

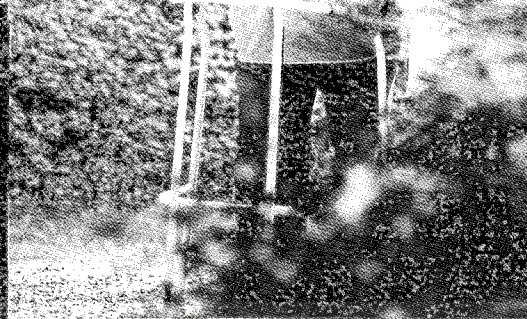
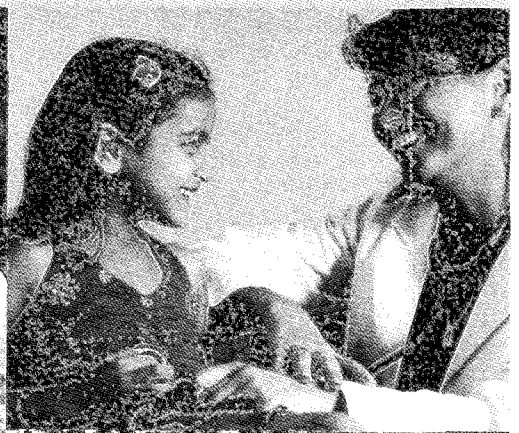
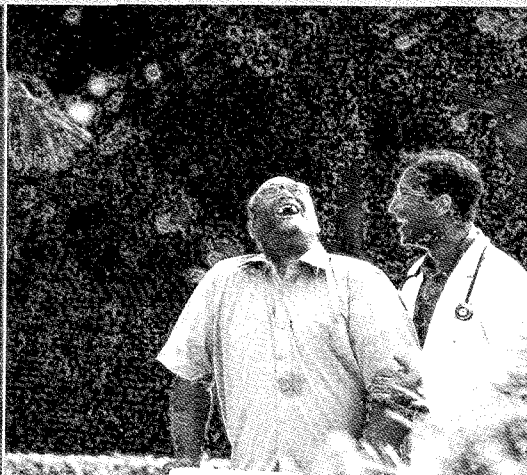
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BEYOND MEDICAL EXCELLENCE



A **Fortis** NETWORK HOSPITAL

18th ANNUAL REPORT
2008-09



Annual Report 2008-09

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Shivinder Mohan Singh, Chairman

Mr. Krish Ramesh, Whole Time Director

Dr. Nithya Ramamurthy

Mr. P Murari

Mr. Ramesh L. Adige

Mr. Sanjay Jayavarthanavelu

Mr. Yogesh Kumar Sareen

Company Secretary

Mr. Prashant Khattry

AUDITORS

K.GOPALAN & CO.

