

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting here the Twenty Fourth 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, 2020.

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, 2020	Year ended March 31, 2019
Continuing Operations		
1. Operating Income	463,232	446,936
2. Other Income	5,264	9,240
3. Total Income (1+2)	468,496	456,176
4. Total Expenditure (Excluding finance cost, depreciation & tax expenses)	402,280	424,414
5. Operating Profit (EBITDA) (3-4)	66,216	31,762
6. Finance Charges, Depreciation & Amortization	49,679	56,975
7. Profit/ (loss) before exceptional items and tax (5-6)	16,537	(25,213)
8. Exceptional items	6,183	(22,238)
9. Profit/ (loss) before tax (7+8)	22,720	(47,451)
10. Tax Expenses	14,787	11,361
11. Net Profit/ (loss) for the year (9-10)	7,933	(58,812)
12. Share in profits of associate companies	1,216	36,441
13. Profit/ (Loss) for the year from continuing operations (11+12)	9,149	(22,371)
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 (B)	-	-
15. Profit/ (loss) for the year (13+14)	9,149	(22,371)
Profit for the year attributable to:		
Owners of the Company	5,794	(29,893)
Non-controlling interests	3,355	7,522
Profit for the year before other comprehensive income		
16. Other comprehensive income	11	(4,517)
17. Total comprehensive income (15+16)	9,160	(26,888)
Total comprehensive income for the year attributable to:		
Owners of the Company	5,947	(34,449)
Non-controlling interests	3,213	7,561

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

(` in lacs)

Particulars	Standalone	
	Year ended March 31, 2020	Year ended March 31, 2019
Continuing Operations		
1. Operating Income	70,185	65,649
2. Other Income	93,834	52,449
3. Total Income (1+2)	164,019	118,098
4. Total Expenditure (Excluding finance cost, depreciation & tax expenses)	63,390	78,192
5. Operating Profit (EBITDA) (3-4)	100,629	39,906
6. Finance Charges, Depreciation & Amortization	25,698	21,941
7. Profit before exceptional items and tax (5-6)	74,931	17,965
8. Exceptional items	(12,863)	-
9. Profit before tax (7+8)	62,068	17,965
10. Tax Expenses	10,735	5,656
11. Net Profit for the year (9-10)	51,333	12,309
12. Share in profits of associate companies	-	-
13. Profit for the year from continuing operations (11+12)	51,333	12,309
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 for the year (13+14)	51,333	12,309
16. Other comprehensive income	(12)	22
17. Total comprehensive income (15+16)	51,321	12331

STATE OF COMPANY'S AFFAIR, OPERATING RESULTS AND PROFITS

Fiscal 2019-20 witnessed a turnaround in the Company's performance led by a significant improvement in the hospitals business of the Company which contributes approx. 80% to consolidated revenues.

For FY2019-20, basis the Consolidated Financial Results, the Company's total income from continuing operations stood at ` 4,685 Crore compared to ` 4,562 Crore reported for the financial year 2018-19. The Company's revenue from operations stood at ` 4,632 Cr compared to ` 4,469 Cr for the financial year 2018-19, a growth of 3.6%. This was primarily as a result of 6.4% growth in the hospital business while revenues

of the diagnostics business revenues were similar to the previous year. The EBITDA of the company stood at ` 662 Crore compared to ` 318 Crore for the previous corresponding year. EBITDA margin improved to 14.1% in FY19-20 versus 7% reported in FY18-19. This was largely driven by the healthy margin expansion in the hospital business due to better revenue and various cost optimization initiatives. In addition, the hospital business saw the significant impact on performance due to the acquisition of portfolio of assets of the RHT Health Trust which saved substantial clinical establishment costs for the Company. Operationally, the hospital business witnessed an improved product mix with Occupancy improving from 67% to 68% while ARPOB increased from ` 1.52 Cr to ` 1.59 Cr. However,

it is also pertinent to highlight that the operating EBITDA of the company both for the hospitals and the diagnostics business was impacted in Q4 due to impact of the COVID pandemic which became pronounced towards the end of March due to the nationwide lockdown.

The company's profit before tax and before exceptional items for the financial year stood at ` 165.4 Cr compared to a loss of ` 252.1 Cr in FY18-19. This was as a result of the better operational performance and lower finance costs which witnessed a reduction of 39%.

The company's Profit for the year from continuing operations attributable to owners of the company (PATMI) stood at ` 57.9 Cr compared to a loss of ` 298.9 Cr in FY18-19. This was impacted negatively impacted by a non-cash Deferred Tax Asset (DTA) charge in Q3 FY20 of ` 102 Crs. The Company de-recognized deferred tax asset (DTA) in respect of one of its subsidiaries partially off-set due to recognition of DTA in certain other subsidiaries; both basis their respective future taxable profits. In FY20, PATMI includes an exceptional gain of ` 61.8 Cr which primarily pertains to profit on sale of certain investments. In FY19, PATMI includes share in profit of associate companies amounting to ` 333 Cr which was on account of RHT Health Trust 's profit on divestment of assets to Fortis in January 2019. It also includes exceptional loss of ` 222 Cr which primarily pertains to impairments related to the goodwill and of certain assets.

