

**Fortis Healthcare Limited**

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FHL/SEC/STEX/ 2018-19**November 5, 2018**

**The National Stock Exchange of India Ltd.
Corporate Communications Department
“Exchange Plaza”, 5th Floor, Bandra-Kurla
Complex, Bandra (East), Mumbai – 400051**

**BSE Limited
Corporate Services Department
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai – 400 001**

Scrip Symbol: FORTIS**Scrip Code:532843****Sub: Outcome of the Board Meeting**

Dear Sir(s),

This is to inform you that the Board of Directors of the Company at its meeting held on November 5, 2018, *inter-alia*, considered and approved Un-Audited Financial Results and Limited Review Report along with the opinion expressed by the Statutory Auditor of the Company for the quarter and period ended on September 30, 2018.

Copy of the un-audited financial results, Statement of Assets & Liabilities, limited review report and press release being issued in this regard are attached for your reference and records.

The Board Meeting commenced at 0900 Hours and concluded at 1930 Hours.

This is for your information and records please.

Thanking you,

Yours faithfully,

For **Fortis Healthcare Limited**

**Sumit Goel
Company Secretary
Membership No.: F6661**

INDEPENDENT AUDITOR'S REVIEW REPORT ON REVIEW OF INTERIM STANDALONE FINANCIAL RESULTS

TO THE BOARD OF DIRECTORS OF FORTIS HEALTHCARE LIMITED

- A.** We have reviewed the accompanying Standalone Unaudited Financial Results of **FORTIS HEALTHCARE LIMITED** ("the Company") for the quarter and six months ended September 30, 2018 ("the Standalone Results") included in the accompanying Statement of Standalone Unaudited Financial Results ("the Standalone Statement"), being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as modified by Circular No. CIR/CFD/FAC/62/2016 dated 5 July, 2016.

B. Management's Responsibility for the Standalone Statement

This Standalone Statement which is the responsibility of the Company's Management and approved by the Board of Directors of the Company, has been prepared in accordance with the recognition and measurement principles laid down in the Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34"), prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India.

Also, refer to the matters described in section D. Basis for Qualified Conclusion and section G. Other Matters below.

C. Auditor's Responsibility

1. Our responsibility is to issue a report on the Standalone Results included in the Standalone Statement based on our review.

We conducted our review of the Standalone Results in accordance with the Standard on Review Engagements (SRE) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the Standalone Results is free of material misstatement. A review is limited primarily to inquiries of the Company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

2. Except as indicated in the Basis for Qualified Conclusion paragraphs below, we believe that the evidence obtained by us, is sufficient and appropriate to provide a basis for our conclusion on the Standalone Results included in the Standalone Statement.

D. Basis for Qualified Conclusion

1. As explained in Note 14 of the Standalone Statement, pursuant to certain events/transactions, the erstwhile Audit and Risk Management Committee (the 'ARMC') of the Company had during the year ended March 31, 2018 decided to carry out an independent investigation through an external legal firm on certain matters more fully described in the said Note. The terms of reference for the investigation, the significant findings of the external legal firm (including identification of certain systemic lapses and override of internal controls), which are subject to the limitations on the information

*Independent Auditor's Review Report on the
Review of interim standalone financial results of quarter and six months ended September 30, 2018
of Fortis Healthcare Limited*

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available to the external legal firm and their qualifications and disclaimers as described in their Investigation Report, are summarised in the said Note.

Also, as explained in the said Note:

- a) As per the assessment of the Board, based on the investigation carried out through the external legal firm, and the information available at this stage, all identified/required adjustments/disclosures arising from the findings in the Investigation Report, were made in the Standalone Ind AS Financial Statements / Results of the Company for year ended March 31, 2018 and quarter ended June 30, 2018 and no further adjustments/disclosures are required in the Standalone Results for the quarter and six months ended September 30, 2018. Also refer paragraph 2(a) below.
- b) The Company's Board of Director have also initiated an enquiry of the management of the certain entities in the Group, that were impacted in respect of the matters investigated by the external legal firm.
- c) Various regulatory authorities are currently undertaking their own investigation (refer Note 14(h) and 15 of the Standalone Statement).

