



CARING THAT
COMES FROM
THE HEART.

ANNUAL REPORT

2016 - 2017

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BOARD OF DIRECTORS

Mr. Daljit Singh
Mr Lakshman Teckchand Nanwani
Mr. Meghraj Arvindrao Gore
Mr. Murari Pejavar
Dr. Nithya Ramamurthy
Mr. Rakesh Laddha
Mr. Rama Krishna Shetty
Mr. Ramesh Lakshman Adige

COMPANY SECRETARY AND COMPLIANCE OFFICER

Ms. Trapti Kushwaha

STATUTORY AUDITORS

M/s. Deloitte Haskins & Sells LLP
Chartered Accountants
ASV, 'N' Ramana Tower,
52, Venkata Narayana Road
T. Nagar, Chennai- 600017

REGISTERED OFFICE

Fortis Hospital, Sector 62, Phase VIII,
Mohali, Punjab- 160062
Ph.: +91-172-5096001, Fax: +91-172-5096002
Email Id : secretarial.malar@malarhospitals.in
Website: www.fortismalar.com

REGISTRAR AND TRANSFER AGENT

Karvy Computershare Private Limited
Karvy Selenium Tower B, Plot no.31 & 32,
Financial District, Nanakramguda,
Serilingampally Mandal, Hyderabad – 500032
P : +91 40 6716 1500 (B)
www.karvycomputershare.com

Board of Directors



Mr. Daljit Singh



Mr. Meghraj Arvindrao Gore



Mr. Lakshman Teckchand Nanwani



Mr. Murari Pejavar



Dr. Nithya Ramamurthy



Mr. Rakesh Laddha



Mr. Rama Krishna Shetty



Mr. Ramesh Lakshman Adige

Chairman's Message

“With over 150 heart transplants to its credit, your hospital has earned recognition as a premier centre for heart failure and transplant in this part of the world”

Daljit Singh
Chairman



Dear Shareholders,

It gives me great pleasure to present the results of your Company for the year ended March 31, 2017.

Your hospital continued to deliver spectacular clinical outcomes across all specialities. The Heart Failure and Transplant Programme, in particular, has made all of us proud by conducting over 150 transplants, making it one of the largest heart transplant programmes in the country. The survival rates of post-transplant patients are comparable with the best in the world. This is extremely creditable and reflective of the world-class capability and medical expertise at the hospital. Clinicians across all other specialities, such as Neurology, Obstetrics & Gynaecology, Orthopaedics and Gastroenterology, to name a few, also delivered outstanding results. I take this opportunity to thank all our clinicians, nurses, paramedics and support staff for their wonderful commitment to our purpose.

Your hospital continued to push for providing greater succour to patients by launching new programmes and initiatives. An All Women's Clinic was launched to enable greater focus on women patients and female-specific ailments. The city's first Epilepsy Support Group was launched to provide a platform for patients and their care givers to share their experience and support each other. In the same vein, Happy Losers Club, a support group for post-bariatric surgery patients, was launched. Fortis Malar observed World Multiple Sclerosis Day to spread awareness about the condition. A live workshop on Minimally Invasive Colorectal Surgery by Prof Joel Leroy, an internationally renowned faculty, was organised.

Going forward, we are taking steps to usher in greater transparency and improve patient trust by sharing clinical outcomes data online, as per the International Consortium for Health Outcomes Measurement (ICHOM) standards, for specific Cardiac Sciences procedures.

As you would be aware, the Board of Directors of the Company has approved a composite scheme of arrangement and amalgamation between the Company, Fortis Healthcare Limited (FHL) and SRL Limited. The composite scheme provides for the sale of its hospital business by the Company to FHL by way of a slump sale for a lump sum cash consideration, followed by demerger of the diagnostics business of FHL (including the investments held in SRL) into the Company and subsequently SRL being merged into the Company. Upon the composite scheme becoming effective, and subject to receipt of requisite regulatory and statutory approvals, the diagnostics business of FHL, including that housed in SRL would be vested in the Company. The name of

the Company will subsequently be changed to SRL Limited and this Company is proposed to be listed on the National Stock Exchange of India Limited in addition to its current listing on the BSE Limited.

We believe this will unlock immense value for all the shareholders. As a result of the new synergistic groupings, both the hospitals and diagnostic businesses will benefit from greater clarity, a stronger focus and an independent growth trajectory. Equally, this will enable the accelerated pursuit of their respective business goals while empowering them to reach their fullest potential.

During the year, Annual Revenues grew by 10% to ₹ 140.56 Crores from ₹ 129.61 Crores in the previous financial year. Net profit before exceptional and extra-ordinary items was at ₹ 4.47 Crores compared to ₹ 10.46 Crores in the previous financial year. Net profit after tax was at ₹ 3.11 Crores against ₹ 6.42 crores earned in the previous year. Overall increase in the cost of drugs, consumables and other essentials, especially in the high-end critical care segment where your Company operates, has impacted the profitability of the Company in the current financial year. The average revenue per occupied bed (ARPOB) continued its upward trend of the past few years, increasing from ₹ 127 Lakhs in FY 2016 to ₹ 155 Lakhs in FY 2017. The average length of stay (ALOS) declined from 3.87 days in FY 2016 to 3.39 days in FY 2017. Both the above reflect the fact that your hospital performs increasingly complex, high value surgeries requiring exceptional medical skills.

