

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting here the Twenty Third Annual Report of your Company along with the Audited Standalone and Consolidated Financial Statements and the Auditors' Report thereon for the Year ended March 31, 2019.

FINANCIAL RESULTS

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

(₹ in Lacs)

Particulars	Consolidated	
	Year ended March 31, 2019	Year ended March 31, 2018
Continuing Operations		
1. Operating Income	446,936	456,081
2. Other Income	9,240	13,973
3. Total Income (1+2)	456,176	470,054
4. Total Expenditure (Excluding finance cost, depreciation & tax expenses)	424,414	428,769
5. Operating Profit (EBITDA) (3-4)	31,762	41,285
6. Finance Charges, Depreciation & Amortization	56,975	49,675
7. Loss before exceptional items and tax (5-6)	(25,213)	(8,390)
8. Exceptional items	(22,238)	(88,103)
9. Loss before tax (7+8)	(47,451)	(96,493)
10. Tax Expenses	11,361	2,265
11. Net Loss for the year (9-10)	(58,812)	(98,758)
12. Share in profits of associate companies	36,441	5,316
13. Loss for the year from continuing operations (11+12)	(22,371)	(93,442)
14. Discontinuing Operations		
Profit/ (Loss) before tax from discontinuing operations	-	-
Tax expense of discontinuing operations	-	-

(₹ in Lacs)

Particulars	Consolidated	
	Year ended March 31, 2019	Year ended March 31, 2018
Profit/ (Loss) after tax and before minority interest from discontinuing operations	-	-
Share in profits/ (losses) of associate companies	-	-
Profit for the year from discontinuing operations	-	-
15. Loss for the year (13+14)	(22,371)	(93,442)
Loss for the year attributable to:		
Owners of the Company	(29,893)	(100,921)
Non-controlling interests	7,522	7,479
Loss for the year before other comprehensive income	(22,371)	(93,442)
16. Other comprehensive income	(4,517)	367
17. Total comprehensive income (15+16)	(26,888)	(93,075)
Total comprehensive income for the year attributable to:		
Owners of the Company	(34,449)	(100,541)
Non-controlling interests	7,561	7,466

The highlights of financial results of your Company as a Standalone entity are as follows:

(₹ in Lacs)

Particulars	Standalone	
	Year ended March 31, 2019	Year ended March 31, 2018
Continuing Operations		
1. Operating Income	65,649	65,948
2. Other Income	52,449	13,789
3. Total Income (1+2)	118,098	79,737
4. Total Expenditure (Excluding finance cost, depreciation & tax expenses)	78,192	69,710
5. Operating Profit (EBITDA) (3-4)	39,906	10,027
6. Finance Charges, Depreciation & Amortization	21,941	9,262
7. Profit before exceptional items and tax (5-6)	17,965	765
8. Exceptional items	-	(6,795)
9. Profit / (Loss) before tax (7+8)	17,965	(6,030)
10. Tax Expenses	5,656	343

(₹ in Lacs)

Particulars	Standalone	
	Year ended March 31, 2019	Year ended March 31, 2018
11. Net Profit for the year (9-10)	12,309	(6,373)
12. Share in profits of associate companies	-	-
13. Profit/ (Loss) for the year from continuing operations (11+12)	12,309	(6,373)
14. Discontinuing Operations		
Profit/ (Loss) before tax from discontinuing operations	-	-
Tax expense of discontinuing operations	-	-
Profit/ (Loss) after tax and before minority interest from discontinuing operations	-	-
Share in profits/ (losses) of associate companies	-	-
Profit for the year from discontinuing operations	-	-
15. Profit / (Loss) for the year (13+14)	12,309	(6,373)
16. Other comprehensive income	22	32
17. Total comprehensive income (15+16)	12,331	(6,341)

STATE OF COMPANY'S AFFAIR, OPERATING RESULTS AND PROFITS

For the fiscal year 2018-19, the financial performance of the company was muted. Factors that impacted the performance include i) Regulatory changes with respect to pricing on certain medical consumables, ii) Management bandwidth constraints due to the Group's and ex-promoter related issues, iii) Prolonged transaction and due diligence process and iv) Funding constraints, which led to a less than optimal CAPEX spend resulting in delay of key business initiatives and also impacted the working capital cycle.

For FY2018-19, the Company recorded an audited consolidated revenue from operations of ₹ 4,469 Crore compared to ₹ 4,561 Crore reported during the previous year. The Operating EBITDAC i.e. EBITDA before the net costs related to the Business Trust, stood at ₹ 541 Crore, representing a margin of 12.1% vs 14.4% in the previous financial year. Operating profit/operating EBITDA (excluding other income and before exceptional item) from the operations for the year stood at ₹ 326 Crore compared to ₹ 389 Crore in the previous year. The Net Profit after Tax for FY 2018-19 stood at a loss of ₹ 299 Crore as against loss of ₹ 1,009 Crore for the corresponding previous year. FY19 and FY18 had exceptional losses due to impairment of investments / goodwill/ assets and one-off expenses; for FY18, exceptional losses also include one-offs for certain provisions taken. FY19 PATMI also includes significant share in associate mainly due to RHT's profit related to divestment of assets to Fortis in January 2019.

Your Company accords the highest priority to providing world-class quality and affordable healthcare services to all patients. Your company's stringent medical processes and protocols are designed to deliver superior clinical outcomes and enhance patient satisfaction. During the year, your Company commenced several new medical programmes and specialities across various facilities whilst strengthening the existing medical offerings. Your Company also has a number of ambitious projects on the anvil, aimed at spurring growth and development.

The healthcare verticals of the Company primarily comprise day care specialty, diagnostics and tertiary and quaternary care. As of March 31, 2019, the Company had a network of 43 healthcare facilities (including projects under development) in India and abroad with approximately 4,000 operational beds and the potential to reach over 9,000 beds. In India, the Company is one of the largest private healthcare chains comprising a network of 39 healthcare facilities, including 31 operating facilities, 3 satellite and command centers located in public and private hospitals and 5 healthcare facility projects which are under development or are greenfield land sites.

In addition, its Indian diagnostics business has a presence in over 600 cities and towns, with an established strength of 400 laboratories including 56 self-operated laboratories (excluding labs in JV companies), 124 laboratories inside Hospitals including 27 labs located in Fortis Healthcare facilities, 42 Franchisee labs, 7 wellness centers and 3 international laboratories. It also has over 7,197 Direct clients, 1026 Collection Centers which includes 97 collection centers that are owned and 76 collection centers at International locations.

Your Company is driven by the vision of becoming a leader in the integrated healthcare delivery space and of serving the larger purpose of saving and enriching lives through clinical excellence.

There has been no change in the nature of business of the Company during the year under review.

SIGNIFICANT MATTERS DURING THE YEAR UNDER REVIEW

The Board has from time to time during the year under review updated its stakeholders about the key developments that took place by disseminating necessary information to the stock exchanges and through various means of communications to the investors. Some of key activities are mentioned below:

- **Investigations initiated by the erstwhile Audit and Risk Management Committee and Regulatory Bodies-** During the Financial Year 2017-18, basis the reports in the media and enquiries from, *inter alia*, the stock exchanges received by the Company about certain inter-corporate loans given by a wholly owned subsidiary of the Company, the erstwhile Audit and Risk Management Committee of the Company carried out an independent investigation through an external legal firm. The details as to the terms of reference of the investigation are detailed in the Notes to Financial Statements forming part of this Annual Report. The investigation report ("Investigation Report") was submitted to the Board on June 8, 2018. The Board discussed and considered the Investigation Report and noted certain significant findings of the external legal firm, which are subject to the limitations on the information available to the external legal firm and their qualifications and disclaimers as described therein are also detailed in the Notes to Financial Statements forming part of this Annual Report. The investigations initiated by Serious Fraud Investigation Officer (SFIO) and SEBI are underway. SEBI had on October 17, 2018 passed an ad-interim ex-parte order to protect the interests of shareholders of the Company and to prevent any further deterioration of funds / assets of the Company, which was subsequently revised on December 21, 2018 and March 19, 2019. Vide the said orders, the Company and Fortis Hospitals Limited (FHsL), the wholly owned subsidiary of the Company, were *inter-alia* asked to pursue the measures to recall the outstanding amount of ₹403 crore (approx.) along with due interest from the erstwhile promoters and relevant entities. SEBI, has correspondingly, also directed the erstwhile promoters and the relevant entities to repay the outstanding amount. The investigation by SEBI is presently ongoing. Updates w.r.t. ongoing regulatory investigations (viz. SEBI and SFIO), outcome of the External Investigation Report and other legal matters are also detailed in the notes to financial statement.
- **Sale of certain units held in RHT Health Trust-** In order to meet urgent cash requirement, the Company had sold 18.2 million units of RHT Health Trust (an associate of the Company) held through the wholly owned subsidiary Fortis Healthcare International Limited on May 30, 2018 for a consideration of 13.65 million Singapore Dollars.

