



FOR THE HEART FROM THE HEART

ANNUAL REPORT 2017-2018

INDIA'S LARGEST HEART TRANSPLANT CENTRE.

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BOARD OF DIRECTORS

Mr. Daljit Singh, Chairman
Mr. Akshay Kumar Tiwari
Mr. L T Nanwani
Mr. Meghraj A. Gore
Mr. Murari Pejavar
Dr. Nithya Ramamurthy
Mr. Rahul Ranjan
Mr. R K Shetty
Mr. Ramesh L Adige

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Shashank Porwal

CHIEF FINANCIAL OFFICER

Mr. Vijayasathya Desikan

STATUTORY AUDITORS

M/s. Deloitte Haskins & Sells LLP
Chartered Accountants
ASV, 'N' Ramana Tower,
52, Venkatanarayana 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
Ph.: +91 40 6716 2222
Email Id: einward.ris@karvy.com
Website: www.karvycomputershare.com

Board of Directors



Mr. Daljit Singh



Mr. Meghraj Arvindrao Gore



Mr. Lakshman Teckchand Nanwani



Mr. Murari Pejavar



Dr. Nithya Ramamurthy



Mr. Akshay Kumar Tiwari



Mr. Rama Krishna Shetty



Mr. Ramesh Lakshman Adige



Mr. Rahul Ranjan

“The Heart Failure and Transplant Programme, in particular, has made the country proud by conducting around 250 transplants, making it one of the largest heart transplant programmes in South East Asia.”

Daljit Singh
Chairman



Dear Shareholders,

It gives me great pleasure to present the results of your Company for the year ended March 31, 2018.

Over the years, Fortis Malar Hospital, Chennai, has carved a name for itself as a global institution of excellence in healthcare. This has been made possible entirely by the wholehearted dedication and commitment of some of the finest clinicians, nurses, paramedics, support staff and hospital administrators in the country. Together, these extraordinary people give their best every day so that we can live up to our promise of ensuring excellent clinical outcomes whilst delivering world-class compassionate care. I take this opportunity to thank these wonderful people for their contribution towards building this remarkable institution.

I am pleased to share that your hospital continued to deliver spectacular clinical outcomes across all specialities. The Heart Failure and Transplant Programme, in particular, has made the country proud by conducting around 250 transplants, making it one of the largest heart transplant programmes in South East Asia. Your hospital also completed a successful Heart Transplant on the oldest (80 years old) recipient in India. The survival rates of post-transplant patients are comparable with the best in the world. This is extremely creditable and reflective of the superlative medical expertise at the hospital. Clinicians across all other specialities, such as Neurology, Obstetrics & Gynaecology, Orthopaedics and Gastroenterology, to name a few, have also delivered outstanding results.

Your hospital continued to provide greater relief to patients by launching several new programmes and initiatives, such as All Women's Clinic with an exclusive, all women team of consultants to cater to the needs of women's health issues. Your hospital has completed around 500 kidney transplants, making Fortis Malar Hospital a formidable Urology centre.

During the year, Annual Revenue grew by 6% to ₹ 149.19 Crores from ₹ 140.56 Crores in the previous

financial year. Profit before exceptional and extraordinary items was ₹ 5.59 Crores compared to ₹ 4.47 Crores in the previous financial year. Net profit after tax was ₹ 3.32 Crores compared to ₹ 3.11 Crores in the previous financial year. Price capping of Cardiac stents and Orthopaedic implants 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 ₹ 155 Lakhs in FY 2017 to ₹ 173 Lakhs in FY 2018. The average length of stay (ALOS) increased from 3.39 days in FY 2017 to 4.00 days in FY 2018.

These numbers reflect the fact that in spite of very challenging circumstances, your hospital has been able to put up a creditable performance. More importantly, our focus on patient care remains uncompromised.

Apart from delivering world-class healthcare, Fortis Malar is proud to have played a stellar role as a responsible corporate citizen. Your hospital has been 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 Seventh 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, 2018.

