

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

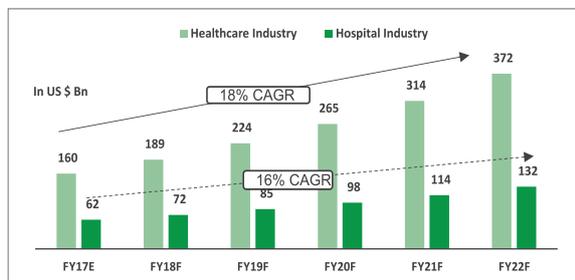
SECTION I

(A) Overview of The Indian Healthcare Industry

Healthcare is one of India’s largest sectors (Source: IBEF.org) both in terms of revenue and employment. Healthcare comprises hospitals, medical devices, pharmaceutical, clinical trials, telemedicine, medical tourism, health insurance and diagnostics. The Indian healthcare delivery system is categorised into two major components - public and private. The Government, i.e. public healthcare system comprises limited secondary and tertiary care institutions in key cities and provides basic healthcare through primary healthcare centres (PHCs) in rural areas. The private sector provides majority of secondary, tertiary and quaternary care institutions with a major concentration in metros, tier I and tier II cities.

The overall Indian healthcare sector is expected to record a three-fold rise, at a CAGR of 18% during 2017-2022 to reach US\$372 billion in 2022 from US\$ 160 billion in 2017 (Source: IBEF.org). India’s hospital industry stood at US\$ 62 billion in FY17 and is expected to grow at a CAGR of 16% to reach US\$ 132 billion by FY22.

Size of the Indian Healthcare and Hospital Industry



Source: IBEF, Frost and Sullivan, LSI Financial Services, Deloitte, TechSci Research

India’s overall healthcare spend as a % of GDP stood at 3.6% in 2018 with the private healthcare

sector spending 2.2% of this. The government’s expenditure on the health sector has grown to 1.4% in FY18 from 1.2% in FY14 with a plan to increase public health spending to 2.5% of the country’s GDP by 2025. To put in perspective, some of the other developing countries such as China, Turkey, Mexico, Colombia and South Africa have an overall healthcare spend as a % to GDP in the range of 4% to 8%, highlighting the need for the government to provide a higher budgetary allocation to the sector (Source: Statista.com).

The Indian Healthcare Industry continues to be characterised by strong growth drivers of our country such as rising income levels, ageing population, growing health awareness and changing attitude towards preventive healthcare; we believe these are compelling reasons for the increase in healthcare services demand in the future. The COVID- 19 pandemic is expected to further accelerate this demand for healthcare services. In addition, low cost and better value driven outcomes has resulted in the rise in the country’s medical tourism, attracting patients from across the world. Moreover, India has emerged as a hub for R&D activities for international players due to its relatively low cost of clinical research. Additionally, India’s favourable investment environment encouraging FDI, tax benefits, favourable government policies coupled with promising growth prospects have helped the industry attract private equity, venture capitals and foreign players. The healthcare sector attracted Foreign Direct Investment (FDI) worth US\$ 6.6 billion between April 2000 and December 2019, according to data released by the Department for Promotion of Industry and Internal Trade (DPIIT). The interest and investments in the healthcare sector amplify the opportunity for private sector players to play a major role in providing high quality healthcare services and increasing healthcare accessibility.

(i) Evolving Healthcare Models

The Indian healthcare delivery and services landscape has evolved significantly over the last few decades with majority of the growth and advancement in India's healthcare industry driven by private players. With the creation of a vibrant private sector in the urban areas becoming the predominant provider of care for the community, the state of healthcare in rural areas where a majority of the population resides has become a challenge. Coupled with this the burden of healthcare cost has started to become unaffordable for the masses in both urban and rural areas.

The above becomes more apparent in light of the COVID-19 pandemic that the world continues to witness. The pandemic in its aftermath should expectedly force a re-think on India's medical preparedness and push for higher budget allocations in all segments of healthcare in order to become more self-reliant to serve the country's large population. This temporary aberration will also lead to short to medium term disruptions in some growth drivers of the industry while at the same time also provide more opportunities for growth as demand for healthcare services and infrastructure will take higher precedence than before. Development of a robust primary and preventive care model that allows higher accessibility and better affordability to the masses would become a key area of focus that the health system should address.

Reinventing better and efficient hospital care model: We believe that the private sector will continue to be the mainstay of hospital care in India. For private providers, it is imperative to understand that given the nature of healthcare as a sector, the economics of the business will always lend itself to the highest scrutiny and hence will continue to be subjected to regulatory pressures and challenges. At the same time it is also important to recognise that the business of healthcare with investments by

various stakeholders should earn reasonable profit and there will be a cost to deliver quality healthcare and fulfil the experienced needs of different segments. Hence, models and methods for best possible efficiencies, one's that focus on primary care, wellness and value driven health outcomes are increasingly becoming essential to provide universal health coverage. This can be ably supported by the advancement in technology in products, information and communication, that has the potential to transform access and "point of care" capabilities and consequently the quality of care at the last mile. Initiatives like tele-medicine, tele and video consults, E-ICU and the like utilize IT and communication systems effectively to ensure increased accessibility and quality standards of care to the country's population.

(ii) Government Initiatives

To promote the Indian healthcare Sector and to provide healthcare access to population of the country at large, the Government of India has rolled out some policies and taken some major initiatives.

- The Pradhan Mantri Jan Arogya Yojana (PMJAY) has enrolled around 125.7 million families as beneficiaries (data as of July 2019) with the scheme covering almost 16000 public and private hospitals.
- The Union Cabinet approved setting up of National Nutrition Mission (NNM) with a three-year budget of ₹ 9,046 crore (US\$ 1.29 billion) to monitor, supervise, fix targets and guide the nutrition (for children, pregnant women and lactating mothers) related interventions across ministries.
- The Government of India approved the continuation of National Health Mission (NHM) with a budget of ₹ 31,745 crore (US\$ 4.40 billion) under the Union Budget 2019-20. The NHM aims for attainment of universal access to equitable, affordable and quality health care

services, accountable and responsive to people's needs.

- Drug Controller General of India (DCGI) has proposed to setup a single window system for start-ups and innovators seeking approvals, consents, and information regarding regulatory requirement.
- The Ayushman Bharat programme seeks to transform nearly 1,50,000 subcentres and primary health centres as health and wellness centres by 2022 to provide primary care. It also aims to cover upto ₹ 0.5 million per family per year for hospitalisation for over 100 million families.