Your Company aspires to be the most trusted healthcare organization in India and is committed to deliver quality healthcare services to patients in modern facilities using advanced technologies ably supported by a team of skilled doctors, nurses and healthcare professionals. Your company's stringent medical processes and protocols are designed to deliver superior clinical outcomes and enhance patient satisfaction. Most of our healthcare facilities provide secondary, tertiary and quaternary healthcare services to patients in Cardiac Care, Orthopedics, Neurosciences, Oncology, Renal Care, Metabolic diseases care and mother and childcare.

During the year, your Company commenced several new medical programmes and specialties across various facilities whilst strengthening the existing

medical offerings. It launched a State-of-the-art Cancer Institute at Fortis BG Road, a dialysis centre at Fortis Vasant Kunj, inaugurated the department of Physiotherapy at FEHI, a next generation Cath Lab and a comprehensive Mother & Child Care wing at Fortis Faridabad and a day care wing at Fortis Noida.

Your Company also has a number of ambitious projects on the anvil, aimed at spurring growth and development. The company aims to consolidate its position in Cardiac Sciences and Orthopaedics while focusing on high growth specialties such as Oncology, Neuro Sciences, Gastro Sciences and Renal Sciences to improve margins. Furthermore, the company plans to commission over 1,300 new beds over the next 5 years in existing facilities to leverage economies of scale – majority of bed additions are planned in Noida, BG Road, Shalimar Bagh, FMRI, Mohali and Arcot Road. Further details have been captured in the Management Discussion and Analysis Section of the Annual report.

The healthcare verticals of the Company primarily comprise day care specialty, diagnostics and tertiary and quaternary care. As of March 31, 2020, the Company had a network of 36 healthcare facilities (including projects under development) in India and abroad with approximately 4,000 operational beds including beds under the O&M model.

In addition, its Indian diagnostics business has a presence in over 600 cities and towns, with an established strength of over 400 laboratories, approximately 8,200 Direct clients and 1400 Collection centers.

There has been no change in the nature of business of the Company during the year under review. The Company strives to provide high quality affordable treatments with an emphasis on successful clinical outcomes and a superlative patient experience.

SIGNIFICANT MATTERS DURING THE YEAR UNDER REVIEW

Your Company undertook a comprehensive strategic review and prioritized key areas to drive revenues and operational performance. These include aspects related to evaluating the current portfolio of your Company's facilities and planned bed expansion, initiating cost optimization measures across the network, investing in technology and medical equipment and further strengthening its clinical excellence program. Further

details of this are mentioned in the Business Strategy section of the Management Discussion and Analysis Report ('MDA').

Further, 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:

- **Changed Board and Key Managerial Personnel-** During the year under review, the Board of Directors and Key Managerial Personnel underwent changes, details whereof is separately disclosed in this report.
- **Open Offer-** The Board had at its meeting held on July 13, 2018, accepted the binding bid made by IHH Healthcare Berhad (IHH). Pursuant thereto your Company entered into subscription Agreement for issuance of 23,52,94,117 Shares at a price of ₹ 170 per share for an aggregate consideration upto ₹ 4,000 crore (Rupees Four Thousand Crore only) to Northern TK Venture Pte Ltd ("NTK"), an indirect wholly owned subsidiary of IHH. Consequently, 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 your 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 ₹ 10 each, representing 26% of the fully diluted voting equity share capital of Fortis Malar Hospitals Limited (Fortis Malar Open Offer).

After the public announcement regarding Fortis Open Offer and Fortis Malar Open Offer, 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, Fortis Open Offer and Fortis Malar Open Offer were put on hold until further order(s)/ clarification(s)/ direction(s) issued by the Hon'ble Supreme Court of India. Application was filed by your Company for modification of the Order and for proceeding

with Fortis Open Offer and Fortis Malar Open Offer. Vide its judgment dated 15 November 2019 ("Judgment"), the Hon'ble Supreme Court issued suo-moto contempt notice to, among others, your Company, and directed its Registry to register a fresh contempt petition in regard to alleged violation of the Order ("Contempt Petition"). In this respect, the Hon'ble Supreme Court sought an enquiry into:

- (i) Whether the subscription by NTK for the Shares of your Company was undertaken after the Order, and accordingly if such subscription was in violation of the Order; and
- (ii) The consummation of acquisition of healthcare assets from RHT Health Trust by your Company.

