

**INDEPENDENT AUDITOR'S REPORT**

To the Members of Fortis Malar Hospitals Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Fortis Malar Hospitals Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956 read with General Circular 8/2014 dated April 4, 2014, issued by the Ministry of Corporate Affairs. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

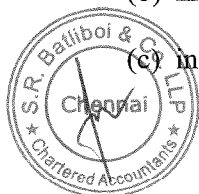
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Act, 1956 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.



# **S.R. BATLIBOI & Co. LLP**

Chartered Accountants

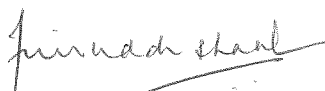
## **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
  - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 8/2014 dated April 4, 2014, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013; and
  - (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

**For S.R. Batliboi & Co. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E



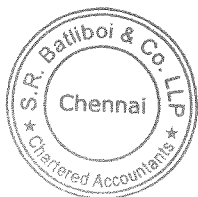
**per Aniruddh Sankaran**

Partner

Membership Number: 211107

Place: Chennai

Date : April 28, 2014



# **S.R. BATLIBOI & Co. LLP**

Chartered Accountants

## **Annexure referred to in our report of even date**

Re: Fortis Malar Hospitals Limited ('the Company')

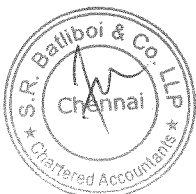
- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) There was no disposal of a substantial part of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) The Company has renewed a loan of Rs 553.60 million and granted a further loan of Rs 64.33 million to one company covered in the register maintained under section 301 of the Act. The maximum amount involved during the year was Rs 631.65 million and the year-end balance of loan granted to such party was Rs 631.65 million.
- (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- (c) In respect of loan granted, repayment of principal amount is as stipulated and payment of interest has been regular.
- (d) There is no overdue amount of loan granted to companies, firms or other parties listed in the register maintained under section 301 of the Act.
- (e) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.



# **S.R. BATLIBOI & Co. LLP**

Chartered Accountants

- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory, fixed assets and for sale of services and sale of goods. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act for products of the Company.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, service tax, customs duty, cess and other material statutory dues applicable to it. Statutory dues pertaining to wealth tax and excise duty are not applicable to the Company.  
  
(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, customs duty, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.  
  
(c) According to the information and explanations given to us, there are no dues of income tax, sales-tax, service tax, customs duty and cess which have not been deposited on account of any dispute.
- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) The Company has not availed any loans from any banks or financial institutions or issued any debentures during the year.
- (xii) According to the information and explanations given to us and based on the documents and records produced before us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.



# **S.R. BATLIBOI & CO. LLP**

Chartered Accountants

- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order, are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any monies through public issues during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For **S.R. Batliboi & CO. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E



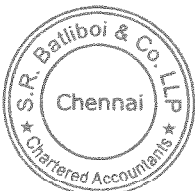
**per Aniruddh Sankaran**

Partner

Membership Number: 211107

Place: Chennai

Date : April 28, 2014



**Fortis Malar Hospitals Limited**  
**Balance Sheet as at March 31, 2014**  
*(All amounts are in Indian Rupees unless otherwise stated)*

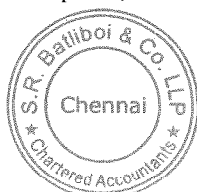
	Notes	As at March 31, 2014	As at March 31, 2013
<b>I. Equity and Liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	3 (i)	186,095,090	186,095,090
Reserves and surplus	3 (ii)	656,195,535	581,497,503
		<b>842,290,625</b>	<b>767,592,593</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities (net)	3 (iii)	7,425,818	6,301,189
		<b>7,425,818</b>	<b>6,301,189</b>
<b>Current liabilities</b>			
Trade payables	3 (iv)	102,856,208	88,585,920
Other current liabilities	3 (v)	37,709,658	23,477,451
Short-term provisions	3 (vi)	16,939,120	12,066,551
		<b>157,504,986</b>	<b>124,129,922</b>
<b>TOTAL</b>		<b>1,007,221,429</b>	<b>898,023,704</b>
<b>II. Assets</b>			
<b>Non-current assets</b>			
Fixed Assets			
Tangible assets	3 (vii)(a)	174,333,678	172,803,641
Intangible assets	3 (vii)(b)	1,983,263	887,350
Capital work in progress		6,422,636	-
Non-current investments	3 (viii)	500,000	500,000
Long term loans and advances	3 (ix)	1,166,558	1,059,558
		<b>184,406,135</b>	<b>175,250,549</b>
<b>Current assets</b>			
Inventories	3 (x)	2,692,603	3,942,958
Trade receivables	3 (xi)	39,048,019	32,065,317
Cash and bank balances	3 (xii)	101,486,751	29,222,300
Short term loans and advances	3 (xiii)	630,878,016	566,186,700
Other current assets	3 (xiv)	48,709,905	91,355,880
		<b>822,815,294</b>	<b>722,773,155</b>
<b>TOTAL</b>		<b>1,007,221,429</b>	<b>898,023,704</b>

Summary of significant accounting policies 2.1

The notes referred to above form an integral part of the financial statements.  
As per our report of even date

**For S R Batliboi & Co LLP**  
Chartered Accountants  
ICAI Firm Registration number: 301003E

per **Aniruddh Sankaran**  
Partner  
Membership No: 211107  
Place: Chennai  
Date: April 28, 2014



**For and on behalf of the Board of Directors of**  
**Fortis Malar Hospitals Limited**

**Aditya Vij**  
Chairman  
Place: Gurgaon  
Date: April 28, 2014

**Dinesh Gupta**  
Company Secretary  
Place: Chennai  
Date: April 28, 2014

**V. Vijayarathna**  
Whole Time Director  
Place: Chennai  
Date: April 28, 2014

**Raghunath P**  
Financial Controller  
Place: Chennai  
Date: April 28, 2014



**Fortis Malar Hospitals Limited**

**Statement of Profit and Loss for the year ended March 31, 2014**

(All amounts are in Indian Rupees unless otherwise stated)

	Notes	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>Income</b>			
Revenue from operations	3 (xv)	1,082,052,290	976,047,164
Other income	3 (xvi)	1,731,165	9,570,886
<b>Total revenue</b>		<b>1,083,783,455</b>	<b>985,618,050</b>
<b>Expenditure</b>			
Purchase of medical consumables and drugs	3 (xvii)(a)	229,275,035	201,427,684
Changes in inventories of medical consumables and drugs	3 (xvii)(b)	1,250,355	1,132,549
Employee benefits expense	3 (xviii)	143,131,850	137,907,840
Other expenses	3 (xix)	621,033,481	523,283,608
<b>Total expenses</b>		<b>994,690,721</b>	<b>863,751,681</b>
<b>Earnings before interest, tax, depreciation and amortization (EBITDA)</b>		<b>89,092,734</b>	<b>121,866,369</b>
Finance costs	3 (xx)	4,572,696	8,003,991
Depreciation and amortisation expense	3 (vii) (a) & (b)	19,927,110	24,903,773
Interest income	3 (xxi)	(66,142,678)	(26,713,246)
<b>Profit before exceptional and extraordinary items and tax</b>		<b>130,735,606</b>	<b>115,671,851</b>
Add: Exceptional items (Interest income)	4	-	35,327,891
<b>Profit before extraordinary items and tax</b>		<b>130,735,606</b>	<b>150,999,742</b>
Add: Extraordinary items (Profit on transfer of business)	5	-	414,005,376
<b>Profit before tax</b>		<b>130,735,606</b>	<b>565,005,118</b>
<b>Tax expense</b>			
Current tax			
Pertaining to profit for the current year		46,030,798	151,076,451
Adjustment of tax relating to earlier years		(1,997,668)	-
Deferred tax charge		1,124,629	(17,866,946)
<b>Profit for the year carried over to the balance sheet</b>		<b>85,577,847</b>	<b>431,795,613</b>
<b>Earnings per share before extraordinary items</b>	3 (xxii)		
Basic [Nominal value of shares Rs. 10/- each]		4.60	5.47
Diluted [Nominal value of shares Rs. 10/- each]		4.60	5.46
<b>Earnings per share after extraordinary items</b>	3 (xxii)		
Basic [Nominal value of shares Rs. 10/- each]		4.60	23.20
Diluted [Nominal value of shares Rs. 10/- each]		4.60	23.16

