

INDEPENDENT AUDITOR'S REPORT

To the Members of FORTIS HEALTHCARE LIMITED

Report on the Audit of Standalone Financial Statements

Qualified Opinion

We have audited the standalone financial statements of Fortis Healthcare Limited (the "Company"), which comprise the standalone balance sheet as at 31 March 2019, and the standalone statement of profit and loss (including other comprehensive income), standalone statement of changes in equity and standalone cash flow statement for the year then ended, and notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the Standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, and except for the effects/ possible effects, if any, of the matters described in "Basis for Qualified Opinion" paragraphs of our report, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and, give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, of its profit, total comprehensive profit, cash flows and changes in equity for the year ended on that date.

Basis for Qualified Opinion

The matters stated below were also subject matter of qualification in predecessor auditor's audit opinion on the standalone financial statements as at 31 March 2018:

- 1 As explained in Note 29 of the standalone financial statements, pursuant to certain events/transactions, the erstwhile Audit and Risk Management Committee (the "ARMC") of the Company had initiated an independent investigation by an external legal firm and special audits by professional firms on matters relating to systematic lapses/override of internal controls as described in Note 29 of the standalone financial statements. The report has since been submitted and is subject to the limitations on the information available to the external legal firm and their qualifications and disclaimers as described in their Investigation report.

Additionally, different regulatory authorities are currently undertaking their own investigations, details of which are described in Note 29 and 30 of the standalone financial statements and stated below:

- SEBI has initiated an investigation in respect of the various issues. On 17 October 2018 and 21 December 2018 and 19 March 2019, SEBI passed Orders (“Orders”) and further investigations by regulatory authorities is continuing. In its Orders, SEBI observed that certain inter-corporate deposits (“ICDs”) made by Fortis Hospitals Limited (“FHsL”), a wholly owned subsidiary of the Company, with certain identified entities were so structured that they seem to be prima facie fictitious and fraudulent in nature resulting in inter alia diversion of funds from the Fortis Group (“Group”) for the ultimate benefit of erstwhile promoters (and certain entities controlled by them) resulting in a misrepresentation in the financial statements of the Company in an earlier period. Further, SEBI issued certain interim directions inter alia directing the Company and FHsL to take all necessary steps to recover Rupees 40,300 lacs along with the due interest from erstwhile promoters and various other entities, as mentioned in the Orders. It has also directed the erstwhile promoter and the said entities to repay the sums due. The aforesaid ICDs were fully provided for in the books as at 31 March 2018. SEBI, in its Orders also directed erstwhile promoters and the said entities that pending completion of the investigation and till further order, they shall not dispose off or alienate any of their assets or divert any funds, except for the purposes for meeting expenses of day to day business operations, without any prior permission of SEBI. Erstwhile promoters have also been directed not to associate themselves with the affairs of the Company in any manner whatsoever, till further directions. The initial directions issued by SEBI have been confirmed by SEBI in their order dated 19 March 2019.
- Serious Fraud Investigation Office (SFIO), Ministry of Corporate Affairs, under Section 217(1)(a) of the Companies Act, 2013, inter alia, has initiated an investigation and has been seeking information in relation to the Company, its material subsidiaries, joint ventures and associates to which as informed to us the Company has responded.

Since, the investigation and enquiries carried out by regulators as aforesaid are currently ongoing, need for additional procedures/ enquiries, if any, and an overall assessment of the impact of the investigations on the standalone financial statements of the Company is yet to be concluded.

Based on investigations carried out by an external legal firm, Orders by SEBI and other information available currently, as per the management, all identified/required adjustments/ disclosures arising from the findings in the Investigation Report and the Orders by SEBI, were made in the standalone financial statements of the Company for the year ended 31 March 2018.

Following matter was included in the investigation report and highlighted by predecessor auditor in their audit report for the year ended on 31 March 2018:

- Provisions of Rupees 4,743 lacs towards amount paid as security deposit, advances towards lease of office space and expenditure incurred towards capital work-in-progress due to uncertainty of recovery of these balances (refer note 25 to the standalone financial statements).