- **Withdrawal of the Scheme of Amalgamation and Demerger amongst SRL Limited and Fortis Malar Hospitals Limited-** The Company had at its board meeting held on August 19, 2016 approved the composite scheme of arrangement and amalgamation involving (a) transfer of the hospital business undertaking of Fortis Malar Hospitals Limited ("FMHL") to the Company, as a going concern, by way of slump sale, in lieu of payment of a lump sum consideration by the Company to FMHL ("Slump Sale"), (b) transfer of the undertaking of the Company pertaining exclusively to the diagnostics business as identified in the Scheme to FMHL by way of a demerger in lieu of issuance of equity shares by FMHL to shareholders of the Company as per approved share entitlement ratio ("Demerger"); (c) the amalgamation of SRL Limited ("SRL") into FMHL and dissolution of SRL without winding up, and the consequent issue of equity shares by FMHL to the shareholders of SRL and the cancellation of equity shares of SRL held by FMHL ("Amalgamation"), and various other matters consequential or otherwise integrally connected therewith. The Company had obtained necessary approvals/ no objection from BSE Limited, National Stock Exchange of India Limited, equity shareholders and unsecured creditors of the Company. Also, the Board had through circulation on December 14, 2017, approved extension of the Long Stop Date of the Scheme from December 31, 2017 to June 30, 2018. Considering that the entire process, due to reasons beyond the Company's control, has been continuing for over 18 months without a completion, it was agreed to abort the Scheme. Accordingly, the Company at its hearing on June 15, 2018 presented the matter before NCLT and the same was duly approved. The said Scheme has thus been terminated by the Company, SRL and FMHL.
- **Preferential Allotment to IHH Healthcare Berhad-** In continuation to the bidding process started during FY 2017-18, the Board carried out a fresh, time-bound process for receiving bids from interested parties, details whereof were disclosed to the National Stock Exchange of India Limited and BSE Limited. Pursuant to the above, the Board of Directors of the Company on July 13, 2018, unanimously accepted the proposal of IHH Healthcare Berhad, which included an infusion of ₹ 4000 crore in the Company through additional equity capital. The same was duly approved by the regulatory bodies and the shareholders of the Company and consequently the share capital structure was also revised. Pursuant to this, the Board had at its meeting held on November 13, 2018, approved allotment of 23,52,94,117 Shares at a price of ₹ 170 per share for an aggregate consideration upto ₹ 4000 crore (Rupees Four Thousand Crore only) to Northern TK Venture Pte Ltd (NTK), an indirect wholly owned subsidiary of IHH Healthcare Berhad (IHH). Pursuant to the said allotment, NTK also obtained the right to appoint the majority of the directors on the board of the Company, and the board was accordingly re-constituted, details whereof are separately disclosed in this report. Accordingly, pursuant to the allotment, NTK was designated as a 'promoter' of the Company.
- **Open Offer-** The Board had at its meeting held on July 13, 2018, accepted the binding bid made by IHH Healthcare Berhad and entered into subscription Agreement for issue of 23,52,94,117 Shares at a price of ₹ 170 per share for an aggregate consideration upto ₹ 4000 crore (Rupees Four Thousand Crore only) to Northern TK Venture Pte Ltd, an indirect wholly owned subsidiary of IHH Healthcare Berhad (IHH). Pursuant to the said issue and in terms of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, IHH made the Mandatory Open Offer for acquisition of upto 197,025,660 Equity Shares representing additional 26% of the expanded voting share capital of the Company ("Fortis Open Offer") and another Mandatory Open Offer for acquisition of up to 4,894,308 fully paid up equity shares of face value of INR 10 each, representing 26% of the fully diluted voting equity share capital of Fortis Malar Hospitals Limited (Fortis Malar Open Offer).
- However, after the making of the Public Announcement, the Hon'ble Supreme Court of India had on December 14, 2018 passed an order ("Order") directing "status quo with regard to sale of the controlling stake in Fortis Healthcare to Malaysian IHH Healthcare Berhad be maintained". In light of the Order, the Open Offer was put on hold until further order(s)/ clarification(s)/ direction(s) issued by the Hon'ble Supreme Court of India.
- **Re-classification of category of shareholders-** The Company is in process of seeking regulatory approvals for re-classification of Mr. Malvinder Mohan Singh, Malvinder Mohan Singh- Trust,

Dr. Shivinder Mohan Singh, Mr. Harpal Singh, Mr. Abhishek Singh, Fortis Healthcare Holdings Private Limited, Malav Holdings Private Limited and RHC Holding Private Limited, from the “Promoter and Promoter Group” to the “Public” shareholding of the Company.

➤ **Changed Board and Key Managerial Personnel-**

During the year under review, the Company received a requisition from National Westminster Bank Plc as Trustee of Jupiter India Fund (as represented by Jupiter Asset Management Limited), East Bridge Capital Master Fund Ltd. and East Bridge Capital Master Fund I Ltd., the shareholders of Company, for induction of Ms. Suvalaxmi Chakraborty, Mr. Ravi Rajagopal and Mr. Indrajit Banerjee as members of the Board and removal of Mr. Harpal Singh, Ms. Sabina Vaisoha, Dr. Brian William Tempest and Lt. Gen. Tejinder Singh Shergill from the directorship of the Company. Considering the profiles of the proposed board members, the Board appointed Ms. Suvalaxmi Chakraborty, Mr. Ravi Rajagopal and Mr. Indrajit Banerjee as Additional Independent Directors w.e.f. April 27, 2018. Subsequently, Mr. Harpal Singh, Ms. Sabina Vaisoha and Lt. Gen. Tejinder Singh Shergill resigned from the directorship w.e.f. May 20, 2018 and the shareholders at its meeting held on May 22, 2018, regularized the appointment of the Independent Directors and removed Dr. Brian William Tempest from directorship. Pursuant to the signing of Subscription Agreement with Northern TK Venture Pte Ltd (NTK), an indirect wholly owned subsidiary of IHH Healthcare Berhad (IHH), NTK obtained the right to appoint the majority of the directors on the board of the Company, and the Board accordingly appointed directors nominated by IHH, on the boards of the Company. Complete details of the various changes at Board level is separately disclosed in this report.

During the year under review, the Key Managerial Personnel (Chief Executive Officer, Chief Financial Officer and Company Secretary) also underwent changes, details whereof is separately disclosed in this report.

➤ **Acquisition of Indian assets of RHT-** During the Financial Year 2017-18, the Board of Directors approved a significant restructuring initiative aimed at consolidating the entire India asset portfolio of RHT Health Trust (“RHT”) into the Company

and its subsidiaries. The Company and the Trustee Manager of RHT entered into an arrangement for acquisition of all the securities of RHT’s entities in India, directly or indirectly holding the clinical establishments and businesses for an enterprise value of approximately ₹ 4,650 Crore (“the Transaction”). The Transaction was duly approved by an overwhelming majority of Fortis shareholders and was duly completed on January 15, 2019. As disclosed earlier, the Transaction is expected to be beneficial and value accretive for the Company and its shareholders as it would save significant clinical establishment fees that Fortis used to pay to RHT Indian entities. In addition, it provides the Company full control over all the assets i.e. hospitals enabling direct and more focused management of the business. The Transaction is expected to result in significant improvement in the Company’s operating profitability i.e. EBITDA and cash flows and also lead to interest savings that would further strengthen its performance, thereby enabling the Company to potentially provide higher value for all its shareholders.

Further, on March 29, 2019, the Compulsory Convertible Debentures (CCDs) issued by International Hospital Limited (IHL), Escorts Heart and Super Speciality Hospital Limited (EHSSHL) and Fortis Hospital Limited (FHTL) held by the Company were converted into Equity Shares.

➤ **Other key movements-** The Board terminated the employment of Mr. Malvinder Mohan Singh, erstwhile Executive Chairman who was appointed as Lead- Strategic Initiatives w.e.f. June 26, 2018. The details in this regard have been duly incorporated in the notes to financial statement.

DIVIDEND AND TRANSFER TO RESERVES

Keeping in view the losses for the year under review, the Board of Directors of your Company have not recommended any dividend for the Financial Year 2018-19. Accordingly, there has been no transfer to general reserves.

The Company has formulated a Policy on Dividend Distribution in terms of SEBI Circular No. SEBI/LAD-NRO/6N/2016-17/008 and the same is available on the website of the Company at <https://d3f9rl090092v1r.cloudfront.net/FHL-Dividend-Distribution-Policy-Feb-2019.pdf>.

MATERIAL CHANGES

There are no material changes and commitments, affecting the financial position of the Company which have occurred between the end of the Financial Year 2018-19 and the date of this report.

