

# DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors are pleased to present the THIRTY NINTH ANNUAL REPORT and the audited financial statements for the year ended 31st March 2020.

## Financial Results

(₹in million)

Particulars	Standalone		Consolidated	
	Year ended 31st March 2020	Year ended 31st March 2019	Year ended 31st March 2020	Year ended 31st March 2019
Income from Operations	97,944	83,367	112,468	96,147
Profit before Exceptional Items and Tax after share of profits in Joint Ventures & Associates	5,180	4,625	4,587	3,735
Exceptional Items	1,644	-	1,983	-
Profit after Exceptional Items before Tax after share of profits in Joint Ventures & Associates	6,824	4,625	6,570	3,735
Provision for Tax	2,121	1,597	2,252	1,734
Profit for the Year	4,703	3,028	4,317	2,002
Earnings Per Share (₹)	33.80	21.76	32.70	16.97

## Results of Operations

During the year under review, the income from operations of the Company increased to ₹97,944 million compared to ₹83,367 million in the previous year, registering a growth of 17%. The profit after tax for the year increased by 55% to ₹4,703 million compared to ₹3,028 million in the previous year.

During the year under review, the consolidated gross revenue of the Company increased to ₹112,468 million compared to ₹96,147 million registering an impressive growth of 17%. Net profit after minority interest for the group increased by 116% to ₹4,317 million compared to ₹2,002 million in the previous year.

Exceptional income of ₹1,644 million includes profit realised from sale of the Company's equity stake in Apollo Munich Health Insurance Company Limited of ₹1,965 million as adjusted for Impairment of investment in Apollo Lavasa Health Corporation Limited of ₹321 million.

## Impact of the COVID-19 pandemic on the business

Due to the COVID-19 pandemic situation, the Government had announced a country wide lockdown for three weeks starting from the third week of March 2020 involving restrictions on international and domestic travel while also issuing an advisory on postponing elective surgeries and undergoing preventive health checks.

Stand Alone Pharmacy segmental revenues and business performance were not impacted during the lockdown, and continued to show growth momentum.

However, the pandemic has led to a material impact on the healthcare industry in general and the Company's healthcare services business operations, due to the following reasons:

- Severe travel related restrictions impacting both employee movements and patient flows to our hospitals .
- Out Patient footfalls being impacted apart from incidence of postponement of elective procedures. Both factors in turn have led to a substantial reduction in the inpatient case loads .
- Continued investments being required to be made on investments in equipment, consumables and other resources to ensure 100% preparedness for safety in the hospital(s) and eventual treatment of patients in case of a need.
- Current embargo on international travel has also impacted patient flows to hospital units located in metro centres as well.

We are continuously calibrating our responses to the COVID-19 situation as it evolves. However, patient case loads and occupancies across the hospitals network have witnessed improvements post easing of lockdown related restrictions.

Given the current huge demand supply imbalance that persists with regard to healthcare infrastructure within the country, Apollo Hospitals as the largest private health care services provider in the country is well positioned to continue to address the demand for high quality tertiary care across the country over the long term.

## Consolidated Financial Statements

In accordance with the Companies Act, 2013 ("the Act") and Ind AS 110 - Consolidated Financial Statements read with Ind AS 28 - Investment in Associates and Ind AS 31 - Interests in Joint Ventures, the audited consolidated financial statements form part of the Annual Report.

In terms of provision to sub section (3) of Section 129 of the Act, the salient features of the financial statements of the Subsidiaries, Associates and Joint Venture Companies are set out in the prescribed Form AOC-1, which forms a part of the Annual Report.

In accordance with Section 136 of the Act, the audited financial statements, including the consolidated financial statements of the Company and audited accounts of the subsidiaries are available at the Company's website: [www.apollohospitals.com](http://www.apollohospitals.com). The documents will also be available for inspection during business hours at the registered office of the Company.

## Material Changes affecting the Company

There have been no material changes and commitments affecting the financial position of the Company between the end of the financial year and the date of this Report. There has been no change in the nature of business of the Company.

## Scheme of Arrangement

The Board of Directors at their meeting held on November 14, 2018 had approved a Scheme of Arrangement ("the Scheme") between Apollo Hospitals Enterprise Limited ("AHEL") and Apollo Pharmacies Limited ("APL") and their respective shareholders in accordance with the provisions of Sections 230 to 232 of the Companies Act, 2013, for the transfer of the front-end portion of the retail pharmacy business ("the disposal group") carried out in the standalone pharmacy segment to APL by way of slump sale, subject to necessary approvals by stock exchanges, shareholders, the National Company Law Tribunal and all other requisite Regulatory Authorities.