No additional adjustments/ disclosures were required to be made in the standalone financial statements for the year ended 31 March 2019 in respect of the above.

As explained in Note 29(e) and 6(4) of the standalone financial statements, related party relationships prior to loss of control of erstwhile promoters/ directors in the year ended 31 March 2018 were identified by the management taking into account the information available with the management and including the findings and limitations in the Investigation Reports. In this regard, specific declarations from the erstwhile directors/promoters, especially considering the substance of the relationship rather than the legal form, were not available. Therefore, the possibility cannot be ruled out that there may be additional related parties of erstwhile promoters/ directors whose relationships may not have been disclosed to the Company and, hence, not known to the Management.

Further, as explained in Note 12 of the standalone financial statements, a Civil Suit was filed by a third party against various entities including the Company relating to “Fortis, SRL and La-Femme” brands. The Company has received four demand notices aggregating to Rupees 25,344 lacs in respect to this Civil Suit. Allegations made by

third party has been duly responded to by the Company denying i) execution of any binding agreement with third party; and ii) liability of any kind whatsoever. Based on legal advice of external legal counsel, the Management believes that the claims are without legal basis and not tenable. The matter is currently sub-judice.

Due to the ongoing nature of the various inquiries/investigations, we are unable to comment on the adjustments/disclosures which may become necessary as a result of further findings of the ongoing regulatory investigations on the standalone financial statements including completeness/accuracy of the related party transactions which relate to or which originated before 31 March 2018, the regulatory non-compliances, if any, and the consequential impact, if any, on the standalone financial statements.

- 2 As explained in Note 32 of the standalone financial statements, during the year ended 31 March 2018, the Company having considered all necessary facts and taking into account external legal advice, concluded that it had paid amount aggregating to Rupees 2,002 lacs to erstwhile Executive Chairman during his tenure (ended during the year ended 31 March 2018) in excess of amounts approved by the Central Government under Section 197 of the Companies Act, 2013 for his remuneration and other reimbursements. This is accordingly a non-compliance with the provision of Section 197 of the Companies Act, 2013. In the current year, the Company has taken requisite actions to recover this amount. Due to uncertainty involved on recoverability of the said amounts a provision for this amount has also been recorded.

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Standalone Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India, and we have fulfilled our other ethical responsibilities in accordance with the provisions of the Act. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matters described in the "Basis for Qualified Opinion" paragraphs, we have determined that the following are the key audit matters:

The key audit matter	How the matter was addressed in our audit
<p>Goodwill</p> <p>As set out in Note 5(ii), the Company carries Goodwill of Rupees 2,722 lacs. Management performs an annual impairment review of goodwill as at 31 March.</p> <p>There are judgments used in this, such as forecast cash flows, discount rates and growth rates.</p>	<p>We have assessed the Company's current and forecast performance and considered whether any other factors exist that would suggest the goodwill is impaired. We have performed following procedures:</p> <ul style="list-style-type: none"> • challenged management's identification of CGUs against our understanding of the business and the definition as set out in the accounting standards; • assessed the appropriateness of the calculation of the value in use of each CGU and the associated headroom, performing recalculations to test the mechanical accuracy of those amounts; • forecast inputs and growth assumptions were compared against historical trends to assess the reliability of management's forecast, in addition to comparing forecast assumptions to external market analysis;