Summary of significant accounting policies 2.1

The notes referred to above form an integral part of the financial statements.  
As per our report of even date

For S R Batliboi & Co LLP  
Chartered Accountants  
ICAI Firm Registration number: 301003E

per Aniruddh Sankaran  
Partner  
Membership No: 211107  
Place: Chennai  
Date: April 28, 2014

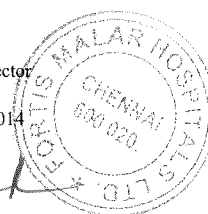
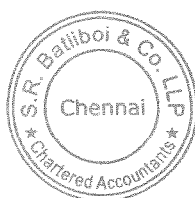
For and on behalf of the Board of Directors of  
Fortis Malar Hospitals Limited

Aditya Vij  
Chairman  
Place: Gurgaon  
Date: April 28, 2014

Dinesh Gupta  
Company Secretary  
Place: Chennai  
Date: April 28, 2014

V. Vijayarathna  
Whole Time Director  
Place: Chennai  
Date: April 28, 2014

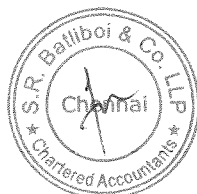
Raghunath P  
Financial Controller  
Place: Chennai  
Date: April 28, 2014



**Fortis Malar Hospitals Limited**
**Cash flow statement for the year ended March 31, 2014**

(All amounts are in Indian Rupees unless otherwise stated)

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>A. Cash flow from operating activities</b>		
Net profit before tax and extraordinary item	130,735,606	150,999,742
Adjustments for :		
Depreciation and Amortisation	19,927,110	24,903,773
Loss on sale of fixed assets	472,748	612,397
Bad debts written off	1,662,370	3,774,767
Provision for doubtful debts	4,953,734	4,450,307
Interest income	(66,142,678)	(62,041,137)
Interest expense	706,898	4,859,279
<b>Operating profit before working capital changes</b>	<b>92,315,788</b>	<b>127,559,128</b>
Movements in working capital :		
Increase/(decrease) in trade payables	11,487,151	22,390,324
Increase/(decrease) in short term provisions	(98,000)	1,746,565
Increase/(decrease) in other current liabilities	13,650,069	(657,786,150)
(Increase)/decrease in trade receivables	(11,936,436)	(2,439,248)
(Increase)/decrease in inventories	1,250,355	1,132,549
(Increase)/decrease in long term loans and advances	(107,000)	34,265,739
(Increase)/decrease in short term loans and advances	(2,020,109)	(14,122,431)
(Increase)/decrease in other current assets	(7,974,555)	(8,984,578)
Cash generated from/ (used in) operations	<b>96,567,263</b>	<b>(496,238,102)</b>
Direct taxes paid	(39,062,561)	(139,818,207)
<b>Net cash from / (used in) operating activities (A)</b>	<b>57,504,702</b>	<b>(636,056,309)</b>
<b>B. Cash flows from investing activities</b>		
Purchase of fixed assets	(26,880,129)	(33,419,233)
Proceeds from sale of fixed assets	214,822	1,555,880
Fixed Deposits placed with Bank	(40,000,000)	-
Intercompany deposit placed with subsidiary	(64,333,577)	(60,500,000)
Intercompany deposit placed with subsidiary - Repaid	-	156,900,000
Interest received	116,763,208	15,017,148
<b>Net cash from /(used in) investing activities before extraordinary item</b>	<b>(14,235,676)</b>	<b>79,553,795</b>
Proceeds from sale of clinical establishment business (extraordinary item)	-	700,000,000
Business transfer expense (extraordinary item)	-	(55,101,000)
<b>Net cash from /(used in) investing activities after extraordinary item (B)</b>	<b>(14,235,676)</b>	<b>724,452,795</b>





**Fortis Malar Hospitals Limited**

**Cash flow statement for the year ended March 31, 2014**

(All amounts are in Indian Rupees unless otherwise stated)

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>C. Cash flows from financing activities</b>		
Proceeds from long-term borrowings	-	-
Repayment of long-term borrowings	-	(45,538,661)
Dividend paid on equity shares	(8,716,355)	-
Tax on equity dividend paid	(1,581,322)	-
Proceeds / (Repayments) of short-term borrowings (net)	-	(15,095,986)
Interest paid	(706,898)	(4,859,279)
<b>Net cash from/ (used in) financing activities (C)</b>	<b>(11,004,575)</b>	<b>(65,493,926)</b>
<b>Net increase in cash and cash equivalents (A + B + C)</b>	<b>32,264,451</b>	<b>22,902,560</b>
<b>Total cash and cash equivalents at the beginning of the year</b>	<b>29,222,300</b>	<b>6,319,740</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>61,486,751</b>	<b>29,222,300</b>
<b>Components of cash and cash equivalents:</b>		
Cash in hand	3,265,051	1,576,234
Balances with banks		
On current accounts	2,903,150	7,081,229
On unpaid dividend account*	582,138	-
On Deposits with original maturity of less than three months	54,736,412	20,564,837
<b>Total</b>	<b>61,486,751</b>	<b>29,222,300</b>

\* The Company can utilize these balance only toward settlement of the respective unpaid dividend.

Summary of significant accounting policies

2.1

As per our report of even date

**For S R Batliboi & Co LLP**

**Chartered Accountants**

**ICAI Firm Registration number: 301003E**

*Aniruddh Sankaran*

**per Aniruddh Sankaran**  
**Partner**

Membership No: 211107

Place: Chennai

Date: April 28, 2014



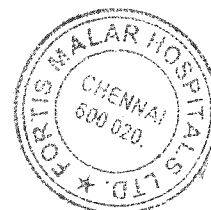
**For and on behalf of the Board of Directors of  
Fortis Malar Hospitals Limited**

*Aditya Vij*  
**Aditya Vij**  
Chairman  
Place: Gurgaon  
Date: April 28, 2014

*Dinesh Gupta*  
**Dinesh Gupta**  
Company Secretary  
Place: Chennai  
Date: April 28, 2014

*V. Vijayarathna*  
**V. Vijayarathna**  
Whole Time Director  
Place: Chennai  
Date: April 28, 2014

*Raghunath P*  
**Raghunath P**  
Financial Controller  
Place: Chennai  
Date: April 28, 2014



## 1. Corporate information

Fortis Malar Hospitals Limited ('the Company') was incorporated in the year 1989 to set up, manage and operate a multi specialty hospital and it commenced its commercial operations in the year 1992. The Company is a subsidiary of Fortis Hospitals Limited.

## 2. Basis of preparation,

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India ('Indian GAAP'). The Financial Statements of the Company have been prepared in accordance with generally accepted accounting principles in India, mandatory accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956 read with General Circular 8/2014 dated 4 April 2014, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013. The financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those used in the previous year.