Chartered Accountants

G2, Padmaja Flats,

5/3, Cart Track Road,

T. Nagar, Chennai – 600 017.

REGISTERED OFFICE

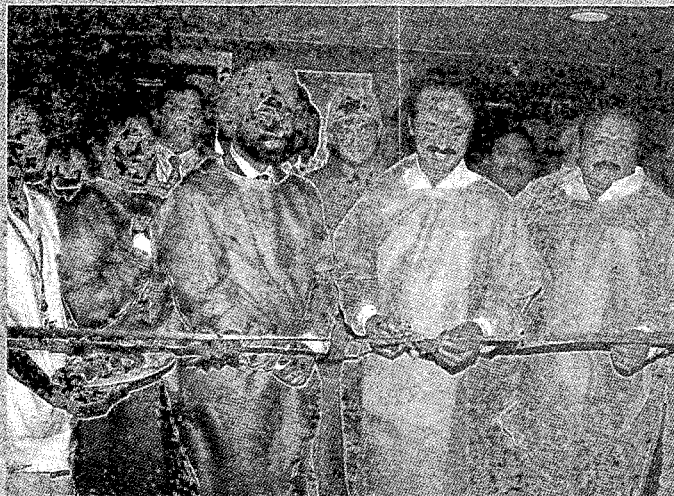
52, First Main Road, Gandhi Nagar,

Adyar, Chennai – 600 020

Phone: + 91 – 44 - 24914023, 24914393

+ 91 - 44 - 42892222

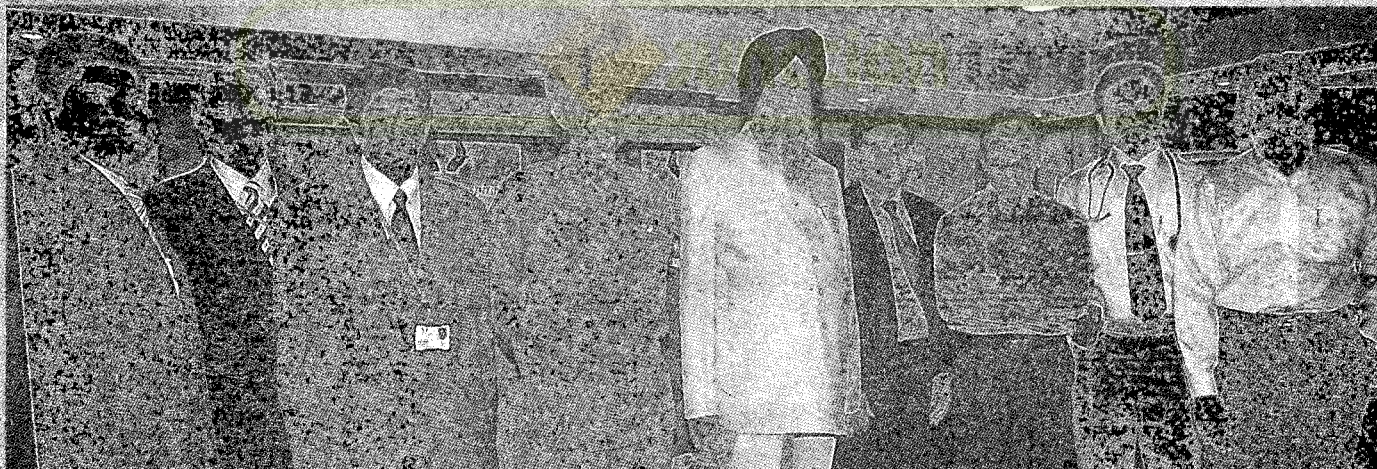
KEY EVENTS 2008-09



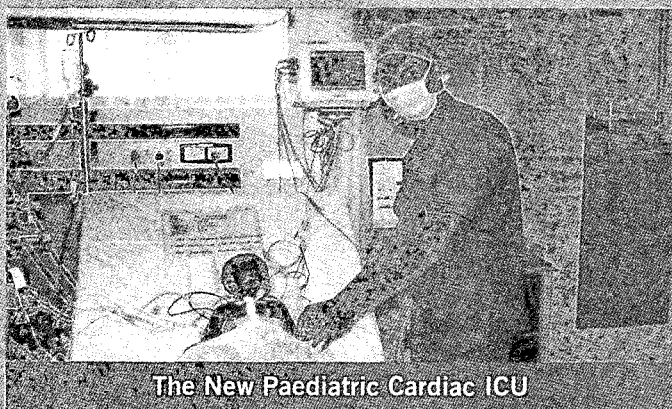
Inauguration of Malar Heart Institute by Thiru M.K.Stalin, Deputy Chief Minister, Govt. of Tamil Nadu and Thiru M.R.K.Panneerselvam, Hon. Minister of Health & Family Welfare held on 17th December, 2008



Inaugurating the Heart Institute



Escorts Chest Pain Clinic Inaugurated by His Excellency Shri Surjit Singh Barnala, Governor of Tamil Nadu on 12th February, 2009