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

Statutory Auditors have, in their report to the Board of Directors on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("The Act") made the following Qualified Opinion and are categorised as "Qualified Opinion". The Directors' response to the comments of the auditors is given below:

Qualified Opinion

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31 March 2019, we have audited the internal financial controls with reference to consolidated financial statements of Fortis Healthcare Limited (hereinafter referred to as the "Company" or "Holding Company") and such companies incorporated in India under the Companies Act, 2013 which are its subsidiary companies (together referred to as "the Group"), its associates and its joint venture company (jointly controlled company) as of that date.

In our opinion, except for the effects/ possible effects of the material weaknesses 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 and based on the consideration of the reports of the other auditors referred to in the Other Matters paragraph below, the Company, its subsidiary companies, its associate companies and joint venture companies, which are companies incorporated in India have, in all material respects, maintained adequate internal financial controls with reference to consolidated financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls with reference to consolidated financial statements criteria established by such companies 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 weaknesses identified and reported below in determining the nature, timing, and extent of audit tests applied in our audit of the Consolidated Financial Statements of the Company for the year ended 31 March 2019 and this material weakness has, inter alia, affected our opinion on the said Consolidated Financial Statements and we have issued a qualified opinion on the said Consolidated Financial Statements.

Basis for Qualified Opinion

As explained in paragraph (a) of "Basis for Qualified Opinion" paragraph of our Audit Report on the consolidated 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 Holding 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.

Directors' response to comments of the statutory auditors in the Audit Report:

With regard to the Basis for Qualified Opinion above, pertaining to the Investigation Report, it is submitted that based on the investigation carried out by the external legal firm, SEBI Interim orders dated October 17, 2018, December 21, 2018 and confirmed vide order dated March 19, 2019 and the information available at this stage, all identified / required adjustments/ disclosures arising from the findings in the Investigation Report, were made in previous year. Further, the Board initiated specific improvement projects during the current year to strengthen the process and control environment. The Board continues to evaluate other areas to strengthen

processes. Further investigations by various regulatory authorities are yet to be completed. With regard to other comments all identified adjustments/disclosures have been made. For more details please refer to Notes 14, 29, 30, 31, 32 to financial statement.

DETAILS OF SUBSIDIARY/JOINT VENTURES/ ASSOCIATE COMPANIES

During the year under review:

- The Company has through its subsidiary- Fortis Cancer Care Limited divested its entire shareholding in Lalitha Healthcare Private Limited (79.43% equity stake) on June 29, 2018 due to recurring financial losses and infrastructure constraints; and
- Pursuant to the closure of RHT Acquisition transaction, Escorts Heart and Super Speciality Hospital Limited, International Hospital Limited, Fortis Health Management Limited and Hospitalia Eastern Private Limited, became direct/indirect wholly-owned subsidiaries of the Company effective January 15, 2019. Also, Fortis Hospotel Limited became the wholly-owned subsidiary of the Company from the same date.

Further note that your Board of Directors have adopted a policy for determining “material subsidiary” pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The said policy is available at <https://d3frl090092vlr.cloudfront.net/Policy-On-Material-Subsidiary-Feb-2019.pdf>.

In terms of the said policy, as on April 1, 2019, Fortis Hospitals Limited (FHsL), International Hospital Limited (IHL), Fortis Healthcare International Limited, Fortis Hospotel Limited (FHTL) and SRL Limited are considered as Material Subsidiary(ies). Necessary compliances w.r.t. material subsidiaries have been duly carried out except that the Company is yet to appoint an Independent Director from the Board of Fortis Healthcare Limited on the Boards of IHL, FHsL and FHTL.

PERFORMANCE AND FINANCIAL POSITION OF EACH OF THE SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE COMPANIES

The consolidated financial statements of the Company and its subsidiaries, prepared in accordance with applicable accounting standards, issued by the Institute of Chartered Accountants of India, forms part of the Annual Report. In terms of the Section 136 of the Companies Act, 2013, financial statements of the subsidiary companies are not

required to be sent to the members of the Company. The Company will provide a copy of separate annual accounts in respect of each of its subsidiary to any shareholder of the Company who asks for it and said annual accounts will also be kept open for inspection at the registered office of the Company. Performance and financial position of each of Subsidiaries, Associates and Joint Ventures included in the Consolidated Financial Statements of the Company is enclosed herewith as “**Annexure - I**” in the prescribed format (Form AOC-1).

The contribution of the subsidiary/associates/joint venture companies to the overall performance of your Company is outlined in Note No. 27 of the Consolidated Financial Statements for the year ended March 31, 2019.

LOANS/ADVANCES/INVESTMENTS/GUARANTEES

Particulars of Loans/Advances/Investments/guarantees given and outstanding during the Financial Year 2018-19 are mentioned in Notes to the Financial Statements.

PUBLIC DEPOSITS

During the year under review, your Company has not invited or accepted any deposits from the public, pursuant to the provisions of Section 73 of the Companies Act, 2013 read with the Companies (Acceptance of Deposit) Rules, 2014 and therefore, no amount of principal or interest was outstanding in respect of deposits from the Public as of the date of Balance Sheet.

UTILISATION OF FUNDS

The details of utilization of funds raised through preferential allotment during the year are mentioned in Notes to Financial Statements.

AUDITORS

Statutory Auditors

M/s. Deloitte Haskins & Sells, LLP, Chartered Accountants, were appointed as Statutory Auditors of your Company w.e.f. September 23, 2015 for a period of 5 years. They tendered their resignation as Statutory Auditors of the Company vide their letter dated December 28, 2018 with immediate effect.

Subsequently, the Board on the recommendation of Audit and Risk Management Committee, at its meeting held on December 31, 2018, appointed M/s B S R & Co. LLP, to fill the casual vacancy and hold office until the conclusion of ensuing Annual General Meeting to be held in the year 2019 for conducting the Statutory Audit for the period ended March 31, 2019. The said appointment

was approved by the shareholders through postal ballot, result whereof was announced on February 6, 2019.

The Board on the recommendation of Audit and Risk Management Committee, approved appointment of M/s B S R & Co. LLP, (Registration No. 101248W/W-100022), Chartered Accountants, as Statutory Auditors of the Company for a period of five years up to the conclusion of the Annual General Meeting to be held in the year 2024. Accordingly, a resolution seeking Member's approval for the appointment of M/s B S R & Co. LLP, Statutory Auditors is included in the Notice convening the ensuing Annual General Meeting. Further, in terms of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the proposed fees to be paid to the Statutory Auditors of the Company for FY 2019-20 is ₹ 182.15 Lacs (plus out of pocket expenses and taxes).

There is no material change in the fees payable to the new auditors from that paid to outgoing auditor except for the increase in scope of work for Group audit. The terms of appointment are same as of outgoing auditors.

The existing Statutory Auditors have, in their report to the Board of Directors on the Consolidated Financial Statements of the Company made the following comments which are self-explanatory and are categorized as "Emphasis of Matter", hence no comments in this regard have been offered by your Board of Directors:

- a) Note 14(II) relating to outcome of income tax assessments in respect of Escorts Heart Institute and Research Centre Limited (EHIRCL), one of the subsidiaries in the Group, regarding amalgamation of two Societies and its subsequent conversion to EHIRCL.
- b) Note 14(II) relating to the outcome of the civil suit/arbitrations with regard to termination of certain land leases allotted by Delhi Development Authority (DDA) and the matter related to non-compliance with the order of the Honorable High Court of Delhi in relation to provision of free treatment/beds to poor by EHIRCL.
- c) Note 14(III) regarding matter relating to termination of Hospital lease agreement of Hiranandani Healthcare Private Limited, one of the subsidiaries in the Group, by Navi Mumbai Municipal Corporation (NMMC) vide order dated 18 January 2018.

Based on the advice given by external legal counsel, the likelihood of outflow in the above litigations is remote and accordingly no provision/adjustment has been considered necessary by the management with respect

to the above matters in the consolidated financial statements.

The existing Statutory Auditors have, in their report to the Board of Directors on the Consolidated Financial Statements of the Company made the following qualification:

Qualified Opinion

We have audited the consolidated financial statements of Fortis Healthcare Limited (hereinafter referred to as the "Company" or "Holding Company") and its subsidiaries (Holding Company and its subsidiaries together referred to as "the Group"), its associates and its joint ventures, which comprise the consolidated balance sheet as at 31 March 2019, the consolidated statement of profit and loss (including other comprehensive income), consolidated statement of change in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the reports of auditors on separate financial statements of such subsidiaries, associates and joint ventures as were audited by other auditors, except for the effects/ possible effects, if any, of the matters described in the "Basis for Qualified Opinion" paragraphs of our report, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 (the '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 consolidated state of affairs of Group, its associates and joint ventures as at 31 March 2019, of its consolidated profit and other comprehensive income, consolidated statement of changes in equity and consolidated cash flows for the year ended on that date.