Your Company has filed a reply to the show cause notice issued in the suo-moto contempt, praying inter alia, that the suo-moto contempt proceedings be dropped and Order be modified/ vacated such that Fortis Open Offer and Fortis Malar Open Offer may proceed. Since the issuance of the Judgement, several parties have filed applications before the Hon'ble Supreme Court, for seeking various remedies Such as (i). A minority shareholder of your Company ("Minority Shareholder") has sought resumption of the Fortis Open Offer; (ii) Daiichi Sankyo Co. Ltd has sought permission to be impleaded in the Suo- Moto Contempt; (iii) Securities Exchange Board of India has sought resumption of the Fortis Open Offer citing larger public interest at stake; (iv) NTK has filed applications to intervene in the Supreme Court Proceedings, to be heard and for vacation of the Order that continues to stay the Fortis Open Offer and Fortis Malar Open Offer. The next date in the matter is yet to be notified.

- **Update on EHIRCL Litigation-** During the year under review, the Hon'ble Supreme court of India has passed a judgement in favour of one of the wholly owned subsidiaries of your Company viz. Escort Heart Institute & Research Centre Limited (EHIRCL). Facts of the case briefly stated is that after Delhi Development Authority (DDA) terminated the leases executed in favour of EHIRCL with respect to its Hospital at Okhla,

Delhi, EHIRCL had approached the Hon'ble High Court of Delhi seeking declaration that the notice of termination is bad in law. However, DDA commenced proceedings for eviction of EHIRCL under the Public Premises (Eviction of Unauthorised Occupant) Act, 1971. The said notice of commencement was challenged by EHIRCL by way of writ petition under Article 226 of the Constitution of India filed before the Delhi High Court. The writ petition was dismissed by the Single Judge of the High Court. Thereafter, EHIRCL filed a Letters Patent Appeal before a two judge bench of the High Court of Delhi which was also dismissed. The writ petition and the appeal were filed on the premise that the Estate Officer has no jurisdiction to invoke proceedings under the Public Premises (Eviction of Unauthorised Occupant) Act, 1971. Against the said order, EHIRCL filed a Special Leave Petition under Article 136 of the Constitution of India. The Hon'ble Supreme Court granted leave to appeal. The matter was taken up for final hearing and post detailed arguments, the Hon'ble Court allowed the appeal and quashed the proceedings for eviction of EHIRCL from its Hospital premises at Okhla, Delhi.

DIVIDEND AND TRANSFER TO RESERVES

The Board of Directors of your Company have not recommended any dividend for the Financial Year 2019-20. Accordingly, there has been no transfer to general reserves.

Your 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://www.fortishealthcare.com/investors> - Corporate Governance/ Policies/ Codes/ Policy on Dividend Distribution.

MATERIAL CHANGES

There are no material changes and commitments, affecting the financial position of your Company which have occurred between the end of the Financial Year 2019-20 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 2020, 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") and its joint venture companies (jointly controlled company), as of 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 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 associates 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 2020, 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 weakness 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 Group for the year ended 31 March 2020 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 (i) of “Basis for Qualified Opinion” paragraph of our Audit Report on the consolidated financial statements for the year ended 31 March 2020, 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. The management has also initiated additional procedures/ enquiries, which are ongoing, of certain entities in the Group that were impacted in respect of the matters investigated by the external legal firm. Consequently, an overall assessment of the impact of the additional procedures/ enquiries and/or investigations on the consolidated financial Statements is yet to be concluded. 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 additional procedures/ enquiries and/or investigations by management, 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, have been made. Further, the Board initiated specific improvement projects to strengthen the process and control environment for which assessment work has been done and corrective action plans have been implemented. Further, various regulatory authorities are currently undertaking their own investigation. Any further adjustments/ disclosures, if required, would be made in the books of account, pursuant to the actions to be taken by the Board and as and when the results of the various investigations are known. With regard to other comments all identified adjustments/disclosures have been made. For more details, please refer to notes 14,29,30,31 and 32 of Consolidated Financial Statements.

DETAILS OF SUBSIDIARY/JOINT VENTURES/ ASSOCIATE COMPANIES

During the year under review:

- Fortis Healthcare International Limited (FHIL) a wholly owned subsidiary of the Company has consummated the sale of the entire shareholding representing 28.89% of the total issued and paid up capital, held by FHIL in The Medical and Surgical Centre Limited on July 8, 2019.
- SRL Diagnostics FZ LLC, Dubai (“**SRL FZ LLC**”), a wholly owned subsidiary of SRL Limited, has closed its board controlled subsidiary named as SRL Diagnostics Middle East LLC, Dubai (“**SRL Middle East**”) through requesting cancellation of licence of SRL Middle East to relevant government authorities there on August 30, 2019.

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://www.fortishealthcare.com/investors> - Corporate Governance/ Policies/Codes/ Policy for determination of Material Subsidiary.

