net employee benefit expense (recognised in Employee benefits)		
(i) Current service cost	1,846,283	1,659,536
(ii) Past Service Cost	–	–
(iii) Interest cost on Benefit Obligations	806,123	713,000
(iv) Expected return on plan assets	(840,000)	(676,000)
(v) Past Service Cost (Non Vested Benefits)	–	–
(vi) Net actuarial (gains)/ losses recognised in the year	850,704	221,000
(vii) Net (benefit) / expense	**2,663,110**	**1,917,536**
(viii) Actual return on plan assets	–	–

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

Balance Sheet			
Details of Provision for gratuity			
(i)	Defined benefit obligation	13,114,118	10,505,008
(ii)	Fair value of plan assets	10,946,000	8,017,000
(iii)	Unrecognized past service cost	–	–
(iv)	Plan (Liability) /Asset	**(2,168,118)**	**(2,488,008)**
Changes in the present value of the defined benefit obligation are as follows:			
(i)	Opening defined benefit obligation	10,505,008	8,896,472
(ii)	Current service cost	1,846,283	1,659,536
(iii)	Past Service Cost	–	–
(iv)	Interest cost	806,123	713,000
(v)	Actuarial (gains) / losses on obligation	816,704	210,000
(vi)	Benefits paid	(860,000)	(974,000)
(vii)	Closing defined benefit obligation	**13,114,118**	**10,505,008**
Changes in the fair value of the plan assets are as follows:			
(i)	Opening fair value of plan assets	8,017,000	7,274,000
(ii)	Expected return	840,000	676,000
(iii)	Actuarial gains / (losses)	(34,000)	(11,000)
(iv)	Contributions by employer	2,123,000	78000
(v)	Benefits paid	–	–
(vi)	Closing fair value of plan assets	**10,946,000**	**8,017,000**

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

Particulars	March 31, 2014	March 31, 2013
Discount rate	9.25%	8.00%
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 Group expects to contribute Rs. 1,965,000 to gratuity in the next year (March 31, 2013: Rs. 2,313,000).

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, 2014	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010
Gratuity					
Defined benefit obligation	(12,911,000)	(10,330,000)	(8,781,000)	(7,741,000)	(6,835,000)
Plan assets	10,946,000	8,017,000	7,273,565	6,328,000	1,483,000
Surplus / (deficit)	(1,965,000)	(2,313,000)	(1,507,435)	(1,413,000)	(5,352,000)
Experience adjustments on plan liabilities	(2,508,000)	388,000	(11,000)	91,000	116,000
Experience adjustments on plan assets	(34,000)	11,000	(307,283)	28,000	(7,000)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

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:

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, 2014		March 31, 2013	
	No. of options	WAEP (Rs)	No. of options	WAEP (Rs)
Outstanding at the beginning of the year	280,000	26.20	295,000	26.20
Granted during the year	–	–	–	–
Forfeited during the year	50,000	26.20	15,000	–
Exercised during the year	–	–	–	–
Outstanding at the end of the year	230,000	26.20	280,000	26.20
Exercisable at the end of the year	22,212	26.20	70,000	26.20

The weighted average remaining contractual life for the stock options outstanding as at 31 March 2013 is 2.75 years (31 March 2013: 3.75 years). The range of exercise prices for options outstanding at the end of the year was Rs 10. (31 March 2013: Rs. 10).

The weighted average fair value of stock options granted during the year was Rs. 13.45 (31 March 2013: Rs. 13.45). The Black Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

	March 31, 2014	March 31, 2013
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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

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:

	March 31, 2014 Amount (Rs)	March 31, 2013 Amount (Rs)
Profit after tax as reported	87,756,274	434,782,816
Add: ESOP cost using the intrinsic value method	Nil	Nil
Less: ESOP cost using the fair value method	407,368	1,268,927
Proforma profit after tax	87,348,906	433,513,889
Earnings Per Share		
Basic		
- As reported	4.72	23.36
- Proforma	4.69	23.30
Diluted		
- As reported	4.72	23.32
- Proforma	4.69	23.26

12 Related Party Disclosures

12.1. Related parties where control exists

Relationship	Name of the related Party
Ultimate Holding Company	Fortis Healthcare Limited
Holding Company	Fortis Hospitals Limited

12.2. Related parties with whom transactions have taken place during the year

Relationship	Name of the related Party
Ultimate Holding Company	Fortis Healthcare Limited
Holding Company	Fortis Hospitals Limited
Key Management Personnel	Mr. V. Vijayarathna (Whole-time Director) (with effect from July 10, 2012) Mr Krish Ramesh (whole time director) (Resigned 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
Enterprises under significant influence of the ultimate holding company	Fortis Health Management Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014
(All amounts are in Indian Rupees unless otherwise stated)