### 2.1. Summary of significant accounting policies

#### a Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

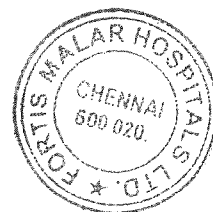
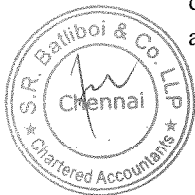
#### b Inventories

Inventory of medical consumables, drugs, stores and spares are valued at cost or net realizable value whichever is lower. Cost is determined on First in First out (FIFO) basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

#### c Tangible fixed assets

Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

The Company adjusts exchange differences arising on translation/ settlement of long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset to the cost of the asset and depreciates the same over the remaining life of the asset. In accordance with MCA circular dated 09 August 2012, exchange differences adjusted to the cost of fixed assets are total differences, arising on long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset, for the period. In other words, the Company does not differentiate between exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost and other exchange difference.



Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

**d Depreciation on tangible fixed assets**

Depreciation on fixed assets is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management, or those prescribed under the Schedule XIV to the Companies Act, 1956, whichever is higher. The Company has used the following rates to provide depreciation on its fixed assets.

Building	3.34%
Plant and equipment	4.75%
Medical equipments	7.07%
Furniture and Fixtures	9.50%
Computers	16.20%
Office equipments*	9.50%
Vehicles	9.50%

\*included as part of furniture and fixtures

Assets individually costing Rs. 5,000 /- or less are fully depreciated in the year of purchase.

**e Intangible assets**

**Computer Software**

Costs relating to software, which are acquired, are capitalized and amortized on a straight-line basis over their estimated useful lives viz., 6 years.

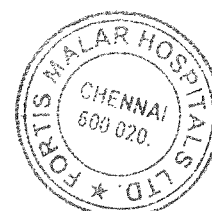
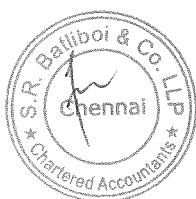
**f Operating leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership for the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

**g Borrowing costs**

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.



**h Impairment of tangible and intangible assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

**i Investments**

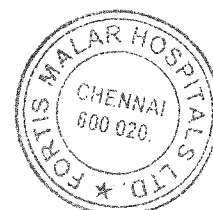
Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

**j Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Inpatient and Outpatient revenue

Inpatient and outpatient revenue is recognised as and when the services are rendered.



Management fees & income from medical services

Management fee from hospitals and income from medical services is recognised as and when the related services are rendered as per the terms of the agreement with respective hospitals.

Sale of traded goods – pharmacy items

Revenue from sale of pharmacy items are recognised as and when the pharmacy items are sold to patients.

Interest

Revenue is recognised on a time proportion basis taking in to account the amount outstanding and the rate applicable.

Income from Served from India Scheme (SFIS)

Income from SFIS is recognised based on a prescribed percentage of foreign currency receipts on account of services rendered in accordance with the Served from India Scheme. The credit under the scheme is recognised only at the time when and to the extent there is no significant uncertainty as to its measurability and ultimate realization.

**k Foreign Currency Translation**

i. Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

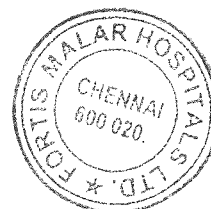
ii. Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

iii. Exchange differences

The Company accounts for exchange differences arising on translation/ settlement of foreign currency monetary items as below:

1. Exchange differences arising on a monetary item that, in substance, forms part of the Company's net investment in a non-integral foreign operation is accumulated in the foreign currency translation reserve until the disposal of the net investment. On the disposal of such net investment, the cumulative amount of the exchange differences which have been deferred and which relate to that investment is recognized as income or as expenses in the same period in which the gain or loss on disposal is recognized.
2. Exchange differences arising on long-term foreign currency monetary items related to acquisition of a fixed asset are capitalized and depreciated over the remaining useful life of the asset.



3. Exchange differences arising on other long-term foreign currency monetary items are accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortized over the remaining life of the concerned monetary item.
4. All other exchange differences are recognized as income or as expenses in the period in which they arise.

#### **l Retirement and other employee benefits**

##### **i. Contribution to provident fund**

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre payment will lead to, for example, a reduction in future payment or a cash refund.

##### **ii. Gratuity**

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation made at the end of the year using projected unit credit method.

##### **iii. Compensated absences**

Long term compensated absences are provided for based on actuarial valuation made at the end of the year using projected unit credit method.

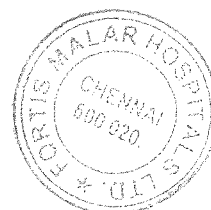
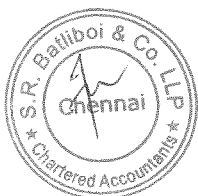
Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

##### **iv. Actuarial gains/losses**

Actuarial gains/ losses on gratuity and long term compensated absences are recognized in the statement of profit and loss as they occur.

#### **m Taxes on Income**

Tax expense comprises current and deferred tax. Current income tax is measured at the amount and expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.



Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each reporting date, the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

#### **n Employee stock compensation cost**

Employees (including senior executives) of the Company receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

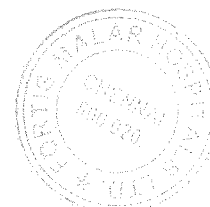
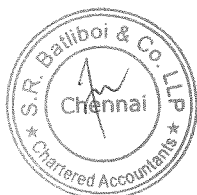
In accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, the cost of equity-settled transactions is measured using the intrinsic value method and recognized, together with a corresponding increase in the "Stock options outstanding account" in reserves. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognized in the statement of profit and loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total intrinsic value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

#### **o Earnings Per Share**

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.



**p Provisions**

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present values and are determined based on management's estimate of the amount required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the management's current estimates.

**q Contingent liabilities**

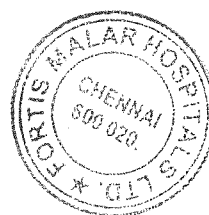
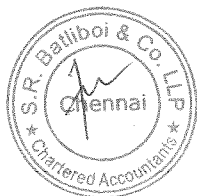
A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

**r Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

**s Measurement of EBITDA**

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956, the Company has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement of profit and loss. The Company measures EBITDA on the basis of profit/ (loss) from its operations. In its measurement, the Company does not include depreciation and amortization expense, finance costs, interest income and tax expense.





**Fortis Malar Hospitals Limited****Notes to the financial statement for the year ended March 31, 2014***(All amounts are in Indian Rupees unless otherwise stated)*

	As at March 31, 2014	As at March 31, 2013
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**Note 3(i): Share Capital****Authorised:**

30,000,000 (Previous year 30,000,000) Equity Shares of Rs. 10/- each	300,000,000	300,000,000
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<b>300,000,000</b>	<b>300,000,000</b>
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**Issued, Subscribed and Paid up:**

18,594,259 (Previous year 18,594,259) Equity Shares of Rs. 10/- each	185,942,590	185,942,590
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Add: 30,500 (Previous year 30,500) equity shares of Rs. 10 each [Rs. 5 paid up (Previous year Rs. 5 paid up)] forfeited	152,500	152,500
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<b>186,095,090</b>	<b>186,095,090</b>
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**Note A: Reconciliation of Equity Shares outstanding**

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number	Value Rs	Number	Value Rs
Shares outstanding (including forfeited shares) at the beginning of the year	18,609,509	186,095,090	18,609,509	186,095,090
Shares issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	18,609,509	186,095,090	18,609,509	186,095,090

**Note B:****Shares held by holding/ ultimate holding company and /or their subsidiaries/ associates**

Of the above :

11,752,402 Equity Shares (Previous year - 11,752,402 equity shares) are held by Fortis Hospitals Limited (Previous year - Fortis Hospitals Limited) , the holding company.

