

MALAR HOSPITALS LIMITED

Traditional Care - Modern Methods



Malar Hospitals

(ISO 9001 : 2000)

We care. We cure.

Associate of Fortis Healthcare Limited

ANNUAL REPORT 2007-2008

BOARD OF DIRECTORS

Mr. Shivinder Mohan Singh

Chairman

Mr. Sanjay Jayavarthanavelu

Director

Mr. Ramesh L. Adige

Director

Dr. Nithya Ramamurthy

Director

Mr. Krish Ramesh

Whole Time Director

Mr. Yogesh Kumar Sareen

Director

COMPANY SECRETARY

REGISTRAR AND

SHARE TRANSFER AGENT

Mr. Prashant Khattry

GNSA Infotech (P) Limited

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

E-mail : finance.malar@fortishealthcare.com

Malar Hospitals Limited

Registered office : 52, I, Main Road, Gandhinagar, Adyar, Chennai - 600 020

Notice

Notice is hereby given that the Seventeenth Annual General Meeting of the Company will be held on Monday, the 29th September, 2008 at 3.30 P.M. at Balamandir German Hall, No 17, Prakasam Street, Off Habibulla 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, 2008 and the Profit and Loss Account for the six months' period ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a director in place of Mr. Yogesh Kumar Sareen, who retires by rotation and being eligible, offers himself 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 authorize the Board of Directors 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 a Special Resolution:

“RESOLVED THAT Mr. Krish Ramesh 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.”

“RESOLVED FURTHER THAT pursuant to Sections 198, 269, 309, 310, 311 and other applicable provisions if any, of the Companies Act, 1956 (the Act) read with Schedule XIII to the Act (including any statutory modification or re-enactment thereof, for the time being in force), the Company hereby accords its approval for the appointment of Mr. Krish Ramesh as a Whole Time Director of the Company for a period of five years with effect from 30th April, 2008.”

“RESOLVED FURTHER THAT subject to the applicable regulatory approvals, consent(s) and permission(s) as may be necessary in this regard and subject to such conditions as may be imposed by the authorities while granting such approval(s), consent and permission(s) as are agreed by the Board of Directors (which expression shall include any Committee thereof and any person authorized by the Board in this behalf), Mr. Krish Ramesh, Whole Time Director, shall be entitled to the following remuneration w.e.f 1st May, 2008.

SALARY

Rs.17,40,000/- (Rupees Seventeen Lacs Forty Thousand Only) per annum with power to the Board of Directors to increase the salary upto a sum not exceeding Rs. 25,00,000/- (Rupees Twenty Five Lacs Only) per annum.

PERFORMANCE AND RETENTION INCENTIVE

For each financial year, a performance and retention incentive not exceeding Rs.25,00,000/- (Rupees Twenty Five Lacs Only) with power to the Board of Directors to increase it upto a sum not exceeding Rs. 35,00,000/- (Rupees Thirty Five Lacs Only).

PERQUISITES & ALLOWANCES

In addition to the aforesaid salary, Mr. Krish Ramesh will be entitled to perquisites like car, telephone, medical reimbursement, personal accident insurance, Group Hospitalization, any other reimbursements, allowances or perquisites in accordance with the rules of the Company."

"RESOLVED FURTHER THAT the monetary value of such perquisites / allowances will be limited to Rs. 29,68,211/- (Rupees Twenty Nine Lacs Sixty Eight Thousand Two Hundred and Eleven Only) per annum, with authority to the Board of Directors to increase it from time to time upto an amount not exceeding Rs. 42,00,000/- (Rupees Forty Two Lacs Only) per annum and that 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."

"RESOLVED FURTHER THAT following shall not be included in the aforesaid limits:

- i) Contribution to Provident Fund upto 12% of salary and contribution to Gratuity Fund upto a half months' salary for each completed year of service as laid down in the respective rules or upto such other limit as may be prescribed under the Income Tax Act, 1961 and Rules thereunder.
- ii) Encashment of unavailed leave as per Rules of the Company."