(iii) Key Growth Drivers

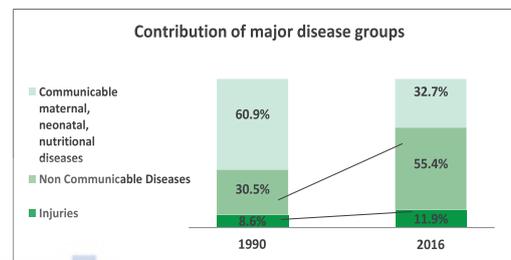
Demand for healthcare services in India is expected to remain robust in the foreseeable future. The current Covid – 19 crisis will also see the need for healthcare services as being one of paramount importance in terms of coverage, preparedness and accessibility, providing a further impetus to growth and longer-term opportunity in the sector. Some of the key factors that are expected to continue to drive demand for healthcare services are stated below:

- **Favorable demographics of India** - India is on the right side of demographic transition with one of the youngest populations in an aging world. In 2020, the median age in India would be just 28, compared to 37 in China and the US, 45 in Western Europe, and 49 in Japan.
- **Increasing per capita income of India** - According to the annual national income and GDP 2019-20 data released by the Ministry of Statistics and Programme Implementation (MoSPI), the per-capita net national income during 2019-20 grew 6.8% over FY 18-19 to ₹ 1,35,050. This would lead to a higher demand for healthcare services primarily led by households that have a spending capacity. This factor will also see an aberration of sorts in the next one to two years as the economic

impact of the covid pandemic will take time to normalise but at the same time it would expectedly lead to healthcare becoming a priority spend for many relative to the pre-Covid scenario.

- **Transition in disease profile of India's population** - India is currently undergoing major epidemiological transition with the noncommunicable disease (NCD) burden increasing to 55% of the total disease burden in 2016, up from 30% in 1990. The rising incidence of NCDs and increasing health awareness, precautionary treatments and preventive care are likely to result in higher healthcare spend.

Contribution of major disease groups



Source: NSSO 71st round Key Indicators of Social Consumption in India: Health, Jan-June 2014, NSSO 60th round Morbidity, Health Care and the Condition of the Aged, Jan.-June 2004, India: Health of the Nation's States 2017, EY analysis

- **Medical Tourism to continue to witness traction** - Medical tourism industry is expected to be US\$ 9 billion in 2020 with a growth rate of 18% (Source: IBEF Org , Ministry of Tourism). The Country's advanced facilities and skilled doctors providing value driven outcomes makes India a preferred destination for medical tourism. Along with the above, the Government has also enabled relatively easier Visa rules with respect to e-tourist visa's and e-medical visa's to ease the travel process and duration of stay.

Medical tourism has been one of the key areas of significant disruption in the current crisis for the country and will perhaps take the longest to recover. As the situation stabilizes and healthcare spending on infrastructure and providing broad scale access to healthcare to citizens of one's

own country takes precedence, the medical tourism opportunity in the country may have to be re-calibrated so as to ensure that it remains an attractive value proposition for medical tourists looking to India for their healthcare needs.

- Increasing Insurance Coverage to make healthcare more accessible** - In the private healthcare space, it is estimated that approximately 50% of the revenue is generated through cash i.e. from self-paying patients while 20-30% of the revenue is being generated through insurance i.e. third party administrators. Approximately 48 crore people in India have access to health insurance cover (Penetration level of ~36%). Over the last decade or so with an increase in penetration, the contribution to healthcare revenue from insurance has been on the rise. With the Covid pandemic, it would be expected that this would further accelerate and continue to cover a relatively larger section of the population.

In the organized sector, it is estimated that 27%-28% of Educated Urban Mass and above is covered by health insurance. Given the relatively low penetration of health insurance in India, a fast-growing private insurance market has the capacity to support higher utilization of private healthcare facilities. Gross direct premium income underwritten by health insurance grew 17% y-o-y to ₹ 32,683 Crore (US\$ 4.68 billion) in FY20 (up to November 2019) (Source: IBEF.org).

(B) Indian Diagnostic Industry

The Indian diagnostics industry is estimated at USD 6 billion and is growing at a rate of 13-14% per annum. The industry is highly fragmented with approximately 1 lakh labs in the country and the largest of the organised players has a market share of less than 5%. The industry plays a critical role with respect to entire health care spectrum, be it for diagnosis, prevention, monitoring or treatment. Approximately 70% of medical decisions across the globe are based on laboratory results.

The industry has evolved over the years from being just an investigation provider to a solution provider. The value chain in this industry today has three core components – clinical, retail and logistics. With regard to the clinical component, the industry has matured and today offers a wide array of tests (approximate 4,500). With respect to the retail component, large labs have successfully opened collection centres across the country, including in the most backward districts, to enable them to serve the remotest populations. Finally, with regard to the logistics component, companies have developed a mechanism to regularly collect and take samples from these areas to their labs (located kilometres away), ensuring quick turnarounds and no contamination.

A closer look at the growth numbers indicates that the industry has been witnessing growth which is driven by volumes and case-mix change. However, the price points of tests have not increased over the years as indexed to inflation. Prices have mostly remained flat or at best increased by 5–10% in the last 5 years, while the consumer price index (CPI) price inflation has grown by around 30%. This in large part is due to the competition and price pressures in the pathology segment which accounts for a major portion of overall tests in the industry. This metrics also highlights the need for diagnostic players to focus and increase their presence in higher value diagnostics as pertaining to specialized and chronic lifestyle diseases and tests such advanced genome based predictive tests.

The country has witnessed improvement in test quality over the years with more automation and more sophisticated tests being performed. The industry is increasingly opting for accreditation and deploys some of the best standards like CAP accreditation, NABL and ISO certification.

Currently, approximately 2% of labs in the country are NABL accredited with majority of these labs being associated with hospitals or regional/national diagnostics chains. However, the number of accredited labs is increasing rapidly and the number of those with NABL accreditation has increased from ~980 in 2012 to over 2,500

currently. As consumer awareness increases, many more laboratories in the country are expected to opt for accreditation bringing standardization in testing and quality parameters in order to improve patient trust and confidence.

There are multiple growth drivers that are contributing to the higher growth of this industry compared to the overall growth of the healthcare market including but not limited to factors such as shift in disease profile, ageing population, shift towards evidence based treatment and increasing awareness levels.

Regulation and standardization are the two important aspects of the diagnostics industry that needs to be addressed in the coming years. This is primarily due to presence of mid-sized and small individual labs across the country who hold an estimated 85% of the market share. However, in most markets across the globe, the industry is dominated by large organised laboratory chains. Bringing in standardization and regulations to govern lab functioning will not only ensure a healthier and consequently more productive population but also remove low standard, low quality and unreliable diagnostic labs from the market.

(C) Global Economy being impacted due to Covid-19

The COVID-19 pandemic has disrupted global supply chains and international trade. With over 200 countries closing national borders during April & May 2020, the movement of people and tourism flows have come to a halt.

According to United Nations (UN), it is being estimated that the global economy could shrink by up to 1% in 2020 due to the pandemic, a reversal from the previous forecast of 2.5% growth. The Global economy may contract even further if restrictions on the economic activities are extended without adequate fiscal responses.

- **COVID-19 – Impact on India and the economy**

India announced a nationwide lockdown on Mar 24, 2020 to control the spread of Covid

– 19 and began easing lockdown restrictions after a month and a half in the beginning of May.

The effect of the state-wide lockdowns/curfews and the national level lockdown has been a closure of all commercial and private establishments and suspension of all transportation services (save and except transportation involving movement of essential goods and services).

Most multilateral agencies and credit rating agencies have revised their 2020 and 2021 growth projections for India keeping in view the negative impact of coronavirus-induced travel restrictions, supply chain disruptions, subdued consumption and investment levels on the growth of both global and the Indian economy. The International Monetary Fund (IMF) reduced its FY21 growth projection for India to 1.9% from 5.8% projected in January 2020.

