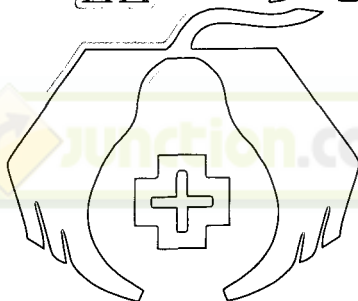


(HUMAN CARE FOR HUMAN CURE)

Malar Hospitals



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MALAR HOSPITALS LIMITED
Traditional Care - Modern Methods

ANNUAL REPORT 2006-2007



BOARD OF DIRECTORS

Mr. Shivinder Mohan Singh
Chairman

Dr. (Mrs.) Nithiya Ramamurthy
Whole-Time Director

Mr. Ramesh L Adige
Director

Mr. Yogesh Kumar Sarreen
Director

Mr. M. Ramakrishnan
Director

Prof. Dr. S. Kameswaran
Director

Mr. V. Chandrasekaran
Director

Mr. RM. Sockalingam
Director

Mr. R. Subramanian
Director

COMPANY SECRETARY

Mr. V. Sridhar

REGISTRAR AND SHARE TRANSFER AGENT

GNSA INFOTECH (P) Ltd.
GR Mansion
11, Srinivasa Road,
Pondy Bazaar, T. Nagar,
Chennai – 600 017.
Phone : 044 - 42121428 / 29
Email : info@gnsaindia.com

AUDITORS

K. Gopalan & Co.,
Chartered Accountants
G2, Padmaja Flat,
5/3, Cart Track Road,
T. Nagar, Chennai – 600 017.

BANKERS

Bank of India

REGISTERED OFFICE

52, I Main Road, Gandhi Nagar,
Adyar, Chennai – 600 020
Phone : 24914023, 24914768, 24914820
Website : www.malarhospitals.com
E-mail : mhl@md3.vsnl.net.in

NOTICE

Notice is hereby issued that the Sixteenth Annual General Meeting of the company will be held on Tuesday, the 25th March, 2008 at 11.00 AM at Balamandir German Hall, No 17, Prakasam Street, Off Habibulla Road, T Nagar, Chennai – 600 017 to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Annual Accounts of the company for the year ended 30th September 2007 and the Reports of the Directors and Auditors thereon.
2. To appoint a director in place of Dr. Nithya Ramamurthy, who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. M/s K Gopalan & Co., Chartered Accountants, retiring Auditors, are eligible for re-appointment.

SPECIAL BUSINESS:

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

“Resolved that Mr. Shivinder Mohan Singh who was appointed as an Additional director and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of the Director, be and is hereby appointed as the Director of the company, liable to retire by rotation”.

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

“Resolved that Mr. Ramesh L Adige who was appointed as an Additional director and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of the Director, be and is hereby appointed as the Director of the company, liable to retire by rotation”.

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

“Resolved that Mr. Yogesh Kumar Sareen who was appointed as an Additional director and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956 from a member proposing his candidature for the office of the Director, be and is hereby appointed as the Director of the company, liable to retire by rotation”.

By the order of the Board,
For Malar Hospitals Ltd

V. Sridhar

Company Secretary

Place: Chennai.

Date : 19TH Feb. 2008

Notes:

1. A member who is entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a Member of the company. Proxies, to be effective shall be duly filled, stamped, signed and deposited, not later than 48 hours before the commencement of the meeting at GNSA Infotech Private Ltd, GR Mansion, 11, Srinivasa Road, Pondy Bazar, T Nagar, Chennai – 600 017.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is enclosed herewith which forms part of the notice.
3. The additional information on directors seeking election/re-election at the Annual General Meeting has been provided in the report on Corporate Governance.
4. The Register of Members and the Share Transfer books of the company will remain closed from 20th March 2008 to 25th March 2008 (both days inclusive).
5. In terms of Section 219(1) of the Companies Act, 1956, as also Clause 32 of the Listing Agreement, the full and complete annual report containing, inter alia, the full sets of all the documents referred to therein are available for inspection at the Registered Office of the Company during working hours on all business days beginning from the date of this notice till the date of AGM.
6. Members are requested to bring their copies of the Report and Accounts to the Meeting.
7. Members are requested to bring the Admission Slip duly filled in and hand over the same at the entrance of the Meeting Hall.
8.
 - a) Members who hold shares in electronic form are requested to notify any change in their particulars like change in address, to notify any change in their respective Depository Participants immediately.
 - b) Members who holds shares in physical form are requested to notify any change in their particulars like change in address, etc., to the Registrars.
9. Corporate members are requested to send a duly certified copy of the Board Resolution/ Power of Attorney authorizing their representative to attend and vote at the Annual General Meeting.
10. For security reasons, no article/ baggage will be allowed at the venue of the meeting. The members / attendees are strictly requested to not to bring any article / baggage, etc. at the venue of the meeting.
11. Members desiring any information on the Accounts are required to write to the Company at its Registered Office, giving at least 7 days notice prior to the date of Annual General Meeting to enable the Management to compile and keep the information ready.
12. MEMBERS MAY NOTE THAT NO GIFTS/ GIFT COUPONS SHALL BE DISTRIBUTED AT THE VENUE OF THE ANNUAL GENERAL MEETING.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:**Item No. 4**

Mr. Shivinder Mohan Singh was appointed as an Additional Director of the Company by the Board of Directors with effect from February 19, 2008. Under Section 260 of the Companies Act, 1956, Mr. Shivinder Mohan Singh holds office upto the date of the ensuing Annual General Meeting of the Company.

A notice has been received by the Company from a member under Section 257 of the Companies Act, 1956, signifying his intention to propose Mr. Shivinder Mohan Singh as a candidate for the office of Director alongwith a deposit of Rs. 500/- as required by the said Section 257.

The Board recommends his appointment for approval.

Item No. 5

Mr. Ramesh L. Adige was appointed as an Additional Director of the Company by the Board of Directors with effect from February 19, 2008. Under Section 260 of the Companies Act, 1956, Mr. Ramesh L. Adige holds office upto the date of the ensuing Annual General Meeting of the Company.

A notice has been received by the Company from a member under Section 257 of the Companies Act, 1956, signifying his intention to propose Mr. Ramesh L. Adige as a candidate for the office of Director alongwith a deposit of Rs. 500/- as required by the said Section 257.

The Board recommends his appointment for approval.

Item No. 6

Mr. Yogesh Kumar Sareen was appointed as an Additional Director of the Company by the Board of Directors with effect from February 19, 2008. Under Section 260 of the Companies Act, 1956, Mr. Yogesh Kumar Sareen holds office upto the date of the ensuing Annual General Meeting of the Company.

A notice has been received by the Company from a member under Section 257 of the Companies Act, 1956, signifying his intention to propose Mr. Yogesh Kumar Sareen as a candidate for the office of Director alongwith a deposit of Rs. 500/- as required by the said Section 257.

The Board recommends his appointment for approval.

By the order of the Board,

For Malar Hospitals Ltd

Place: Chennai.

V. Sridhar

Date : 19th Feb. 2008

Company Secretary.



DIRECTOR'S REPORT

Your Directors present the Sixteenth Annual Report of your company together with the Audited Accounts for the year ended 30th September 2007.

FINANCIAL RESULTS

<i>Particulars</i>	<i>(Rs. In Lakhs)</i>	
	<i>For the year ended</i>	<i>For the year ended</i>
	<i>30th Sept '2007</i>	<i>30th Sept '2006</i>
Total Income	1457.89	1364.77
Profit before Interest & Depreciation	398.54	440.21
Financial Cost	158.70	166.64
Depreciation	162.28	171.64
Income Tax	-	-
Net Profit / (Loss)	77.56	101.93
Prior Period Expenses	3.87	(0.20)
Prior Period Income	0.61	-
Provision for Deferred Tax	376.13	(46.99)
Prior Period Depreciation written Back	6.64	3.35
Provision for MAT	(9.13)	-
Adjusted Net Profit/(Loss)	455.68	58.09