"RESOLVED FURTHER THAT

- (i) in the event of inadequacy or absence of profits in any financial year during the tenure of the Whole Time Director, he will be entitled to the above remuneration (inclusive of allowances, perquisites and commission, if any) by way of minimum remuneration.
- (ii) subject to superintendence, control and direction of the Board of Directors of the Company, he shall perform such duties and functions as would be commensurate with his position as the Whole Time Director of the Company and as may be delegated to him from time to time.
- (iii) the Whole Time Director will be entitled to reimbursement of entertainment and all other expenses actually and properly incurred by him in the course of legitimate business of the Company.
- (iv) the Company or he shall be entitled to terminate this appointment by giving three months' notice in writing or such shorter notice as may be mutually agreed between him and the Company, or in lieu of notice, payment by the Company or by him to the Company, equivalent to three months' last drawn remuneration".

"RESOLVED FURTHER THAT Mr. Krish Ramesh shall not be liable to retire by rotation."

"RESOLVED FURTHER THAT Mr. Shivinder Mohan Singh, Mr. Ramesh L. Adige, Dr. Nithya Ramamurthy, Mr. Yogesh Kumar Sareen, Directors and Mr. Prashant Khattri, Company Secretary be and are hereby severally authorised to take such steps as may be considered necessary or expedient to give effect to this Resolution."

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

"RESOLVED THAT Mr. Sanjay Jayavarthanavelu, 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 a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 81 (1A) and other applicable provisions if any, of the Companies Act, 1956 ("the Act"), the provisions contained in the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("Guidelines") (including any statutory amendment, modification or re-enactment to the Act or the Guidelines for the time being in force) and the Articles of Association of the Company and subject to such approvals/ permissions/ sanctions and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals / permissions / sanctions, consent of the Company be and is hereby accorded to the proposed "Employee Stock Option Scheme – 2008" ("the Scheme")."

"RESOLVED FURTHER THAT the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include a Committee of Directors for the time being exercising the powers conferred by the Board), be and is hereby authorized to create, offer, issue and allot in one or more tranches, under the said proposed Scheme, at any time to or for the benefit of such employees of the Company, such number of equity shares and / or equity linked instruments including options and / or any other instrument or securities as it may decide from time to time."

"RESOLVED FURTHER THAT the Scheme be operated by the Board in a manner so that any time the total number of shares issued under this scheme do not at any time exceed 2% of the issued and subscribed share capital of the Company."

"RESOLVED FURTHER THAT shares may be allotted in accordance with the Scheme, directly to the employees or through a Trust which may be set up to enable the employees / Trust to acquire, purchase or subscribe to the shares of the Company."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to take necessary steps for listing of the securities allotted under the Scheme on the Stock Exchanges where the securities of the Company are listed as per the provisions of the Listing Agreements with the concerned Stock Exchanges and other applicable guidelines, rules and regulations."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to settle all questions, difficulties or doubts that may arise in relation to the implementation of the Scheme, including amendment or modification of any terms thereof in accordance with and subject to all applicable SEBI guidelines, without being required to seek any further approval or consent of the members."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board is hereby authorized to do all such deeds, matters and things and execute all such deeds, documents and writings as it may in its absolute discretion deem necessary."

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

"RESOLVED THAT pursuant to the provisions of Section 293(1)(a) and all other applicable provisions, if any of the Companies Act, 1956, consent be and is hereby accorded to create mortgages/ charge/hypothecation in any manner whatsoever on all or any of the immovable properties, movable properties, book debts and stocks of the Company, whether present or future, of the whole or substantially the whole of the undertaking of the Company, ranking pari passu or otherwise and/or second and/or subservient and/or subordinate to the mortgages/ charges/ hypothecation created or to be created in future by the Company or securing any loans and/ or advances and/ or guarantee and/ or any financial assistance obtained or to be obtained from financial institution, banks and/or any other persons or institutions providing finance for purchase of assets and / or for the business of the Company or for working capital under any deferred payment scheme or bills rediscounting scheme

or in favour of trustees for debenture holders/ bondholders that may be appointed hereafter, as security for the debentures/bonds that may be issued by the Company on such terms and conditions and at such times and in such form and manner as may be deemed fit, so that the total outstanding amount at any one time so secured shall not exceed Rs. 50,00,00,000 (Rupees Fifty Crores only) or the aggregate of the amounts consented by the Company by Resolution passed at this meeting pursuant to section 293(1)(d) of the Companies Act, 1956 whichever is higher, together with interest thereon and further interest, if any, cost, charges, expenses, remuneration payable to the trustee and all other monies payable by the Company.”