**Note C: Details of shareholders having more than 5% interest in the Company**

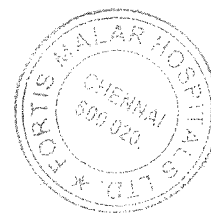
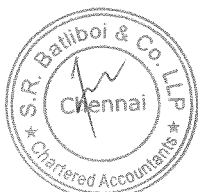
Name of Shareholder	As at March 31, 2014		As at March 31, 2013	
	No. of Shares held	% of Holding	No. of Shares held	No. of Shares held
Fortis Hospitals Limited	11,752,402	63.20%	11,752,402	63.20%

**Terms/ rights attached to equity shares**

The Company has only one class of equity shares having par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

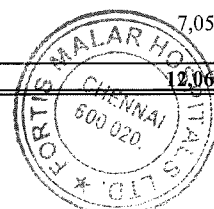
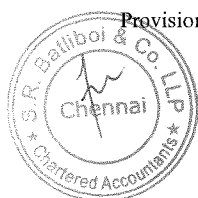
During the year ended March 31, 2014, the amount of per share dividend recognized as distributions to equity shareholders was Rs 0.50 per share ( March 31, 2013 : Nil ).

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of a preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.



**Fortis Malar Hospitals Limited**  
**Notes to the financial statement for the year ended March 31, 2014**  
*(All amounts are in Indian Rupees unless otherwise stated)*

	As at March 31, 2014	As at March 31, 2013
<b>Note 3(ii) : Reserves and Surplus</b>		
<b>a. Securities premium account</b>		
Opening Balance	93,333,320	93,333,320
Closing balance	<b>93,333,320</b>	<b>93,333,320</b>
<b>b. Surplus/ (deficit) in the statement of profit and loss</b>		
Opening balance	488,164,183	56,368,570
Net Profit for the year	85,577,847	431,795,613
Less: Appropriations		-
(i) Interim Dividend paid during the year	(9,298,493)	-
(ii) Tax on Interim Dividend	(1,581,322)	-
Closing balance	<b>562,862,215</b>	<b>488,164,183</b>
<b>Total (a+b)</b>	<b>656,195,535</b>	<b>581,497,503</b>
<b>Note 3 (iii) : Deferred Tax Liabilities, net</b>		
<b>Deferred tax liability arising on account of :</b>		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	14,393,067	11,666,216
	<b>14,393,067</b>	<b>11,666,216</b>
<b>Deferred tax asset arising on account of:</b>		
Effect of expenditure debited to statement of profit and loss in the current year but not allowed for tax purposes	6,967,249	5,365,027
	<b>6,967,249</b>	<b>5,365,027</b>
<b>Deferred tax liabilities, net</b>	<b>7,425,818</b>	<b>6,301,189</b>
<b>Note 3 (iv) : Trade Payables</b>		
Trade Payable (Also refer Note 17)	98,910,608	87,423,457
Creditors for purchase of fixed assets	3,945,600	1,162,463
	<b>102,856,208</b>	<b>88,585,920</b>
<b>Note 3 (v): Other Current Liabilities</b>		
Advances from patients	26,974,355	14,215,437
Sundry deposits	1,742,870	1,674,370
Statutory payables	8,197,491	7,587,644
Unclaimed Dividend	582,138	-
Other liabilities	212,804	-
	<b>37,709,658</b>	<b>23,477,451</b>
<b>Note 3 (vi) : Short Term Provisions</b>		
<b>a. Provision for employee benefits</b>		
Provision for gratuity (Also refer Note 13)	1,965,000	2,313,000
Provision for leave encashment	2,946,000	2,696,000
<b>b. Other provisions</b>		
Provision for Income tax (net)	12,028,120	7,057,551
	<b>16,939,120</b>	<b>12,066,551</b>



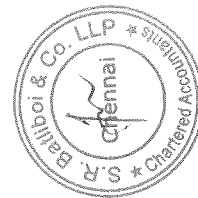
**Fortis Malar Hospitals Limited**

**Notes to the financial statement for the year ended March 31, 2014**

*(All amounts are in Indian Rupees unless otherwise stated)*

**Note 3 (vii)(a) Tangible assets**

	Freehold Land	Building	Plant and equipment	Medical Equipments	Furniture and fixtures	Computers	Vehicles	Total
<b>Original cost</b>								
At 1 April 2012	22,819,716	215,333,471	80,833,289	220,455,462	10,113,859	10,102,409	3,876,623	563,534,829
Additions	-	7,856,354	12,129,730	16,677,399	443,688	1,232,736	-	38,339,907
Disposal through business transfer	(22,819,716)	(223,189,825)	(63,651,877)	(23,731,646)	(2,743,095)	-	-	(336,136,159)
Disposals	-	-	(7,414,512)	(34,013)	(853,352)	(1,028,612)	(3,876,623)	(13,207,112)
At 31 March 2013	-	-	21,896,630	213,367,202	6,961,100	10,306,533	-	252,531,465
Additions	-	-	1,024,045	12,630,729	3,249,136	3,004,114	1,089,157	20,997,181
Disposals	-	-	(1,005,443)	(3,966,654)	(217,875)	(426,750)	-	(5,616,722)
At 31 March 2014	-	-	21,915,232	222,031,277	9,992,361	12,883,897	1,089,157	267,911,924
<b>Depreciation</b>								
At 1 April 2012	-	75,412,960	31,316,178	54,380,569	3,996,327	5,207,418	3,539,516	173,852,968
Charge for the year	-	3,986,023	2,631,333	15,071,647	924,785	1,591,775	200,786	24,406,349
Disposal through business transfer	-	(79,398,983)	(23,054,261)	(5,781,831)	(746,329)	-	-	(108,981,404)
Disposals	-	-	(4,414,583)	(34,013)	(405,530)	(955,661)	(3,740,302)	(9,550,089)
At 31 March 2013	-	-	6,478,667	63,636,372	3,769,253	5,843,532	-	79,727,824
Charge for the year	-	-	1,097,949	15,206,414	995,880	1,435,960	43,372	18,779,575
Disposals	-	-	(625,981)	(3,728,451)	(147,972)	(426,749)	-	(4,929,153)
At 31 March 2014	-	-	6,950,635	75,114,335	4,617,161	6,852,743	43,372	93,578,246
<b>Net Block</b>								
At 31 March 2013	-	-	15,417,963	149,730,830	3,191,847	4,463,001	-	172,803,641
At 31 March 2014	-	-	14,964,597	146,916,942	5,375,200	6,031,154	1,045,785	174,333,678



**Fortis Malar Hospitals Limited**

**Notes to the financial statement for the year ended March 31, 2014**

*(All amounts are in Indian Rupees unless otherwise stated)*

**Note 3 (vii)(b) Intangible assets**

	<b>Computer software</b>
<b>Original cost</b>	
At 1 April 2012	3,070,024
Additions	-
<b>At 31 March 2013</b>	<b>3,070,024</b>
Additions	2,243,448
<b>At 31 March 2014</b>	<b>5,313,472</b>
<b>Amortization</b>	
At 1 April 2012	1,685,250
Charge for the year	497,424
<b>At 31 March 2013</b>	<b>2,182,674</b>
Charge for the year	1,147,535
<b>At 31 March 2014</b>	<b>3,330,209</b>
<b>Net Block</b>	
<b>At 31 March 2013</b>	<b>887,350</b>
<b>At 31 March 2014</b>	<b>1,983,263</b>

	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
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**Note 3 (viii) : Non Current Investments (valued at cost unless stated otherwise)**

**Trade, Unquoted**

**Investment in subsidiary companies**

50,000 (Previous year 50,000) equity shares of face value Rs. 10 in Malar Stars Medicare Limited

500,000	500,000
<b>500,000</b>	<b>500,000</b>

**Note:**

Aggregate amount of unquoted investments

500,000	500,000
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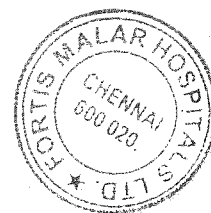
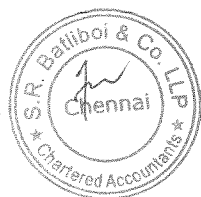
**Note 3 (ix) : Long Term Loans and Advances**