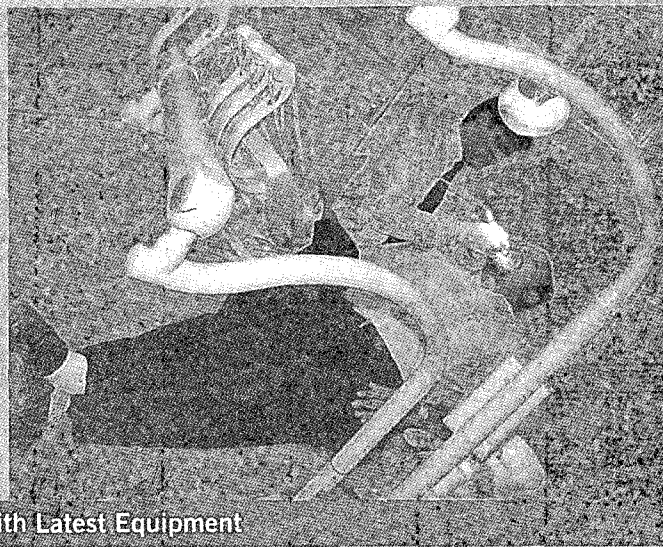
The New Paediatric Cardiac ICU



Fortis Gudlife Centre Consultation Suite



Fortis Dental Centre With Latest Equipment



State-of-the-art Cardiac Centre



Community Arogya Programme (CAP) launched on the 21st August, 2008
by Ms. Kanimozhi, MP, Member of Rajya Sabha and Mr. Vishal, Film Artist.

MESSAGE FROM THE CHAIRMAN

Dear Shareholder,

It gives me immense pleasure to present to you our 18th Annual Report.

The past year was an eventful one for our company as it saw many landmark achievements through the hard work of our team along with your continuous and unstinting support.

As you know, in the last year, we saw the transition of your company to becoming an associate of Fortis Healthcare Ltd, a major player in the Indian Healthcare space. This association has given the organization access to the expertise of Fortis management, systems and protocols which have acted as strong enablers towards driving exceptional progress over the course of the year.

FINANCIALS

We have recorded a total income of over Rs.33 crores during 2008-09, a stupendous growth of 83% over the previous financial year (April – March' 08). The financial results also reflect incremental revenues with the launch of Escorts Heart Institute at Malar Hospital, while driving growth in this specialty, it has also aided in improving patient footfalls and growth in many other specialties. Consequently, the Profit before extraordinary items increased to Rs. 1.61 crores during 2008-09 as against Rs. 0.60 crores in the previous year 12 months period.

GROWTH AND MEDICAL PROGRAMMES

I am pleased to inform you that, in December 2008, we launched a comprehensive cardiac super specialty program, under the well respected and trusted brand name 'Escorts Heart Institute' at Malar Hospitals; all of this is being led by the eminent cardio thoracic surgeon, Dr K R Balakrishnan. We have invested in a state of the art Cath Lab and multiple dedicated cardiac operation theatres and intensive coronary care units to support these programs. The strength of our medical programs has resulted in several rare and complex Adult, Pediatric and Neonatal Cardiac surgeries, Orthopedics and Joint replacement surgeries, Neurosurgery and Plastic reconstruction surgeries being performed in this hospital. Our Obstetrics and Gynecology services remain amongst the busiest in the city. We perform many difficult deliveries and surgeries successfully, and are supported by dedicated Neonatology experts.

It is also worthwhile to mention that we have worked proactively in launching and maintaining a Doctors Engagement Program that has resulted in higher levels of engagement amongst our top quality doctors and directly impacting the quality of our medical care.

OPERATIONS AND PATIENT CARE

Over a continued period of time, our hospital has experienced a higher level of occupancy numbers resulting in revenue growth in various specialties. The Dental Center and Preventive Health Check Program was upgraded and were relaunched during the course of the year. The Fortis Malar Hospital has now been empanelled with all of the major insurance companies and many leading corporate accounts as well.

With a view to further enhance patient satisfaction, the company has renovated a majority of the Doctors' chambers and patient rooms and has also made improved arrangements in waiting areas for attendants. The infrastructure of the hospital is being revamped, and this work will continue to be carried out in a planned manner. In addition to high end equipments acquired for cardiac care, we have commenced investments in medical equipments for other specialties. We are committed to upgrading the facilities in your hospital to take it the next level.