(D) Outlook of Healthcare Sector

In the short to medium term, the Covid-19 crisis, its ongoing impact and its aftermath will be the central focus for the entire healthcare industry. The healthcare community is at the forefront in the battle against this pandemic and has come together to ensure that whatever is possible to ensure patient safety as well the safety of the healthcare workforce is being done. At the same time across the medical and healthcare value chain, all organizations are involved in some form or manner to help in managing this unmitigated disaster. While short term challenges will remain, the current crisis has also led to a recognition that the industry both public and private needs to work closely together to become more self-reliant during such times and hence the need for a collaborative – partnership approach and a larger allocation of resources for healthcare services development.

The Covid-19 pandemic would result in the focus of healthcare shifting from curative care to preventive care with change in hygiene and social etiquettes. Even the way healthcare delivery was

being provided will witness a significant transition going forward and technology will be used to its full potential. For example, primary care could transition towards telemedicine where in OPD / doctor consultation would happen through phone chat, video chat or through interactive apps. Home healthcare services would also gain prominence given the current environment. The hospitals will have to take various precautionary measures for all the inpatients and attendants against communicable diseases which may have serious repercussions on the hospital staff as well as other patients. Therefore, there would be opportunities for improvement and betterment of the healthcare segment in the country.

The private sector will continue to be the mainstay in terms of catering to the urban and semi-rural population. However, the current pandemic is expected to witness temporary aberrations in operational performance of the private sector prompting them to look at ways and means to ensure the short-term sustainability of the business. At the same time, given the new realities in the emerging post Covid environment; there would be a renewed focus of private players to innovate and re-look at the various aspects of the business in terms technology, digitization, existing business models, patient servicing and clinician engagement that may act as differentiators and enablers for a robust longer term roadmap for business performance. Companies such as Fortis Healthcare are well positioned to leverage this opportunity and are taking significant strides in capitalizing and leveraging their clinical strengths, medical expertise and geographical presence to provide patients with high quality advanced medical treatments and a superlative patient experience.

SECTION II

(A) THE COMPANY

Fortis Healthcare Limited is a leading integrated healthcare delivery service provider in India providing secondary, tertiary and quaternary care. The healthcare verticals of the company primarily comprise hospitals, diagnostics and day care specialty facilities. Currently, the company operates its healthcare delivery and diagnostic

services in India, Dubai, Nepal and Sri Lanka with 36 healthcare facilities (including projects under development), over 4,000 operational beds and over 415 diagnostics centres.

In India, the Company's majority owned subsidiary SRL Limited is amongst the largest private healthcare chains. It has a presence in over 600 cities and towns, with an established strength of 415 laboratories, 8,200 direct clients and 1,400 Collection Centers. SRL reached out to over 50,000+ doctors and diagnosed approximately 12.7 million specimens in FY 2019-20.

(i) BUSINESS STRATEGY

FY 2019-20 witnessed the Company embarking on a new strategic direction with "An aspiration to be the most trusted healthcare organization in the country". The new Board and management team have undertaken a number of transformative initiatives to re-establish and rebuild the Company with a focus on the fundamental building blocks of patient centricity and robust clinical outcomes. The Company in the previous year undertook a comprehensive review of its portfolio with an objective of driving higher synergies through deepening presence in key markets. It also identified select non-core assets and started the process for their divestment with an aim to strengthen liquidity and re-invest in the business. The Company re-initiated its capital expenditure program which was at a standstill due to liquidity constraints in the previous years. This was a key imperative that allowed the Company to expand its clinical programs, invest in high end technologies and medical equipment and refurbish existing facilities. As part of the cost transformation program aimed at driving higher margins, several key initiatives were implemented including streamlining operations, reducing corporate office cost, optimizing headcount to enhance manpower productivity, lowering procurement costs in Supply Chain and IT, evaluating models from outsourced to inhouse for radiology and thorough review of all outsourcing contracts.

Going forward, the hospital business growth will be driven by focus on key geographies where we have a strong presence – NCR, Mumbai, Bengaluru and Kolkata highlighting the emphasis on a cluster based approach. We will continue to comprehensively evaluate and assess our portfolio of all the hospitals, while taking following actions

- Nurturing and investing in high-performing facilities;
- Transformation and turn-around of the under-performing but high potential facilities; and
- Exploring options to exit non-performing and low potential facilities.

On Clinical side, we will consolidate our existing position in specialties such as Cardiac Sciences and Orthopedics, while focusing on high growth specialties such as Oncology, Neurosciences, Gastro Sciences and Renal to improve margins. Over the next 5 years, we plan to expand our capacity to more than 5,000 beds by commissioning more than 1,300 new beds in our existing facilities to leverage economies of scale – majority of addition will happen in our facilities in Noida (NCR), BG Road (Bengaluru), Shalimar Bagh (NCR), FMRI (NCR) and Mohali (Punjab).

Key strategic levers that will help Fortis drive profitable growth include:

- Focus on clinical excellence, adding new clinical programs and monitoring clinical outcomes
- Building patient trust and transparency through bundling of services and transparent pricing
- Improving operational efficiencies by ensuring robust systems and processes are in place
- Driving cost transformation initiatives across different functions
- Enhancing manpower productivity through deployment of an agile,

lean and de-centralized organization structure

- Strengthening technology systems with focus on digitization, business intelligence and new HIS roll out

(ii) DIGITAL TRANSFORMATION

The Company is progressing towards one integrated platform across all hospitals vis-à-vis the present diverse legacy systems, aimed at creating a singular view of a patient irrespective of which Fortis Hospital the patient visits.

The Company has made substantial progress in adoption of technology to ease the patient journey from the first touch point which is searching for a credible and reputed healthcare provider to the actual footfall/visit in the Company’s hospitals. The MyFortis App allows the consumers to book their appointments, get doctor details, schedule a health check among other things. Our App revenue grew by 127% over last year and it contributes nearly 25% to the total digital revenue.

With adoption of MarTech stack we are improving lifetime value of patients through constant engagement at various life-stages by offering relevant healthcare solutions and information that helps them stay healthy. With a cloud telephony solution, it’s easier to track all digitally generated calls, primarily from website click-to-calls, GMB listings, and search campaign call extensions. We are able to quantify the number of calls received through online sources/channels, listen to every call recording to improve the quality of conversations, track missed calls and make sure the hospital is accessible and available to its patient’s base.

As a part of the initiative, the Company also launched an AI Digital Covid-19 screener on the bot framework. The solution uses artificial intelligence to create a Digital Covid screener which acts as a rapid, accurate tool for helping individuals assess their risk of Covid-19. It is an

interactive online tool which determines the risk factor of an individuals based on multiple factors and then guides them on the next line of management. Information provided by the screener follows the approved MoHFW guidelines.