As a responsible corporate citizen, Fortis Malar has been actively participating in the Swachh Fortis initiative, aimed at ensuring clean and hygienic surroundings. Every month, our staff members join hands to clean up various localities in the neighbourhood. Offering Basic Life Support training to citizens is another way your hospital is contributing towards creating a healthy society. Numerous health camps and awareness campaigns were held through the year as part of our commitment towards "saving and enriching lives."

In conclusion, I would like to thank all our shareholders, doctors, nurses, paramedics, staff members and other stakeholders for their continued support through the year. I am sure that with your support, we will continue to serve our patients with renewed vigour and zeal in the years to come.

With Best Wishes and Warm Regards

Daljit Singh

Chairman- Fortis Malar Hospitals Limited.

Board Report

Dear Members,

Your Directors have pleasure in presenting here the Twenty Sixth Annual Report of your Company along with the Audited Standalone and Consolidated Financial Accounts and the Auditors' Report thereon for the Year ended March 31, 2017.

FINANCIAL RESULTS

The highlights of Consolidated and Standalone Financial Results of your Company are as follows:

[₹ in Lacs]

Particulars	Consolidated	
	Year ended March 31, 2017	Year ended March 31, 2016
<u>Continuing Operations</u>		
Operating Income	14,055.99	12,961.08
Other Income	796.95	802.53
Total Income	14,852.94	13,763.61
Total Expenditure	13,966.17	12,361.21
Operating Profit	886.77	1,402.40
Less: Finance Charges, Depreciation & Amortization	439.90	356.12
Profit/ (Loss) before exceptional items and tax	446.87	1,046.28
Exceptional items	–	(51.15)
Profit/ (Loss) before tax	446.87	995.13
Less: Tax Expenses	135.43	353.39
Net Profit for the year	311.44	641.74
Other Comprehensive Income (Net of Taxes)	(24.41)	(2.55)
Total Comprehensive Income for the year	287.03	639.19
Profits/ (Losses) attributable to minority interest	–	–
Share in profits of associate companies	–	–
Profit/ (Loss) for the year from continuing operations (A)	287.03	639.19
<u>Discontinuing Operations</u>		
Profit/ (Loss) before tax from discontinuing operations	–	–
Tax expense of discontinuing operations	–	–
Profit/ (Loss) after tax and before minority interest from discontinuing operations	–	–
Share in profits/ (losses) of associate companies	–	–
Profits/ (losses) attributable to minority interest	–	–
Profit for the year from discontinuing operations (B)	–	–
Profit for the year (A+B)	287.03	639.19

Particulars	Standalone	
	Year ended March 31, 2017	Year ended March 31, 2016
Operating Income	14,055.99	12,961.08
Other Income	756.26	776.75
Total Income	14,812.25	13,737.83
Total Expenditure	13,968.52	12,363.17
Operating Profit	843.73	1,374.66
Less: Finance Charges and Depreciation	439.90	356.12
Profit/ (loss) before exceptional items and tax	403.83	1,018.54
Exceptional items	–	(51.15)
Profit/ (loss) before tax	403.83	967.39
Less: Tax Expenses	121.81	344.82
Net Profit for the year	282.02	622.57
Other Comprehensive Income (Net of Taxes)	(24.04)	(2.64)
Total Comprehensive Income for the year	257.98	619.93

STATE OF COMPANY'S AFFAIR, OPERATING RESULTS AND PROFITS

Fortis Malar Hospital (formerly known as Malar Hospital) was acquired by Fortis Group in early 2008. The hospital founded in 1989, is established as one of the largest corporate hospitals in Chennai providing quality super specialty and multi-specialty healthcare services. Fortis Malar Hospitals, with 180 beds, focuses on providing comprehensive medical care in the areas of Cardiology and Cardiac Surgery, Neuro Surgery, Gynecology, Orthopedics, Gastroenterology, Neurology, Pediatrics, Diabetics, Nephrology and Internal Medicine.

Fortis Malar Hospital has a state of the art Cath Lab and multiple dedicated cardiac operation theatres and intensive coronary care units. Several rare and complex Adult and Paediatric, Cardiac surgeries, Orthopedic and Joint replacements, Neurosurgeries and Plastic reconstruction surgeries have been performed at this hospital. The hospital's Obstetrics and Gynaecology services are among the busiest in the city, successfully performing many complicated deliveries and surgeries. They are supported by a dedicated Neonatology unit.

Fortis Malar has been doing exceptional clinical work and has achieved the unique distinction of completing over 150 heart transplants, reinforcing its position as a world class super specialty tertiary care centre. Additionally, it has made a mark for itself by performing complex and high end surgeries particularly in Cardiology, Neurology, Mother and Child Care, among others. We are delighted with the great work being done by our team of doctors, nurses, paramedics and other staff members and am confident that we will continue to deliver world class clinical programs, with consistently superior results in the future, as well.