The Company received no objection letters from National Stock Exchange of India Limited and BSE Limited. Further, the Company obtained approvals from Competition Commission of India (CCI) and from the equity shareholders in October 2019.

The petition seeking sanction of the Scheme, is pending before the National Company Law Tribunal (NCLT) as on the date of the report.

## Scheme of Amalgamation

The Board of Directors at their meeting held on February 13, 2020 had approved the amalgamation of Apollo Home Healthcare (India) Limited and Western Hospitals Corporation Private Limited, wholly owned subsidiaries of the Company (hereinafter referred to as "Transferor Companies") into Apollo Hospitals Enterprise Limited (Transferee Company) by way of a Scheme of Amalgamation between the Transferor Companies and the Transferee Company and their respective shareholders and creditors, in accordance with Sections 230 to 234 of the Companies Act, 2013.

The amalgamation is subject to requisite statutory and regulatory approvals and sanction by the respective shareholders of each of the companies involved in the scheme.

The amalgamation of the Transferor Companies with the Transferee Company is aimed at achieving the following primary benefits:

- Facilitate consolidation of the undertakings in order to enable effective management and unified control of operations;
- Create economies in administrative and managerial costs by consolidating operations;
- Reduce duplication of administrative responsibilities and multiplicity of records and legal and regulatory compliances.

There will not be any change in the shareholding pattern of the Transferee Company pursuant to implementation of the Scheme of Amalgamation as the Transferor Companies are wholly owned subsidiaries of the Transferee Company.

## Dividend

During the year, your Company declared an interim dividend of ₹3.25 (65%) per equity share of face value of ₹5/- each and the said dividend was paid to the shareholders on 5th March 2020 whose names appeared in the register of members as on 26th February 2020, being the record date fixed for this purpose.

Your Directors are pleased to recommend a Final Dividend of ₹2.75 (55%) per equity share of face value of ₹5/- each for the year ended 31st March, 2020.

The Final Dividend, subject to the approval of Members at the Annual General Meeting on Friday, September 25, 2020, will be paid on October 5, 2020, to the Members whose names appear in the Register of Members, as on the Book Closure date, i.e. from Saturday, September 19, 2020 to Friday, September 25, 2020 (both days inclusive).

The total dividend for the financial year, including the proposed Final Dividend, amounts to ₹6/- (120%) per equity share and will aggregate to ₹927.69 million (including Dividend Distribution Tax of ₹92.94 million on Interim Dividend).

In view of the changes made under the Income Tax Act, 1961, by the Finance Act, 2020, dividends paid or distributed by the Company shall be taxable in the hands of the shareholders. Your Company shall, accordingly, make the payment of the Final Dividend after deduction of tax at source.

The Board approved and adopted a dividend distribution policy at its meeting held on 30th May 2017 which is annexed herewith as Annexure – I to this report and also posted on the Company's website: [www.apollohospitals.com](http://www.apollohospitals.com).

## Subsidiaries, Associate Companies and Joint Ventures

At the beginning of the year, your Company had nineteen direct subsidiaries, ten step down subsidiaries, four joint ventures and four associate companies.

During the year Apollo Healthcare Technology Solutions Limited, a subsidiary of the Company had applied for strike off of its name to the Registrar of Companies on 19th March 2020.

The Company had divested its entire equity stake in Apollo Munich Health Insurance Company Ltd (AMHIL) on 9th January 2020 and consequently, AMHIL has ceased to be an Associate Company.

As on 31st March 2020, your Company had eighteen direct subsidiaries, ten step down subsidiaries, four joint ventures and three associate companies.