In terms of the said policy, as on April 1, 2020, Fortis Hospitals Limited (FHsL), International Hospital Limited (IHL), Fortis Hospotel Limited (FHsTL) and SRL Limited are considered as Material Subsidiary(ies). Necessary compliances w.r.t. material subsidiaries have been duly carried out except that your Company is yet to appoint an Independent Director from the Board of Fortis Healthcare Limited on the Boards of IHL and FHsTL

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

The consolidated financial statements of your 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. Your 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 be available for inspection. Performance and financial position of each of Subsidiaries, Associates and Joint Ventures included in the Consolidated Financial Statements of your 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, 2020.

LOANS/ADVANCES/INVESTMENTS/GUARANTEES

Particulars of Loans / Advances / Investments / guarantees given and outstanding during the Financial Year 2019-20 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 B S R & Co. LLP, (Registration No. 101248W/W-100022), Chartered Accountants, has been appointed as Statutory Auditors of your Company for a period of five years i.e. up to the conclusion of the Annual General Meeting to be held in the year 2024.

The 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 catagorised as “Emphasis of Matter”, hence no comments in this regard have been offered by your Board of Directors:

- a) Note 14(II)(i) and 14(II)(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 Escorts Heart Institute and Research Centre Limited (‘EHIRCL’).
- b) 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 litigations in paragraph (a) and (b) above 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.

- c) We also draw attention to Note 33 of the consolidated financial statements relating to the order dated 15 November 2019 of the Hon’ble Supreme Court, where it is stated that the Hon’ble Supreme Court has issued suo-moto contempt notice to, among others, the Company and directed its Registry to register a fresh contempt petition in regard to alleged violation of its order dated 14 December 2018. In this respect, the

Hon'ble Supreme Court has sought an enquiry, into (i) whether the subscription by Northern TK Venture Pte Ltd., Singapore, a wholly owned subsidiary of IHH Healthcare Berhad, Malaysia, to the shares of the Company was undertaken after the status quo order was issued by the Hon'ble Court on 14 December 2018 and accordingly, if such subscription was in violation of this status quo order; and (ii) the consummation of the acquisition of healthcare assets from RHT Health Trust by the Company. As also explained in the said note, the management believes that it has a strong case on merits and as per the current position of the case, the liability, if any, arising out of this contingency cannot be determined at this stage. Accordingly, at present, no adjustment is required in the consolidated financial statements.

- d) We draw attention to Note 44 of the consolidated financial statements, which explains that due to a significant amount of dividend received during the year from a wholly owned overseas subsidiary, the 'income from financial assets' of the Company is more than 50 per cent of the gross income for the year ended 31 March 2020. Since the Company's financial assets as at that date are also more than 50 per cent of its total assets, the Company meets the criteria for classification as a Non-Banking Financial Company (NBFC) as per press release by Reserve Bank of India (RBI) vide No. 1998-99/1269 dated 8-4-1999 as at 1 April 2020. As per the Company, such dividend is non-recurring in nature and does not represent income from ordinary activities of the Company and the Company does not intend to carry on the business as a NBFC. The Company has made a representation to the RBI in this regard. The Company has not received any response from RBI in this regard till date.

The 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 the "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 2020, and the consolidated statement of profit and loss (including other comprehensive income), consolidated statement of changes in equity and consolidated statement of cash flows 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 reports of other auditors on separate financial statements of such subsidiary and joint ventures as were audited by the other auditors, and 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 ("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 the Group, its associates and joint ventures as at 31 March 2020, of its consolidated profit, other comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended.

Basis for Qualified Opinion

- (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 carried out an independent investigation and special audits by external professional firms on matters relating to systematic lapses/override of internal controls. As a result of investigation/ special audits, the Company recorded adjustments in its books of accounts during the year ended 31 March 2018 which are explained in Note 29, 30 and 31 of the consolidated financial statements. However, the report of said investigation was subject to limitations on the information available to the external professional firms; and their qualifications and disclaimers including completeness of related party transactions which relate to or which originated prior to loss of control of erstwhile promoters/directors in the year ended 31 March 2018.

Further, as explained in Note 31 and 32 of the consolidated financial statements, various regulatory authorities including Securities and Exchange Board of India ("SEBI") and Serious Fraud Investigation Office ("SFIO") are undertaking their own investigations on these matters, which are currently ongoing.

As explained in Note 31(f) of the consolidated financial statements, the management has also initiated additional procedures/ enquiries, which are ongoing, of certain entities in the Group that were impacted in respect of the matters investigated by the external legal firm. Consequently, an overall assessment of the impact of the additional procedures/ enquiries and/ or investigations on the consolidated financial statements is yet to be concluded.

Also, as explained in Note 14(l) of the consolidated financial statements, a Civil Suit claiming ` 25,344 lacs was filed by a third party against various entities including the Company and certain entities within the group relating to "Fortis, SRL and La-Femme" brands. 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.