In furtherance of the above, on October 17, 2018 SEBI passed an *ex-parte* Interim Order ("Order") whereby it is observed that certain transactions were structured by some identified entities over a certain duration, which were *prima facie* fictitious and fraudulent in nature resulting in *inter alia* diversion of funds from the Company for the ultimate benefit of ex-promoters (and certain entities controlled by them) and misrepresentation in financial statements of the Company. Further, it issued certain interim directions *inter alia* directing the Company shall take all necessary steps to recover Rupees 40,300 lacs along with due interest from ex-promoters and various other entities, as mentioned in the Order.

The Company and one of its subsidiaries has filed applications for modification of the order, requesting deletion of name of its subsidiary from the directions issued. The Company has also filed an application to seek delivery of the documents relied upon by SEBI, so as to be able to make suitable representations and file a detailed reply to the Order.

The matter before SEBI is *sub-judice* and the investigation being conducted by it not yet concluded, in as much as it has observed that a detailed investigation would be undertaken to ascertain the role of each entity in the alleged diversion and routing of funds.

- d) Any further adjustments/disclosures, if required, would be made in the books of account pursuant to the above actions to be taken by the Board / regulatory investigations, as and when the outcome of the above is known.

In view of the above, we are unable to comment on the regulatory non-compliances, if any, and the adjustments / disclosures which may become necessary as a result of further findings of the ongoing or future regulatory / internal investigations and the consequential impact, if any, on the Standalone Results, included in the Standalone Statement.

2. As explained in Note 8 of the Standalone Statement, the Company had, during the year ended March 31, 2018, recognised provisions aggregating to Rupees 4,743 lacs (comprising amounts due from a party Rupees 2,173 lacs and Rupees 2,570 lacs towards capital work in-progress), due to uncertainty of recovery of these balances.



In this regard,

- a) The Company is in the process of evaluating the legal alternatives available to it to recover the aforesaid balances. Consequently, we are unable to comment if any adjustments are required to the Standalone Results included in the Standalone Statement in respect of the provisions made towards these balances.
3. As explained in Note 9 of the Standalone Statement, during the year ended March 31, 2018, a Civil Suit was filed by a third party (to whom the ICDs were assigned by a subsidiary, Fortis Hospitals Limited ('FHSL')) ('Assignee' or 'Claimant') against various entities including the Company (together "the Defendants"), before the District Court, Delhi and have, *inter alia*, claimed implied ownership of brands "Fortis", "SRL" and "La-Femme" in addition to certain financial claims and for passing a decree that consequent to a Term Sheet dated December 6, 2017 ('Term Sheet') with a certain party, the Company is liable for claims owed by the Claimant to the certain party. In connection with this, the District Court passed an ex-parte order directing that any transaction undertaken by defendants, in favour of any other party, affecting the interest of the Claimant shall be subject to orders passed in the said suit.

The Company filed a written statement denying all allegations made against it and prayed for dismissal of the Civil Suit on various legal and factual grounds. The Company in its written statement, also stated that it has not signed the alleged binding Term Sheet with the said certain party.

Whilst this matter was included as part of the investigation carried out by the external legal firm referred to in paragraph 1 above, the external legal firm did not report on the merits of the case since the matter was *sub judice*.

In addition to the above, the Company received four notices from the Claimant claiming (i) Rupees 1,800 lacs as per notices dated 31 May, 2018 and 1 June, 2018 (ii) Rupees 21,582 lacs as per notice dated 4 June, 2018; and (iii) and Rupees 1,962 lacs as per notice dated 4 June, 2018. All these notices have been responded to by the Company denying any liability whatsoever.

Separately, the certain party also alleged rights to invest in the Company. It has also alleged failure on the part of the Company to abide by the aforementioned Term Sheet and has claimed ownership over the brands as well.

Allegations made by the aforesaid party has been duly responded to by the Company denying (i) execution of any binding agreement with the certain party and (ii) liability of any kind whatsoever. The Company has also filed caveats before Hon'ble High Court of Delhi in this regard.