Continuity of care and patient safety measures during Covid 19: Fortis rolled out online consultations for patients in 23 hospitals across its network. The Company witnessed significant traction in its doctor consultations with both tele-consults as well as video consult services running successfully and seeing an encouraging response from patients. Patients at the entrance of our hospital in Bengaluru undergo a thermal screening by Robots to mitigate the risk to healthcare workers and to keep the hospital environment COVID-safe

(iii) KEY BUSINESS DEVELOPMENTS

- During the year, the management focused on various initiatives to achieve efficiency and enhance operational performance of the company.
 - o Realigned organizational structure and created clusters compared to regional structure earlier to create direct working relationships between Corporate and SBU units
 - o Optimizing number of cost elements both at the hospitals and at the corporate office. These initiatives included personnel costs comprising medical and non-medical manpower costs including looking to optimize the doctor engagement models at Fortis.
 - o In addition, the management focused on cost efficiencies in procurement costs including re-negotiation of business contracts to cover various aspects such as housekeeping, F&B, sales and marketing, general and

administration and outsourced processes.

- o Focused on improving cost efficiencies and further rationalization for improved Lab optimization and higher productivity in the diagnostics business
- For the medium and long-term growth of the company, the Company also focused on enhancing the medical offerings and also on the refurbishment of it's network hospitals. During the year, the committed capital expenditure stood at ` 280 Cr with ` 188 Cr on routine capex which included ` 110 Cr for medical equipment. ` 92 Cr was committed for growth capex for BG Road, Bengaluru, Arcot Road, Chennai and Noida Liver Transplant Block and certain other facilities which was pending for last few years due to capital constraints.
- During the year, the company changed its outlook towards certain non-core facilities and made an exit from few of them viz. the company discontinued its operations from Bikaner, Udiapur and Aashlok facilities.

As a part of its non-core asset divestment program, in May 2019, Fortis Healthcare International Limited, a wholly owned subsidiary of Fortis Healthcare limited, sold its entire 28.89% equity stake in MSCL, Mauritius to CIEL Healthcare Limited at a per share price of MUR 2.39 translating into a cash consideration of MUR 393.6 Million (approx. ` 78 Cr).

The company will continue to rationalise its network and investments in the ensuing years. Sustainable Profitability and margins rather than size and scale would be the driving force for the Company from both a strategic and operational perspective.

(iv) MEDICAL STRATEGY & OPERATIONS

As an organization, it has been our constant resolve to adopt a patient centric approach in all aspects of healthcare service delivery and ensure that our systems-based approach is continuously monitored, evaluated and improved upon, enabling greater transparency and clinical success.

1. Clinical Governance

A robust clinical Governance framework with a number of new initiatives were implemented to enable greater clinician participation in decision making on matters related to quality of patient care services and their safety. The objective of this initiative is to improve upon clinical outcomes by promoting Evidence Based Medicine, sharing of Best practices and following a process-based approach.

The framework entails collaborative working and streamlined information exchange between hospital committees, central committees and specialty councils, all led by senior clinicians working in tandem. Issues related to clinical governance and risk management which are not resolved at unit level flow in through various central committees to the apex body, the Fortis Medical Council (FMC) for resolution and to obtain policy directives. The FMC comprises of senior and eminent clinicians, the MD & CEO and senior administrators as members. This council deliberates on policy matters impacting the organization.

This year, the Company introduced the concept of Specialty Councils within the clinical governance framework. Through these councils, we will be able to realize the full potential of our clinical expertise as our highly respected clinicians come together and share evidence based best clinical practices. To begin with specialty councils have been established for 14 key specialties including Cardiac Sciences, Renal Sciences, Gastroenterology, Oncology, Neurology and Robotics.

In response to the COVID-19 pandemic, Fortis established the COVID-19 Command Centre and released first of the central advisories as early as January 23, 2020. Management of COVID-19 was the immediate priority and as a means to contain the spread of infection, Fortis was amongst the first organizations to establish Flu Clinics at its hospitals by January 2020.

In order to further enhance the safety of our staff and patients, we are exploring the possibility of limiting human interactions and contain spread of infection by deploying Robots at our hospitals. Possible areas of implementation include screening of patients, delivering food and medications and sanitizing isolation wards among others.

a) Quality and Patient Safety

Patient safety continues to remain the cornerstone of high-quality health care. Patient safety and infection control practices are key performance indicators in the Fortis network of hospitals. Continuous monitoring of quality indicators and proactive interventions have led to reductions in hospital-acquired infections, thereby improving quality and patient safety standards.

i. Clinical Excellence Scorecard (CESC)

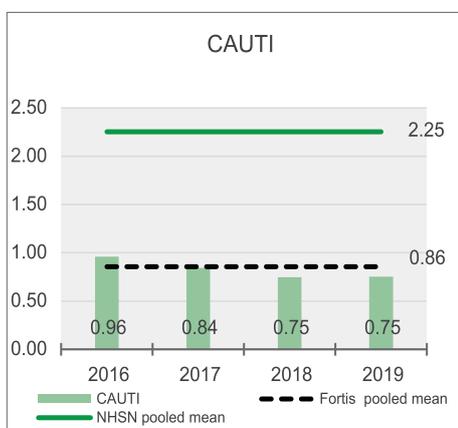
Fortis has been tracking Quality and Patient safety parameters across its network hospitals since 2013 through centrally designed Clinical Excellence Scorecard (CESC). Subsequently, as the process evolved, focus expanded to process analysis and identification of critical factors impacting quality and patient safety.

Over the past 3 years, our reporting has expanded to 22 hospitals and as a natural progression, a need was felt to evaluate our standards against established benchmarks. However, in the absence of national benchmarks, Fortis decided to determine its own

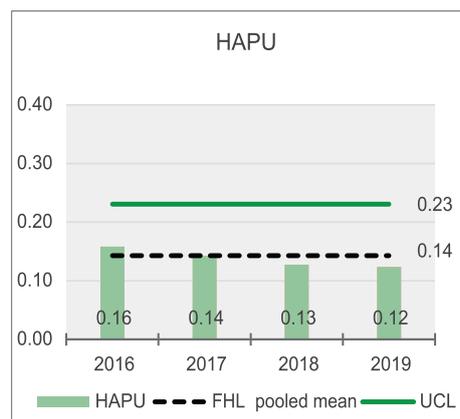
Internal Benchmarks. We continue to evaluate our infection control outcomes and measures against International standards, namely, US based National Healthcare Safety Network (NHSN). Due to continuous monitoring and stringent controls, data suggests, Fortis Healthcare is able to perform better than NHSN standards.

CDC’s NHSN is one of the most widely used healthcare-associated infection (HAI) tracking system to identify problem areas, measure progress of prevention efforts, and ultimately eliminate healthcare-associated infections. NHSN now serves over approximately 25,000 medical facilities tracking HAIs.

Fortis hospitals continue to perform well against the indicators, reiterating the high level of patient care standards. As a result of rigorous data collection over years, Fortis has been able to create Internal Benchmarks for 14 key CESC parameters some of which include the Catheter Associated Urinary Tract Infection (CAUTI), Ventilator Associated Pneumonia (VAP), Venous Thromboembolism (VTE), Sharps Injury (Needle Stick Injury), Patient Falls, Hospital Associated Pressure Ulcers (HAPU) and Central Line Associated Bloodstream Infection (CLABSI).