In view of the above, we are unable to comment on further adjustments/ disclosures which may become necessary as a result of findings arising out of the ongoing additional procedures/ enquiries/ investigations required, if any, and outcome of civil suit on the consolidated financial statements including completeness/accuracy of the related party transactions which relate to or which originated prior to loss of control of erstwhile promoters/ directors in the year ended 31 March 2018, the regulatory non-compliances, if any, and the consequential impact of the above adjustments, if any, on the consolidated financial statements.

- (ii) As explained in Note 34 of the consolidated financial statements, during the year ended 31 March 2018, the Company concluded that it had paid amount aggregating to ` 2,002.39 lacs to the erstwhile Executive Chairman in excess of the amounts approved by the Central Government under Section 197 of the Companies Act, 2013

as his remuneration and other reimbursements. This is accordingly a non-compliance with the provisions of Section 197 of the Companies Act, 2013. Due to the uncertainty involved on recoverability of the said amounts, a provision for this amount has also been recorded in the year ended 31 March 2018.

The matters stated above were subject matter of qualification in our audit opinion on the consolidated financial statements for the year ended 31 March 2019 also.

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 (i) of 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, have been made. Further, the Board initiated specific improvement projects to strengthen the process and control environment for which assessment work has been done and corrective action plans have been implemented. Further, various regulatory authorities are currently undertaking their own investigation. Any further adjustments/ disclosures, if required, would be made in the books of account, pursuant to the actions to be taken by the Board and as and when the results of the various investigations are known. With regard to other comments all identified adjustments/ disclosures have been made. For more details, please refer to notes 14(l), 29, 30, 31 and 32.
- (ii) With regard to the comments of the statutory auditors in paragraph (ii) of basis for qualified opinion of Audit Report, pertaining to the amounts paid 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.

The statement of impact of Audit Qualification 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 Statement 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, 2020 ("the Consolidated Annual Financial Statement") included in the Statement of Consolidated Financial Statement ("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	468,496	Not Determinable
2	Total Expenditure	451,959	---Do---
3	Share of profit of associates and joint ventures (net)	1,216	---Do---
4	Exceptional gain	6,183	---Do---
5	Tax expense	14,787	---Do---
6	Net Profit/(Loss)	9,149	---Do---
7	Earnings Per Share	0.77	---Do---
8	Total Assets	1,134,782	---Do---
9	Total Liabilities	414,223	---Do---
10	Net Worth *	720,559	---Do---

"\$" for Qualifications i) and ii) of the Auditor's Report.

* Including non-controlling interest of Rupees 54,450 lacs

Qualification i) of the Auditor's Report

1. Details of Audit Qualification:

As per audit report para (i) of basis for qualified opinion

2. Type of Audit Qualification:

Qualified Opinion

3. Frequency of qualification:

Third 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 ii) of the Auditor's Report

1. Details of Audit Qualification:

As per audit report para ii) of basis for qualified opinion

2. Type of Audit Qualification :

Qualified Opinion

3. Frequency of qualification:

Third 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 (ii) 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.

• Cost Auditor

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 your 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 your Company for the Financial Year 2019-20 at a remuneration of 3.5 lacs (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, your Company has appointed M/s. Sanjay Grover & Associates, Practicing Company Secretary, to undertake the Secretarial Audit of your Company. Your 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 the Auditors	Management Response
1.	No independent director(s) of your Company were appointed on the board of Fortis Hospotel Limited and International Hospital Limited, both being unlisted material subsidiaries of your 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).

• 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 your Company and authorized him to engage independent firms for conducting the internal audit for the Financial Year 2019-2020 to enable him to extend adequate coverage of internal audit checks, if needed. Accordingly, Ernst & Young LLP was engaged to carry out certain aspects of Internal Audit for your Company/its subsidiaries to augment the review of the in-house team of internal audit led by the Chief Internal Auditor.

Besides, the matters mentioned in basis for qualified opinion 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 19-20, there was no significant material order passed by the Regulators/ Courts which would

impact the going concern status of your Company and its future operations. Updates w.r.t. on going regulatory investigations (viz. SEBI and SFIO) and other legal matters are detailed in Notes to the Financial Statements. Further, your Company is extending all cooperation in this regard.

CAPITAL STRUCTURE/STOCK OPTION

Your 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 your 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 your 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, 2020 is available at the website of the Company the website of the Company at the website of the Company at <https://www.fortishealthcare.com/investors> - Annual Report/ ESOP Disclosure 2019-20.

During the year under review, under the terms of the “Employee Stock Option Plan 2007”, 3200 stock options were exercised and under the terms of “Employee Stock Option Scheme 2011” No stock options were exercised.

The certificate from the Statutory Auditors of your 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.

