

MAKING A HEALTHY DIFFERENCE

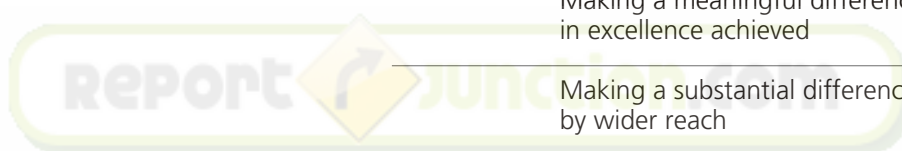






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Company Information

BOARD OF DIRECTORS

Mr. Malvinder M. Singh, Chairman

Mr. Shivinder M. Singh, CEO & Managing Director

Mr. Gurcharan Das

Mr. Harpal Singh

Dr. Preetinder Singh Joshi

Mr. Rajan Kashyap

Mr. Ramesh L. Adige

Justice S. S. Sodhi

Lt. Gen. T. S. Shergill

Mr. V. M. Bhutani

Dr. Yoginder Nath Tidu Maini



DIRECTOR - Growth & Bus. Png. cum Company Secretary

Mr. Sanjeev Vashishta

AUDITORS

M/s S.R. Batliboi & Co.
Chartered Accountants,
New Delhi

REGISTERED OFFICE

Escorts Heart Institute And Research Centre,
Okhla Road, New Delhi-110 025 (India)
Tel.: +91 - 11 - 2682 5000,
Fax: +91 - 11 - 4162 8435

Guided by a vision...



"To create a world-class integrated healthcare delivery system in India, entailing the finest medical skills combined with compassionate patient care."

- **Late Dr. Parvinder Singh**, Founder Chairman, Fortis Healthcare Limited

Message from the **CEO**





Dear Shareholder,

It gives me immense pleasure to present to you our 12th Annual Report. Last year was a very eventful year for our Company, as we got listed on the BSE and NSE on May 09, 2007. At the very onset, I would like to thank all our shareholders who have been continuously extending their invaluable support to the Company.

Whilst 2007-08 was a milestone year with regards to being listed—it also brought its share of challenges and events. Our objective for 2007-08 was to consolidate our growth and invest in the building blocks of the Company. Added to this we had an unexpected event in our flagship hospital Escorts where we had to execute a quick leadership change.

FINANCIALS

In spite of the disruption this caused, your company clocked a Revenue of Rs. 548 crores and EBIDTA of Rs. 62 crores. Apart from Escorts, the company grew at 32% and achieved EBIDTA of 15%, partially lower due to the addition of a new facility in Jaipur.

GROWTH

On the growth front we have continued to expand our geographical footprint with the commissioning of our Jaipur Hospital (Rajasthan) and our entry in the south with Malar Hospitals (Chennai) and a project ready for commissioning in the west in Vashi (Navi Mumbai).

Apart from this, we started construction on both our mega projects, one in West Delhi (Shalimar Bagh) and our flagship hospital in Gurgaon. The Gurgaon Hospital is a first of its kind endeavour to set up a 1000 bed hospital with the objective of being the likes of a Mayo Clinic or Johns Hopkins. In the history of healthcare, no one has managed to set up such an institute from scratch and therefore, once completed, it will be something all of us would be proud of. This in addition to some in-roads for more M&A's will give us adequate scope for expansion and growth in the next 2-3 years.

ACCREDITATION

I am proud to inform you that last year Fortis Hospital, Mohali, has received accreditation from JCI (Joint Commission International) which is the oldest and largest healthcare accrediting body in the world. This year also saw Fortis Hospital, Noida, becoming the first hospital in Uttar Pradesh to receive NABH Accreditation from the Quality Council of India (QCI). Fortis Escorts Hospital, Jaipur received NABH accreditation barely within 10 months of start of its operations. This is the fastest for any hospital in India. Further, Fortis Hospital in Mohali and Escorts Heart Institute And Research Centre, Delhi also received NABH accreditation. With this, Fortis has become the largest chain of accredited hospitals in private sector in India.

Escorts Hospital in New Delhi was adjudged as the best super-speciality hospital in Delhi in terms of patients' satisfaction by VOICE, a consumer organization funded and supported by the Union Ministry of Consumer Affairs. I assure you that we will continue to raise the quality bar in our hospitals and provide patients with the highest standards of safety and care.

OPERATIONS

The Paediatric Cardiac Programme at Escorts became one of the largest in the country with a record number of procedures performed. Fortis for the last few years has one of the largest Joint Replacement Programmes in the country. We also conducted the first "Ankle Transplant" surgery in India. We have also significantly grown our Neuro Sciences and Renal programmes and built a unique Diabetes management programme, in the NCR.

BUILDING BLOCKS

The above, coupled with a very strong focus on strengthening the "building blocks" and establishing common systems and standards across the network hospitals as also strengthening the leadership team, gives us enough reason to be very positive and hopeful for the year in session.

We saw the beginning of two projects for improved efficiencies and enhanced productivity. The first is the Fortis Operating System (FOS) which is a replicable and scalable model to ensure standard and efficient healthcare delivery and patient care. The second is centralized Purchase Supply Management (PSM) which minimizes the overall costs along with efficient management of the supply chain. These endeavours will add to reducing costs and better patient satisfaction in the years to come.

We have also set up the Fortis Institute of Enhanced Leadership Development (FIELD) which has been created to structure a measurable training system to consistently develop quality talent.

Truly, we have invested last year in the foundations to support a healthy dynamic organization, built for the future.