Basis for Qualified Opinion

- (a) **The matters stated below were also subject matter of qualification in predecessor auditor's audit opinion on the consolidated financial statements as at 31 March 2018:**
 - (i) As explained in Note 31 of the consolidated 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 31 of the consolidated 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 31 and Note 32 of the consolidated financial statements and are stated below:

- SEBI has initiated an investigation in respect of the various issues. On 17 October 2018, 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 Group for the ultimate benefit of erstwhile promoters (and certain entities controlled by them) resulting in a misrepresentation in the financial statements of the Group in earlier period. Further, SEBI issued certain directions inter alia directing the Company and FHsL to take all necessary steps to recover ₹ 40,300 lacs along with the due interest from erstwhile promoters and various other entities, as mentioned in the Orders. It has also directed 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 investigation and till further order, they shall not dispose of or alienate any of their assets or divert any funds, except

for the purposes for meeting expenses of day to day business operations, without the 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 financial statements 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 consolidated financial statements for the year ended 31 March 2018.

Matters included in the investigation report (but not limited to) and highlighted by the predecessor auditor in their audit report for the year ended 31 March 2018, are as below:

- Provisions against the outstanding ICDs amounting to ₹ 44,503 lacs (including interest accrued thereon of ₹ 4,260 lacs), provision of ₹ 5,519 lacs towards amounts paid as security deposit, advances towards lease of office space and expenditure incurred towards capital work in progress and ₹ 2,549 lacs towards property advance (including interest accrued thereon of ₹ 174 lacs) due to uncertainty of recovery of these balances (refer to Note 29 and 30 of the consolidated financial statements).

- The Company through its overseas subsidiaries sold its investment held in a fund at a discount. (money was received on 23 April 2018) which was recorded as a loss in the consolidated financial statements for the year ended 31 March 2018. In absence of sufficient information available, rationale to demonstrate the reasonability of the discount was not established (refer to Note 30(c) and 31(b) of the consolidated financial statements).
- Certain past transactions as mentioned in the Note 31 of the consolidated financial statements which may have been prejudicial to the Group.

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

As explained in Note 9(5) and 31(e) of the consolidated 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 Group and, hence, not known to the Management.

Further, as explained in Note 14 of the consolidated 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 ₹ 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 the 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 regulatory 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 consolidated 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 consolidated financial statements.

- (ii) As explained in Note 29 and 30 during the year ended 31 March 2018, interest income of ₹ 4,434 lacs comprising ₹ 4,260 lacs (on the outstanding ICDs given) and ₹ 174 lacs (relating to property advance) had been recognized. A provision was however created against the entire amount in the year ended 31 March 2018 and the provision was disclosed as an exceptional item. The recognition of aforesaid interest income as at 31 March 2018 on doubtful ICDs and property advance is not in compliance with Ind AS 18 'Revenue' (as it does not meet the recognition criteria) and consequently interest income and the provision for doubtful interest disclosed as exceptional items (net) are overstated to that extent. It had no impact on loss for the year ended 31 March 2018.
- (iii) As explained in Note 34 of the consolidated 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 ₹ 2,002 lacs to the erstwhile Executive Chairman during his tenure (ended during the year ended 31 March 2018) in excess of the 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 provisions of section 197 of the Companies Act 2013. In the current year, the Company has taken requisite actions to recover this amount. Due to the uncertainty

involved on recoverability of the said amounts a provision for this amount has also been recorded.

- (b) The Group has recorded a cumulative financial liability as at 31 March 2019 of ₹ 118,000 lacs (included under “Other current financial liabilities”) by debiting “Other Equity” in respect of put option available with certain non-controlling shareholders of SRL Limited (refer to Note 12(b) of the consolidated financial statements). The Group has not quantified the liability relating to previous periods and therefore, we are unable to comment on the impact of such liability for previous periods.

Director’s response to comments of the statutory auditors in the Audit Report:

- (i) With regard to the comments of the statutory auditors in paragraph- a (i) of the Basis for Qualified Opinion of Audit Report, pertaining to the Investigation Report, it is submitted that, based on the investigation carried out by the external legal firm, SEBI Interim orders dated October 17, 2018, December 21, 2018 and confirmed vide order dated March 19, 2019 and the information available at this stage, all identified / required adjustments/ disclosures arising from the findings in the Investigation Report, were made in the previous year. Further, the Board initiated specific improvement projects during current year to strengthen the process and control environment. The Board continues to evaluate other areas to strengthen processes. Further, investigations by various regulatory authorities are yet to be completed. With regard to other comments all identified adjustments/disclosures have been made. For more details please refer to Notes 14, 29, 30, 31, 21 to financial statements.
- (ii) With regard to the comments of the statutory auditors in paragraph- a(ii) of the Basis for Qualified Opinion of Audit Report, there was no impact on the net income for the previous year.
- (iii) With regard to the comments of the statutory auditors in paragraph- a(iii) of the Basis for Qualified Opinion of Audit Report, pertaining to the LoA issued to the erstwhile Executive Chairman, the Company, having considered all necessary facts, has decided to treat as non est the LoA issued to the erstwhile Executive Chairman and is taking suitable legal measures

to recover the payments made to him under the LoA as well as all the Company’s assets in this possession. For more details, please refer to Note 34 to financial statements.

- (iv) With regard to the comments of the statutory auditors in paragraph – b, of the Basis for Qualified Opinion of Audit Report in relation to put options granted to certain non-controlling shareholders of subsidiary, due to contractual agreement, facts and circumstances of the case at that time, Group considered not to recognize this liability in the previous year.

The Statement on Impact of Audit Qualifications as stipulated in regulation 33(3)(d) is placed below:

Qualifications in the Auditor’s Report

The Board of Fortis Healthcare Limited, has dealt with the matters stated in the qualifications in statutory auditor’s report on the Consolidated Financial Results of Fortis Healthcare Limited (“the Parent” or “the Company”) and its subsidiaries (the Parent/Company and its subsidiaries together referred to as “the Group”) and its share of profit / (Loss) of its joint ventures and associates for the year ended March 31, 2019 (“the Consolidated Annual Results”) included in the Statement of Consolidated Financial Results (“the Consolidated Statement”) to the extent information was available with them.

(₹ in lacs)			
Sl. No.	Particulars	Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)\$
1	Turnover / Total income	456,176	Not Determinable
2	Total Expenditure	478,547	---Do---
3	Net Profit/ (Loss)	(22,371)	---Do---
4	Earnings Per Share	(3.70)	---Do---
5	Total Assets	1,195,127	---Do---
6	Total Liabilities	483,878	---Do---
7	Net Worth	711,249	---Do---
8	Any other financial item(s) (as felt appropriate by the management)	-	-

“\$” for Qualifications a to b of the Auditor’s Report.

Qualification 1 of the Auditor's Report

1. **Details of Audit Qualification:**
As explained in basis of qualification a (i) above
2. **Type of Audit Qualification :**
Qualified Opinion
3. **Frequency of qualification:**
Second time
4. **For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:**
Not Applicable
5. **For Audit Qualification(s) where the impact is not quantified by the auditor:**
 - (i) **Management's estimation on the impact of audit qualification:**
Not quantifiable.
 - (ii) **If management is unable to estimate the impact, reasons for the same:**
Please refer point no. (i) above of Director's response to comments of the statutory auditors in the Audit Report.
 - (iii) **Auditors' Comments on (i) or (ii) above:**
Due to the nature of various regulatory inquiries/ investigations, the consequential impact, if any, cannot be ascertained.

Qualification 2 of the Auditor's Report

1. **Details of Audit Qualification:**
As explained in basis of qualification a (ii)
2. **Type of Audit Qualification :**
Qualified Opinion
3. **Frequency of qualification:**
Second time
4. **For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:**
Please refer point no (ii) above of Director's response to comments of the statutory auditors in the Audit Report.
5. **For Audit Qualification(s) where the impact is not quantified by the auditor:**
 - (i) **Management's estimation on the impact of audit qualification:**
No Impact in the current year 2018-19

- (ii) **If management is unable to estimate the impact, reasons for the same:**
Not Applicable
- (iii) **Auditors' Comments on (i) or (ii) above:**
Not Applicable

Qualification 3 of the Auditor's Report

1. **Details of Audit Qualification:**
As explained in basis of qualification a (iii) above
2. **Type of Audit Qualification :**
Qualified Opinion
3. **Frequency of qualification:**
Second time
4. **For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:**
Not Applicable
5. **For Audit Qualification(s) where the impact is not quantified by the auditor:**
 - (i) **Management's estimation on the impact of audit qualification:**
Not quantifiable.
 - (ii) **If management is unable to estimate the impact, reasons for the same:**
Please refer point no (iii) above of Director's response to comments of the statutory auditors in the Audit Report.
 - (iii) **Auditors' Comments on (i) or (ii) above:**
A continuing qualification from previous year as non-compliance with section 197 of the Companies Act, 2013 is pending to be regularized.