With a view to promote our objective of providing affordable healthcare, Malar Hospitals has launched the 'Community Arogya Program', an initiative aimed at prevention, awareness and early detection of various ailments afflicting society at large. As a part of this initiative, we have organized a number of health camps such as Heart Check Up Camps, Joint Pain Camp, Dental Camp, and Camp for Women, Kids and Teens Health Camp, Brain Tumor Awareness Camp etc. The company also has launched another initiative called Golden Age Club Membership which entitles senior citizen patients to certain privileges and preferential treatment in our hospitals. All these camps have been quite successful and have aided in driving patient footfalls.

BUILDING BLOCKS

We believe that all of the above will play an important role in improving the level of clinical and patient care at Malar Hospital and help us gain the stature of being a premier health care provider in the city.

The year also saw the establishment of a strong leadership team in Malar Hospital. This team has taken the onus of starting new projects with objectives of reducing costs, enhancing efficiencies of service delivery and achieving better patient satisfaction. We have commenced implementation of Fortis Operating System (FOS) which ensures standard and efficient healthcare delivery and provides better patient care. We have also started leveraging the scale benefits of centralized Purchase Supply Management (PSM) process, to help minimize overall procurement costs along with efficient management of the supply chain.

LOOKING AHEAD

Overall, Malar Hospitals is the gateway acquisition of Fortis Healthcare in South India and we are convinced it is an important milestone in the group's national roll-out plans. We believe Malar Hospitals shall have an important role to play in the plans of expanding the Fortis brand of healthcare in South India.

While last year saw many major initiatives, the focus for this year (2009-10) continues to be in driving profitable and

sustainable growth in the long run. The cardiac program is expected to grow at a rapid pace and we have aggressive plans with appropriate investments to get them going. The work on infrastructure, up-gradation of medical facilities and strengthening the brand will continue and help us in achieving these plans. We are committed to top quality patient care and shall continue our patient centric approach to everything we do in our bid to be amongst the top hospitals in South India.

We are confident that with your continuous support and encouragement, the coming years will see Malar Hospital emerging as a very strong healthcare delivery player in Southern India.

Sincerely,

Shivinder Mohan Singh
Chairman

Place : New Delhi
Dated : 28th May, 2009

NOTICE TO THE ANNUAL GENERAL MEETING

Notice is hereby given that the Eighteenth Annual General Meeting of the Company will be held on Friday, the 21st August, 2009 at 3.00 P.M. at P.Obul Reddy Hall, Sri Thyaga Brahma Gana Sabha (Regd) – Vani Mahal, 103, G.N.Road, T.Nagar, Chennai – 600 017, to transact the following business:

AS ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at March 31, 2009 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a director in place of Mr. Shivinder Mohan Singh, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Mr. Ramesh L.Adige, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s K. Gopalan & Co; Chartered Accountants, the retiring auditors as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

AS SPECIAL BUSINESS:

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

"RESOLVED THAT Mr. P.Murari, who was appointed as an Additional Director w.e.f 3rd March, 2009 and who holds office pursuant to Section 260 of the Companies Act, 1956 hereinafter referred to as ('the Act') upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing 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".

"RESOLVED FURTHER THAT all the Directors and Company Secretary be and are hereby severally authorized to do all such acts, deeds, things to give effect to the above resolution."

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 of the Companies Act, 1956. ("the Act"), and Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme)

Guidelines, 1999 ("the Guidelines") and other applicable rules, regulations, notifications and circulars, if any, of SEBI and/or other concerned and relevant authorities and other applicable laws, if any, (including any statutory modification(s) or re-enactment of the Act or the Guidelines, for the time being in force), relevant provisions of Memorandum & Articles of Association as amended from time to time and the Listing Agreements, entered into by the Company with stock exchanges where the Company's shares are listed, such approvals, consents and permissions of the appropriate authorities as may be required and subject to such conditions and modifications as may be prescribed in granting such approvals, permissions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the board" which expression shall be deemed to include a Committee of Directors, to exercise its powers including the powers conferred by this Resolution), the consent of the Company be and is hereby accorded to the Board to amend, alter or modify terms & conditions of the "ESOP – 2008 Scheme" of the Company from time to time and to insert / modify the following provisions under the said scheme of the Company:

- The total number of options granted under the Scheme shall not cumulatively exceed 5% of the issued and subscribed capital of the Company as at the time of grant of options. The lapsed options due to non-exercise or cancelled unvested options due to resignation of the employees or otherwise, will be available for re-grant at a future date.
- The maximum number of options that may be granted to an employee under the Scheme shall not exceed 1% of the issued and subscribed equity capital of the Company at the time of grant of options.