12.3.Transactions during the year with related parties

	March 31, 2014					March 31, 2013				
Particulars	Key Management Personnel	Ultimate Holding Company	Holding Company	Entities under Common Control	Entities under significance of the ultimate holding Company	Key Management Personnel	Ultimate Holding Company	Holding Company	Entities under Common Control	Entities under significance of the ultimate holding Company
Transactions during the year										
Advances received towards sale of undertaking										
Fortis Health Management Limited	–	–	–	–	–	–	–	–	5,000,000	–
Advances settled against the sale of undertaking										
Fortis Health Management Limited	–	–	–	–	–	–	–	–	700,000,000	–
Contribution to Technology renewal fund										
Fortis Health Management Limited	–	–	–	500,000	–	–	–	–	228,261	–
Utilisation from Technology renewal fund										
Fortis Health Management Limited	–	–	–	728,261	–	–	–	–	–	–
Intercorporate Deposit Placed										
Fortis Health Management (North) Limited	–	–	–	–	–	–	–	–	60,500,000	–
Escorts Heart Institute and Research Centre Limited	–	–	–	614,500,000	–	–	–	–	–	–
Intercorporate deposit repayment receipts										
Fortis Health Management (North) Limited	–	–	–	561,677,534		–	–	–	157,910,000	–
Interest earned										
Fortis Health Management (North) Limited	–	–	–	32,235,602		–	–	–	65,814,276	
Escorts Heart Institute and Research Centre Limited	–	–	–	32,349,637		–	–	–	–	–

(All amounts are in Indian Rupees unless otherwise stated)

	March 31, 2014					March 31, 2013				
Particulars	Key Management Personnel	Ultimate Holding Company	Holding Company	Entities under Common Control	Entities under significance of the ultimate holding Company	Key Management Personnel	Ultimate Holding Company	Holding Company	Entities under Common Control	Entities under significance of the ultimate holding Company
Reimbursement of expenses incurred on behalf of group Companies										
Fortis Healthcare Limited	–	19,743,753	–	–	–	–	3,106,918	–	–	–
Fortis Hospitals Limited	–	–	196,354	–	–	–	–	–	–	–
Hospitalia Eastern Private Limited									325	
Super Religare Laboratories Limited	–	–	–	952,283	–	–	–	–	970,135	–
Fortis Health Management North Limited	–	–	–	–	–	–	–	–	28,695	–
Reimbursement of expenses incurred by group companies on behalf of the Company										
Fortis Healthcare Limited	–	37,958	–	–	–	–	1,003,572	–	–	–
Fortis Hospitals Limited	–	–	1,101,942	–	–	–	–	1,516,602	–	–
Purchase of consumables										
Fortis Hospitals Limited	–	–	3,297,076	–	–	–	–	–	–	–
Operations and Management services received										
Super Religare Laboratories Limited	–	–	–	28,037,959	–	–	–	–	25,220,272	–
Fortis Health management limited	–	–	–	–	166,726,430	–	–	–	697,581	72,359,608
Sale of medical equipments/ Assets										
Fortis Healthcare Limited	–	3,866,255	–	–	–	–	–	–	–	–
Fortis Health Management Limited	–	–	–	71,562	–	–	–	–	–	–
Managerial remuneration										
Mr. Krish Ramesh	–	–	–	–	–	3,721,545	–	–	–	–
Mr. Vijayarathna	6,053,743	–	–	–	–	2,553,675	–	–	–	–

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(All amounts are in Indian Rupees unless otherwise stated)

Particulars	March 31, 2014					March 31, 2013				
	Key Management Personnel	Ultimate Holding Company	Holding Company	Entities under Common Control	Entities under significance of the ultimate holding Company	Key Management Personnel	Ultimate Holding Company	Holding Company	Entities under Common Control	Entities under significance of the ultimate holding Company
Balances at the end of the year										
Trade payable										
Super Religare Laboratories Limited	–	–	–	861,993	–	–	–	–	1,772,139	–
Fortis Health Management Limited	–	–	–	–	28,833,927	–	–	–	–	9,431,867
Advance Recoverable										
Fortis Healthcare Limited	–	878,657	–	–	–	–	267,657	–	–	–
Fortis Health Management North Limited	–	–	–	–	–	–	–	–	28,695	–
Balance with Technology renewal fund										
Fortis Health Management Limited	–	–	–	–	–	–	–	–	228,261	
Other liabilities										
Fortis Hospitals Limited	–	–	–	–	–	–	–	–	–	–
Inter corporate deposit receivable										
Fortis Health Management (North) Limited	–	–	–	–	–	–	–	–	561,677,534	–
Escorts Heart Institute and Research Centre Limited	–	–	–	614,500,000						
Interest accrued but not due										
Fortis Health Management (North) Limited	–	–	–	–	–	–	–	–	59,232,848	–
Escorts Heart Institute and Research Centre Limited	–	–	–	14,318,692	–	–	–	–	–	–

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 STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(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, 2014	March 31, 2013
Lease rentals paid	6,550,868	7,312,251

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

There is no overdue amount payable to Micro, Small and Medium Enterprises as defined under The Micro, Small and Medium Enterprises Development Act, 2006. Further, the Company has not paid any interest to any Micro, Small and Medium Enterprises during the current year and previous year.