Qualification 4 of the Auditor's Report

1. **Details of Audit Qualification:**
As explained in basis of qualification (b) above
2. **Type of Audit Qualification :**
Qualified Opinion
3. **Frequency of qualification:**
First time
4. **For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:**
Not Applicable

5. For Audit Qualification(s) where the impact is not quantified by the auditor:

(i) Management’s estimation on the impact of audit qualification:

Not quantifiable

(ii) If management is unable to estimate the impact, reasons for the same:

Please refer point no (iv) above of Director’s response to comments of the statutory auditors in the Audit Report.

(iii) Auditors’ Comments on (i) or (ii) above:

In our view based on contractual agreement and facts available, the Group is required to recognize liability of this put option in earlier years.

• Cost Auditors

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Rules, 2014, the cost audit records maintained by the Company in respect of its hospital activity is required to be audited. Your Directors had, on the recommendation of the Audit and Risk Management Committee, appointed M/s. Jitender, Navneet & Co., Cost Accountants to audit the cost accounts of the Company for the Financial Year 2018-19 at a remuneration of ₹ 3.5 lac (plus out of pocket expenses and taxes). As required under the

Companies Act, 2013, the remuneration payable to the cost auditors is required to be placed before the Members in a general meeting for ratification. Accordingly, a resolution seeking Member’s ratification for the remuneration payable to M/s Jitender, Navneet & Co., Cost Auditors is included in the Notice convening the ensuing Annual General Meeting. Further, in terms of the Companies (Accounts) Rules, 2014, it is confirmed that maintenance of cost records as specified by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013, is applicable on your Company and accordingly such accounts and records are properly made and maintained.

• Secretarial Auditor

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s. Sanjay Grover & Associates, Practicing Company Secretary, to undertake the Secretarial Audit of the Company. The Company has complied with the provisions of Secretarial Standards, to the extent feasible. The Secretarial Audit Report is enclosed herewith as “Annexure - II”. The adverse remarks and management response to the same is as given below:

S. No.	Remarks by auditors	Management Response
1	The audited financial statements/ results for the year ended on March 31, 2018 were submitted to the stock exchange(s) after a delay of 37 days against the specified period as required under Regulation 33(3)(d) of SEBI LODR. In respect thereto, necessary penal provisions were duly complied with.	The Audited Financial statements were approved by the board on July 6, 2018. The same was delayed as the audit could not be completed within the defined timelines.
2	Statement on Impact of Audit Qualifications for audit report with modified opinion was submitted with the stock exchange(s) after a delay of almost 1 month against the specified period as required under Regulation 33(3) (d) of SEBI LODR. Necessary compliances including newspaper publication(s) were duly complied with.	The Financial results for the Quarter and Financial Year ended March 31, 2018, were duly submitted to stock exchanges on July 7, 2018, however, the statement on Impact of Audit Qualifications for audit report with modified opinion was erroneously submitted on August 9, 2018 instead.

S. No.	Remarks by auditors	Management Response
3	Prior intimation to the stock exchanges was not given for the board meeting held on July 07, 2018 for the approval of annual financial statements/ results for the year ended on March 31, 2018, which is not in compliance with Regulation 29(2) of SEBI LODR.	Since the Board Meeting was unplanned and held at a shorter notice, necessary intimation was not made. However, the stock exchanges were regularly informed on the developments.
4	Composition of Audit Committee was modified on November 13, 2018 which was not in accordance with Regulation 18 of SEBI LODR. The same was thereafter rectified on January 30, 2019. In respect thereto, necessary penal provisions were duly complied with.	The composition did not meet the necessary regulatory requirements for a span of approx. 1.5 months. The same was duly rectified before March 31, 2019.
5	No independent director(s) of the Company were appointed on the board of Fortis Hospotel Limited and Fortis Hospitals Limited, both being unlisted material subsidiaries of the Company, which is not in compliance with Regulation 24(1) of LODR.	The Board is in process of identifying the candidate for the said position(s).
6	The proceedings of Extraordinary General Meeting of the Company held on August 13, 2018 was submitted to the stock exchanges after the delay of 2 days which is not in compliance with Regulation 30 of SEBI LODR.	The outcome of the Extra Ordinary General Meeting was duly disclosed on August 14, 2018, however intimation regarding proceedings of the meeting was delayed by two days due to inadvertent omission.
7	Credit rating of the Company was revised by ICRA Limited on September 06, 2018 and the same was intimated to the stock exchanges on September 20, 2018 which is not in compliance with Regulation 30 of SEBI LODR.	This was occurred due to inadvertent omission.
8	The Company disclosed to the stock exchanges about Share subscription Agreement entered into with IHH Healthcare Berhad on July 13, 2018, however, the same was not in the format as prescribed under Para No. 5 of the SEBI Circular CIR/CFD/CMD/4/2015 dated September 09, 2015.	The Company has throughout the bidding process kept the stock exchanges and public at large updated on the developments. Since all the disclosures as stated in Regulation 30 w.r.t. 'Entering of an agreement' were already available in public domain, based on the legal advice, a considered view was taken that there is no requirement of making separate disclosure in this regard.
9	Necessary documentation in respect of secured loan obtained from Yes Bank amounting to ₹ 614 Crore is not yet to be completed and accordingly, the Company has not filed Form CHG-1 with Registrar of Companies, Chandigarh.	Document for creation of charge has not been executed till date and the necessary filings will thereafter be taken care of.

S. No.	Remarks by auditors	Management Response
10	Disclosures as required under the provisions of Section 149(7) of the Companies Act, 2013 were not placed before first meeting of board of directors held in Financial Year ended on March 31, 2019, however, same was placed at subsequent meeting of the board.	Due to paucity of time, the Board could not consider the requisite disclosures in the first meeting of the Financial Year 2018-19. A noting in this regard has been duly recorded in the minutes also.
11	Disclosures as required under the provisions of Section 184(1) of the Companies Act, 2013 were not placed before first meeting of board of directors held in Financial Year ended on March 31, 2019, however, same was placed at subsequent meeting of the board.	
12	The Company has initiated the process of performance evaluation of the Board as a whole, its Committees and Individual Directors, as per the requirements of Section 134(3)(p) of the Act read with Regulation 17(10) of SEBI Listing Regulations, 2015 and report of same is yet to be placed before the board.	The Board Evaluation process was duly completed by the date of this Board Report.
13	As reported in the secretarial audit report of Financial year ended March 31, 2018, the remuneration of ₹ 20,02,39,000/- paid to the erstwhile Executive Chairman of the Company in relation to his role as 'Lead: Strategic Initiatives', in the Strategy Function, was in excess of the limits approved by the Central Government as under Section 197 of the Act. As per the management, the Company is in the process of seeking refund of such excess amount paid to him.	The Company is in process of taking necessary legal actions for recovery of the amount paid to erstwhile Executive Chairman and has filed a complaint before Economic Offences Wing. Investigation is pending.

- **Internal Auditors**

Upon the recommendation of the Audit and Risk Management Committee, the Board of Directors has appointed Mr. Rajiv Puri, Head Risk and Internal Audit as the Chief Internal Auditor of the Company and authorized him to engage independent firms for conducting the internal audit for the Financial Year 2018-19. Accordingly, Pricewaterhouse Coopers Private Limited was engaged to perform Internal Audit for the Company/its subsidiaries.

Besides, the details of frauds as mentioned in the Auditors Report, if any, as per the requirement of Companies Auditor Report Order (CARO), Rules, 2016, there was no fraud reported by the above stated auditors during the year under review.

SIGNIFICANT & MATERIAL ORDERS PASSED BY THE REGULATORS

During FY 18-19, there was no significant material order passed by the Regulators/ Courts which would

impact the going concern status of the Company and its future operations. Updates w.r.t. ongoing regulatory investigations (viz. SEBI and SFIO) and other legal matters are detailed in Notes to the Financial Statements.

CAPITAL STRUCTURE/STOCK OPTION

Pursuant to entering into Subscription Agreement with Northern TK Venture Pte Ltd, an indirect wholly owned subsidiary of IHH Healthcare Berhad (IHH), the Board and the shareholders at their meetings held on July 13, 2018 and August 13, 2018, respectively, approved increase in authorized share capital of the Company from ₹ 678,00,00,000/- to ₹ 928,00,00,000/- details whereof forms part of notes to financial statement. Subsequently, the Board at its meeting held on November 13, 2018, approved allotment of 23,52,94,117 Shares at a price of ₹ 170 per share to Northern TK Venture Pte Ltd.

The Company currently manages its stock options through "Employee Stock Option Plan 2007" and "Employee Stock Option Plan 2011" ("Schemes") as approved by the shareholders. The Nomination and

Remuneration Committee of the Board of Directors of the Company, *inter alia*, administers and monitors the Schemes of the Company. Each option when exercised would be converted into one fully paid up equity share of ₹ 10 each of the Company. During the year under review, no option was granted by the Company. Disclosure pursuant to the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 for the year ended March 31, 2019 is available at <https://s3-ap-southeast-1.amazonaws.com/s3.fortishealthcare.com/ESOP+disclosure+2018-19.pdf>.