LOOKING AHEAD

If the last year was marked with major events, the focus of this year (2008-09) will be the performance and the outcome of the last few years' initiatives in the Company.

Our PSM, FOS and other programmes will start delivering tangible results and newer units will start adding productively to the bottom line of the Company, whereas some of our older units will show improved and best in the Industry performance metrics.

Further, with a focus on making the organization lean, productive and with stress on quality benchmarks, the management team of your Company is confident of returning positive returns starting early in the ensuing year. Along with that, we expect a robust growth in our revenues and a positive increase in the outcome of our Clinical programmes, Capabilities and Faculty of our selected super-specialities.

All in all, we have started the year on a positive note and look forward to continued growth and robust performance in the years to follow.

Sincerely,

Shivinder M. Singh
CEO & Managing Director

Dated : 30th June, 2008

MAKING A SIGNIFICANT DIFFERENCE IN FINANCIAL HEALTH





The Journey so far

Fortis Healthcare Limited commenced hospital operations in 2001 with the flagship Mohali Hospital. In 2005, Fortis acquired a 90% stake in Escorts Heart Institute And Research Centre Limited, a major healthcare services provider owning and operating four majority-owned hospitals in North India and operating a fifth hospital in collaboration with the Government of Chattisgarh (collectively, the "Escorts Hospitals"). The acquisition also included Heart Command/Satellite Centres across the country. In 2006 Fortis acquired a 99.9% stake in International Hospital Limited from the Promoter Group. In the same year, Fortis also acquired a 100% interest in Fortis Hospotel Ltd. from the Promoter Group. Fortis Hospotel Ltd. is having a perpetual O&M contract for the Fortis Flt. Lt. Rajan Dhall Hospital, Vasant Kunj and owns property on which a hospital is to be constructed in Shalimar Bagh and Gurgaon. In 2007, International Hospital Ltd. and Oscar Investments Limited acquired 48.83% and 13.34% stake respectively in Malar Hospitals Limited for a total consideration of approx Rs. 35 crores.

Capital Infusion and IPO

During the year, the Company successfully completed the Initial Public Offering of 46 million shares at Rs. 108 per share and thus raised Rs. 497 crores. The proceeds from IPO were utilised to re-finance the Escorts Hospitals acquisition and fund green field projects.

Further, the Company has received share application money of Rs. 150 crores towards placement of Preference capital during the year. Post the above, the Company's consolidated debt to equity ratio has improved to 0.39. The issued and subscribed share capital comprises Rs. 238.26 crores comprising 226,666,533 Equity Shares of Rs. 10/- each fully paid up and 11,600,000 Class 'C' Redeemable Preference Shares of Rs. 10/- each. The consolidated reserves of the Company stand at Rs. 737 crores. The Net Worth stands at Rs. 974 crores. Goodwill in the books of Fortis appears at Rs. 393 crores which is attributable mainly to the acquisitions of Escorts Group of Hospitals.

Financial Performance 2007-08

Hospitals like other infrastructure projects have long gestation periods and invariably take anywhere between 4-5 years to break-even. The various hospitals of the Company are at different stages of evolution. The cumulative restated consolidated net losses of the Company are approximately Rs. 268.77 crores as on March 31st, 2008 and the loss for the year on a consolidated basis was Rs. 55.48 crores. However, the Company posted Cash profits for the year. Next year the Company expects to turn the tide and deliver profitable growth. The operating margin was at 11.3% at Rs. 61.77 crores.





Our Greenfield Hospitals performed outstandingly in the year 2007-08. The operational EBIDTA of Mohali Hospital increased to 20% of revenue, a 29% improvement over the previous year. Similarly, our NOIDA Hospital generated an 11% Operational EBIDTA as compared to 7% in the previous year.

Amongst the Operated and Managed Hospitals, Fortis La Femme and Fortis Vasant Kunj were the high performers with growth in revenues of 52% and 79% respectively over the previous years. La Femme also met the EBIDTA break-even last year which was its third year of operation. Vasant Kunj was near break-even at financial year end and that too only in the second year of hospital's operation.

During the year, the Company's revenue was affected due to change in the operating management of Escorts Hospital, Delhi. However, drop in the revenue was compensated with the growth in other hospitals and the Company recorded consolidated total income of Rs. 548 crores, which is 4.3% higher than that of the previous year.

The Jaipur Hospital has performed better than expectations and has brought quality healthcare services to the people of Rajasthan.

Recently Escorts Heart Institute And Research Centre Ltd. was adjudged the best Hospital in the capital region in an independent survey conducted

by "VOICE", a consumer organisation, funded by the Union Ministry of Consumer Affairs. We hope that this would help us in future and definitely help in increasing the occupancy rates across all the hospitals.

Cost-effective business model

The "hub and spoke" model for our hospital network allows us to serve the comprehensive medical needs of patients in their local communities at our multi-speciality facilities, while also delivering sophisticated, advanced procedures and quaternary care at our super-speciality "centers of excellence". By focusing on super-speciality "centers of excellence" at our "hub" hospitals, we can serve patients referred from doctors working at a number of nursing homes and multi-speciality hospitals in a particular region, including hospitals outside our network. This helps to expand our reach beyond the core catchment areas of our local, multi-speciality facilities. This model also allows us to efficiently deploy resources across our network since our super-speciality expert clinicians also provide expertise and support at our multi-speciality hospitals. This helps us to increase the quality of care throughout our network.

Apart from this, there were many other cost-effective measures that were adopted at Fortis, delivering outstanding results.