During the previous quarter, the said certain party has also filed an application for being impleaded as party to the Civil Suit by the Claimant. The matter is yet to be heard.

Based on advice of external legal counsel, the Management believes that the claims are without legal basis and are not tenable and accordingly no adjustment has been made in the Standalone Results, with respect to these claims.

Since the matter is *sub-judice*, the outcome of which is not determinable at this stage, we are unable to comment on the consequential impact, if any, of the same on the Standalone Results, included in the Standalone Statement.



4. As explained in Note 14 (f) of the Standalone Statement, related party relationships as required under Ind AS 24 – Related Party Disclosures and the Companies Act, 2013 are as identified by the Management taking into account the findings and limitations in the Investigation Report (Refer Notes 14 (d) (i), (ii), (vi) and (vii) of the Standalone Statement) and the information available with the Management. In this regard, in the absence of specific declarations from the erstwhile directors on their compliance with disclosures of related parties, especially considering the substance of the relationship rather than the legal form, the related parties have been identified based on the declarations by the erstwhile directors and the information available through the known shareholding pattern in the entities. Therefore, there may be additional related parties whose relationship may not have been disclosed to the Company and, hence, not known to the Management.

In the absence of all required information, we were unable to comment on the completeness/accuracy of the related party relationships as required under Ind AS 24 – Related Party Disclosures, the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended) and the compliance with the other applicable regulations.

In view of the above, we are unable to comment on the consequential impact, if any, of the same on the Standalone Results included in the Standalone Statement.

5. As explained in Note 17 of the Standalone Statement, during the year ended March 31, 2018, the Company, having considered all necessary facts and taking into account external legal advice, has decided to treat as *non-est* the Letter of Appointment dated September 27, 2016, as amended, ("LoA") issued to the erstwhile Executive Chairman of the Company in relation to his role as 'Lead: Strategic Initiatives' in the Strategy Function. The external legal counsel has also advised that the payments made to him under this LoA would be considered to be covered under the limits of section 197 of the Companies Act, 2013.

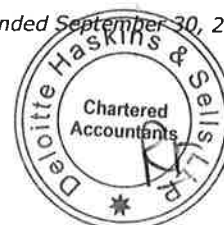
The Company is in the process of taking suitable legal measures to recover the payments made to him under the LoA as also to recover all the Company's assets in his possession. The Company sent a letter to the erstwhile Executive Chairman seeking refund of the excess amounts paid to him.

In view of the above, the amounts paid to him under the aforesaid LoA and certain additional amounts reimbursed in relation to expenses incurred (in excess of the amounts approved by the Central Government under section 197 of the Companies Act 2013 for remuneration & other reimbursements), aggregating to Rupees 2,002 lacs were shown as recoverable in the Standalone Financial Statements for the year ended March 31, 2018. However, considering the uncertainty involved on recoverability of the said amounts a provision of Rupees 2,002 lacs was made in the said Standalone Financial Statements and shown as an exceptional item.

The erstwhile Executive Chairman has claimed an amount of Rupees 4,610 Lacs from the Company towards his terms of employment. The Company has responded denying any liability whatsoever in this regard.

During the current quarter, the Company has filed a complaint against the erstwhile Executive Chairman before Economic Offence Wing, New Delhi in the above matter.

As stated above, due the nature of dispute and uncertainty involved, we are unable to comment on the tenability of the aforesaid claims, the provision made for the uncertainty in recovery of the amounts and any provision that may be required for the claim made by the erstwhile Executive Chairman, the recovery of other assets in possession of the erstwhile



Executive Chairman and other non-compliances, if any, with the applicable regulations and the consequential impact, if any, of the same on the Standalone Results included in the Standalone Statement.

The matters referred to in paragraphs 1 to 5 above were included as part of the Basis of Qualified Opinion in the audit report on the Standalone Financial Statements / Standalone Financial Results of the Company for the year ended March 31, 2018 and quarter ended June 30, 2018.