During the year under review, under the terms of the "Employee Stock Option Plan 2007", 3600 stock options were exercised and under the terms of "Employee Stock Option Scheme 2011" 10,00,000 stock options were exercised.

The certificate from the Statutory Auditors of the Company stating that the Schemes have been implemented in accordance with the SEBI Regulations would be placed at the ensuing Annual General Meeting for inspection by members.

The Company has not made any provision of money for purchase of, or subscription for, its own shares or of its holding Company.

Details pertaining to shares in suspense account are specified in the report of Corporate Governance forming part of the Board Report.

Extract of Annual Return is enclosed herewith as "Annexure – III".

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

The particulars required under Section 134(3)(m) of the Companies Act, 2013, read with Rule 8(3) of the Companies (Accounts) Rules, 2014, regarding Conservation of Energy and Technology Absorption, is given in "Annexure – IV", forming part of the Board's Report. Further, details pertaining to Foreign Exchange Earnings and Outgo is as given below:

Total Foreign Exchange Earned and Used (Based on Standalone Financial Statements)

Particulars	Amount (in ₹ Crore)
Foreign Exchange earned in terms of Actual Inflows	7.30
Foreign Exchange outgo in terms of Actual Outflows	1.11

Note: Earning and expenditure in foreign currency is on accrual basis.

CORPORATE SOCIAL RESPONSIBILITY - OUR JOURNEY THROUGH THE PAST YEAR

As a responsible corporate citizen and a member of the Indian healthcare ecosystem, we at Fortis Healthcare strongly believe that we can meaningfully alleviate the problem of inequitable access to quality healthcare. By creating and supporting social sector programmes linked to health and well-being, we seek to leverage our skills, experience, capabilities, technologies and facilities to address a critical social need for the vulnerable sections of society. We have continuously enabled programmes and initiatives, based on rigorous needs assessment, leading to not just improvement in healthcare service delivery but also creating social awareness and change. We believe this is the best way to have the greatest impact, because our interventions are capable of transforming lives and building aware communities.

The CSR initiatives for Fortis Healthcare Limited are led through Fortis CSR Foundation, a special Purpose vehicle designated to carry out CSR activities on behalf of the company. Fortis CSR Foundation ("FCSRFB") is wholly owned subsidiary of Fortis Healthcare Limited and company limited by shares not for profit registered under Section 8 of the Companies Act, 2013. During the first two quarters the CSR activities of the organisation was carried through Fortis Charitable Foundation.

These entities work in a collaborative and inclusive manner not only to align and synergise the social enterprise work of the group companies but also to expand their circle of partnerships with Government, Non-Government Organisations (NGOs), other corporates and individuals.

Working with a dedicated team of employees and Volunteers, Foundation focuses on four programs namely: AANCHAL, CHHAYA, SAVERA, SEWA. These programs work towards:

- Supporting treatment of under-privileged children suffering from congenital heart defect under its Umeed-Dhadkan initiative (AANCHAL)
- Support access to medical care through charitable dispensaries, outreach clinics & health Camps (CHHAYA)
- Design models on health information dissemination to reach to vulnerable sections of the community and provide awareness on preventive and remedial healthcare through different channels of communication (SAVERA)

- Provide timely medical relief to people affected in the event of disasters (SEWA)

Fortis Healthcare Limited and its subsidiaries (except SRL Limited) supports SAVERA program which focuses on Preventive health and Health Education under Section 135 of Companies Act 2013.

SRL Limited supports Chhaya Program which focuses on providing primary and basic healthcare services through Charitable Medical Infrastructure & Health Camp under Section 135 of the Companies Act, 2013.

Fortis Healthcare Limited also supports the disaster relief initiative SEWA through its volunteer base and contributing donations in the event of disasters.

ABOUT SAVERA PROGRAM

Better health is central to human happiness and well-being. It also makes an important contribution to economic progress, as healthy population live longer and are more productive. The key to a healthy life is awareness/knowledge of how to stay healthy.

In line with India's Sustainable Development Goal of Good health and well-being, Savera program seeks to provide a platform to create awareness on health issues and leverage on different channels of communication. The objective is to design models on health information dissemination to reach the vulnerable sections of the community.

SAVERA which focuses on "Health Education and Preventive Healthcare" has identified two target intervention areas on preventive health and health education:

- **First Aid and Basic Life Support (BLS) Training**
Emergency needs are critical. Timely action of providing first-aid is crucial in preventing or minimising further suffering. Knowledge on addressing emergency need is important for community. The objective is to raise the level of basic knowledge on First Aid Response & increase number of people who can help.
- **Awareness on health and hygiene to young children**
The objective is to raise the awareness on health & hygiene among children by developing illustrative

knowledge material and equip the capacity building of stakeholders working with underprivileged children

a) FIRST AID and BASIC LIFE SUPPORT TRAINING

Under this initiative, training on First Aid and Basic Life support are provided to beneficiaries enabling them as a first responder to handle mishaps that can be tackled with simple yet effective first-aid and also to save lives in case of emergency situations. Some of the key topics covered under the 2.5 hours training program are choking, nose bleeding, fainting, Insect bites, Bruise, cuts & wounds, Cardiopulmonary Resuscitation (CPR). The beneficiaries are provided First-Aid Guide, First Aid Kit along with certification.

Fortis Malar Hospitals Limited supported the following:

Training on First Aid and Basic Life Support training provided to 1531 beneficiaries in Tamil Nadu. Target groups are:

- “(a) School Safety First”: Making schools safer with First Aid and BLS training program to 1153 Govt. Higher Secondary School Students and teachers. Youth being future of the society, awareness was provided with the theme: “Learn First Aid, Be A Hero”
- “(b) Anganwadi: In Integrated Child Development Centre's, training on First Aid and BLS provided to 138 Anganwadi workers and helpers who are key personnel handling the children community
- “(c) Non-Government organizations: First Aid and BLS to 181 Social workers and volunteers of NGO who address the community at large
- “(d) Road Safety: Since drivers spend so much time on the road the incidence of injuries and accidents, they come across are high. First Aid and BLS training provided to 59 truck drivers as their early intervention can save lives or decrease the impact of injuries, leading to quicker recovery or lesser injuries for the victims

Hiranandani Healthcare Private Limited (A Fortis Network Hospital) supported the following:

Training on First Aid and Basic Life Support training provided to 359 beneficiaries in Maharashtra. Target group benefitted from this program are: Govt. Higher secondary school students and teachers; Anganwadi workers and helpers; Bus drivers and conductors; Construction workers

Fortis Hospotel Limited also supported the initiative of First Aid and Basic Life support Program.

The First Aid and Basic Life support training has enabled the beneficiaries to be equipped with the knowledge to address emergency medical needs.

(b) HEALTH EDUCATION AND AWARENESS ON HEALTH & HYGIENE TO CHILDREN

This program works in collaboration with NGO partners, corporates, District child centres working with the underprivileged children. The method adopted to raise awareness on the nutritional needs and hygiene aspects of young children, is by developing illustrative books which involves art therapy and storytelling session, specifically for the not so privileged community as storytelling and creative art work encourages active participation thereby increasing their willingness to apply the learning in their daily life.

Fortis Malar Hospitals Limited in FY 18-19 supported the following:

Awareness spread to over 9500 children (Street children, children in shelter homes, children in adopted village schools and communities) in Tamilnadu through distribution of Illustrative art and storytelling books on health and hygiene to 8 NGO partners and 3 corporates (including its Foundation working with the community children). NGO partners catered to the awareness needs of 6540 children and Corporates & Foundations reached to over 2989 children

Hiranandani Healthcare Private Limited (A Fortis Network Hospital) supported the following:

Awareness spread to over 1700 children (Street children, children in shelter homes, children in adopted village schools and communities) in Maharashtra through distribution of Illustrative art and storytelling books on health and hygiene

to NGO partner and corporates (including its Foundation working with the community children).

Escorts Heart Institute and Research Centre Limited

Awareness spread to over 2400 children (Street children, children in shelter homes, children in adopted village schools and communities) in Delhi, Uttar Pradesh, Bihar, Haryana, Punjab through distribution of previous year's Illustrative art and storytelling books on health and hygiene to NGO's and corporates (including its Foundation working with the community children). Also, awareness on First Aid spread through distribution of previous year's First Aid Guide to 220 children from different NGO's & community schools, who participated in Khel Yatra event, Delhi.

In addition to awareness to children, Escorts Heart Institute and Research Centre Limited also supported anti-tobacco campaign. Fortis Foundation has collaborated with Sambandh Health Foundation to increase awareness on anti-tobacco through talks and training.