**Unsecured, Considered good**

Security Deposit

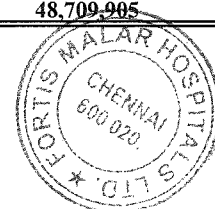
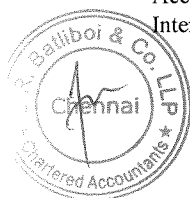
1,166,558	1,059,558
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<b>1,166,558</b>	<b>1,059,558</b>
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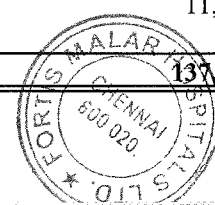
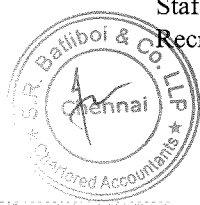
**Fortis Malar Hospitals Limited**  
**Notes to the financial statement for the year ended March 31, 2014**  
*(All amounts are in Indian Rupees unless otherwise stated)*

	As at March 31, 2014	As at March 31, 2013
<b>Note 3 (x) : Inventories (at lower of cost and net realisable value)</b>		
Medical consumables and drugs	2,692,603	3,942,958
	<b>2,692,603</b>	<b>3,942,958</b>
<b>Note 3 (xi) : Trade Receivables ( Unsecured )</b>		
<b>Aggregate amount outstanding for a period exceeding six months (from due date of payment)</b>		
Considered good	4,931,862	2,850,249
Considered doubtful	2,917,975	2,932,842
Less : Provision for doubtful debts	(2,917,975)	(2,932,841)
	4,931,862	2,850,250
<b>Other Debts</b>		
Considered good	34,116,157	29,215,067
Considered doubtful	5,211,502	1,201,461
Less : Provision for doubtful debts	(5,211,502)	(1,201,461)
	34,116,157	29,215,067
	<b>39,048,019</b>	<b>32,065,317</b>
<b>Note 3 (xii) : Cash and Bank Balances</b>		
<b>Cash and cash equivalents</b>		
Cash on hand	3,265,051	1,576,234
Balances with banks		
On current accounts	2,903,150	7,081,229
On unpaid dividend account*	582,138	
On Deposits with original maturity of less than three months	54,736,412	20,564,837
	<b>61,486,751</b>	<b>29,222,300</b>
<b>Other bank balances</b>		
On Deposits with original maturity for more than 3 months but less than 12 months	40,000,000	-
	<b>101,486,751</b>	<b>29,222,300</b>
* The Company can utilize these balance only toward settlement of the respective unpaid dividend.		
<b>Note 3 (xiii) : Short Term Loans and Advances ( Unsecured, Considered good )</b>		
<b>Loans and advances to related parties</b>		
Advances recoverable in cash or in kind or for value to be received	1,441,918	28,695
Inter corporate deposit placed with subsidiary ( Also refer Note 9 )	617,933,576	553,600,000
<b>Loans and advances to others</b>		
Advances recoverable in cash or in kind or for value to be received	11,502,522	12,558,005
	<b>630,878,016</b>	<b>566,186,700</b>
<b>Note 3 (xiv) : Other Current Assets</b>		
<b>Unsecured, Considered good</b>		
Income from Undischarged Patients	26,523,431	17,354,252
Accrued Served from India Scheme (SFIS) Income	8,473,427	9,668,051
Interest accrued but not due	13,713,047	64,333,577
	<b>48,709,905</b>	<b>91,355,880</b>



**Fortis Malar Hospitals Limited****Notes to the financial statement for the year ended March 31, 2014***(All amounts are in Indian Rupees unless otherwise stated)*

	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>Note 3 (xv) : Revenue from operations</b>		
<b>Sales of Services</b>		
In patient	862,001,356	775,711,254
Out patient	177,253,116	155,899,356
Income from referral fees	881,152	821,357
Management fees from hospitals	-	267,335
Sub Total (a)	1,040,135,624	932,699,302
<b>Sales of Traded Goods</b>		
Pharmacy products	36,865,600	36,581,648
Sub Total (b)	36,865,600	36,581,648
<b>Other operating revenue</b>		
Income from Served from India Scheme (SFIS)	4,299,478	5,141,494
Income from sponsorship camps	140,140	4,500
Other operating income	611,448	1,620,220
Sub Total (c)	5,051,066	6,766,214
<b>Total (a+b+c)</b>	<b>1,082,052,290</b>	<b>976,047,164</b>
<b>Note 3 (xvi) : Other Income</b>		
<b>Other non operating Income</b>		
Income from rent	-	801,426
Parking fees	-	305,260
Unclaimed balances and excess provision written back	1,731,165	8,464,200
	<b>1,731,165</b>	<b>9,570,886</b>
<b>Note 3 (xvii) (a) : Purchase of medical consumables and drugs</b>		
Cardio Consumables	72,766,913	65,580,372
Ortho Consumables	17,619,607	4,128,085
Others	138,888,515	131,719,227
	<b>229,275,035</b>	<b>201,427,684</b>
<b>Note 3 (xvii) (b) : Changes in Inventories of Medical Consumables and drugs</b>		
Opening Stock	3,942,958	5,075,507
Closing Stock	2,692,603	3,942,958
	<b>1,250,355</b>	<b>1,132,549</b>
<b>Note 3 (xviii) : Employee Benefit expense</b>		
Salaries, wages and bonus	117,511,526	113,162,486
Gratuity ( Also refer Note 13 )	2,635,000	1,858,000
Leave encashment	1,459,000	2,480,230
Contribution to provident & other funds	9,295,362	8,590,456
Staff welfare expenses	12,175,767	11,182,243
Recruitment & training	55,195	634,425
	<b>143,131,850</b>	<b>137,907,840</b>



**Fortis Malar Hospitals Limited**
**Notes to the financial statement for the year ended March 31, 2014**
*(All amounts are in Indian Rupees unless otherwise stated)*

	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>Note 3 (xix) : Other Expenses</b>		
Contractual manpower	3,087,662	5,177,248
Power, fuel and water	21,025,805	22,296,084
Hospital Service fee expense	166,726,430	73,057,189
Housekeeping expenses including consumables	3,931,421	4,619,539
Patient food and beverages	13,891,227	12,258,918
Pathology laboratory expenses	30,582,877	25,881,361
Radiology expenses	(174,200)	19,408,892
Consultation fees to doctors	76,310,148	82,023,383
Professional charges to doctors	184,708,693	164,734,925
Cost of medical services	14,722,767	13,253,556
Repairs & maintenance		
- Building	1,585,699	2,131,965
- Plant & machinery	9,714,625	9,032,881
- Others	4,628,091	6,101,821
Rent		
- Hospital building	-	468,179
- Equipments	3,551,023	3,855,957
- Others	2,999,845	2,988,115
Legal & professional fee	6,623,590	5,044,654
Travel & conveyance	13,855,335	12,194,181
Rates & taxes	470,170	1,676,334
Printing & stationary	4,815,209	4,823,423
Communication expenses	2,712,600	2,858,161
Directors' sitting fees	275,542	215,000
Insurance	8,340,099	5,515,232
Marketing & business promotion	33,921,307	24,961,364
Loss on sale of fixed assets	472,748	612,397
Auditors' remuneration		
a. Statutory audit	906,420	674,160
b. Tax audit	56,180	56,180
c. others	252,810	252,810
d. out of pocket expenses	10,754	55,619
Bad debts/ advances written off	1,662,370	3,774,767
Provision for doubtful debts	4,953,734	4,450,307
Miscellaneous expenses	4,412,500	8,829,006
	<b>621,033,481</b>	<b>523,283,608</b>