E. Qualified Conclusion

Based on our review conducted as stated above,

1. except for the effects / possible effects of the matter(s) described in section D. Basis for Qualified Conclusion above, nothing has come to our attention that causes us to believe that the Standalone Results, included in the Standalone Statement has not been prepared in accordance with the aforesaid Ind AS and other accounting principles generally accepted in India, and
2. nothing has come to our attention that causes us to believe that the Standalone Statement is not presented in accordance with the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as modified by Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016.

F. Emphasis of Matter

We draw attention to Note 18 of the Standalone Statement wherein it has been explained that the Standalone Results have been prepared on a going concern basis for the reasons stated in the said Note.

Our report is not modified in respect of this matter.

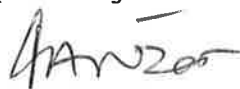
G. Other Matters

Attention is drawn to Note 2 of the Standalone Statement wherein it is stated that the figures for the quarter and six months ended September 30, 2017, included in the Standalone Statement contained a disclaimer of conclusion on the standalone financial results. We did not express a conclusion on the standalone financial results for the quarter and six months ended September 30, 2017 being presented as part of the Standalone Statement of the Company for the quarter and six months ended September 30, 2018.

Our report on the Standalone Results included in the Standalone Statement is not modified in respect of the above matter.

Gurugram, 05 November, 2018
RT/YK/2018

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)


RASHIM TANDON
Partner
(Membership No. 095540)



FORTIS HEALTHCARE LIMITED
STATEMENT OF STANDALONE FINANCIAL RESULTS

(Rupees in lacs)

Particulars	Standalone					
	Quarter ended			Six Months ended		Year ended
	30-Sep-18	30-Jun-18	30-Sep-17	30-Sep-18	30-Sep-17	31-Mar-18
	Unaudited	Unaudited	Unaudited (Refer Note 2)	Unaudited	Unaudited (Refer note 2)	Audited
1 Revenue from operations	16,255	15,633	17,028	31,888	33,871	65,948
2 Other income (refer Note 4 and Note 20)	6,432	3,728	3,460	10,160	7,282	13,789
3 Total income (1+2)	22,687	19,361	20,488	42,048	41,153	79,737
4 Expenses						
(a) Cost of material consumed	3,237	3,246	3,390	6,483	7,184	13,556
(b) Employee benefits expenses	3,843	3,994	4,227	7,837	8,654	16,134
(c) Finance costs	4,362	2,936	1,559	7,298	3,353	6,374
(d) Hospital service fee expense	3,526	3,497	3,525	7,023	7,040	13,927
(e) Professional charges to doctors	2,189	2,201	2,158	4,390	4,270	8,439
(f) Net depreciation/impairment & amortisation	711	691	687	1,402	1,374	2,888
(g) Other expenses	5,576	4,968	4,434	10,544	8,802	17,654
Total expenses	23,444	21,533	19,980	44,977	40,677	78,972
5. Net profit / (loss) before exceptional items and tax (3-4)	(757)	(2,172)	508	(2,929)	476	765
6. Exceptional gain/ (loss) (refer note 6)	(5)	(3)	(86)	(8)	(143)	(6,795)
7. Profit / (loss) before tax from continuing operations (5-6)	(762)	(2,175)	422	(2,937)	333	(6,030)
8. Tax expense/ (credit)	(133)	(766)	245	(899)	260	343
9. Net profit / (loss) for the period from continuing operations (7-8)	(629)	(1,409)	177	(2,038)	73	(6,373)
10. Profit from discontinued operations before tax	-	-	-	-	-	-
11. Tax expense of discontinued operations	-	-	-	-	-	-
12. Net profit / (loss) for the period from discontinuing operations (10-11)	-	-	-	-	-	-
13. Net profit / (loss) for the period (9+12)	(629)	(1,409)	177	(2,038)	73	(6,373)
14. Other Comprehensive Income/(loss) (including OCI relating to associates and joint venture (after tax)) ('OCI')	24	40	(2)	64	(11)	32



FORTIS HEALTHCARE LIMITED
STATEMENT OF STANDALONE FINANCIAL RESULTS

(Rupees In lacs)