Fortis Healthcare Limited

Fortis Healthcare Limited supported the platform to initiate and share research to create awareness on critical health issues. Under this, knowledge repository of disease related information was shared under the open platform called Gyaankari- a web portal for awareness on health issues.

ABOUT CHHAYA

Chhaya is program designed to provide primary and basic healthcare services to people in need. The treatment is provided through charitable Clinics and outreach clinics set up across different regions & Health Camps.

SRL Limited supported the following:

(a) CHARITABLE DISPENSARIES

CHHAYA program - supports access to medical care through Charitable Dispensaries and Health Camps. The initiative runs 7 charitable dispensaries and 3 outreach clinics. Each dispensary has a qualified MBBS doctor, nurse and paramedic staff. The dispensaries provide free access to primary

healthcare services for routine ailments and are open for 6 days of the week.

Fortis CSR Foundation has treated over 0.67 lakhs people through its charitable dispensaries from (1st October 2018 to 31st March 2019).

1. Golden Temple Dispensary, Amritsar
 - All India Women Conference (AIWC)
2. Birla Mandir Dispensary, New Delhi
3. Durgiana Temple Dispensary, Amritsar
 - Rag Pickers School, Amritsar
4. Aggarwal Dharamshala Dispensary, Bhogal, New Delhi
5. Ramakrishna Ashram Dispensary, Dehradun
 - Purukul School for Underprivilege, Dehradun
6. Anubhavi Ashram Dispensary, Haridwar
7. Gurudwara Sach Khand Darbar Dispensary, Udaipur

(b) HEALTH CAMPS

The initiative collaborates with several like-minded partners to conduct health camps for economically weaker sections of society.

No. of Patient got benefited through charitable dispensaries in FY 2018-19 – 1.23 lacs

ABOUT SEWA PROGRAM - DISASTER RELIEF INITIATIVE

India has been historically vulnerable to disasters with floods, cyclones, earthquakes and landslides being a recurrent phenomenon. In the event of a disaster, thousands of lives are affected, and livelihoods worth millions are destroyed. The urgent need in such situations is access to medical care. SEWA is a Disaster Relief Initiative that aims to provide emergency medical relief services in an organised and time sensitive manner to people affected by disasters. SEWA's core commitment is to support the government's efforts in providing medical relief during a calamity.

When Kerala was ravaged by Century's worst flood, 21-member SEWA volunteer team drawn from various

Fortis Hospitals across India (including doctors, nurses, paramedics and counsellor) reached to 2774 beneficiaries via medical relief operations in Wayanad and Alappuzha, Kerala.

Key drivers of Kerala- Disaster Relief Initiative are:

- Volunteerism
- Payroll giving and donation program
- Partnerships with NGOs and Health Department, Kerala
- Powerful communication engine that helps build a culture of giving

Fortis units across India, raised donation from 4506 employees. The employees of Fortis (including doctors, nurses, paramedics and counsellor) contributed to 2175 volunteer hours during medical relief operations in Wayanad and Alappuzha, Kerala.

Particulars pursuant to Clause O of Sub-Section 3 of Section 134 of the Companies Act, 2013 read with Rule 9 of the Companies (Corporate Social Responsibility) Rules, 2014 is given in "Annexure - V".

DIRECTORS AND KEY MANAGERIAL PERSONNEL

The Board of Directors of the Company as on date comprises of nine directors, of which one is a Managing Director and CEO (Executive Director) and 3 are Independent Directors. Rest of the 5 directors are Non-Executive Non-independent Directors. Pursuant to Sections 149 and 152 of the Companies Act, 2013, no director is liable to retire by rotation at the ensuing Annual General Meeting. Further, Dr. Tan See Leng, Dr. Chan Boon Kheng, Mr. Low Soon Teck and Mr. Chintamani Aniruddha Bhagat, who were appointed on the Board of the Company on November 13, 2018 and Mr. Shirish Moreshwar Apte, who was appointed on the Board of the Company on December 31, 2018 are proposed to appointed in the forthcoming Annual General Meeting. Further, Dr. Ashutosh Raghuvanshi was appointed as the Managing Director and Chief Executive Officer effective March 19, 2019.

Further, the following changes took place in the directorship during the Financial Year 2018-19 and till the date of this report:

- a) Mr. Rohit Bhasin was appointed as an additional independent director in the Company on April 19, 2018. He subsequently resigned on June 26, 2018;
- b) Lt. Gen. Tejinder Singh Shergill was regularised as Independent Director by the shareholders w.e.f. May 5, 2018;
- c) Ms. Suvalaxmi Chakraborty, Mr. Ravi Rajagopal and Mr. Indrajit Banerjee were appointed as Non-Executive Independent Directors of the Company by the Board on April 27, 2018 and their appointments were regularized by the members in the extra-ordinary general meeting ("EGM") of the Company held on May 22, 2018. At the same EGM, Dr. Brian William Tempest was disassociated from his position on the basis of resolution passed by the members;
- d) Mr. Harpal Singh, Lt. Gen. Tejinder Singh Shergill and Ms. Sabina Vaisoha resigned from directorship of the Company w.e.f. May 20, 2018;
- e) Mr. Ravi Rajagopal was appointed as Chairman of the Board with effect from June 1, 2018;
- f) Dr. Tan See Leng, Dr. Chan Boon Kheng, Mr. Low Soon Teck and Mr. Chintamani Aniruddha Bhagat were appointed as Additional Directors of the Company effective November 13, 2018 and Mr. Shirish Moreshwar Apte was appointed as Additional Director (designated as Non-Executive Vice Chairman) effective December 31, 2018; and
- g) Dr. Ashutosh Raghuvanshi was appointed as Chief Executive Officer w.e.f. March 18, 2019 and as Managing Director effective March 19, 2019.

Brief resume of the directors being appointed and/or regularized at the forthcoming Annual General Meeting is separately disclosed in the Notice of the ensuing Annual General Meeting.

All Independent Directors have submitted declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the Financial Year 2018-19, twenty five meetings were held by the Board of Directors. The details of board/

committee meetings and the attendance of Directors are provided in the Corporate Governance Report.

Details of Key Managerial Personnel are as under:

Name	Designation
Mr. Bhavdeep Singh	Chief Executive Officer (Resigned vide letter dated November 8, 2018 and effective March 17, 2019)
Dr. Ashutosh Raghuvanshi	Managing Director and Chief Executive Officer (Appointed as CEO w.e.f. March 18, 2019 and as Director and Managing Director effective March 19, 2019)
Mr. Gagandeep Singh Bedi	Chief Financial Officer (Resigned vide letter dated August 30, 2018 and effective September 30, 2018)
Mr. Girish Kumar Gupta	Chief Financial Officer (Appointed on October 1, 2018 and resigned effective April 8, 2019)
Mr. Vivek Kumar Goyal	Chief Financial Officer (Appointed w.e.f. April 8, 2019)
Mr. Rahul Ranjan	Company Secretary (Resigned effective October 1, 2018)
Mr. Sumit Goel	Company Secretary (Appointed w.e.f. October 1, 2018)

Disclosures regarding the following are mentioned in report on Corporate Governance forming part of this report.

1. Composition of Committee(s) of the Board of Director and other details;
2. Details of establishment of Vigil Mechanism;
3. Details of remuneration paid to all the Directors including Stock options; and
4. Commission received by Managing Director and/or Whole Time Director; if any.

BOARD EVALUATION

Pursuant to the provisions of Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board and the respective committees are required to carry out performance evaluation of the Board as a body, the Directors individually, Chairman as well as that of its Committees.