**Note 3 (xx) : Financial costs**

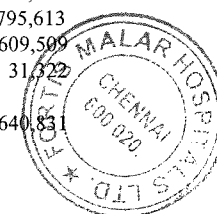
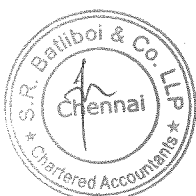
Interest Expense	706,898	4,859,279
Bank charges	3,865,798	3,144,712
	<b>4,572,696</b>	<b>8,003,991</b>

**Note 3 (xxi) : Interest Income**

<b>Interest income</b>		
Interest on bank deposits	4,182,443	175,822
Interest from Inter corporate deposit	61,793,357	26,537,424
Interest from other deposits	166,878	-
	<b>66,142,678</b>	<b>26,713,246</b>

**Note 3 (xxii) : Earnings per share**

Net profit as per profit and loss account - before Extra ordinary items	85,577,847	101,741,219
Net profit as per profit and loss account - after Extra ordinary items	85,577,847	431,795,613
Weighted average number of equity shares in calculating Basic EPS	18,609,509	18,609,509
Add: Weighted average number of equity shares which would be issued on the allotment of equity shares against stock option granted under ESOP 2007	-	31,322
Weighted average number of equity shares in calculating Diluted EPS	18,609,509	18,640,831



#### 4 Interest Income

During the year ended March 31, 2013, Interest income aggregating Rs. 35,327,891, earned on Inter Corporate Deposit placed out of advance money received from Fortis Health Management Limited ('FHML') towards sale of the 'Clinical Establishment Business' ('CEB') upto October 16, 2012, being the effective date of transfer of the CEB has been disclosed as an exceptional item and the related interest income aggregating Rs.26,537,424 pertaining to the period subsequent to October 16, 2012 has been included as part of other income.

#### 5 Sale of Clinical Establishment Business

The Shareholders of the Company had approved vide resolution dated July 18, 2011, the transfer / sale / disposal of Hospital Infrastructure Undertaking including Out Patient Department business and radio diagnosis equipments ('Hospital Infrastructure Undertaking') on a Going Concern Basis through slump sale to any one of the Affiliates / Group Company / Companies under the same management for a consideration of an amount not less than Rs. 600,000,000. Accordingly, the net assets of Rs. 2,308.93 lakhs of the clinical establishment business have been transferred as a going concern on a slump sale basis effective October 17, 2012 for an aggregate consideration of Rs. 7,000 lakhs. The net profit aggregating Rs. 3,132.59 lakhs (net of tax expense of Rs. 1,007.47 lakhs ) arising from the sale of the said business has been disclosed as an 'extraordinary item'.

The Company has entered into a Hospital and Medical Services Agreement (HMSA) with Fortis Health Management Limited (FHML), whereby, the Company has engaged FHML to provide the clinical establishment services including the radiology and the out-patient consultation services on behalf of the Company.

#### 6 Segment reporting

##### Primary Segment

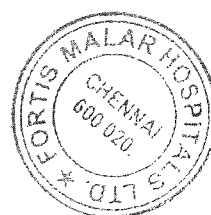
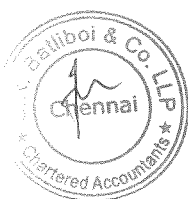
The Company is engaged in providing health care services, which in the context of Accounting Standard 17 (Segmental Information) is considered as the only business segment. Accordingly, no separate segmental information has been provided herein.

##### Secondary Segment – Geographical Segment.

The Company operates in India and therefore mainly caters to the needs of the domestic market. Therefore, there are no reportable geographical segments.

#### 7 Capital and other commitments

At March 31, 2014, the Company has capital commitments of Rs 517,500 (Previous year Rs. 2,139,502) towards purchase of assets.





## 8 Contingent liabilities

	31 March 2014	31 March 2013
	Rs	Rs
Claims against the Company not acknowledged as debts (in respect of compensation demanded by the patients / their relatives for negligence).	81,892,872	72,323,252

The cases are pending with various Consumer Disputes Redressal Commissions. The Company has been advised by its legal counsel that it is possible, but not probable, the action will succeed and accordingly no provision for liability has been recognized in the financial statements.

## 9 Loans and advances in the nature of loans given to subsidiaries and associates and firms/companies in which directors are interested

	Particulars		March 31, 2014	March 31, 2013
A	<b>Malar Star Medicare Limited</b>			
	Balance outstanding at the year end	Note 3(xiii)	617,933,577	553,600,000
	Interest accrued and due	Note 3(xiv)	13,713,046	64,333,577
	<b>Total</b>		<b>631,646,623</b>	<b>617,933,577</b>
	Maximum amount outstanding during the year		631,951,358	658,654,794

Loans given to related party is repayable on for a tenure of 12 months. This loan carry interest @ 10% p.a.

## 10 Value of imports calculated on CIF basis

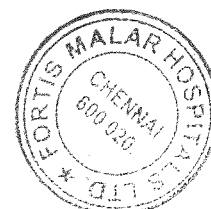
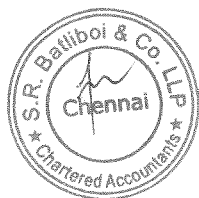
Particulars	March 31, 2014	March 31, 2013
Capital goods	621,500	4,487,162
Medical Consumables	17,391,988	-

## 11 Expenditure in foreign currency (accrual basis)

Particulars	March 31, 2014	March 31, 2013
Professional fees	2,234,559	2,736,810
Travelling and Conveyance	1,041,667	506,494
Others	532,532	379,040

## 12 Earnings in foreign exchange (accrual basis)

Particulars	March 31, 2014	March 31, 2013
Health care services rendered to international patients	45,690,100	46,243,662



### 13 Gratuity

The Company has a defined benefit gratuity plan, whereby the employees are entitled to gratuity benefit on the basis of last salary drawn and completed number of years of service.

The following table summarises the components of net benefit expense recognised in the statement of profit and loss and the fund status and amounts recognised in the balance sheet.

Statement of Profit and Loss	March 31, 2014	March 31, 2013
Net employee benefit expense (recognised in Employee benefits)		
(i) Current service cost	1,799,000	1,600,000
(ii) Past Service Cost		-
(iii) Interest cost on Benefit Obligations	792,000	713,000
(iv) Expected return on plan assets	(840,000)	(676,000)
(v) Net actuarial (gains)/ losses recognised in the year	884,000	221,000
(vi) Net (benefit) / expense	<b>2,635,000</b>	<b>1,858,000</b>
(vii) Actual return on plan assets	-	-

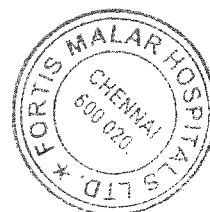
Balance Sheet	March 31, 2014	March 31, 2013
Details of Provision for gratuity		
(i) Defined benefit obligation	12,911,000	10,330,000
(ii) Fair value of plan assets	10,946,000	8,017,000
(iii) Unrecognized past service cost	-	-
(iv) Plan (Liability) / Asset	<b>(1,965,000)</b>	<b>(2,313,000)</b>

**Changes in the present value of the defined benefit obligation are as follows:**

(i) Opening defined benefit obligation	10,330,000	8,781,000
(ii) Current service cost	1,799,000	1,600,000
(iii) Past Service Cost	-	-
(iv) Interest cost	792,000	713,000
(v) Actuarial (gains) / losses on obligation	850,000	210,000
(vi) Benefits paid	(860,000)	(974,000)
(vii) Closing defined benefit obligation	<b>12,911,000</b>	<b>10,330,000</b>

**Changes in the fair value of the plan assets are as follows:**

(i) Opening fair value of plan assets	8,017,000	7,274,000
(ii) Expected return	840,000	676,000
(iii) Actuarial gains / (losses)	(34,000)	(11,000)
(iv) Contributions by employer	2,123,000	78,000
(v) Benefits paid	-	-
(vi) Closing fair value of plan assets	<b>10,946,000</b>	<b>8,017,000</b>



The principal assumptions used in determining gratuity and post-employment medical benefit obligations for the Company's plans are shown below:

Particulars	March 31, 2014	March 31, 2013
Discount rate	9.25%	8%
Expected rate of return on assets	9.25%	9.25%
<u>Employee turnover</u>		
Age 20 to 30 years	18%	18%
Age 31 to 44 years	6%	6%
Age Above 44 years	2%	2%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other related factors, such as supply and demand in the employment market.