Your 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	8.15
Foreign Exchange outgo in terms of Actual Outflows	4.84

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

CORPORATE SOCIAL RESPONSIBILITY - OUR JOURNEY THROUGH THE PAST YEAR

Good health is central to human happiness and well-being. It also makes an important contribution to economic progress, as a healthy population lives longer and is more productive.

As a responsible corporate member of the Indian healthcare ecosystem, the Company strongly believes that it 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. Following a rigorous needs assessment, we have enabled initiatives & programmes aimed at creating social awareness and bringing about a positive change in the well being of the community in the communities.

The Company’s CSR initiatives follow a ‘need based’ program approach. CSR initiatives are carried out either through Fortis CSR Foundation, a special purpose vehicle (SPV) designated to carry out CSR activities or

through a Trust/NGO/Society focussed on need based programs for the community. Fortis CSR Foundation (FCSRF) is a wholly owned subsidiary of the Company and is a Company limited by shares not-for-profit registered under Section 8 of the Companies Act, 2013.

The CSR activities are carried out in a collaborative and inclusive manner not only to align and synergise the social enterprise work of the group companies but also to expand the circle of partnerships with Government, Non-Government Organisations (NGOs), other Corporates and Individuals. The CSR initiatives of your company are in line with India's Sustainable Development Goal (SDG) of 'Good health and well-being.'

Working with a dedicated team of employees and volunteers, the Foundation focuses on four programs, namely: *AANCHAL*, *CHHAYA*, *SAVERA* & *SEWA*.

Through these programs, we:

- Supported treatment of more than 1000 under-privileged children so far suffering from congenital heart defects under the *Umeed-Dhadkan* initiative (*AANCHAL*).
- Facilitate access to primary medical care through charitable dispensaries, outreach clinics & health camps (*CHHAYA*). In this program we have treated over 5.64 lacs people through OPD Clinics & covered over 2.34 lacs people through Health Awareness camps.
- Health information dissemination to reach vulnerable sections of the community and provide awareness on preventive and remedial healthcare leveraging different channels of communication (*SAVERA*). During the year under review, 60 Aaganwadi workers trained in First Aid and Basic Life Support. Provide timely medical relief to people affected in the event of calamities/ disasters (*SEWA*), detailed under Fortis Hospotel Limited Program.

The Company and its subsidiaries supported *SEWA*, *SAVERA* & *CHHAYA* programs as also supported the efforts of the Government in the fight against COVID-19.

Fortis Healthcare Limited:

In the wake of Novel Coronavirus (COVID-19) being declared a pandemic by World Health Organisation

(WHO) and its notification as a 'Disaster' by Government of India, the Company's CSR fund was donated to support the Government's efforts of mitigating the spread and impact of COVID-19. The CSR fund was contributed to Prime Minister's National Relief Fund (PMNRF).

Fortis Malar Hospitals Limited:

The CSR fund contribution went towards supporting the Government's efforts to mitigate the spread and impact of COVID-19. The CSR fund was contributed to Prime Minister's National Relief Fund (PMNRF).

Hiranandani Healthcare Private Limited:

a) Hiranandani Healthcare Private Limited supported *Savera* Program through Fortis CSR Foundation: First-Aid and Basic Life Support training was provided to 60 *Aanganwadi* workers in Maharashtra. The beneficiaries of this program are Vikas Mahila Anganwadi workers from Omkar Sadan, Mankund, Maharashtra.

The trainings have equipped the beneficiaries with the wherewithal to address emergency medical needs of the community.

b) The CSR fund of this company was also contributed to support the efforts of the government to mitigate the spread and impact of COVID-19. The CSR fund was contributed to Prime Minister's National Relief Fund (PMNRF).

Escorts Heart Institute and Research Centre Limited:

The CSR fund contribution went towards supporting the Government's efforts to mitigate the spread and impact of COVID-19. The CSR fund was contributed to Prime Minister's National Relief Fund (PMNRF).

Fortis Hospotel Limited:

a) Fortis Hospotel Limited supported Fortis CSR Foundation's *SEWA* Program focusing on disaster relief: India has been, historically, vulnerable to natural 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. *SEWA* is a Disaster Relief Initiative that aims to provide emergency support to people affected by disasters in an organised and

time sensitive manner. *SEWA's* core commitment is to support the government's efforts in providing relief to the displaced and the affected during disasters.

In July 2019 when Assam was affected by Floods, Fortis Hospotel Limited through *SEWA* contributed to Chief Ministers Disaster Relief Fund, Assam to support and aid rehabilitation efforts of the state government for the flood-affected victims.

- b) CSR fund was also donated to support the Government's efforts to mitigate the spread and impact of COVID-19. The CSR fund was contributed to Prime Minister's National Relief Fund (PMNRF).