Graph indicates lower CAUTI rates at Fortis Healthcare as compared to NHSN standards (external benchmarks)



Graph indicates lower HAPU rates at Fortis Healthcare as compared to Upper Control Limit (internal benchmarks)

ii. Antimicrobial Stewardship (AMS)

Antimicrobial resistance has been identified as a global emergency. The inappropriate prescription and use of antimicrobials increases the potential for resistance. Fortis is running a coordinated AMS program to address the increasing challenge of antimicrobial resistance. Key initiatives include:

- o Antibigrams (an overall profile of antimicrobial susceptibility to antibiotics) are prepared for each hospital and shared with clinicians for their reference, encouraging them towards rational use of antimicrobials.
- o Annual review of Unit antibiotic policy
- o Monitor and evaluate use of restricted antibiotics and ensure their use justification
- o Compliance to surgical prophylaxis ensuring appropriate choice of antibiotics and adherence to timing/ type/ dose.

iii. Drug Resistance Index (DRI)

The DRI is a single, composite measure or index, reflecting the relationship between drug resistance trend and

antimicrobial usage practice. As a monitoring tool, the Drug Resistance Index (DRI) can assess the effectiveness of the Antimicrobial Stewardship (AMS) program. For the past five years, Fortis has been calculating its own Drug Resistance Index using it as a monitoring

and analysis tool for antimicrobial usage in Fortis hospitals.

iv. Accreditation and Certifications:

The below table shows the number of various accreditations across the Fortis Network.

JCI	NABH HCO/SHCO	NABH Entry Level	NABH Blood Bank	NABH Emergency	NABH Nursing Excellence	NABL	Green OT	Pharmacy Certification by Abbott	Total
4	19	3	10	1	20	15	8	10	90

b) Clinical Outcomes

These are the globally agreed upon, evidence based measurable indicators for changes in health or quality of life resulting from patient care with respect to a specific disease or procedure. By tracking, measuring and evaluating such outcomes, we are able to promote transparency and informed decision making by patients.

We were among the first private healthcare service delivery chains to measure and report outcomes for various clinical procedures. As part of the steering committee at International Consortium for Health Outcomes Monitoring (ICHOM) for designing the Coronary Artery Disease (CAD) Standard Set, Fortis has been instrumental in promoting the evidence-based medicine.

Since 2016, Fortis has partnered with Vital Health (an ICHOM Certified Software Provider) for the use of Quest Manager™ software to ensure complete compliance with respect to ICHOM norms. At present, 20 of our hospitals utilize the VitalHealth portal for reporting and tracking clinical outcomes for 11 procedures.

A Heart Failure registry has also been designed and rolled out at our Delhi NCR hospitals. Improved recording of Patient Reported Outcomes Measure (PROM) for Coronary Artery Disease patients marks a major milestone that measures patient experience along with clinical outcomes.

Website link for clinical outcomes: <http://www.fortishealthcare.com/clinical-outcomes>

c) Patient Experience

Patient responses collected both digitally and in-person, are monitored and evaluated. Any shortcomings in patient satisfaction are critically examined at hospitals for early resolution while the unresolved concerns are escalated to the highest level for remedy. The entire patient experience process now comprises of 5 levels of escalation, thereby not limiting the information within the confines of hospital and escalating unresolved matters to Senior Management in a structured and time-bound manner.

d) Fortis Operating System (FOS)

The Company's FOS assesses the efficiency of our patient facing processes, identify improvement opportunities followed by timely implementation remedial measures. Constituent metrics include turnaround time (TAT) for radiology and laboratory investigations, length of period for doctor consultations and discharge, ICU communication updates for attendants, stockouts among others. Through these self-assessments, hospitals are able to address their shortcomings through suitable interventions and resource allocation.

The FOS program underwent a thorough assessment in FY'19-20. All existing 35

parameters were extensively studied and critically reviewed. The FOS report card now comprise of 21 parameters, including 14 mandatories. The endeavor of the review exercise was to focus on process improvement in order to limit manual data collection and gradually move towards an automated/ digital process with minimum human intervention.

e) Clinical Academics and Training

Academics have a huge impact in terms of enhancing clinical standards and patient care. Across the Fortis network, 14 hospitals are actively participating in Academics. Currently, a total of 331 students are pursuing DNB/ FNB courses in 28 specialties. We are running 16 Non-NBE courses, with a strength of 46 students.

2. Clinical Talent Management

The Company's clinical governance framework enables continuous engagement with senior clinicians while they head various hospital committees, central committees and specialty councils. Succession planning for key clinicians has been instituted for continuity of care. Additionally, digital platforms such as Facebook and LinkedIn are made use of for reaching out to young clinicians and engage with them.

3. Medical Equipment

Advancements in medical technology have allowed healthcare practitioners to find ways to improve their practice – better prevention and diagnosis, surgical procedures, and improved patient care.

Key additions at our hospitals include:

1. *State-of-the-art, Magnetic Resonance Imaging (MRI) machines at 3 hospitals.*
2. *Computerized Tomography (CT) scan machines at 3 hospitals.*
3. *New Catheterization (Cath) labs at 5 hospitals.*
4. *Increasing ICU bed capacity at Kolkata hospital*

Post installation, the Medical Operations team continuously monitors their utilization rates to identify areas of sub-optimal performance and suggest appropriate remedy.

In line with our strategic outlook, there are plans in place to replace our Catheterization (Cath) labs at almost all the hospital locations over the next few years.

In addition to the above, over the next couple of years, the Company plans to further invest in adding and expanding medical programs at hospitals with the latest technologies some of which include LINAC, CT Simulator, PET CT, CT Scan, Neuro navigation system and neuro microscopes.

4. Medical IT Initiatives

a) Blood Bank software

A comprehensive blood bank module integrated with our Hospital Information System (OneFortis) as well as with biomedical equipment will help improve functional efficiency by reducing manual documentation, improving turnaround times, reducing redundant inventory and meeting regulatory/ compliance requirements. Phase wise launch of this software has been planned in 14 of Fortis network hospitals in FY' 20-21.

b) Picture Archiving and Communications System (PACS)

A central, Picture Archiving and Communications System (PACS) will enable Fortis hospitals to share imaging data across locations in real time. Additional benefits would include images being stored on a single data base with all PACS features and help leverage clinical talent across Fortis network and increase efficiency and turnaround times.

c) CIMS drug database

The implementation of the CIMS drug database provides a ready reference

for drug information, mapping drug allergies to prescription, flagging drug duplications and overall enhancing medication safety. It is a standard requirement for EMR and HIS systems and will help meet requirements of JCI and NABH accreditations. With integrating the database with the HIS system it will ensure rational prescription of medicines in support of the AMS program.

5. Clinical Research and Drug trials

While we continue to promote and practice evidence-based medicine, Fortis clinicians and hospitals actively participate in trial studies on new treatments and protocols.

Fortis is also participating in research initiatives with respect to the Covid-19 pandemic. Noteworthy among them are:

- Council of Scientific and Industrial Research (CSIR) led study for building a National Database of Clinical Data and support indigenous research on COVID-19.
- A Multi-center, randomized, controlled, Phase-III study to evaluate the Clinical Outcomes and Safety of Tocilizumab along with Standard of Care in Patients with Cytokine Release Syndrome associated with COVID-19 infection.
- An internal project to explore Convalescent Plasma therapy for COVID patients.