The Company expects to contribute Rs. 1,965,000 to gratuity in the next year (March 31, 2013: Rs. 2,313,000).

The fund is 100% administered by Life Insurance Corporation of India ("LIC"). The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

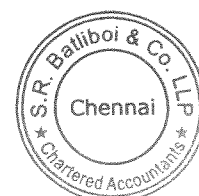
Amounts for the current and previous four years are as follows:

	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010
<b>Gratuity</b>					
Defined benefit obligation	(12,911,000)	(10,330,000)	(8,781,000)	(7,741,000)	(6,835,000)
Plan assets	10,946,000	8,017,000	7,273,565	6,328,000	1,483,000
Surplus / (deficit)	(1,965,000)	(2,313,000)	(1,507,435)	(1,413,000)	(5,352,000)
Experience adjustments on plan liabilities	(2,508,000)	388,000	(11,000)	91,000	116,000
Experience adjustments on plan assets	(34,000)	11,000	(307,283)	28,000	(7,000)

#### 14 Employee stock option plans

The Company provides share-based payment schemes to its employees. During the year ended March 31, 2014, an employee stock option plan (ESOP) was in existence. The relevant details of the scheme and the grant are as below.

Malar Employee Stock Option Plan 2008 (Scheme) was approved by the board of directors of the Company on 31st July 2008/28th May 2009 and by shareholders in the annual general meeting held on 29th September, 2008 /21st August 2009. The following are some of the important conditions to the scheme:



#### Vesting Plan

- 25% of the option shall vest on the completion of 12 months from the grant date.
- 25% of the option shall vest on the completion of 24 months from the grant date.
- 25% of the option shall vest on the completion of 36 months from the grant date.
- 25% of the option shall vest on the completion of 48 months from the grant date.

#### Exercise Plan

There shall be no lock in period after the options have vested. The vested options will be eligible to be exercised on the vesting date itself. Notwithstanding any provisions to the contrary in this plan the options must be exercised before the end of the tenure of the plan.

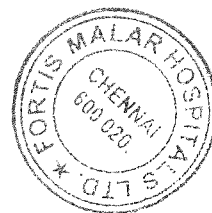
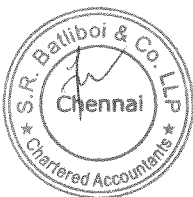
#### Effective Date

The plan shall be deemed to have come to in force on the 21 August 2009 or on such other date as may be prescribed by the board of directors of the Company subject to the approval of shareholders of the company in general meeting.

The details of activity under the Scheme are summarized below:

	<b>March 31, 2014</b>		<b>March 31, 2013</b>	
	<b>No. of options</b>	<b>WAEP (Rs)</b>	<b>No. of options</b>	<b>WAEP (Rs)</b>
Outstanding at the beginning of the year	280,000	26.20	295,000	26.20
Granted during the year	-	-	-	-
Forfeited during the year	50,000	26.20	15,000	26.20
Exercised during the year	-	-	-	-
Outstanding at the end of the year	230,000	26.20	280,000	26.20
Exercisable at the end of the year	22,212	26.20	70,000	26.20

The weighted average remaining contractual life for the stock options outstanding as at 31 March 2014 is 2.75 years (31 March 2013: 3.75 years). The range of exercise prices for options outstanding at the end of the year was Rs. 10. (31 March 2013: Rs. 10).



Fortis Malar Hospitals Limited  
Notes to financial statements for the year ended March 31, 2014  
(All amounts are in Indian Rupees unless otherwise stated)

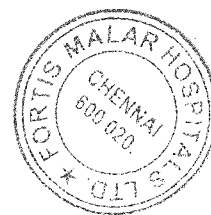
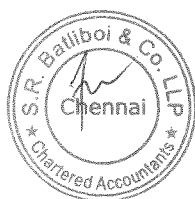
The weighted average fair value of stock options granted during the year was Rs. 13.45 (31 March 2013: Rs 13.45). The Black Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

	March 31, 2014	March 31, 2013
Dividend yield (%)	0%	0%
Expected volatility	67.42%	67.42%
Risk-free interest rate	7.50%	7.50%
Weighted average share price (Rs.)	Nil	Nil
Exercise price (Rs.)	26.20	26.20
Expected life of options granted in years	5	5

The expected life of the stock is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The Company measures the cost of ESOP using the intrinsic value method. Had the Company used the fair value model to determine compensation, its profit after tax and earnings per share as reported would have changed to the amounts indicated below:

	March 31, 2014 (Rs)	March 31, 2013 (Rs)
Profit after tax as reported	85,577,847	431,795,613
Add: ESOP cost using the intrinsic value method	Nil	Nil
Less: ESOP cost using the fair value method	407,368	1,268,927
<b>Proforma profit after tax</b>	<b>85,170,479</b>	<b>430,526,686</b>
<b>Earnings Per Share</b>		
<b>Basic</b>		
- As reported	4.60	23.20
- Proforma	4.58	23.13
<b>Diluted</b>		
- As reported	4.60	23.16
- Proforma	4.58	23.20



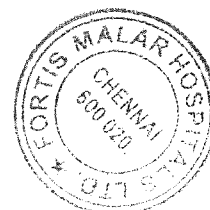
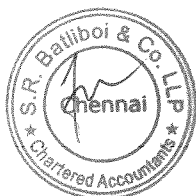
## 15 Related Party Disclosures

### 15.1. Related parties where control exists

Relationship	Name of the related Party
Ultimate Holding Company	Fortis Healthcare Limited
Holding Company	Fortis Hospitals Limited
Subsidiary Company	Malar Stars Medicare Limited

### 15.2. Related parties with whom transactions have taken place during the year

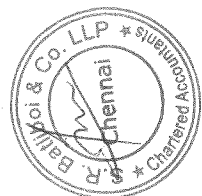
Relationship	Name of the related party
Ultimate Holding Company	Fortis Healthcare Limited
Holding Company	Fortis Hospitals Limited
Key Management Personnel	Mr.V.Vijayarathna (Whole-time Director) (with effect from July 10, 2012) Mr Krish Ramesh (Whole time Director) (Resigned from July 10, 2012)
Subsidiary Company	Malar Stars Medicare Limited
Enterprises under common control	Fortis Health Management Limited Hospitalia Eastern Private Limited Lalitha Healthcare Private Limited Super Religare Laboratories Limited Escorts Heart Institute and Research Centre Limited



**Fortis Malar Hospitals Limited**  
**Notes to financial statements for the year ended March 31, 2014**  
*(All amounts are in Indian Rupees unless otherwise stated)*