Particulars	Standalone					
	Quarter ended			Six Months ended		Year ended
	30-Sep-18	30-Jun-18	30-Sep-17	30-Sep-18	30-Sep-17	31-Mar-18
	Unaudited	Unaudited	Unaudited (Refer Note 2)	Unaudited	Unaudited (Refer note 2)	Audited
15. Total comprehensive Income/(Loss) (13+14)	(605)	(1,369)	175	(1,974)	62	(6,341)
16. Paid-up equity share capital (Face Value Rupees10 per Share)	51,908	51,866	51,852	51,908	51,852	51,866
17. Reserves						370,816
18. Earnings per equity share for continuing operations						
Basic earnings (loss) per share - In Rupees	(0.12)	(0.26)	0.03	(0.38)	0.01	(1.23)
Diluted earnings (loss) per share - In Rupees	(0.12)	(0.26)	0.03	(0.38)	0.01	(1.23)
19. Earnings per equity share for discontinued operations						
Basic earnings (loss) per share - In Rupees	-	-	-	-	-	-
Diluted earnings (loss) per share - In Rupees	-	-	-	-	-	-
20. Earnings per equity share from continuing and discontinued operations						
Basic earnings (loss) per share - In Rupees	(0.12)	(0.26)	0.03	(0.38)	0.01	(1.23)
Diluted earnings (loss) per share - In Rupees	(0.12)	(0.26)	0.03	(0.38)	0.01	(1.23)
21. Earnings before depreciation and amortization expense, finance costs, exceptional items, tax expenses and share in profit /(loss) of associate companies and joint ventures (EBITDA) (refer note 5)	4,316	1,455	2,754	5,771	5,203	10,027

Notes to the results

1. The above standalone financial results for the quarter and six months ended September 30, 2018 have been reviewed by the Audit and Risk Management Committee and approved by the Board of Directors at their respective meetings held on November 3, 2018 and November 5, 2018 respectively.

2. The Auditors report on the results for the quarter and six months ended September 30, 2017 contained a disclaimer of conclusion on the standalone financial results.



FORTIS HEALTHCARE LIMITED
STATEMENT OF STANDALONE FINANCIAL RESULTS

3. The financial results along with the comparatives have been prepared in accordance with the recognition and measurement principles laid down in Ind AS 34 Interim Financial Reporting, prescribed under section 133 of the Companies Act, 2013 read with the relevant rules issued there under and the other accounting principles generally accepted in India.
4. Other income includes interest on bank deposits, interest on loan others, interest on income tax refunds, profit on redemption of mutual funds, financial guarantee income, gain on foreign currency transactions and translation (net), dividend income, miscellaneous income, etc. as applicable in the respective period presented.
5. The Company has presented Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) additionally in the financial results. In its measurement, the Company includes other income, but does not include depreciation and amortization expense, finance costs, exceptional items and tax expenses.
6. Exceptional gain/ (loss) included in the above standalone financial results include:

(Rupees in lacs)

Particulars	Quarter ended			Six Months ended		Year ended
	30-Sep-18	30-Jun-18	30-Sep-17	30-Sep-18	30-Sep-17	31-Mar-18
a) Expenses on Composite Scheme of Arrangement and Amalgamation (Refer Note 8)	-	-	(86)	-	(143)	(159)
b) Allowance for doubtful advance and security deposit given to body corporate along with impairment of Capital work-in-progress (Refer Note 13)	-	-	-	-	-	(4,743)
c) Impairment in investment and allowance for doubtful loan given to Subsidiary Company	(5)	(3)	-	(8)	-	(55)
d) Impairment of goodwill of Shalimar Bagh	-	-	-	-	-	(571)
e) Exceptional gain on recovery of salary & other reimbursements paid in previous year (Refer Note 18)	-	-	-	-	-	735
f) Allowance for doubtful amount recoverable for salary & other reimbursement of expenses (Refer Note 18)	-	-	-	-	-	(2,002)
Net exceptional gain/ (loss)	(5)	(3)	(86)	(8)	(143)	(6,795)