The statement containing the summarized financial position of the subsidiary companies viz., Apollo Home Healthcare (I) Ltd (AHCIL), A.B. Medical Centres Limited (ABMCL), Samudra Healthcare Enterprises Limited (SHEL), Apollo Hospital (UK) Limited (AHUKL), Apollo Hospitals Singapore Pte Limited (AHSPL), Apollo Health and Lifestyle Limited (AHLL), Western Hospitals Corporation Pvt Limited (WHCPL), Total Health (TH), Imperial Hospital and Research Centre Limited (IHRCL), Apollo Medicals Pvt Limited (AMPL), Apollo Home Healthcare Limited (AHHL), Apollo Nellore Hospital Limited (ANHL), Sapien BioSciences Pvt Limited (SBPL), Apollo Rajshree Hospitals Pvt Limited (ARHPL), Apollo Lavasa Health Corporation Limited (ALHCL), Assam Hospitals Limited (AHL), Apollo Hospitals International Limited (AHIL), Future Parking Pvt Limited (FPPL), Apollo Sugar Clinics Limited (ASCL), Apollo Specialty Hospitals Pvt Limited (ASHPL), Alliance Dental Care Limited (ADCL), Apollo Dialysis Pvt Limited (ADPL), Apollo CVHF Limited (CVHF), Apollo Bangalore Cradle Limited (ABCL), Kshema Healthcare Pvt Limited (KHPL), AHLL Diagnostics Limited (ADL), AHLL Risk Management Pvt Limited (ARMPL) and Apollo Pharmacies Limited (APL) pursuant to Section 129 read with Rules 5 of the Companies (Accounts) Rules, 2014 is contained in Form AOC-1, which forms part of the Annual Report.

### 1. Apollo Home Healthcare (India) Limited (AHCIL)

AHCIL, a wholly owned subsidiary of the Company recorded a revenue of ₹0.43 million, and net loss of ₹3.01 million.

### 2. A.B. Medical Centres Limited (ABMCL)

ABMCL, a wholly owned subsidiary of the Company does not have any commercial operations as it has leased out its infrastructure viz., land and building to the company for running a hospital. For the year ended 31st March, 2020, ABMCL recorded an income of ₹8.23 million and a net profit of ₹6.52 million.

### 3. Samudra Healthcare Enterprises Limited (SHEL)

SHEL, a wholly owned subsidiary of the company, runs a 120 bed multi speciality hospital at Kakinada. For the year ended 31st March, 2020, SHEL recorded an income of ₹376.05 million and a net profit of ₹1.71 million.

### 4. Apollo Health and Lifestyle Limited (AHLL)

AHLL, is a 70.25% subsidiary of the Company engaged in the business of providing primary healthcare facilities through a network of owned/franchised clinics across India offering specialist consultations, diagnostics, preventive health checks, telemedicine facilities and 24-hour pharmacy all under one roof. For the year ended 31st March, 2020, AHLL recorded an income of ₹7,096.12 million and a net loss of ₹727.40 million.

### 5. Western Hospitals Corporation Private Limited (WHCPL)

WHCPL, a wholly owned subsidiary of the Company, recorded an income of ₹6.21 million and a net loss of ₹8.63 million for the year ended 31st March 2020.

### 6. Total Health (TH)

TH, is a wholly owned subsidiary of the Company registered under Section 8 of the Companies Act, 2013, which is engaged in carrying on CSR activities in the field of community/rural development.

### 7. Apollo Hospital (UK) Limited (AHUKL)

AHUKL, is a wholly owned foreign subsidiary of the Company and has not yet commenced its operations.

### 8. Apollo Hospitals Singapore Pte Limited (AHSPL)

AHSPL, is a wholly owned subsidiary of the Company which has invested in a venture capital fund which focuses on funding early stage healthcare technology startups in Asia.

### 9. Apollo Medicals Private Limited (AMPL)

AMPL, is a wholly owned subsidiary of the Company and is yet to commence its operations.

### 10. Imperial Hospital and Research Centre Limited (IHRCL)

IHRCL, is a 90% subsidiary of the Company and owns a 290 beds multi-specialty hospital at Bengaluru. For the year ended 31st March, 2020, IHRCL recorded an income of ₹2,744.22 million and a net profit of ₹205.92 million.

### 11. Apollo Home Healthcare Limited (AHHL)

AHHL, a 70.75% subsidiary of the Company is engaged in the business of providing high quality, personalized and professional healthcare services at the doorsteps of the patients. AHHL recorded an income of ₹450.99 million and a net loss of ₹36.28 million.

### 12. Apollo Nellore Hospital Limited (ANHL)

ANHL a 80.87% subsidiary of the Company has leased out its land at Nellore to the Company. ANHL recorded an income of ₹8.17 million and a net profit of ₹6.48 million.