FINANCIAL PERFORMANCE

For the year, the Company recorded total income of Rs. 1457.89 Lakhs against Rs. 1364.77 Lakhs last year, an increase of 6.82%. Profit before Interest, depreciation and tax was Rs. 398.54 Lakhs, as compared Rs. 440.21 Lakhs in the last year and the Net Profit for the year amounted to Rs 455.68 lakhs as against Rs 58.09 lakhs last year.

DEPOSITS

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

TAKE OVER AND OPEN OFFER BY FORTIS GROUP

On 7th September 2007 the company and the Promoters of the company entered into a Loan, Share Subscription and Share Purchase Agreement (LSSSPA) with International Hospital Ltd, a wholly owned subsidiary of Fortis Healthcare Limited and Oscar Investments Ltd ("Acquirer") for the sale of 39,00,000 Equity Shares by the Promoters of the company and for availing a loan of Rs 14 crores from the Acquirers, convertible into equity shares of the company at a price of Rs 30 per share (including a premium of Rs 20 per share).

In terms of the said agreement, the Company allotted 46,66,666 Equity Shares i.e. 25.10 % of total paid up capital of the company to the Acquirers on conversion of the said loan into Equity.

As per the provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 1997, the Acquirers i.e. International Hospital Limited and Oscar Investments Limited made an Open Offer acquiring 20% of the fully expanded voting equity capital of the company at a price of Rs 30 per share. The Acquirers in terms of the said offer acquired 29,93,669 Equity Shares i.e. 16.10 % of the Share Capital of the Company.

Further, in terms of the above mentioned (LSSSPA) the Acquirer Companies acquired 39,00,000 Equity Shares from the promoters of the Companies on 18th February 2008 which together with their existing holding, constituted 62.17% of the Share Capital of the Company.

The management and control of affairs of the Company is now with the Acquirers. Consequently, the Acquirers shall act as promoters of the Company.

TRANSFER TO RESERVES

During the year, no amount has been transferred to reserves.

DIRECTORS

Further to the takeover of the company by Fortis Group, in terms of the Loan, Share Subscription and Share Purchase Agreement dated 7th September 2007, Shri. M. Ramakrishnan, Prof. Dr. S.Kameswaran, Shri. R. Subramanian, Shri. V. Chandrasekaran and Shri RM Sockalingam, Directors of the company resigned from the Board on 19th Feb. 2008.

Your Directors wish to place on record their appreciation for the valuable contribution made by the Directors and also for the guidance and support provided by them during their tenure as Director.

Dr. Nithya Ramamurthy stepped down as the Whole time Director of the Company on 19th Feb 2008. However, she continues to be a non-executive Director on the Board of the Company.

Mr. Shivinder Mohan Singh has been appointed as an Additional Director and Chairman of the Company in Board on 19th Feb 2008 to hold office till the date of the Annual General Meeting and, is eligible, for reappointment.

Mr. Ramesh L Adige has been appointed as an Additional Director on 19th Feb 2008 to hold office till the date of the Annual General Meeting and, is eligible, for reappointment.

Mr. Yogesh Kumar Sareen has been appointed as an Additional Director on 19th Feb 2008 to hold office till the date of the Annual General Meeting and, is eligible, for reappointment.

AUDITORS

M/s K Gopalan & Co, Chartered Accountants, the Company's Statutory Auditors retire at the forthcoming Annual General Meeting and are eligible for re-appointment.

The Auditor's Report read alongwith notes to accounts is self-explanatory and therefore does not call for any further comments.

DIRECTOR'S RESPONSIBILITY STATEMENT:

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

- a) In the preparation of Annual accounts, the applicable Accounting Standards have been followed.
- b) Appropriate accounting policies have been selected and applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 30th Sep. 2007 and of its profit for the period ended on that date.