**15.2. Transactions during the year with related parties**

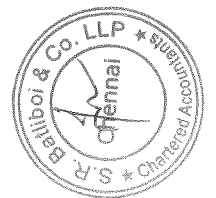
Particulars	March 31, 2014						March 31, 2013					
	Key Management Personnel	Ultimate Holding Company	Holding Company	Subsidiary Company	Entities under Common Control	Entities under significance of the ultimate holding Company	Key Management Personnel	Ultimate Holding Company	Holding Company	Subsidiary Company	Entities under Common Control	Entities under significance of the ultimate holding Company
Transactions during the year												
Advances received towards sale of undertaking												
Fortis Health Management Limited	-		-	-	-	-	-	-	-	-	5,000,000	-
Advances settled against the sale of undertaking												
Fortis Health Management Limited	-	-	-	-	-	-	-	-	-	-	700,000,000	-
Contribution to Technology renewal fund												
Fortis Health Management Limited	-	-	-	-	500,000	-	-	-	-	-	228,261	-
Utilisation from Technology renewal fund												
Fortis Health Management Limited	-	-	-	-	728,261	-	-	-	-	-	-	-
Intercompany Deposit Placed												
Malar Star Medicare Limited	-	-	-	64,333,577	-	-	-	-	-	60,500,000	-	-
Intercompany deposit repayment receipts												
Malar Star Medicare Limited	-	-	-	-	-	-	-	-	-	156,900,000	-	-
Interest earned												
Malar Star Medicare Limited	-	-	-	61,793,357	-	-	-	-	-	61,865,315	-	-



**Fortis Malar Hospitals Limited**  
Notes to financial statements for the year ended March 31, 2014  
(All amounts are in Indian Rupees unless otherwise stated)

15.2. Transactions during the year with related parties

Particulars	March 31, 2014						March 31, 2013					
	Key Management Personnel	Ultimate Holding Company	Holding Company	Subsidiary Company	Entities under common Control	Entities under significance of the ultimate holding Company	Key Management Personnel	Ultimate Holding Company	Holding Company	Subsidiary Company	Entities under common Control	Entities under significance of the ultimate holding Company
<b>Reimbursement of expenses incurred on behalf of group Companies</b>												
Fortis Healthcare Limited	-	19,743,753	-	-	-	-	-	3,106,918	-	-	-	-
Fortis Hospitals Limited	-	-	196,354	-	-	-	-	-	-	-	-	-
Malar Stars Medicare Limited	-	-	-	-	-	-	-	-	-	1,462	-	-
Super Religare Laboratories Limited	-	-	-	-	952,283	-	-	-	-	-	970,135	-
Fortis Health Management North Limited	-	-	-	-	-	-	-	-	-	-	28,695	-
<b>Reimbursement of expenses incurred by group companies on behalf of the Company</b>												
Fortis Healthcare Limited	-	37,958	-	-	-	-	-	1,003,572	-	-	-	-
Fortis Hospitals Limited	-	-	1,101,942	-	-	-	-	-	1,516,602	-	-	-
<b>Purchase of consumables</b>												
Fortis Hospitals Limited	-	-	3,297,076	-	-	-	-	-	-	-	-	-
<b>Operations and Management services received</b>												
Super Religare Laboratories Limited	-	-	-	-	28,037,959	-	-	-	-	-	25,135,435	-
Malar Stars Medicare Limited	-	-	-	3,657,000	-	-	-	-	-	3,933,000	-	-
Fortis Health Management Limited	-	-	-	-	-	166,726,430	-	-	-	-	-	73,057,189





**Fortis Malar Hospitals Limited**  
**Notes to financial statements for the year ended March 31, 2014**  
*(All amounts are in Indian Rupees unless otherwise stated)*

**15.2. Transactions during the year with related parties**

Particulars	March 31, 2014						March 31, 2013					
	Key Management Personnel	Ultimate Holding Company	Holding Company	Subsidiary Company	Entities under Common Control	Entities under significance of the ultimate holding Company	Key Management Personnel	Ultimate Holding Company	Holding Company	Subsidiary Company	Entities under Common Control	Entities under significance of the ultimate holding Company
Sale of medical equipments/Assets												
Fortis Healthcare Limited	-	3,866,255	-	-	-	-	-	-	-	-	-	-
Fortis Health Management Limited	-	-	-	-	71,562	-	-	-	-	-	-	-
Managerial remuneration												
Mr Krish Ramesh	-	-	-	-	-	-	3,721,545	-	-	-	-	-
Mr. Vijayarathna	6,053,743	-	-	-	-	-	2,553,675	-	-	-	-	-
Balances at the end of the year												
Trade payable												
Super Religare Laboratories Limited	-	-	-	-	861,993	-	-	-	-	-	1,772,139	-
Fortis Health Management Limited	-	-	-	-	-	28,833,927	-	-	-	-	-	9,431,867
Advance Recoverable												
Fortis Healthcare limited	-	878,657	-	-	-	-	-	267,657	-	-	-	-
Fortis Health Management North Limited	-	-	-	-	-	-	-	-	-	-	28,695	-
Malar Stars Medicare Limited	-	-	-	563,261	-	-	-	-	-	-	-	-

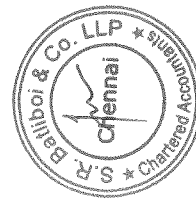


**Fortis Malar Hospitals Limited**  
**Notes to financial statements for the year ended March 31, 2014**  
*(All amounts are in Indian Rupees unless otherwise stated)*

**15.2. Transactions during the year with related parties**

Particulars	March 31, 2014						March 31, 2013					
	Key Management Personnel	Ultimate Holding Company	Holding Company	Subsidiary Company	Entities under common Control	Entities under significance of the ultimate holding Company	Key Management Personnel	Ultimate Holding Company	Holding Company	Subsidiary Company	Entities under common Control	Entities under significance of the ultimate holding Company
Balance with Technology renewal fund												
Fortis Health Management Limited	-	-	-	-	-	-	-	-	-	-	228,261	-
Inter corporate deposit placed												
Malar Stars Medicare Limited	-	-	-	617,933,576	-	-	-	-	-	553,600,000	-	-
Interest accrued but not due												
Malar Stars Medicare Limited	-	-	-	13,713,046	-	-	-	-	-	64,333,577	-	-

Note: The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Company as a whole.



Fortis Malar Hospitals Limited  
Notes to financial statements for the year ended March 31, 2014  
(All amounts are in Indian Rupees unless otherwise stated)

**16 Operating lease payments**

Operating lease agreements have been entered in to by the Company with respect to office premises and medical equipment. All lease commitments are cancellable. The total lease payments made during the year are as follows:

Particulars	March 31, 2014	March 31, 2013
Lease rentals paid	6,550,868	7,312,251

**17 Details of dues to micro and small enterprises as defined under the MSMED Act, 2006**

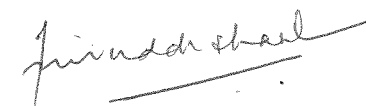
There is no overdue amount payable to Micro, Small and Medium Enterprises as defined under The Micro, Small and Medium Enterprises Development Act, 2006. Further, the Company has not paid any interest to any Micro, Small and Medium Enterprises during the current year and previous year.

**18 Previous year's figures have been regrouped where necessary to conform to the current year's classification.**

**As per our report of even date**

**For S R Batliboi & Co LLP**

ICAI Firm Registration number: 301003E  
Chartered Accountants



**per Aniruddh Sankaran**  
**Partner**

Membership No.: 211107

Place: Chennai

Date: April 28, 2014

**For and on behalf of the Board of Directors of**

**Fortis Malar Hospitals Limited**

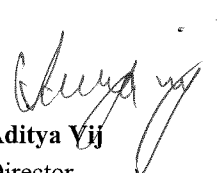


**V. Vijayarathna**

Whole Time Director

Place: Chennai

Date: April 28, 2014

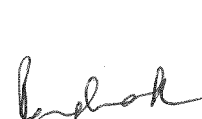


**Aditya Vij**

Director

Place: Gurgaon

Date: April 28, 2014



**Raghunath P**

Financial Controller

Place: Chennai

Date: April 28, 2014



**Dinesh Gupta**

Company Secretary

Place: Chennai

Date: April 28, 2014