### 13. Sapien Biosciences Private Limited (SBPL)

SBPL, is a 70% subsidiary of the company which is engaged in the business of bio-banking of tissues. For the year ended 31st March, 2020, SBPL recorded an income of ₹31.43 million and a net profit of ₹11.18 million.

### 14. Apollo Rajshree Hospitals Private Limited (ARHPL)

ARHPL, a 54.63% subsidiary of the company, runs a multi speciality hospital at Indore. For the year ended 31st March, 2020, ARHPL recorded an income of ₹753.01 million and a net profit of ₹25.23 million.

### 15. Apollo Lavasa Health Corporation Limited (ALHCL)

ALHCL, a 51% subsidiary of the company, runs a hospital at Lavasa. For the year ended 31st March, 2020, ALHCL recorded an income of ₹2.82 million and a net loss of ₹41.69 million.

### 16. Assam Hospitals Limited (AHL)

AHL, a 65.52% subsidiary of the company, runs a multi speciality hospital at Guwahati. For the year ended 31st March, 2020, AHL recorded an income of ₹1,550.61 million and a net profit of ₹50.53 million.

### 17. Apollo Hospitals International Limited (AHIL)

AHIL, a 50% subsidiary of the company, runs a multi speciality hospital at Ahmedabad. For the year ended 31st March, 2020, AHIL recorded an income of ₹2,076.88 million and a net loss of ₹27.80 million

### 18. Future Parking Private Limited (FPPL)

FPPL, a subsidiary of the company, has been promoted for the development of a Multi level Car parking facility at Wallace Garden, Nungambakkam, Chennai. FPPL recorded an income of ₹47.63 million and a net loss of ₹15.41 million

### 19. Apollo Speciality Hospitals Private Limited (ASHPL)

ASHPL, a subsidiary of Apollo Health and Lifestyle Limited, is engaged in the business of running day surgery centres. For the year ended 31st March, 2020, ASHPL recorded an income of ₹3,682.94 million and a net loss of ₹380.73 million.

### 20. Apollo Sugar Clinics Limited (ASCL)

ASCL, a subsidiary of Apollo Health and Lifestyle Limited, is engaged in the business of running diabetes management centres. For the year ended 31st March, 2020, ASCL recorded an income of ₹291.34 million and a net loss of ₹4.61 million.

### 21. Alliance Dental Care Limited (ADCL)

ADCL, a subsidiary of Apollo Health and Lifestyle Limited which is engaged in the business of running dental care centres recorded an income of ₹300.32 million and a net loss of ₹21.35 million for the year ended 31st March 2020.

### 22. Apollo Dialysis Private Limited (ADPL)

ADPL, a subsidiary of Apollo Health and Lifestyle Limited is engaged in the business of running dialysis centers. For the year ended 31st March 2020, ADPL recorded a revenue of ₹252.66 million and a net loss of ₹17.42 million.

### 23. AHLL Diagnostics Limited (ADL)

ADL, a subsidiary of Apollo Health and Lifestyle Limited is yet to commence its operations.

### 24. AHLL Risk Management Private Limited (ARML)

ARML, a subsidiary of Apollo Health and Lifestyle Limited is engaged in the business of acting as agents, consultants, advisors in all insurance business and related activities. For the year ended 31st March, 2020, ARML recorded a revenue of ₹0.05 million and a net loss of ₹2.80 million.

### 25. Apollo CVHF Limited (CVHF)

CVHF, a subsidiary of Apollo Hospitals International Limited is in the business of providing healthcare services for the year ended 31st March, 2020, CVHF recorded a revenue of ₹136.48 million and a net loss of ₹132.74 million.

### 26. Apollo Bangalore Cradle Limited (ABCL)

ABCL, a subsidiary of Apollo Speciality Hospitals Private Limited, is engaged in the business of running Cradle centres. For the year ended 31st March, 2020, ABCL recorded an income of ₹360.26 million and a net profit of ₹5.75 million.

### 27. Kshema Healthcare Private Limited (KHPL)

KHPL, a subsidiary of Apollo Speciality Hospitals Private Limited is yet to commence its operations.

### 28. Apollo Pharmacies Limited (APL)

APL, a subsidiary of Apollo Medicals Private Limited is yet to commence its operations.