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. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration number: 301003E

per Aniruddh Sankaran
Partner
Membership No: 211107
Place : Chennai
Date : April 28, 2014

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

Aditya Vij
Chairman
Place : Gurgaon
Date : April 28, 2014

V. Vijayarathna
Whole Time Director
Place : Chennai
Date : April 28, 2014

Dinesh Gupta
Company Secretary
Place : Chennai
Date : April 28, 2014

Raghunath P
Financial Controller
Place : Chennai
Date : April 28, 2014

FORTIS MALAR HOSPITALS LIMITED

CIN: L85110TN1989PLC017232
Registered Office: No. 52, First Main Road, Gandhi Nagar Adyar, Chennai – 600 020

PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the member (s) : ....

Registered address : ....

E-mail ID : .... Folio No. / *DP ID-*Client ID ....

I/We, being the member(s) of ____________________ shares of the above named Company, hereby appoint:

1) Name ______________, Address ____________________ having e-mail id ________________ or failing him

2) Name ______________, Address ____________________ having e-mail id ________________ or failing him

3) Name ______________, Address ____________________ having e-mail id ________________

and whose signature(s) are appended below as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the **23rd Annual General Meeting** of the Company, to be held on Friday, September 05, 2014, 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 and at any adjournment thereof in respect of such resolutions as are indicated below:

** I wish my above Proxy to vote in the manner as indicated in the box below:

Resolution No.	Resolutions	For	Against
1.	Adoption of Accounts		
2.	Re-appointment of Dr. Nithya Ramamurthy (DIN – 00255343), who retires by rotation		
3.	Re-appointment of Mr. Aditya Vij (DIN – 03200194), who retires by rotation		
4.	Appointment of Auditors and fixing of their remuneration, in place of the retiring auditors		
5.	Appointment of Mr. Ramesh Lakshman Adige (DIN – 00101276) as an Independent Director		
6.	Appointment of Mr. Sanjay Jayavarthnavelu (DIN – 00004505) as an Independent Director		
7.	Appointment of Mr. Murari Pejavar (DIN – 00020437) as an Independent Director		
8.	Appointment of Mr. Rama Krishna Shetty (DIN – 01521858) as an Independent Director		
9.	Appointment of Mr. Lakshman Teckchand Nanwani (DIN – 00076536) as an Independent Director		
10.	Appointment of Mr. Raghunath P. (DIN - 06929117) as the Whole Time Director of the Company		
11.	Special Resolution for borrowing limits u/s 180(1)(c) of the Companies Act, 2013		
12.	Special Resolution for creation of charge, etc. u/s 180(1)(a) of the Companies Act, 2013		
13.	Special Resolution for keeping Register of Members at a place other than the registered office of the company		

* Applicable for investors holding shares in electronic form.

Affix Re. 1/- Revenue Stamp

Signed this.................... day of.................2014 ____________ Signature of shareholder

____________ Signature of first proxy holder ____________ Signature of second proxy holder ____________ Signature of third proxy holder

FORTIS MALAR HOSPITALS LIMITED

CIN: L85110TN1989PLC017232
Registered Office: No. 52, First Main Road, Gandhi Nagar Adyar, Chennai – 600 020

ATTENDANCE SLIP

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

Joint shareholders may obtain additional slip at the venue of the meeting.

DP ID*	
Client ID*	

Folio No.	
No. of Shares	

NAME AND ADDRESS OF THE SHAREHOLDER / PROXY ________________________________

____

I/We hereby record my/our presence at the **23rd Annual General Meeting** of the Company held on Friday, September 05, 2014, 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

* Applicable for investors holding shares in electronic form.

____________ Signature of Shareholder / proxy

Note:

(1) This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.

(2) A Proxy need not be a member of the Company.

(3) A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. A member holding more than 10% of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.

**(4) This is only optional. Please put a 'X' in the appropriate column against the resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all the resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.

(5) Appointing a proxy does not prevent a member from attending the meeting in person if he so wishes.

(6) In the case of joint holders, the signature of any one holder will be sufficient, but names of all the joint holders should be stated.

CSR Initiatives

A Free general screening camp conducted by Fortis Malar for the economically challenged.

A Free health awareness programme conducted by Fortis Malar for the Women's Education & Economic Development Society.

A Free Paediatric health camp by Fortis Malar for children from a neighbouring orphanage.

Fortis
MALAR
HOSPITAL

Fortis Malar Hospital, No. 52, 1st Main Road, Gandhi Nagar, Adyar, Chennai - 600 020.
For Appointments: 044 4289 2222 | Emergency: 044 2491 4737 / 99624 00300
www.fortismalar.com | contactus.malar@fortishealthcare.com