By the order of the Board,
 for **Malar Hospitals Limited**

Prashant Khattry
 Company Secretary

Place : New Delhi.
 Dated : 31st July, 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/ herself and the proxy need not be a Member of the Company. Proxies, to be effective shall be duly filled, stamped, signed and deposited, not later than 48 hours before the commencement of the meeting at GNSA Infotech Private Ltd, GR Mansion, 11, Srinivasa Road, Pondy Bazaar, 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 re-election at the Annual General Meeting has been provided in the Report on Corporate Governance.
4. The Register of Members and Share Transfer Books of the Company shall remain closed from 22-09-2008 to 29-09-2008 (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 the working hours on all business days beginning from the date of this Notice till the date of the AGM.
6. Members are requested to bring their copies of the Report and Accounts to the Meeting.
7. Members are requested to bring the Attendance Slip duly filled in and hand over the same at the entrance of the Meeting Hall.
 - (a) Members who hold shares in electronic form are requested to notify any change in their particulars like change in address, etc., to their respective Depository Participants immediately.
 - (b) Members who hold shares in physical form are requested to notify any change in their particulars like change in address, etc., to the Registrars.
8. 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.
9. 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.
10. 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.

EXPLANATORY STATEMENT (PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956)

Item No. 4

The Board had, in its meeting held on 30th April, 2008, appointed Mr. Krish Ramesh as an Additional Director of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956. He holds office upto the date of the Annual General Meeting and being eligible, offers himself for appointment. The Board at its meeting held on 30th April, 2008 further decided to appoint Mr. Krish Ramesh as Whole Time Director of the Company for a period of five years w.e.f. 30th April, 2008. Mr. Krish had never held any managerial position prior to this appointment, in any organisation.

Mr. Krish Ramesh graduated with a B Sc Maths from Madras University and holds professional qualifications of C.A.I.I.B from the Indian Institute of Bankers and ICWA from the Institute of Cost & Works Accountants of India.

He has around 24 years of rich experience in the area of Finance including a long stint with Hindustan Lever Ltd. & Hindustan Aeronautics Ltd. He has also worked in HT Media Ltd., Delhi as Chief Financial Officer (Mint) & Head – SAP.

Mr. Krish would also help in setting up other hospitals in the South Zone and will be responsible for driving healthcare operations in the South Zone. He would also be responsible for achieving targets by various hospitals in the zone apart from ensuring service delivery in all the hospitals in the zone as per the Company standards and ensure Zonal Governance.

In view of his experience and exposure in the Corporate World, the remuneration being offered to him is quite apt and is in line with remuneration given to the Whole Time Directors/ CEO's of other Companies and thus, the same is comparable to the Industry Standards for such a position.

The additional information as required by Schedule XIII to the Companies Act, 1956 is given here below:

I. GENERAL INFORMATION

- | | |
|---|--|
| (i) Nature of Industry | : Business of providing healthcare services and running multi specialty hospitals. |
| (ii) Date or expected date of commencement of commercial production | : The Company was incorporated on 13 th April, 1989 |
| (iii) In case of new Companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus | : NOT APPLICABLE |

- (iv) Financial Performance based on given indicators as per Audited Financial Results for the year ended 30th September 2007.

Particulars	For the year ended 30 th September, 2007(Rs. In Lacs)
Turnover and other Income	1457.89
Net profit/ (loss) as per Profit & Loss A/c	77.56

- (v) Export performance and net foreign exchange earnings, collaborations : Nil
 (vi) Foreign investments or collaborations, if any : Nil

II INFORMATION ABOUT THE APPOINTEE

(i) Background Details:

Mr. Krish Ramesh graduated with a B Sc Maths from Madras University and holds professional qualifications of C.A.I.I.B from the Indian Institute of Bankers and ICWA from the Institute of Cost & Works Accountants of India.

He has around 24 years of rich experience in the area of Finance including a long stint with Hindustan Lever Ltd. & Hindustan Aeronautics Ltd. He had also worked in HT Media Ltd., Delhi as Chief Financial Officer (Mint) & Head – SAP.

(ii) Past Remuneration Drawn:

NOT APPLICABLE

(iii) Recognition and Awards/Achievements:

Mr. Krish was Rank holder in ICWA from the Institute of Cost & Works Accountants of India.

(iv) Job profile and his Suitability:

Mr. Krish will have a role to help in the expansion of the Company's hospital network in South India and also to oversee the operations of such hospitals. In addition he will ensure service delivery in all the hospitals in the zone as per the Company standards and ensure Zonal Governance.