The key audit matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> with the assistance of specialists, we recalculated the discount rate applied to the future cash flows and benchmarked this against other companies in the industry; and performed sensitivity analysis. <p>In doing so we have involved our valuation specialists to assist us in carrying out aforesaid procedures as considered appropriate. We have also evaluated the accounting and respective disclosures made in the standalone financial statements.</p>
<p>Legal matters</p> <p>There are a number of threatened and actual legal, regulatory and tax cases against the Company. These include those relating to land and related commitments, tax matters, claims made by or against the Company on account of medical matters and other civil suits etc. There is a high level of judgment required in assessing consequential impact and disclosures thereof on the standalone financial statements.</p> <p>Refer to the Note 3 – Critical estimates and judgments, Note 5(xviii) – Provisions and Note 11– Contingent liabilities and legal proceedings.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> Testing key controls surrounding litigation, regulatory and tax cases; External legal opinions obtained by management and confirmations obtained by us; Reading correspondences including those of subsequent period; Discussing open matters with the management including but not limited to Company legal counsel, tax teams, regional and financial teams; and Assessing and challenging management’s conclusions through understanding precedents set in similar cases. <p>Based on the evidence obtained, management’s assessment of such legal, regulatory and tax matters, the provision carried in the books of accounts in respect of such matters as on 31 March 2019 (while noting the inherent uncertainty of such matters) and related disclosures seem to be reasonable .</p>

Other information

The Company’s management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company’s annual report, but does not include the financial statements and our auditors’ report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed and based on the work done, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management’s Responsibility for the Standalone Financial Statements

The Company’s management and Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs, profit/ loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds

and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We believe that except as stated in the "Basis for Qualified Opinion" paragraphs, the audit evidence obtained by us is sufficient and appropriate to provide a basis for our qualified audit opinion on the standalone financial statements.

We communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

The standalone financial statements of the Company for the year ended 31 March 2018 were audited by the predecessor auditor who expressed a qualified opinion on those statements on 7 July 2018.

Our report on the financial statements is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

- 1 As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order which is subject to the effects/ possible effects of the matters described in the "Basis for Qualified Opinion" paragraphs of our Audit Report and the material weakness described in the "Basis for Qualified Opinion" paragraph in our separate Report on the Internal Financial Controls with reference to financial statements.
- 2 (A) As required by Section 143(3) of the Act, we report that:
 - a) We have sought and, except for the matters described in the "Basis for Qualified Opinion" paragraphs above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) Except for the effects/ possible effects of the matters described in the "Basis for Qualified Opinion" paragraphs above, in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c) The standalone balance sheet, the standalone statement of profit and loss (including other comprehensive income), the standalone statement of changes in equity and the standalone cash flow statement dealt with by this Report are in agreement with the books of account.
 - d) Except for effects/ possible effects of the matters described in the "Basis for Qualified Opinion" paragraphs above, in our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under Section 133 of the Act.
 - e) The matters described in the "Basis for Qualified Opinion" paragraphs, in our opinion, may have an adverse effect on the functioning of the Company.
 - f) On the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act.
 - g) The qualification relating to maintenance of accounts and other matters connected therewith are as stated in the "Basis for Qualified Opinion" paragraphs above.
 - h) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

- (B) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. Except for the effects/ possible effects of matters described in paragraph 1 of the "Basis for Qualified Opinion" section above, the Company has disclosed the impact of pending litigations as at 31 March 2019 on its financial position in its standalone financial statements - Refer Note 11 to the standalone financial statements.
 - ii. Except for the effects/ possible effects of the matters described in paragraph 1 of the "Basis for Qualified opinion" section above, the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses - Refer Note 9(c) to the standalone financial statements.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company. Refer Note 9(d) of the standalone financial statements.
 - iv. The disclosures in the standalone financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March 2019.

- (C) With respect to the matter to be included in the Auditor's report under Section 197(16):

Except for effects/ possible effects of the matters described in paragraph 2 of the "Basis for Qualified Opinion" section above, in our opinion and according to the information and explanations given to us, the remuneration paid by the Company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For B S R & Co. LLP
Chartered Accountants
Registration Number: 101248W/W-100022

Pravin Tulsyan
Partner
Membership No: 108044

Place: Gurugram
Date: 24 May 2019

Annexure A to the Independent Auditor's report on the standalone financial statements of Fortis Healthcare Limited for the year ended 31 March 2019

(Referred to in paragraph (1) under 'Report on Other Legal and Regulatory Requirements' section of our Audit Report of even date and except for the effects/possible effects of the matters described in the "Basis for Qualified Opinion" paragraphs of our Audit Report and the material weaknesses described in the "Basis for Qualified Opinion" in our separate Report on the Internal Financial Controls with reference to financial statements)