FORTIS HEALTHCARE LIMITED
STATEMENT OF STANDALONE FINANCIAL RESULTS

7. **Statement of Assets and Liabilities:**

Particulars	(Rupees in lacs)	
	Standalone	
	As at 30-Sep-18 Unaudited	As at 31-Mar-18 Audited
ASSETS		
Non-current assets		
(a) Property, plant and equipment	15,716	16,822
(b) Capital work-in-progress	16,011	15,934
(c) Goodwill	2,722	2,722
(d) Other intangible assets	627	751
(e) Intangible assets under development	708	707
(f) Financial assets		
(i) Investments		
a) Other investments	365,052	365,770
(ii) Loans	79,659	46,003
(iii) Other financial assets	238	1,043
(g) Deferred tax assets (Net)	7,218	6,341
(h) Non-current tax assets (Net)	6,333	5,144
(i) Other non-current assets	433	400
Total non-current assets	494,717	461,637
Current assets		
(a) Inventories	630	695
(b) Financial assets		
(i) Trade receivables	6,691	7,096
(ii) Cash and cash equivalents	1,369	1,656
(ii) Bank balances other than (ii) above	2,243	7,235
(iii) Loans	2,518	12,194
(iv) Other financial assets	9,245	8,111
(c) Other current assets	2,131	2,943
Total current assets	24,827	39,930
Total assets	519,544	501,567
EQUITY AND LIABILITIES		
Equity		
(a) Equity share capital	51,908	51,866
(b) Other equity	369,568	370,816
Total equity	421,476	422,682
Liabilities		
Non-current liabilities		
(a) Financial Liabilities		
(i) Borrowings	6,781	23,162
(b) Provisions	1,026	1,127
Total non-current liabilities	7,807	24,289



FORTIS HEALTHCARE LIMITED
STATEMENT OF STANDALONE FINANCIAL RESULTS

Particulars	(Rupees in lacs)	
	Standalone	
	As at 30-Sep-18 Unaudited	As at 31-Mar-18 Audited
Current liabilities		
(a) Financial liabilities		
(i) Borrowings	34,345	19,448
(ii) Trade payables	18,159	15,308
(iii) Other financial liabilities	34,700	15,855
(b) Provisions	1,307	1,336
(d) Other current liabilities	1,750	2,649
Total current liabilities	90,261	54,596
Total liabilities	98,068	78,885
Total equity and liabilities	519,544	501,567

8. The Company had paid security deposits and advances aggregating to Rupees 2,173 lacs in the financial year 2013-14 to a private company ("Lessor") towards lease of office space. Due to delays in obtaining occupancy certificate (OC), the lease agreement was terminated by the Company. The amounts outstanding from the Lessor as on September 30, 2018 aggregated to Rupees 2,173 lacs (as at March 31, 2018 Rupees 2,173 lacs). Additionally, expenditure aggregating to Rupees 2,570 lacs (as at March 31, 2018 Rupees 2,570 lacs) was incurred towards capital work-in-progress on the premises proposed to be take on lease from the Lessor, which is also being claimed from the Lessor pursuant to the aforesaid termination. The Company has invoked arbitration against the Lessor and issued a Legal Notice under Section 21 of the Arbitration and Conciliation Act 1996 and has nominated its arbitrator. The Company is also evaluating other legal action for recovery in consultation with external legal counsels.

In view of the facts stated above and the uncertainty in the ultimate recovery of the aforesaid balances, the Company had recorded provisions aggregating to Rupees 4,743 lacs in the Standalone Financial Results for the year ended March 31, 2018 (also refer to note 14(d)(vi)).

During the current financial year, the Lessor responded to notice of the Company stating that meeting be scheduled between the Parties for amicably addressing the concern. Meetings have been held with the Lessor and the matter is being discussed for exploring resolution of the issues being agitated by the Company.

9. A third party (to whom the ICDs were assigned by a Subsidiary, Fortis Hospitals Limited ('FHsL')) ("Assignee" or "Claimant") has filed a Civil Suit before the District Court, Delhi in February 2018 against various entities including the Company (together "the defendants") and have, *inter alia*, claimed implied ownership of brands "Fortis", "SRL" and "La Femme" in addition to certain financial claims and for passing a decree that consequent to a Term Sheet dated December 6, 2017 ('Term Sheet') with a certain party, the Company is liable for claims owed by the Claimant to the certain party. In connection with this, the District Court passed an ex-parte order directing that any transaction undertaken by defendants, in favour of any other party, affecting the interest of the Claimant shall be subject to orders passed in the said suit (also refer note 14).