### Disinvestment/Impairment of Investments

- During the year, your Company fully divested its 9.94% equity stake in its associate company, Apollo Munich Health Insurance Company Ltd (AMHIL), a joint venture between the Apollo Hospitals Group and Munich Health Holdings AG. AMHIL was one of the first standalone health insurance companies to enter the market after liberalization of the Indian insurance industry.

Having successfully incubated AMHIL since its inception and with a view to unlocking value, in January 2020, the Company divested its 9.94% equity stake in AMHIL thus realizing a net gain of ₹1,965 million (net of transaction costs and indemnity related deductions) through this transaction.

- The Board also decided to write down the value of the Company's investment and advances aggregating to ₹321 million in its subsidiary, Apollo Lavasa Health Corporation, which runs a secondary care hospital in the Lavasa town ship, consequent to continuing constraints faced in the Lavasa township combined with further uncertainties arising out of the COVID -19 pandemic situation.

## Corporate Governance

The Company is committed to maintain the highest standards of corporate governance and adhere to the corporate governance requirements set out by SEBI. The report on corporate governance as required under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter Listing Regulations), forms an integral part of this report. The requisite certificate from the Auditors of the Company confirming the compliance with the conditions of corporate governance is attached to the report on Corporate Governance.

## Management Discussion and Analysis Report

Management Discussion and Analysis Report for the year under review, as stipulated under Regulation 34 of the Listing Regulations is presented in a separate section forming part of the Annual Report.

## Business Responsibility Report

As stipulated under the Listing Regulations, the Business Responsibility Report describing the initiatives taken by the Company from an environmental, social and governance perspective is attached as part of the Annual Report.

## Sexual Harassment

The Company has adopted a policy on prevention, prohibition and redressal of sexual harassment at the workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the rules framed thereunder. The Company has an Internal Complaints Committee for providing a redressal mechanism pertaining to sexual harassment of women employees at the work place. During the year, 4 complaints were received under the policy, all of which were disposed off.

## Vigil Mechanism/Whistle Blower Policy

The Company has established a vigil mechanism for Directors and Employees to report their genuine concerns, the details of which are given in the Corporate Governance Report. The policy on Vigil Mechanism and Whistle Blower Policy has been posted on the website of the Company [www.apollohospitals.com](http://www.apollohospitals.com).

## Particulars of Loans, Guarantees and Investments

The details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to the Financial Statements.

## Fixed Deposits

The Company had stopped accepting fixed deposits as well as renewal of existing deposits from the public since 2014. The total outstanding deposits with the Company as on 31st March 2020 were ₹1.90 million (₹13.42 million as on 31st March 2019) which were not claimed by the depositors.

## Directors and other Key Managerial Personnel (KMPs)

### Board Composition and Independent Directors

The Board consists of the Executive Chairman, four Executive Directors and five Independent Directors. Independent directors are appointed for a term of five years and are not liable to retire by rotation.

All Independent Directors have given their declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Regulation 16 (b) of the SEBI Listing Regulations.

## Retirement by Rotation

Pursuant to Section 152 of the Companies Act 2013, Smt.Sangita Reddy, Director retires by rotation at the ensuing Annual General Meeting and being eligible offers herself for re-appointment.

## Key Managerial Personnel

Pursuant to the provisions of Section 203 of the Companies Act, 2013, the Key Managerial Personnel of the Company are Smt. Suneeta Reddy, Managing Director, Shri. Krishnan Akhileswaran, Chief Financial Officer and Shri. S.M. Krishnan, Vice President-Finance & Company Secretary. There has been no change in the Key Managerial Personnel during the year.

## Board Evaluation

Pursuant to the provisions of the Companies Act, 2013 and in terms of Regulation 17(10) of the SEBI Listing Regulations, the Board has carried out an annual performance evaluation of its own performance, the directors individually as well as the evaluation of the working of the Committees. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report.

## Remuneration Policy

The Board has, on the recommendation of the Nomination & Remuneration Committee, approved a policy for selection and appointment of Directors, Senior Management and their remuneration. The Remuneration Policy is stated in the Corporate Governance Report.

## Meetings of the Board

The Board met five times during the financial year, the details of which are given in the Corporate Governance Report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

## Risk Management

The Board of Directors had constituted a Risk Management Committee to identify elements of risk in different areas of operations and to develop a policy for actions associated to mitigate the risks. The Committee on a timely basis informed the members of the Board of Directors about risk assessment and minimization procedures and in the opinion of the Committee there was no risk that may threaten the existence of the Company. The details of the Risk Management Committee are included in the Corporate Governance Report.