6. Nursing - Best Practices and Patient Safety:

A pilot on Preventing Medical Adhesive Related Skin Injuries (MARS) was implemented for six months at Paediatric ICU, Fortis Mulund between Jan – Jun 2019. Following Root Cause analysis, MARS Prevention bundle and structured SOP were formulated. This parameter is now included as a nursing practice outcome indicator and implemented across all nursing teams in the network.

(v) Launch of New Medical Programs and Clinical Services during the year

- **Fortis BG Road, Bengaluru** launched a State-of-the-art Cancer Institute during the year. The 200-bed institute offers comprehensive cancer care including advanced surgical oncology, robotic cancer surgery, medical oncology, radiation oncology, haemato oncology and other services.,
- **Fortis Escorts Hospital, Faridabad**, in December 2019, launched a state-of-the-art and next generation Cath Lab and a comprehensive Mother & Child Care wing.
- **Fortis Ft Lt Rajan Dhall Hospital, Vasant Kunj (FHVK), New Delhi**, in collaboration with Fresenius Medical Care India Pvt. Ltd, launched a state-of-the-art dialysis centre offering a range of advanced dialysis options including high-flux haemodialysis and online haemodiafiltration (HDF). Online HDF allows better removal of waste products from the blood, which may contribute to improved survival for patients compared with those receiving standard haemodialysis.
- **Fortis Hospital, Noida**, inaugurated a day-care wing with eight beds and will undertake all day-care procedures covered under surgical and medical specialities. It also became the first hospital in Delhi NCR to launch a Specialist Training in Emergency Medicine (STEM) in association with EduMed, which is certified by Alfred Health & Monash University, Australia.
- **Fortis Hiranandani Hospital, Vashi, Mumbai** procured the state-of-the-art Alair System, used to conduct Bronchial Thermoplasty which uses radio-frequency controlled energy to shrink the bronchial muscles, a procedure used to treat patients of severe asthma to help open their airways.

- **Fortis Hospital, Mulund, Mumbai** launched the 'National Trauma Life Support' programme, a training initiative aimed at doctors involved in Emergency Care and Acute Trauma Care, in association with the Society for Emergency Medicine India (SEMI).
- **Fortis Escorts Hospital, Okhla, New Delhi**, commissioned the department of Physiotherapy.

(vi) Update on the IHH Open Offer

Post the preferential allotment to IHH Healthcare Berhad of 31.1% equity stake for an investment consideration of ₹ 4,000 Crs in November 2018, IHH made an open offer to the public shareholders of the Company to acquire upto 26% shareholding at a price of ₹ 170 per share. The matter is currently sub-judice due to a Supreme Court order and hence the open offer stands in abeyance. The Company is making all efforts to ensure a speedy resolution to the matter. Further details are mentioned in the Directors Report under the sub-heading of 'Significant Matters during the year under review'

(B) SRL LIMITED

The diagnostic sector is growing at a healthy rate on account of an increase in lifestyle-related diseases, increased penetration of healthcare services, and greater dependency on evidence-based treatment by doctors. While the organized sector is managing only a minor portion (estimated at around 15%) of the diagnostic business – in the regional and national diagnostic chains, the diagnostic service market is moving towards consolidation providing an opportunity for large organized diagnostic chains such as SRL.

Niche technologies like deployment of AI & ML, Teleradiology, genomics, and the arrival of point of care diagnostics is also increasingly being used to increase efficiency and turn-around times. In its efforts to harness technological improvements and provide differentiated products, SRL has partnered with Microsoft in the field of Artificial Intelligence (AI) and digital pathology to assist

our expert team of histopathologists. High investment in technology, talents, and focus on esoteric tests are the new trends in the specialized segments.

On the other hand, online aggregators are squeezing the market share in terms of pricing and marketing burn. Price capping by the government on basic diagnostics services like H1N1, Dengue, Chikungunya, and COVID-19 pose a challenge. Coupled with the above, competition emerging from all sides in terms of geography, product offerings, aggressive expansion, and brand investments are all leading to a higher competitive industry.

Business Strategy

SRL's growth in the last few years, has been impacted due to an increasing competitive environment and a slower pace of expansion in both the retail network (collection centre) and institutional network (direct clients). SRL has undertaken initiatives primarily aimed to fortify its key pillars of a focussed channel strategy along with a balanced and better integrated product portfolio. SRL's revenue mix between the B2C and B2B currently is at approx. 40:60. The B2C segment primarily comprises the Lab Walk-ins, Collection Centres, Franchisee labs and Partner Doctors while the B2B segment comprises revenues from Hospital Lab management, SRL's labs in Fortis facilities, Doctors and other corporate and institutional clients. FY 2019-20 has seen the first leg of the "SRL near You" initiative, and SRL has posted a 40%+ growth in retail footprint, continuing the consumer-centric strategy. SRL added approx. 420 collection centres and ~1,100 direct clients added during the year. With this SRL as on date has 1,400 collection centres and 8,200 direct clients. The business continues to focus on growing both the B2C and the B2B segments of the business.

On the B2C side, specific plans on channel strategy going forward include expanding further the collection centre network with a performance-linked channel incentive plan along with retail activities to drive consumer

awareness and provide superior customer experience and increased accessibility. The B2B segment is expected to see further direct clients being added and plans to increase the hospital lab management agreements and business from wellness and co-marketing initiatives. SRL also plans to undertake actions in order to further build on doctor connects and relationships along with patient engagement with the objective of enhancing brand equity amongst important stakeholders and driving repeat business. In parallel, an integrated product portfolio approach to capture value from specialised diseases, lifestyle diseases and preventive checks across the spectrum of B2B and B2C segments would also be aggressively pursued.

Public-Private Partnership

SRL continues to occupy a dominant position in Public-Private Partnership (PPP) space of providing diagnostic services in states of Jharkhand, Himachal Pradesh, and holy pilgrimage site-Tirupati (started in Mar '19). In Jharkhand, SRL has assisted state government in various healthcare schemes like Mukhya Mantri Janani Sishu Swasthya Abhiyan (MMJSSA). It has provided diagnostic services to more than 2.9 lakh individuals and carried out 8.2 lakh tests of communicable and non-communicable diseases in FY 19-20 and also set up diagnostic centers in remotely located PHCs.

SRL, in the state of Himachal Pradesh, provides diagnostic services on PPP mode in 24 health institutions of state government. SRL has served approx. five million patients since inception. In the process, SRL has carried out 17.7 million routine and specialized tests in its diagnostic set ups.

Research and Development

During FY 2019-20, the primary focus of the R&D division continued in the domain of Oncology with the introduction of super-specialized tests for the diagnosis of Lymphoma – a form of hematological cancer and breast/ovarian cancer. SRL introduced tests to strengthen the test portfolio for establishing familial relation before solid organ transplantation and high-resolution

HLA typing by Next Generation Sequencing (NGS) for Bone Marrow transplantation. SRL is the first commercial lab to offer the *mtDNA* Next Generation Sequencing test for maternal lineage testing.