Last year Fortis hospitals across the network, received donations of ₹ 95.88 Lacs from 4506 employees towards a relief fund for floods in Kerala. This donation which was collected by Fortis CSR Foundation was contributed to Chief Minister's Disaster Relief Fund, Kerala during FY 19-20 (over and above Section 135 contribution)

SRL Limited:

SRL Limited supported *CHHAYA* Program through Fortis CSR Foundation: This program is designed to provide primary and basic healthcare services to people in need, through charitable clinics located in different geographies and through Health Camps.

- (i) Charitable Dispensaries

CHHAYA program provides access to medical care through Charitable Dispensaries and Health Camps. Under the initiative 7 charitable dispensaries and 3 outreach clinics are being run. Each dispensary is manned by a qualified MBBS doctor, nurse and paramedic staff. The dispensaries provide free access to primary healthcare services for routine ailments and are open 6 days a week to serve the community.

Fortis CSR Foundation has treated over 1.18 Lac people through the following charitable dispensaries in FY 2019-20:

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 Underprivileged, Dehradun*
6. Anubhavi Ashram Dispensary, Haridwar
7. Gurudwara Sach Khand Darbar Dispensary, Udaipur

- (ii) Health Camps through NGO partners of Fortis CSR Foundation

Under this initiative the Foundation collaborates with like-minded partners to conduct health camps for economically weaker sections of society.

1. Menstrual Hygiene Awareness camps & distribution of sanitary pad kits: Conducted 28 awareness camps for women and adolescent girls in urban slums and rural areas of Delhi NCR, Uttarakhand, Uttar Pradesh & Punjab. Covered over 11500 women and girls through these awareness camps and distributed over 11500 sanitary pad kits to them.
2. Eye Screening camps & distribution of eye glasses: Conducted 510 camps covering a total of 60,766 people who were screened for vision related problems (Adults 50,195 & Children 10,571) in urban slums and rural areas of Delhi NCR, Punjab, West Bengal & Rajasthan. 43,211 spectacles (Adults 41,034 & Children 2,177) were distributed through these camps.

CSR fund was also donated to support the Government's efforts to mitigate the spread and impact of COVID-19. The CSR fund was contributed to Prime Minister's National Relief Fund (PMNRF).

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

DIRECTORS AND KEY MANAGERIAL PERSONNEL

The Board of Directors of your Company as on date of this report comprises nine directors, of which one (1) is a Managing Director and CEO (Executive Director) and three (3) are Independent Directors. Rest of the Five

(5) directors are Non-Executive & Non-Independent Directors. Pursuant to Sections 152 of the Companies Act, 2013, Mr. Shirish Moreshwar Apte is liable to retire by rotation and being eligible offers himself for re-appointment at the forthcoming Annual General Meeting of your Company. Further, Dr. Chi Keon Kelvin Loh, Mr. Heng Joo Joe Sim, Dr. Farid Bin Mohamed Sani and Mr. Dilip Kadambi, who were appointed on the Board of your Company on September 28, 2019, November 26, 2019, December 30, 2019 and June 4, 2020, respectively are proposed to be appointed in the forthcoming Annual General Meeting.

Further, the following changes took place in the directorship during the Financial Year 2019-20 and till the date of this report:

- a) Dr. Chi Keon Kelvin Loh, Mr. Heng Joo Joe Sim, Dr. Farid Bin Mohamed Sani and Mr. Dilip Kadambi were appointed as Additional Directors (Non-Executive Director) of your Company on September 28, 2019, November 26, 2019, December 30, 2019 and June 4, 2020 respectively.
- b) The appointment of Dr. Tan See Leng, Dr. Chan Boon Kheng, Mr. Low Soon Teck, Mr. Chintamani Aniruddha Bhagat and Mr. Shirish Moreshwar Apte (as Non-Executive Directors) and Dr. Ashutosh Raghuvanshi (as Chief Executive Officer and Managing Director) were regularized by the members in the annual general meeting ("AGM") of your Company held on September 26, 2019.
- c) Further, Dr. Tan See Leng, Dr. Chan Boon Kheng and Mr. Chintamani Aniruddha Bhagat resigned on September 27, 2019, October 31, 2019 and December 2, 2019, respectively.

Brief resume of the directors being appointed and/or proposed to be 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 2019-20, six 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
Dr. Ashutosh Raghuvanshi	Managing Director and Chief Executive Officer
Mr. Girish Kumar Gupta	Chief Financial Officer (Resigned effective April 8, 2019)
Mr. Vivek Kumar Goyal	Chief Financial Officer (Appointed w.e.f April 8, 2019)
Mr. Sumit Goel	Company Secretary

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 Board of Directors of your Company, in order to give objectivity to the evaluation process identified an independent third party for conducting board evaluation exercise for this financial year.