FINANCIAL RESULTS

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

(₹ In Lacs)

Particulars	Consolidated	
	Year ended March 31, 2018	Year ended March 31, 2017
<u>Continuing Operations</u>		
Operating Income	14,919.27	14,055.99
Other Income	844.18	796.95
Total Income	15,763.45	14,852.94
Total Expenditure	14,744.43	13,966.17
Operating Profit	1,019.02	886.77
Less: Finance Charges, Depreciation & Amortization	459.88	439.90
Profit / (Loss) before exceptional items and tax	559.14	446.87
Exceptional items	-	-
Profit / (Loss) before tax	559.14	446.87
Less: Tax Expenses	226.96	135.43
Net Profit for the year	332.18	311.44
Other Comprehensive Income (Net of Taxes)	12.69	(24.41)
Total Comprehensive Income for the year	344.87	287.03
Profits/ (Loss) attributable to minority interest	-	-
Share in profits of associate companies	-	-
Profit/ (Loss) for the year from continuing operations (A)	344.87	287.03
<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/ (loss) of associate companies	-	-
Profits/ (loss) attributable to minority interest	-	-
Profit for the year from discontinuing operations (B)	-	-
Profit for the year (A + B)	344.87	287.03

(₹ In Lacs)

Particulars	Standalone	
	Year ended March 31, 2018	Year ended March 31, 2017
Operating Income	14,919.27	14,055.99
Other Income	818.46	756.26
Total Income	15,737.73	14,812.25
Total Expenditure	14,746.86	13,968.52
Operating Profit	990.87	843.73
Less: Finance Charges and Depreciation	459.88	439.90
Profit/ (loss) before exceptional items and tax	530.99	403.83
Exceptional items	-	-
Profit/ (loss) before tax	530.99	403.83
Less: Tax Expenses	216.87	121.80
Net Profit for the year	314.12	282.03
Other Comprehensive Income (Net of Taxes)	12.30	(24.04)
Total Comprehensive Income for the year	326.42	257.99

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 Pediatric, Cardiac surgeries, Orthopedic and Joint replacements, Neurosurgeries and Plastic reconstruction surgeries have been performed at this hospital. The hospital's Obstetrics and Gynecology 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 around 250 Heart / Lung 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 are 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 2017-18, your Company achieved a consolidated income from operations of ₹ 149.19 Cr against ₹ 140.56 Cr during the last Financial Year ended March 31, 2017, representing a growth of 6% over the previous year. Consolidated Operating EBITDA for the year stood at ₹ 1.75 Cr compared to ₹ 0.90 Cr in the previous year. Profit before exceptional item and tax stood at ₹ 5.59 Cr compared to ₹ 4.47 Cr in the corresponding period. Consolidated net profit for the year was ₹ 3.32 Cr compared to ₹ 3.11 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 ₹ 173 lacs from ₹ 155 lacs in the previous year. The average length of stay (ALOS) stood at 4.00 days in Financial Year 2018 compared to 3.39 days in Financial Year 2017. Occupancy of the hospital during the year was at 58% compared to 61% of the previous year. There has been no change in the nature of business of the Company during the year under review.

DIVIDEND AND TRANSFER TO RESERVES

The Board of Directors of your Company has not recommended any dividend for the FY 2017-18. 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 2017-18 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 also received the approval of the Competition Commission of India on October 14, 2016. The BSE Limited conveyed its no adverse observations/no objections to the Scheme vide letter dated November 11, 2016. Subsequently, the Scheme had also been approved by the creditors and equity shareholders of your Company on April 26, 2017 and April 27, 2017 respectively. The Board of Directors of your Company on December 14, 2017 approved the extension of the long stop date of December 31, 2017 set out in Clause 61 of the Scheme to June 30, 2018.

The Board of Directors of your Company on June 13, 2018 approved withdrawal of the Scheme due to reasons beyond the Company's control, the process had already taken over 18 months. Due to the inordinate delay in the approval of the composite scheme of demerger and less than optimum performance of diagnostics business during the period of delay, it was not suitable for the Company's shareholders to continue with this scheme as the valuation ascribed earlier to diagnostics business not appropriate now. Also, the Company is a strong independent listed company and can continue to operate through a single hospital business model. Further, National Company Law Tribunal, Chandigarh, vide its order dated June 15, 2018 approved the scheme as withdrawn.

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 has only one subsidiary Company i.e. 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 Obligations and Disclosure Requirements) Regulations, 2015. The said policy is available at <http://www.fortismalar.com/wp-content/uploads/2017/11/Policy-on-Material-Subsidiary-Company.pdf>. Basis the Consolidated Audited Annual Accounts of the Company for the Financial Year 2017-18, the Company has no “material non-listed subsidiary” in terms SEBI (Listing Obligations 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 Indian 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:-