On the technology front, R&D operationalized the Ion Chef System, which is the next generation of workflow simplification products for our NGS systems in Mumbai. The Ion Chef System provides automation for the Non-invasive Prenatal test (NIPT), enabling the organization to offer the advanced genomic analyses at a competitive price and turnaround time in the market. During Q4 of FY 2019-20, R&D with the assistance of the Government authorities as well as with local administrative bodies in both Mumbai and Gurugram built the capability for pandemic Coronavirus 2019 testing. The facilities were operationalized in the last week of March 2020. During the financial year, R&D established an institutional level partnership with the Translational Health Science & Technology Institute (THSTI) of India for developing indigenous diagnostic assays.

Quality & Compliance

In FY 2019-20, the Quality team has worked for the continuation of all current accreditation status - NABL (38 Labs), CAP (3 Labs National/International), and NABH (1 MIS) as per their cycle of assessment. SRL also achieved NABL accreditation at two new labs (SRL Limited Raipur & Paschim Marg, New Delhi) in FY 19-20. SRL performed Internal annual quality audits of all laboratories (SRL & SRLD), Radiology, Wellness Centre (185), and Collection Centers (Nos. 1220). Follow-up and Maintenance of Accreditation cycle for laboratories, Collection Centers, Radiology Centre, and Certification of support function, i.e., ISO 27001 for IT (Goregaon & Gurgaon), ISO 9001 for R &D, RNTP (Revised National TB Control Programme), NGSP (National Glycohemoglobin Standardization Program) have also been attained.

As a new initiative, from February 2019, SRL completed 13 webinars as part of the monthly QA webinar online series for training on various

topics to update the Laboratory with the revised regulatory requirements.

SRL team was invited as consultants to assist IHH in their preparedness for their accreditation requirements for CAP (College of American Pathologists) for Parkways Lab Services, Singapore.

Sales and Marketing Initiatives

The Company continued to engage with the medical fraternity and promoted the scientific use of its repertoire of tests in diverse clinical settings. New tests like NIPS (Non-Invasive Prenatal Screening), CMA (Chromosomal Microarray), eFTS (Enhanced First Trimester Screening), High-Resolution HLA, ABPA, Biofire based tests continued to create ripples and gained recognition from clinicians. SRL conducted more than 5000 health camps, in which approximately 1.8 lac consumers/patients were screened for various lifestyle disorders. To disseminate information about new diagnostic modalities and algorithms, SRL engaged with 8,600 specialists and super-specialist doctors in 470 CMEs (Continuous Medical Education)/RTMs (Round Table Meets). New Marketing campaigns like "Plant for Transplant" received appreciation from various sections of the medical community. SRL COE for Transplant Immunology supported testing for 1800 solid organ transplants PAN India in renowned medical setups in FY 19-20.

As a part of innovation drive, 250+ business locations from 70 cities across 15 states were digitized (listed on Google Business Listing), making it easier for consumers/customers to navigate to the nearest SRL center. The year saw SRL accomplishing 2 Million+ downloads of its mobile app, highest in Diagnostics Category. This year also saw SRL mobile app and website extending its reach to now 800+ tier 2 & tier 3 cities across India.

Information Technology

To improve retail customers' experience, SRL has revamped the existing mobile app with better UI and recommendation engines based on Machine learning and data mining algorithm for suggesting

tests/packages to customers. For business clients, SRL adopted a new content delivery platform based on mobile/tablet devices. The test details can be demonstrated to doctors animatedly and conveniently, helping our sales team to strike clear conversations and steer seamlessly through the presentation (E-Detailing).

In process automation, SRL has automated various existing processes including Logistics Sample tracking application (pre-analytical sample pick up), as well as multiple other processes in Lab operation to reduce downtime and minimize human intervention.

To increase employee productivity, SRL upgraded its HR-IT platform to a new and updated product, which is mobile app-enabled. Routine features of attendance management, approvals, travels, claims, and leave management can now be managed from within the mobile app.

SRL continued to ensure that new Lab setup, instrument interfacing, and other operational work continues with an improved pace.

Training and Development

The Company's 15 days training program "Nneev" has been further strengthened with the inclusion of courses such as 'Consultative Selling Skills', 'Effective Communication Skills' and 'Biomedical Waste Management.' In FY 2019-20, the Company clocked 3,952 Man days covering over 1,700 employees, including 6 Nneev trainings each for the Sales and Operations team. The Company also launched F.A.C.E. TOTAL (Foremost Attention to Customer Engagement) workshops for the customer-facing employees and trained 456 employees in FY 2019-20.

(C) FINANCIAL & OPERATIONAL PERFORMANCE OF THE COMPANY

For the financial year 2019-2020, the Company reported a consolidated revenue from operations of ` 4,632 Crore compared to ` 4,469 Crore reported for the financial year 2018-19. Revenue from Hospital business stood at ` 3,752 Crore compared to ` 3,527 Crore reported during the corresponding year, a growth of 6.4%. SRL Ltd,

the diagnostic business of the company, reported gross revenues of ` 1,016 Crore compared to ` 1,010 Crore in the previous financial year. Considering elimination of inter-company revenue, net revenue of SRL Ltd was at ` 879 Cr compared to ` 877 Cr in 2018-19.

Revenue (` Cr)	FY19	FY20	% Change
Group Revenue*	4,562	4,685	2.7%
Hospital Business	3,527	3,752	6.4%
Diagnostic Business (Gross)	1,010	1,016	0.6%
Diagnostic Business (net)	877	879	0.2%

(group revenues include other income)

The consolidated EBITDA of the company stood at ` 662 Crore compared to ` 318 Crore for the previous corresponding year. EBITDA margin of the company improved to 14.1% in FY19-20 versus 7.0% reported in FY18-19. The increase in EBITDA is on account of improving operational performance of the hospital business and also due to savings in the net service fees that company used to pay to RHT Health Trust. Hospital business EBITDA for the year 2019-20 was at ` 476 Cr compared to ` 99 Cr reported for the financial year 2018-19. EBITDA margin of the hospital business expanded from 2.8% in FY18-19 to 12.7% in FY19-20. However, the profitability of the company was

impacted in Q4 due to the Covid-19 pandemic beginning February 2020 and further increased towards end March during the lockdown.

International patient revenues for the hospital business for the year stood at ` 398 Crore representing 10.6% of overall hospital business revenue, compared to ` 394 Crore reported in the previous financial year.

The diagnostic business of the company witnessed revenues similar to the previous year with an EBITDA of ` 197 Cr compared to ` 186 Cr reported in the previous corresponding year. EBITDA margin of the diagnostic business stood at 19.4% (basis gross revenue) for the year FY2019-20 compared to 18.4% in FY18-19. The diagnostic business was similarly impacted by Covid-19 pandemic in Q4 FY20.

EBITDA* (` Cr)	FY19	FY20	% Change
Group EBITDA	318	662	108.4%
EBITDA Margin	7.0%	14.1%	14.1%
Hospital Business	99	476	381.6%
EBITDA Margin	2.8%	12.7%	
Diagnostic Business	186	197	6.2%
EBITDA Margin (basis gross revenue)	18.4%	19.4%	

(EBITDA includes other income and one off's / forex impact)

Key Performance Indicators (Hospitals)	FY19	FY20	Key Performance Indicators (Diagnostics)	FY19	FY20
Occupancy	67%	68%	Lab med revenue contribution	93.8%	93.3%
Average revenue per occupied bed (` Cr)	1.52	1.59	No of Accessions (in Mn)	12.49	12.69
Average length of stay (days)	3.39	3.23	Average real. per accession (`)	804	796
OPD Footfalls (in Mn)	2.40	2.54	Tests performed (in Mn)	30.06	30.38
IPD Discharges	0.28	0.30	Average real. per test (`)	334	333

Depreciation: The Company's depreciation and amortization charges for the year stood at ₹ 291.7 Cr compared to ₹ 232.9 Cr in the corresponding previous year. The increase is due to new investments into the business and also due to acquisition of Indian entities of RHT Health trust in January 2019.