Apart from above, Mr. Krish is responsible for representing the Company before any Government Bodies both at Centre and State level and is also accountable for the administrative affairs of the Company.

(v) Remuneration Proposed:

Salary, other perquisites and allowances and performance and retention incentive as fully set out in Item No. 4 of the Notice

- (vi) **Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin):** The remuneration proposed is commensurate with the remuneration package paid to similar Senior level appointees in other companies.

- (vii) **Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any:** Nil

(III) OTHER INFORMATION :**(i) Reasons for loss or inadequate profits:**

1. Huge accumulated losses pertaining to previous years mainly due to the financial expenses in the nature of interest.
2. Cost overrun of the project not financed by Financial Institutions.
3. Delay in project implementation owing to paucity of funds to meet cost overrun.
4. Stiff Competition from other leading/ Charitable Hospitals and Medical Centers in the region.

(ii) Steps taken or proposed to be taken for improvement:

1. The Company has plan to enhance Neuro and Ortho Departments and commence certain other medical programmes which will increase the current revenues of the Company.
2. With the full support of skilled doctors dedicated to quality patient care, patient –centric hospital facilities and cost-effective business model, the Company expects to have better and improved cash flows in the future.
3. The Company is also taking effective steps for improving the occupancy rates in its hospitals and increasing average revenue per bed. In addition, the Company is focusing on high-end healthcare services for reducing the average length of stay of the inpatients thereby increasing the average income per bed in use and thus improving the utilization rates.
4. The Company has now become the part of Fortis Network of Hospitals in terms of the Loan, Share Subscription and Share Purchase Agreement dt. 07th Sept, 2007 with International Hospital Limited (IHL), wholly owned subsidiary of Fortis Healthcare Limited and Oscar Investments Limited (OIL) and the Open Offer made by IHL and OIL for acquisition of the shares of the Company from the public. The Company is expected to achieve the growth targets under the auspices of Fortis Network of Hospitals.
5. The Company had repaid its dues to Financial Institutions under One Time Settlement (OTS) arrangement.

(iii) Expected increase in productivity and profits in measurable terms

The Company expects to improve the occupancy rate in the hospital unit and thereby increasing the total revenues and profitability. Further, the company is focusing on providing the high-end health care services thereby increasing the average income per bed in use and thus improving the utilisation of all services. The Company has plans to enhance the facilities offered in Cardiac and Neuro facilities and to offer certain new medical programme to deliver improved growth. The Company believes that the aforesaid measures would substantively increase the revenue and profits of the Company.

The above may also be treated as an abstract of terms of appointment and memorandum of interest under Section 302 of the Companies Act, 1956.

Item No. 5

Mr. Sanjay Jayavarthanavelu was appointed as an Additional Director of the Company by the Board of Directors with effect from 31st July, 2008. Under Section 260 of the Companies Act, 1956, Mr. Sanjay Jayavarthanavelu 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. Sanjay Jayavarthanavelu 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

In order to motivate and retain talent and to make compensation competitive, the Board recommends institution of an Employee Stock Option Scheme.

The Employee Stock Option Scheme – 2008 (“the Scheme”), envisages grant of share options to eligible employees of the Company.

The main terms of the Scheme are as follows:

Eligibility

The Committee of Directors will determine the specific employees or class of employees who will be eligible for award.

Frequency of Grant

The grants may be made at such frequency as considered appropriate by the Committee of Directors keeping in view the competitive compensation scenario, the talent market and such other factors as may be relevant.

Award Size Criteria

The total number of options to be granted at any time as well as the number of options to be granted to an individual employee will be based on performance and/or such other criteria as may be determined by the Committee of Directors.

Exercise Price

The exercise price shall be the fair market value or at a discount on the fair market value at the time of grant. The Committee of Directors shall determine the fair market value in line with SEBI guidelines and other applicable guidelines.

Vesting

The vesting period and the schedule of vesting may be determined by the Committee of Directors at the time of grant in line with SEBI guidelines.

Option Term

The options will have a maximum term of 10 years from the date of grant. Any options not exercised within the vesting period shall lapse.

Source of Shares

The Scheme shall result in fresh issue of shares at the time of exercising of the options.

Total Number of Options to be Granted

The total number of options granted under the scheme shall not cumulatively exceed 2% of the issued and subscribed equity capital of the Company.