## Internal Financial Controls and their Adequacy

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations

The scope and authority of the Internal Audit (IA) function is defined in the Internal Audit Charter. To maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Audit Committee of the Board. The details of the internal control system and its terms of reference are set out in the Management Discussion and Analysis Report forming part of the Board's Report.

The Board of Directors has laid down internal financial controls to be followed by the Company and the policies and procedures to be adopted by the Company for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information. The Audit Committee evaluates the internal financial control systems periodically.

## Significant and Material Orders passed by the Regulators or Courts

There are no significant material orders passed by the Regulators / Courts which would impact the going concern status of the Company and its future operations.

## Directors' Responsibility Statement

Pursuant to Section 134(5) of the Companies Act 2013, the Board of Directors to the best of their knowledge hereby state and confirm:

- that in the preparation of the annual financial statements for the year ended March 31, 2020, the applicable accounting standards have been followed along with proper explanations relating to material departures, if any;
- that such accounting policies have been selected and applied consistently and judgement and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2020 and of the profit of the Company for the year ended on that date;
- that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the annual financial statements have been prepared on a going concern basis;
- that proper internal financial controls were in place and that the financial controls were adequate and were operating effectively;
- that systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

## Share Capital

The paid up Equity Share Capital as on March 31, 2020 was ₹695.63 million. During the year under review, the Company has not issued shares with differential voting rights nor granted stock options nor sweat equity. As of March 31, 2020, the details of shareholding in the Company held by the Directors are set out in the Corporate Governance Report forming part of the Board's Report and none of the directors hold convertible instruments of the Company.

## Contracts and Arrangements with Related Parties

All contracts/arrangements/transactions entered by the Company during the financial year with related parties were in the ordinary course of business and on an arm's length basis. During the year, the Company had not entered into any contract/arrangement/transaction with related parties which could be considered material in accordance with the policy of the Company on materiality of related party transactions.

During the year, the Company had obtained members approval for entering into a long term supply agreement with Apollo Pharmacies Limited (APL), a related party for supply of pharmacy items. The Company would be undertaking back end supplies of pharmacy items to APL, soon after receiving the order from the NCLT. Sanctioning the Scheme of Arrangement involving transfer of the front end portion of the standalone pharmacy business to APL, which may exceed the threshold limit of 10% of the consolidated turnover of the Company.

The Policy on materiality of related party transactions and dealing with related party transactions as approved by the Board may be accessed on the Company's website [www.apollohospitals.com](http://www.apollohospitals.com). Your Directors draw the attention of the members to the Notes to the financial statements which sets out related party disclosures.

None of the Directors have any pecuniary relationships or transactions vis-à-vis the Company.

## Particulars of Employees and related disclosures

In terms of the provisions of Section 197(12) of the Act read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended, a statement showing the names and other particulars of the employees drawing remuneration in excess of the limits set out in the said rules are provided in the Annual Report, which forms part of this Report.

Disclosures relating to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are also provided in the Annual Report, which forms part of this Report.

Having regard to the provisions of Section 136(1) read with the relevant provisions of the Companies Act, 2013, the Annual Report excluding the aforesaid information is being sent to the members of the Company. The said information is available for inspection at the Registered Office of the Company during working hours. Any member interested in obtaining such information may write to the Company Secretary and the same will be furnished free of cost.

## Employee Stock Options

No Employee Stock Options have been granted to the employees of the Company and thus no disclosure is required.

## Corporate Social Responsibility Initiatives

As part of its initiatives under Corporate Social Responsibility (CSR), the Company has undertaken projects in the areas of Rural Development, Healthcare, Education & Skill Development and Research in Healthcare.

These projects are in accordance with Schedule VII of the Companies Act, 2013. The Report on CSR activities for the financial year 2019-2020 is annexed herewith as "Annexure A".

## Statutory Auditors

The Members at the Annual General Meeting held on 20th September 2017 approved the appointment of Deloitte Haskins & Sells LLP, Chartered Accountants as statutory auditors for a period of five years commencing from the Thirty Sixth Annual General Meeting till the conclusion of the Forty First Annual General Meeting subject to ratification by the Members every year. Pursuant to amendments in Section 139 of the Companies Act, 2013, the requirements to place the matter relating to such appointment for ratification by members at every annual general meeting has been dispensed with effect from 7th May, 2018 and the appointment of Deloitte Haskins & Sells LLP, Chartered Accountants as statutory auditors is valid till the conclusion of the Forty First Annual General Meeting to be held during the year 2022.