Interest and Finance Charges: The interest and finance charges of the company reduced significantly to ₹ 205.1 Cr in FY19-20 compared to ₹ 336.8 Cr in FY18-19. The decline is due to reduction and replacement of high cost debt with low cost debt. The company also witnessed improvement in its Credit ratings during the year from BBB- to A, an improvement of 4 notches.

Profit Before Tax: The company's profit before exceptional items and tax for the financial year stood at ₹ 165.4 Cr compared to a loss of ₹ 252.1 Cr in FY18-19.

PATMI: The company's Profit for the year from continuing operations attributable to owners of the company stood at ₹ 57.9 Cr compared to a loss of ₹ 298.9 Cr in FY18-19. This was negatively impacted by a non-cash Deferred Tax Asset (DTA) charge in Q3 FY20 of ₹ 102 Crs. The Company, on a conservative basis, 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 also includes an exceptional gain of ₹ 61.8 Cr which primarily pertains to profit on sale of certain investments. For 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 ₹ 222.4 Cr which primarily pertains to impairments related to the goodwill and of certain assets.

Gross debt of the company (excluding lease liabilities as per Ind AS 116) stood at ₹ 1,363 Cr as of 31 March 2020 translating to gross debt to equity ratio of 0.19 times compared to a gross debt of ₹ 1,971 Cr as of 31 March 2019 (gross debt to equity ratio of 0.28 times). The net debt of the company stood at ₹ 1,013 Crore with a net debt

to equity ratio of 0.14 times as on 31 March 2020. This compares to a net debt of ₹ 974 Crore in the previous financial year with a net debt to equity ratio of 0.14 times as on 31 March 2019.

The company's gross debt to EBITDA ratio as on 31 March 2020 stood at 2.06 times compared to 6.20 times as on 31 March 2019. Net debt to EBITDA ratio stood at 1.53 times compared to 3.06 times respectively.

(D) HUMAN RESOURCES

2019-20 was a year of consolidation for the Company. The new management had a fresh start, bringing in clarity through an integrated approach involving review and revision of policies, initiatives, programs and practices. It entailed a city-based business approach through new organization structure and standardized GAM for medical and non-medical streams.

Year of unlocking potential: To achieve scale, the new management team guided to a unified, simple and uncluttered organization structure. Faster operational decision making and more authority at the unit level were the key principles to review and bring about changes in the way we worked. More collaboration which accentuates cross-functional interactions and prompt actions, efficiency & excellence was a key ask.

As a result, we have a leaner & matrix organization, which is responsible with clear authority and functional independence while maintaining the overall strategic objective of the enterprise

Putting People First: We continued to strengthen all our communication & collaboration platforms to foster positive employee engagement. The Management Committee was reconstituted with participation by SBU heads on a rotational basis.

Talent Management: Fortis Talent Management strategy was reviewed with a five-year vision and specific focus on key pillars of talent identification, talent acquisition, talent assessment, talent engagement & development. As a first step, organization design was optimized and implemented. Fortis has further strengthened its employer brand value amongst key potential hires despite extensive M&A activity amongst

competition. Attritions levels remained at similar levels despite an overall dip in the average headcount.

Nursing: The year saw an intense focus on nursing retention by introducing various programs including a trail with “Retention bonus” basis continuity of service. The Company continues to focus on developing its nursing talent.

Enhancing Nursing capabilities has been an integral part of our Learning & Development Strategy. Amongst the new programs launched include Nursing Supervisory Solutions (NSS) a targeted intervention for enhancing Ward Administration, Clinical Nursing Administration, People Management, Patient Communication, Resource Management capabilities of Nursing in charge across Fortis. Young Nurse Leaders Training Program (YNLT) launched in partnership with the global initiative ‘Nightingale Challenge’ which inspires the next generation of nurse leaders (under 35 years) gained traction during the year. ‘Communicating Care is Delivering Care’ the Company’s flagship learning & development program for new nurses focused on imparting, skilling & reinforcing Patient-Centric Service Behaviours. Over 2100 nurses were covered as part of the initiative this year.

Climate of Learning - To further enhance the climate of learning within the organization, 342 Learning Forums were conducted with 1900 employees participating in the sessions post attending the training program. Learning Forums across Fortis provide ‘Non-formal’ space for employees to share experiences, practices, successes, failures, challenges, explore solutions post attending a learning intervention. Focus on the transfer of learning continued with 7800 on floor observations conducted on service excellence behaviours for front-facing employees.

As on March 31, 2020, the Company had a total employee base in the hospitals & the diagnostics business of 22,714 employees.

(E) INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The internal control system has been designed to commensurate with the nature of business, size

and complexity of operations and is monitored by the management to provide reasonable assurance on the achievement of objectives, effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

The Company has institutionalized a robust process and internal control system commensurate with its size and operations. The organizational hierarchy, role, responsibility, authority and accountability structures have been defined to provide an enabling environment for business functions and units to operate as per the designed control environment. Review and oversight procedures are designed to monitor effective adherence to design. The Company appointed a reputed independent consultant to conduct tests and checks of internal controls for its design and operating effectiveness during the year.

The internal control framework is supplemented with an internal audit program that provides an independent view of the efficacy and effectiveness of the process and control environment and through its observations provides an input to the management to support continuous improvement program. The internal audit program is managed by an Internal Audit function directly reporting to the Audit & Risk Management Committee of the Board.

The scope and authority of the Internal Audit Function is derived from the Audit Charter approved by the Board. The Internal Audit function develops an internal audit plan to assess control design and operating effectiveness, as per the risk assessment methodology.

The Internal Audit function provides assurance to the Board and management that a system of internal control is designed and deployed to manage key business risks and is operating effectively. For the identified observations, management provides an action plan to address the process and control deficiencies noted in the internal audit reviews and action plans are monitored for compliance by the Internal Audit Function under the supervision and guidance of the Audit and Risk Management Committee.

FORWARD LOOKING STATEMENT

Except for the historical information contained herein, statements in this discussion which contain words or phrases such as 'will', 'would', 'indicating', 'expected to' etc., and similar expressions or variations of such expressions may constitute 'forward-looking statements'. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to, our ability to successfully implement our strategy, future business plans, our growth and expansion in business, the impact of any acquisitions, our financial capabilities, technological implementation and changes, the actual growth in demand for our products and services, cash flow projections, our

exposure to market risks as well as other general risks applicable to the business or industry. The Company undertakes no obligation to update forward looking statements to reflect events or circumstances after the date thereof. These discussions and analysis should be read in conjunction with the Company's financial statements included herein and the notes thereto.

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- (4) Goldman Sachs – India: Healthcare Services (Seeking the Specialist)
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