- c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and preventing and detecting fraud and other irregularities.
- d) The annual accounts have been prepared on a going concern basis.

PARTICULARS OF EMPLOYEES AS PER SECTION 217(2A) OF THE ACT FORMS PART OF THIS REPORT.

There are no employees drawing remuneration in excess of the prescribed limit as laid down in Sub-Section 2A of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time.

REPORT ON CORPORATE GOVERNANCE:

Your company has been complying with the Corporate Governance requirement in terms of the Listing Agreement. Towards this end, an effective 'Corporate Governance System' has been put in place in the Company. A report on Corporate Governance is attached to this report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A Separate statement on Corporate Governance and Management Discussion and Analysis Reports along with Auditors' Certificate is enclosed as an annexure.

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

As in the previous years the hospital continues to absorb latest technology in Radiology, Neurology, Cardiology, Nephrology etc.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange earnings : Nil

Foreign Exchange out go : Nil

ACKNOWLEDGEMENTS

Your company is grateful for the co-operation and assistance extended by Banks and other financial institutions 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.

For and on behalf of the Board,

Place: Chennai

Date : 19th February, 2008

Dr. Nithiya Ramamurthy

Whole Time Director

Mr. RM.Sockalingam

Director.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

INDUSTRY SCENARIO:

The past few years have seen the emergence of India as a credible and cost effective Healthcare destination. This was made possible by the availability of world class equipments and infrastructure and talented medical professionals. As such India is witnessing increased flow of overseas patients from Middle East, UK, USA, African countries etc.

The Indian healthcare industry is poised to record a growth rate of 15% , according to Ernst & Young Healthcare survey. It is estimated that 90% of this growth will come from private sector. As such the share of the private sector in the Indian healthcare industry is set for a quantum increase in the coming years.

OPPORTUNITY AND THREATS:

As state of the art technology and medical equipments are deployed in Indian healthcare industry, the cost of treatment is bound to increase, which will affect the common man. It is felt that so as to make the latest healthcare is delivered to the common man, insurance products are made available to them. Access to quality healthcare in the private sector till now has largely been restricted to the affluent class, essentially due to the high cost of delivery. Awareness about Insurance products amongst the masses will go a long way in getting quality healthcare to the common man.

Quality Human Resource availability is a major challenge in India's healthcare sector. With a low supply and high demand for Doctors, Nurses, Paramedical staff and technicians, the cost of Human Resources is soaring high making the end cost of services to increase. As such medical education infrastructure has to be improved to churn out more quality medical professionals to meet the increasing demand.

OPERATIONAL AND FINANCIAL PERFORMANCE:

Our company provides quality Medicare services with a humane touch. We consider cost-effectiveness and timeliness as the hall mark of our services. Performance observations and review are done periodically to better the working and improve efficiency.

A dedicated and specialized team of experts ably provide supportive services to achieve the targets set by Malar in improving quality and service standards.

Malar tries to keep pace with technological changes happening across the world.

There is significant awareness among the public on health care and this is supported by the increasing number of patients referred by the private insurance companies. The potential of the health care industry is bound to increase in the future.

The Board of Directors have overall responsibility for the internal control system which is designed to provide a reasonable assurance for safeguarding the assets, reliability of financial records and for preventing and detecting fraud and other irregularities.

The system of internal control and Internal Audit is handled by an Independent team of Chartered Accountants which encompasses the examination and evaluation of the adequacy of the said system.

The company was taken over by Fortis Group, a leading healthcare group in India and it is expected that Malar will be benefited by this association.



The company for the year registered a total income of Rs 1457.89 Lakhs compared to Rs. 1364.77 Lakhs last year. The Net Profits for the year stands at Rs 455.68 Lakhs as against last years Rs. 58.09 Lakhs.

CAUTIONARY STATEMENT:

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

For and on behalf of the Board

Place: Chennai

Dr. Nithiya Ramamurthy

Mr. RM.Sockalingam

Date : 19th February, 2008

Whole Time Director

Director.

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