There are no qualifications, reservation or adverse remarks made by the statutory auditors in the audit report.

## Cost Auditors

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Amendment Rules, 2014, the Directors on the recommendation of the Audit Committee, appointed M/s. A.N. Raman & Associates, Cost Accountants, Chennai (FRN 102111) to audit the cost accounts of the Company for the financial year 2020- 2021 on a remuneration of ₹1.50 million.

As required under the Companies Act, 2013, the remuneration payable to the cost auditor is required to be placed before the Members in a general meeting for their ratification. Accordingly, a resolution seeking Member's ratification for the remuneration payable to M/s. A.N. Raman & Associates, Cost Accountants, Chennai (FRN102111) is included at Item No.9 of the Notice convening the Annual General Meeting.

The Company has maintained cost records in accordance with the provisions of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Amendment Rules, 2014 in respect of healthcare services.

## Secretarial Auditors

The Board had appointed Smt. Lakshmmi Subramanian, Senior Partner, M/s. Lakshmmi Subramanian & Associates, a firm of Company Secretaries in Practice, to conduct Secretarial Audit for the financial year 2019-2020. The Secretarial Audit Report for the financial year ended March 31, 2020 is annexed herewith as "Annexure B". The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

## Statutory Auditors and Secretarial Auditors Report

The Directors hereby confirm that there is no qualification, reservation or adverse remark made by the statutory auditors of the company or in the secretarial audit report by the practicing company secretary for the year ended 31st March, 2020.

## Particulars regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo.

Information as required to be disclosed on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, is annexed herewith as "Annexure C".

## Extract of Annual Return

The details forming part of the extract of the Annual Return in Form MGT-9 is annexed herewith as "Annexure D".

## Acknowledgement

Your Directors wish to place on record their appreciation of the contribution made by the employees at all levels, towards the continued growth and prosperity of your Company.

Your Directors also wish to place on record their appreciation of business constituents, banks and other financial institutions and shareholders of the Company for their continued support.

For and on behalf of the Board of Directors

Place : Chennai

Date : June 25, 2020

**Dr. Prathap C Reddy**

Executive Chairman

# ANNEXURE I DIVIDEND DISTRIBUTION POLICY

## Background

This policy is being adopted and published in compliance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016.

SEBI vide its notification dated July 8, 2016 introduced a new regulation 43A which prescribed that the top five hundred listed entities based on market capitalization (calculated as on March 31 of every financial year) shall formulate a dividend distribution policy which shall be disclosed in their annual reports and on their websites.

The regulation further prescribes that, the dividend distribution policy shall include the following parameters:

- a. the circumstances under which the shareholders of the listed entities may or may not expect dividend;
- b. the financial parameters that shall be considered while declaring dividend;
- c. internal and external factors that shall be considered for declaration of dividend;
- d. policy as to how the retained earnings shall be utilized; and
- e. parameters that shall be adopted with regard to various classes of shares.

Provided that if the listed entity proposes to declare dividend on the basis of parameters in addition to clauses (a) to (e) or proposes to change such additional parameters or the dividend distribution policy contained in any of the parameters, it shall disclose such changes along with the rationale for the same in its annual report and on its website.

## Objective

Apollo Hospitals Enterprise Limited (the "Company") has always strived to enhance stakeholder value. The Company believes that returning cash to shareholders is an important component of overall value creation.

Parameters/Factors considered by the Company while declaring dividend

The Board of Directors of the Company shall consider the following parameters before declaring or recommending dividend to the shareholders:

### A) Financial Parameters / Internal Factors

- (a) Financial performance including profits earned (standalone), available distributable reserves etc;
- (b) Cash Balance and Cash Flow;
- (c) Current and future capital requirements such as
  - Business Expansion/Modernisation
  - Mergers and Acquisitions
  - Additional Investment in JVs / Subsidiaries / Associates
- (d) Fund requirement for contingencies and unforeseen events with financial implications;
- (e) Past Dividend trend including Interim dividend paid, if any; and
- (f) Any other factor as deemed fit by the Board

### B) External Factors

- (a) Macro-economic conditions
- (b) Financing costs
- (c) Government Regulations
- (d) Taxation