There shall be minimum period of one year between the grant of options and vesting of options. Options granted shall vest so long as the employee continues to be in employment of the Company or its subsidiary. The Remuneration Committee may, at its discretion, lay down criteria including but not limited to, performance metrics on the achievement of which granted options would vest.

The stock options granted to an employee will not be transferable to any person and shall not be renounced, pledged, hypothecated, mortgaged or otherwise alienated in any manner. However, in case of death or total and permanently disability while an employee of the Company, the Granted Stock Options shall vest and exercise as below:

Malar Hospitals Limited

- In case of death, all options granted to him till such date shall vest in the legal heirs or nominees of the deceased employee. Options should be exercised within six months of vesting by the nominee/legal heirs.
- In case of total and permanent disability all options granted to him (vested and unvested) as on the date of permanent incapacitation, shall vest in him on that day. The options have to be exercised within the exercise period.
- The options would vest within five year from the date of grant options. The exact proportion in which and the exact period over which the options would be vest would be determined by the Remuneration Committee, *subject to the minimum vesting period of one year from the date of grant of options.*

The exercise period would commence from the date of vesting and will expire on completion of 8 years from the date of vesting of options.

- Appraisal Process for determining the eligibility of the employees will be specified by the remuneration Committee of the Company and will be based on the criteria such as role/level of employee, past performance, future potential of employees, balance number of years of service until normal retirement age and/or such criteria that may be determined by the Remuneration Committee of the Company in its sole discretion.
- The Company shall comply with the accounting policies prescribed under Clause 13.1 of the SEBI Guidelines and all other disclosure requirements and accounting policies prescribed as per the SEBI Guidelines and other applicable laws and regulations.
- To calculate the employee compensation cost, the Company shall use the Intrinsic Value Method for valuation of the options granted. The difference between the employee compensation cost so computed using Intrinsic Value and the cost that shall have been recognized if it had used the Fair value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall be disclosed in the Directors' Report."

"RESOLVED FURTHER THAT for the purpose of giving effect to all or any of the foregoing, the Board be and is hereby authorized inter-alia to evolve, decide upon and make and give effect to any modification, changes, variations, alterations or revisions in the said scheme from time to time, or to suspend, withdraw or revive the Scheme from time to time, as may be specified by any statutory authority or person or body

of persons or as the Board may suo-moto decide in its absolute discretion and to do all such acts, deeds, matters and things whatsoever, including settling any question, doubts or difficulty that may arise with regard to or relation to the Scheme."

"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 Special Resolution:

"RESOLVED THAT pursuant to the provisions of section 81(1A) and other applicable provisions of the Companies Act, 1956 ("the Act") and Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("the Guidelines") and the applicable rules, regulations, notifications and circulars, if any, of the SEBI and/or other concerned and relevant authorities and other applicable laws, if any (including any statutory modification(s) or re-enactment of the Act or the Guidelines, for the time being in force), relevant provisions of Memorandum & Articles of Association as amended from time to time and the Listing Agreements, entered into by the Company with stock exchanges where the Company's shares are listed, such approvals, consents and permissions of the appropriate authorities as may be required and subject to such conditions and modifications as may be prescribed in granting such approvals, permissions, the consent of the Company be and is hereby accorded to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include Committee of Directors for the time being exercising the powers conferred by the Board) to extend the benefits of said "Employees Stock Option Scheme - 2008" ("the Scheme") referred to in the Resolution under Item No.6 in this notice, to eligible employees of the Subsidiary Companies, as may from time to time be allowed under prevailing laws, rules and regulations, and/or amendments thereto from time to time on such terms and conditions as may be decided by the Board."

"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."