- (i) (a) According to the information and explanations given to us, the Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets (Property, plant and equipment and intangible assets).
- (b) According to the information and explanations given to us, the Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified on an annual basis. In accordance with this programme, fixed assets were verified during the year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. As informed to us, no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and on the basis of our examination of the books of accounts of the Company, the title deeds of immovable property are held in the name of the Company.
- (ii) The inventories, have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. According to the information and explanations given to us, the discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.
- (iii) Except for the effects / possible effects of the matters described in paragraph 1 of the "Basis for Qualified Opinion" section, the Company has granted loans, secured or unsecured, to companies, firms, covered in the register maintained under Section 189 of the Companies Act, 2013, in respect of which:
 - (a) The terms and conditions of the grant of such loans are, in our opinion, prima facie, not prejudicial to the Company's interest.
 - (b) The schedule of repayment of principal and payment of interest has been stipulated and repayments or receipts of principal amounts and interest have been as per stipulations.
 - (c) There is no amount overdue for more than 90 days in respect of above mentioned loans.
- (iv) Except for the effects/ possible effects of the matters described in the "Basis for Qualified Opinion" paragraph, the Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing guarantees and securities, as applicable.
- (v) As per the information and explanations given to us, the Company has not accepted any deposits as mentioned in the directives issued by the Reserve Bank of India and provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and rules framed there under. Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) The Central Government has prescribed the maintenance of cost records under sub-section (1) of Section 148 of the Act for activities carried out by the Company. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 148 of the Act, and are of the opinion that prima facie, the prescribed accounts and records have

been made and maintained. However, we have not made a detailed examination of such records with a view to determine whether they are accurate or complete.

- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Duty of Customs, Goods and Service Tax, cess and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities.

We are informed that the operations of the Company during the period did not give rise to any liability for Excise duty, Sales tax and Value added tax.

- (b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Duty of customs, Goods and Service Tax, cess and other material statutory dues in arrears as at March 31, 2019 for a period of more than six months from the date they became payable.

Also refer note 11(B), wherein, it is explained that on account of the uncertainty with respect to the applicability of the Hon'ble Supreme Court judgment on the provident fund matter, management has not recognized and deposited any additional provident fund amount with respect to the previous years.

- (c) According to the information and explanations given to us, the following dues of Income-tax, Value added tax and Service tax, which have not been deposited by the Company on account of disputes:

Name of Statute	Nature of dues	Forum where dispute is pending	Period to which the amount relates (Assessment year)	Amount Involved (Lacs)	Amount Unpaid (Lacs)
Income Tax Act, 1961	Income Tax and Interest thereon	Commissioner of Income Tax (Appeals), Delhi	2012-13	332.00	-
Income Tax Act, 1961	Income Tax and Interest thereon	Commissioner of Income Tax (Appeals), Delhi	2012-13	196.00	196.00
Central Excise Act, 1944	Value Added Tax	Supreme Court	2009-10	1,412.35	1,412.35
Central Excise Act, 1944	Value Added Tax	Supreme Court	2010-11	2,208.81	2,208.81
Finance Tax, 1994	Service Tax and penalty	Custom Excise & Service Tax Appellate Tribunal	2007-08 to 2012-13	265.47	265.47
Finance Tax, 1994	Service Tax and penalty	Custom Excise & Service Tax Appellate Tribunal	2008-09 to 2012-13	294.35	294.35

We are informed that there are no dues in respect of Customs Duty, Excise duty, Sales tax and Goods and Service tax as at March 31, 2019 which have not been deposited on account of any dispute.

(viii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not defaulted in repayment of loans or borrowings to banks and financial institutions and dues to debenture holders. The Company did not have any loans or borrowings from government during the year.

(ix) Except for the effects/ possible effects of the matters described in paragraph 1 of the "Basis for Qualified Opinion" section, in our opinion and according to the information and explanations given to us, the term loans taken by the Company during the year have been applied for the purpose for which they were raised.