Operational and Financial Performance

During the financial year 2016-17, your company achieved a consolidated income from operations of ₹ 140.56 Cr against ₹ 129.61 Cr during the last financial year ended March 31, 2016, representing a growth of 8.40% over the previous year. Consolidated EBITDA for the year stood at ₹ 0.90 Cr compared to ₹ 6.00 Cr in the previous year. Profit before exceptional item and tax stood at ₹ 4.47 Cr compared to ₹ 10.46 Cr in the corresponding period. Consolidated Net profit for the year was ₹ 2.87 Cr compared to ₹ 6.39 Cr in the previous year.

Regarding the key performance indicators, the Company's average revenue per occupied bed (ARPOB) improved significantly during the current year to ₹ 155 lacs from ₹ 127 lacs in the previous year. The average length of stay (ALOS) stood at 3.39 days in Financial Year 2017 compared to 3.87 days in Financial Year 2016. Occupancy of the hospital during the year was at 61%, compared to 60% of the previous year.

DIVIDEND AND TRANSFER TO RESERVES

The Board of Directors of your Company has not recommended any dividend for the FY 2016-17. Accordingly, there has been no transfer to General Reserves.

MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR 2016-17 AND THE DATE OF THE REPORT

The Board of Directors of your Company at its meeting on August 19, 2016 approved a composite scheme of arrangement and amalgamation between your Company, Fortis Healthcare Limited (“FHL”), SRL Limited (“SRL”) and their respective shareholders and creditors (“Scheme”) for (i) the transfer of the undertaking, business and operations of your Company including assets and liabilities pertaining to the hospital business, as identified in the Scheme (“**Transferred Undertaking**”), as a going concern, by way of slump sale, from your Company to FHL, in lieu of payment of a lumpsum consideration by FHL to your Company (“**Business Transfer**”); (ii) the transfer by way of a demerger of the undertakings, business, activities and operations of FHL, pertaining exclusively to the diagnostics business of FHL as identified in the Scheme (“**Demerged Undertaking**”) to your Company, and consequent issue of equity shares by your Company to shareholders of FHL (“**Demerger**”); (iii) the amalgamation of all the undertakings and entire business of SRL with your Company and dissolution of SRL without winding up; the consequent issue of equity shares by your Company to the shareholders of SRL and the cancellation of equity shares of SRL held by your Company (“**Amalgamation**”) and various other matters consequential or otherwise integrally connected therewith, including the reduction of the securities premium account of FHL and the reorganization of the share capital of your Company pursuant to the provisions of Sections 230 to 232 of the Companies Act, 2013 (“Act”) (corresponding to Sections 391-394 of the Companies Act, 1956 read with Section 52 and Section 66 of the Act (corresponding to Sections 100 to 103 of the Companies Act, 1956), Section 2(1B) of the Income Tax Act, 1961, and any other applicable provisions of the Act or Companies Act, 1956.

The Scheme has also received the approval of the Competition Commission of India on October 14, 2016. The BSE Limited has conveyed its no adverse observations/no objections to the Scheme vide letter dated November 11, 2016. Subsequently, the Scheme has also been approved by the creditors and equity shareholders of your Company on April 26, 2017 and April 27, 2017 respectively. The Scheme as on the cut-off date was pending with the National Company Law Tribunal, Chandigarh. The Scheme will be made effective by the Board of Directors of your Company and those of FHL and SRL after receiving the remaining approvals including that of the National Company Law Tribunal, Chandigarh, post sanction approval of the Securities and Exchange Board of India etc.

STATEMENT IN RESPECT OF ADEQUACY OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE FINANCIAL STATEMENTS

The Company has in place adequate internal financial controls with reference to financial statements. During the year such controls were tested and no reportable material weakness in the design or operation was observed.

DETAILS OF SUBSIDIARY

During the year under review, 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 Healthcare services.

Further note that the Board of Directors has adopted a policy for determining “material subsidiary” pursuant to Regulation 16(1)(c) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015. The said policy is available at http://www.fortismalar.com/wp-content/uploads/shareholdingpatterns/shareholdingpatterns_2016-2017/Policy_material_subsidary.pdf

Basis the Consolidated Audited Annual Accounts of the Company for the financial year 2016-17, the Company has no “material non-listed subsidiary” in terms SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

PERFORMANCE AND FINANCIAL POSITION OF THE SUBSIDIARY COMPANY

The consolidated financial statements of the Company and its subsidiary, prepared in accordance with applicable accounting standards, issued by the Institute of Chartered Accountants of India, forms part of the Annual Report. In terms of the Section 136 of the Companies Act, 2013, financial statements of the subsidiary company will be provided to any shareholder of the Company who asks for it and said annual accounts will also be kept open for inspection at the registered office of the Company and that of subsidiary. Performance and financial position of the subsidiary included in the Consolidated Financial Statements of the Company is mentioned below:-