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.	Kick Off Board Evaluation Program	The Chairperson kick starts the process. Appointed and designated independent external agency as Process Coordinator	
2.	Evaluation forms and 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. Process Coordinator circulated the feedback questionnaire to the board members and invited feedback from individuals, after collecting the key findings, one to one discussions were conducted to seek further clarity.	This includes Board focus (Strategic inputs), Board Meeting Management, KPI's, suggestions to improve Board performance Board Effectiveness Management Engagement, governance, risk management 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 redressed mechanism, succession planning, working of Board Committees etc.
4.	Final recording and reporting	Based on the above, a final report on Board Evaluation 2019-20 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 2019-20

Name of the Director	Remuneration of Director (` Crore)	Median Remuneration of Employees (` Crore)	Ratio
Dr. Ashutosh Raghuvanshi	7.00	0.031 (Only FHL)	223 : 1

* 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.

(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
Dr. Ashutosh Raghuvanshi	Managing Director and Chief Executive Officer	N.A.
#Mr. Vivek Kumar Goyal	Chief Financial Officer	N.A.
Mr. Sumit Goel	Company Secretary	4.50%

#Appointed w.e.f. April 8, 2019

*% increase in remuneration is effective 1st April 2019.

- (c) **The percentage increase in the median remuneration of employees in the financial year is 10.3%** (Median remuneration increase of the employees is eligible for appraisal as on 1st April 2019)
- (d) **The number of permanent employees on the rolls of Company is 2644 as on March 31, 2020.**
- (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 2019-20
(A)	Average percentile increase already made in the salaries of employees other than the managerial personnel	6.8%
(B)	Percentile increase in the managerial remuneration	-
Comparison of (A) and (B)		-
Justification		6.8% is the company average. The increment band for eligible employees was 0% to 10%.
Any exceptional circumstances for increase in the managerial remuneration		NA

- (f) **During the financial year 2019-20, no variable pay was paid to Dr. Ashutosh Raghuvanshi, MD and CEO and Mr. Vivek Kumar Goyal- Chief Financial Officer. Further, Company Secretary was paid ` 1.62 Lakh as "Exgratia" in the month of May 2019.**
- (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.

Your Company has from time to time familiarized the Board of Directors with the Company's operations, their roles, rights, responsibilities in your Company, nature of the industry in which your Company operates, business model of your Company, etc. The same is governed by a template viz Board of Directors Governance Standard and it is available on the website of the Company at <https://www.fortishealthcare.com/investors> - Corporate Governance/ Policies/Codes/ Board Governance Document.

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 your 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.

RELATED PARTY TRANSACTIONS

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.

Your 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 at <https://www.fortishealthcare.com/investors> - Corporate Governance/ Policies/Codes/ Policy on Related Party Transactions.

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

RISK MANAGEMENT POLICY

Your 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 ERM policy is to provide a formalized framework to enable judicious allocation of resources on the critical areas which can adversely impact your Company's ability to achieve its objectives. The policy is applicable to the Company and its subsidiaries. This framework enables the management to develop and sustain a risk-conscious culture, wherein, there is a high degree of organization-wide awareness and understanding of external and internal risks associated with the business. The policy defines an architecture and oversight structure to assist effective implementation. By clearly defining terms and outlining roles and responsibilities, ERM promotes risk ownership, accountability, self-assessment and continuous improvement to minimize adverse impact on achievement of business objectives and enhance your Company's competitive advantage. 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 2019-20, your Company has

received 10 complaints on sexual harassment and 9 complaints have been resolved with appropriate action taken and 1 complaint was pending as on March 31, 2020. 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 your Company stating that your Company has duly complied with the requirements of downstream investment made by your 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 available 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 your Company at the end of the financial year and of the profit of your Company for the Financial Year ended March 31, 2020;

- (c) except for the findings of the Investigation Report, including matters on internal control described in Note 31 in the Notes to the Consolidated Financial Statements and Note 29 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 your 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 your 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 42 in the Notes to the Consolidated Financial Statements and Note 33 in the notes to the Standalone Financial Statements;
- (e) except for certain systemic and control lapses identified in the Investigation Report as described in Notes 31 in the Notes to the Consolidated Financial Statements and Note 29 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; and
- (f) except for the matters on related parties and managerial remuneration described in Note 31 (e) and 34 in the Notes to the Consolidated Financial Statements and Note 29 (e) and 32 in the notes to the Standalone Financial Statements and certain

systemic and control lapses, as detailed in Note 31 in the Notes to the Consolidated Financial Statements and in Note 29 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 your 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 your 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 your 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 your Company during the year.

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

**Sd/-
Ashutosh Raghuvanshi**
MD & CEO
DIN: 02775637

Date: June 17, 2020
Place: Gurugram

**Sd/-
Indrajit Banerjee**
Independent Director
DIN: 01365405

Date: June 17, 2020
Place: Delhi