As informed to us, the Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments).

(x) As explained in Note 29 of the Standalone Financial Statements:

(a) At this juncture the Board is unable to make a determination on whether a fraud has occurred on the Company in respect of the matters covered in the investigation by the external legal firm, considering the limitations on the information available to the external legal firm and their qualifications and disclaimers as described in their Investigation Report.

(b) Various regulatory authorities are currently undertaking their own investigation, and it is likely that they may make a determination on whether any fraud or any other non-compliance/ illegalities have occurred in relation to the matters addressed in the Investigation Report.

Subject to the above, and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.

(xi) According to the information and explanations given to us, and based on our examination of the records of the Company, managerial remuneration has been paid (and)/ provided by the company during the current year in accordance with the requisite approvals mandated by the provisions of Section 197 of the Act read with Schedule V to the Act.

(xii) According to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.

(xiii) Except for the effects/ possible effects of the matters described in paragraph 1 of the "Basis for Qualified Opinion" section of our Audit Report, all transactions with the related parties are in compliance with Section 177 and 188 of the Act, where applicable, and the details have been disclosed in the standalone financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us, the Company has made private placement of shares during the year. In respect of the above, we further report that:

(a) the requirement of Section 42 of the Companies Act, 2013, as applicable, have been complied with; and

(b) the amounts raised have been applied by the Company during the year for the purposes for which the funds were raised.

According to the information and explanations given to us, during the year the Company has not made any preferential allotment of shares or preferential allotment or private placement of fully or partly convertible debentures.

- (xv) According to the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) According to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable.

For B S R & Co. LLP
Chartered Accountants
Registration Number: 101248W/W-100022

Pravin Tulsyan
Partner
Membership No: 108044

Place: Gurugram
Date: 24 May 2019

Annexure B to the Independent Auditor's report on the standalone financial statements of Fortis Healthcare Limited for the year ended 31 March 2019

Report on the internal financial controls with reference to the aforesaid standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph (2)(A)(h) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Qualified Opinion

We have audited the internal financial controls with reference to financial statements of Fortis Healthcare Limited ("the Company") as of 31 March 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

In our opinion, except for the effects/possible effects of the material weakness described below on the achievement of the objectives of the control criteria, to the best of our information and according to the explanations given to us, the Company has in all material respects, maintained adequate internal financial controls with reference to standalone financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls with reference to standalone financial statements criteria established by the Company considering the essential components of such internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

We have considered the material weakness identified and reported below in determining the nature, timing, and extent of audit tests applied in our audit of the standalone financial statements of the Company for the year ended 31 March 2019 and these material weakness have, inter alia, affected our opinion on the said standalone financial statements and we have issued a qualified opinion on the said standalone financial statements.

Basis for Qualified opinion

As explained in paragraph 1 of "Basis for Qualified Opinion" section of our Audit Report on the standalone financial statements for the year ended 31 March 2019, pursuant to certain events/transactions in earlier years, the erstwhile Audit and Risk Management Committee (the "ARMC") of the Company had initiated an independent investigation by an external legal firm and special audits by professional firms on matters relating to systemic lapses and override of controls. The report has since been submitted and is subject to limitations on the information available to the external legal firm and their qualifications and disclaimers as described in their Investigation report. Further, the investigation by different regulatory authorities in these matters is still ongoing and an overall assessment of the impact of the investigations is yet to be concluded. Pending final outcome of the regulatory investigations and enquiries, completeness of identification of deficiencies cannot be ascertained.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and whether such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained (including the written representations by the Management which was taken on record by the Board of Directors) is sufficient and appropriate to provide a basis for our qualified audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial controls with Reference to Financial Statements

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial controls with Reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For B S R & Co. LLP
Chartered Accountants
 Registration Number: 101248W/W-100022

Pravin Tulsyan
Partner
 Membership No: 108044

Place: Gurugram
 Date: 24 May 2019