The following process of evaluation was approved by the Nomination and Remuneration Committee and the Board of Directors:

S. No.	Process	Remarks	Criteria for Evaluation (including Independent Directors)
1.	Individual Self-Assessment	Duly filled in self-evaluation forms were shared by the Directors.	This includes Members Selection and Induction Process, Knowledge, skills, Diligence, participation, Leadership skills and Personnel attributes.
2.	One to One discussion	Process Coordinator interacted with the Board members to assess performance, invite direct feedback and seek inputs to identify opportunities for improvement.	This includes Board focus (Strategic inputs), Board Meeting Management, Board Effectiveness Management Engagement and addressing of follow up requests.
3.	Evaluation by the Board and of Independent Directors	A compilation of the individual self-assessments and one to one discussions were placed at the meetings of the Independent Director's (ID's) and the Board of Directors (BoD) for them to review collectively.	This includes demonstration of integrity, commitment, attendance at the meetings, contribution and participation, professionalism, contribution while developing Annual Operating Plans, demonstration of roles and responsibilities, review of high risk issues & grievance redressal mechanism, succession planning, working of Board Committees etc.
4.	Final recording and reporting	Based on the above, a final report on Board Evaluation 2018-19 was presented at a meeting of the Board of Directors.	NA

MANAGERIAL REMUNERATION

Disclosures pursuant to Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are as under:

(a) Comparison and ratio of the remuneration of each director to the median remuneration of the employees of the Company for the Financial Year 2018-19

Name of the Director	Remuneration of Director (₹ in crore)	Median Remuneration of employees (₹ in crore)	Ratio
*NIL			

* Dr. Ashutosh Raghuvanshi joined on 18-Mar-19 and his salary for the month of March, 2019 was paid with April 19 month's salary. Accordingly, for the Financial Year 2018-19, no remuneration was paid to any director (except sitting fees)

(b) The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, during the financial year under review

Name of Director/ KMP	Designation	*% increase in Remuneration
Mr. Bhavdeep Singh	Chief Executive Officer	0%
¹ Dr. Ashutosh Raghuvanshi	Managing Director and Chief Executive Officer	N.A
² Mr. Gagandeep Singh Bedi	Chief Financial Officer	0%
³ Mr. Girish Kumar Gupta	Chief Financial Officer	NA
Mr. Rahul Ranjan	Company Secretary	7%
⁴ Mr. Sumit Goel	Company Secretary	N.A

¹ Appointed as CEO effective 18-Mar-2019 and as Managing Director effective 19-Mar-2019

²Resigned effective September 30, 2018

³Appointed w.e.f. October 1, 2018 and resigned effective April 8, 2019

⁴Appointed w.e.f. October 1, 2018

*% increase in remuneration is effective 1st April 2018

(c) The percentage increase in the median remuneration of employees in the financial year is 6.6% (8% in the last year) (Median remuneration

increase of the employees is eligible for appraisal as on 1st April 2018)

- (d) **The number of permanent employees on the rolls of Company is 2610 as on March 31, 2019.**
- (e) **Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and any exceptional circumstances for increase in the managerial remuneration**

Particulars		For the Financial Year 2018-19
(A)	Average percentile increase already made in the salaries of employees other than the managerial personnel	5.4%
(B)	Percentile increase in the managerial remuneration	-
Comparison of (A) and (B)		-
Justification		5.4% is the company average. The increment band for eligible employees was 0% to 10%. There was no increment for Sr. leadership team in Band 4.
Any exceptional circumstances for increase in the managerial remuneration		NA

- (f) **Dr. Ashutosh Raghuvanshi's remuneration structure includes variable pay, however, the variable payout for Financial Year 2018-19 (his appointment dated being March 18, 2019) will be made alongwith the Financial Year 2019-20. There is no variable payment being made to any other director of the Company.**
- (g) **Remuneration paid to Directors and KMPs is as per the Remuneration Policy of the Company.**

REMUNERATION POLICY

The Board has, on the recommendation of the Nomination and Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management and their remuneration including criteria for determining qualifications, positive attributes, independence of a Director etc. Details of Remuneration Policy and changes, if any, are stated in the Corporate Governance Report.

The Company has from time to time familiarised the Board of Directors with the Company's operations, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, etc. The same is governed by a template viz Board of Directors Governance Standard and it is available at <https://d3f9l090092v9r.cloudfront.net/Board%20of%20Directors%20Governance%20Standards.pdf>.

PARTICULARS OF EMPLOYEES

The information required pursuant to Section 197 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company, will be provided upon request. In terms of Section 136 of the Companies Act, 2013, the Report and Accounts are being sent to the Members and others entitled thereto, excluding the information on employees' particulars which is available for inspection by the Members at the Registered Office and/or Corporate Office of the Company during business hours between 10.00 am to 12.00 noon on working days (except Saturday) of the Company upto the date of the ensuing Annual General Meeting. If any Member is interested in obtaining a copy thereof, such Member may write to the Company Secretary in this regard.

RELATED PARTY TRANSACTIONS

There are a few materially significant Related Party Transactions made by the Company with other related parties which forms part of the Annual Report. Disclosures as required under Section 134(3)(h) read with Rule 8(2) of the Companies (Accounts) Rules, 2014, are given in "Annexure - VI" in Form AOC- 2 as specified under the Companies Act, 2013.

The Related Party Transactions are placed before the Audit and Risk Management Committee for approval as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Prior omnibus approval of the Audit and Risk Management

Committee is obtained for the transactions which are of a foreseeable and repetitive nature. The transactions entered into pursuant to the omnibus approval so granted are audited and a statement giving details of all related party transactions is placed before the Audit and Risk Management Committee for their review on a quarterly basis.

The Company has developed a Related Party Transactions Framework and Standard Operating Procedures for the purpose of identification and monitoring of such transactions.

The policy on Related Party Transactions as approved by the Board is uploaded on the Company's website and the same is available at the following link <https://d3fr1090092v1r.cloudfront.net/Related-Party-Transactions-Framework-Document.pdf>.

None of the current Directors has any pecuniary relationship or transaction vis-à-vis the Company, except to the extent of sitting fees and remuneration approved by the Board of Directors and/or shareholders of the Company and as disclosed in this Annual Report.

RISK MANAGEMENT POLICY

The Company has designed a risk management policy and framework for risk identification, assessment, mitigation plan development and monitoring of action to mitigate the risks. The key objective of the policy is to provide a formalized framework to enable judicious allocation of resources on the critical areas which can adversely impact the Company's ability to achieve its objectives. The policy is applicable to the Company and its subsidiaries. The policy defines an architecture and oversight structure to assist effective implementation. The details thereof are covered under the Management and Discussion Analysis Report which forms part of the Annual Report.

POLICY FOR PREVENTION, PROHIBITION AND REDRESSAL OF SEXUAL HARASSMENT

Your Company has adopted a Policy for Prevention, Prohibition and Redressal of Sexual Harassment. As per the requirement of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 and Rules made thereunder, your Company has constituted Internal Complaints Committees (ICC). During the Financial Year 2018-19, the Company has received 10 complaints on sexual harassment and these complaints have been resolved with appropriate action taken and hence no complaint is pending as on

March 31, 2019. The same may also be read in terms of Companies (Accounts) Rules, 2014.

DISCLOSURE REQUIREMENTS

As per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Corporate Governance Report with Auditors' certificate thereon and Management Discussion and Analysis Report are attached, which form part of this report.

CODE OF CONDUCT

Declaration by Dr. Ashutosh Raghuvanshi, Managing Director and Chief Executive Officer confirming compliance with the 'Fortis Code of Conduct' is enclosed with Corporate Governance Report.

CERTIFICATE BY STATUTORY AUDITORS FOR DOWNSTREAM INVESTMENT

A certificate from the Statutory Auditors of the Company stating that the Company has duly complied with the requirements of downstream investment made by the Company to second level entities in accordance with Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017 would be placed at the Annual General Meeting for inspection by members.

DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3)(c) of the Companies Act, 2013:

- (a) in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures therefrom;
- (b) we have assessed the selection and application of accounting policies for their consistent application and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of the affairs of the Company at the end of the financial year and of the loss of the Company for the Financial Year ended March 31, 2019;
- (c) except for the findings of the Investigation Report, including matters on internal control described in Notes 29 and 30 in the Notes to the Consolidated Financial Statements and in the notes to the Standalone Financial Statements and our inability at

this juncture to make a determination on whether a fraud has occurred on the Company considering the limitations on the information available to Luthra and their qualifications and disclaimers as described in their investigation report, proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- (d) the Statements have been prepared on a going concern basis for the reasons stated in Note 38 in the Notes to the Consolidated Financial Statements and Note 33 in the notes to the Standalone Financial Statements; and
- (e) except for certain systemic and control lapses identified in the Investigation Report as described in Notes 29 and 30 in the Notes to the Consolidated Financial Statements and in the Notes to the Standalone Financial Statements, proper internal financial controls have been laid down and that such internal financial controls are adequate and are operating effectively;
- (f) except for the matters on related parties and managerial remuneration described in Note 32(4) in the Notes to the Consolidated Financial Statements and Note 32 in the notes to the Standalone Financial Statements and certain systemic and control lapses,

as detailed in Notes 29 and 30 in the Notes to the Consolidated Financial Statements and in the Notes to the Standalone Financial Statements, there are proper systems in place to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

ACKNOWLEDGEMENT

Your Directors place on record their gratitude to the Central Government, State Governments and all other Government agencies for the assistance, co-operation and encouragement they have extended to the Company.

Your Directors also take this opportunity to extend a special thanks to the medical fraternity and patients for their continued cooperation, patronage and trust reposed in the Company. Your Directors also greatly appreciate the commitment and dedication of all the employees at all levels, that has contributed to the growth and success of the Company. Your Directors also thank all the strategic partners, business associates, Banks, financial institutions and our shareholders for their assistance, co-operation and encouragement to the Company during the year.

**By Order of the Board of Directors
For Fortis Healthcare Limited**

Date: May 24, 2019
Place: Gurugram

**Sd/-
Ravi Rajagopal
Chairman**