The Company has filed written statement denying all allegations made against it and prayed for dismissal of the Civil Suit on various legal and factual grounds. The Company has in its written statement also stated that it has not signed the alleged binding Term Sheet with certain party.

In addition to the above, the Company has also received four notices from the Claimant claiming (i) Rupees 1,800 lacs as per notices dated May 30, 2018 and June 1, 2018 (ii) Rupees 21,582 lacs as



FORTIS HEALTHCARE LIMITED
STATEMENT OF STANDALONE FINANCIAL RESULTS

per notice dated June 4, 2018; and (iii) Rupees 1,962 lacs as per notice dated June 4, 2018. All these notices have been responded to by the Company denying any liability whatsoever.

Separately, a certain party has also alleged rights to invest in the Company. It has also alleged failure on part of the Company to abide by the aforementioned Term Sheet and has claimed ownership over the brands as well.

Allegations made by the aforesaid party has been duly responded to by the Company denying (i) execution of any binding agreement with the certain party and (ii) liability of any kind whatsoever. The Company has also filed caveats before Hon'ble High Court of Delhi in this regard.

During the previous quarter, the said certain party has also filed an application for being impleaded as party to the Civil Suit by the Claimant. The matter is scheduled for hearing in February 2019.

Based on advice of external legal counsel, the Management believes that the claims are without legal basis and are not tenable and accordingly no adjustment is required in the Standalone Financial Results with respect to these claims.

10. The Board of Directors of the Company at their meeting held on August 19, 2016 had earlier approved a proposal to demerge its diagnostic business including that is housed in its majority owned subsidiary SRL Limited ("SRL") into another majority owned subsidiary, Fortis Malar Hospitals Limited ("FMHL") pursuant to a composite scheme of arrangement and amalgamation ("the Composite Scheme").

During the previous quarter on June 13, 2018, the Board of the Company, SRL and FMHL decided to withdraw from the scheme, subject to the approval of National Company Law Tribunal ("NCLT"). The approval of the NCLT for withdrawal of the Composite Scheme was received on June 15, 2018.

11. Pursuant to the earlier announcements on the restructuring initiative aimed at consolidating the entire India asset portfolio of RHT Health Trust ("RHT") into the Company, the parties in August 2018, entered into an amendment agreement to modify certain terms of the definitive agreement, including extension of the Long Stop Date of the transaction to December 31 2018. The amendments have been approved by shareholders of the Company and RHT has received its unit holder's approval. The transaction is expected to be completed during the quarter ending December 31, 2018.

12. As on December 31, 2017, the Promoters and Promoter Group entities together held 34.33% of the paid-up capital of the Company of which approximately 98% was pledged to various bank as a security towards the loans raised by the Promoters / Promoter Group entities. In a matter relating to the Promoters and the Promoter Group entities, the Hon'ble Supreme Court of India vide their interim orders dated August 11, 2017 and August 31, 2017 had directed that status quo be maintained over the shares pledged by the Promoter and Promoter Group entities. Subsequently, the Hon'ble Supreme Court of India in its Order on February 15, 2018, has clarified that the earlier direction to maintain status quo of the promoter holding in the Company shall not apply to shares of the Company as may have been encumbered on or before the date of the interim orders. Consequent to the Banks invoking their rights on the shares of the Company that were pledged by the then Promoters / Promoter Group entities, the holding of the Promoters and Promoter Group entities in the Company have reduced to 0.24% of the paid-up capital of the Company as at September 30, 2018 (0.77% of the paid-up capital of the Company as at March 31, 2018). Further the Board of Directors at its meeting held on July 13, 2018, approved re-classification of existing promoter holding under the category of 'Public Shareholding'. This has been approved by the shareholders at their Extra Ordinary General Meeting dated August 13, 2018. Application for re classification of existing promoter is pending for regulatory approvals.

13. During the previous quarter ended June 30, 2018, the following changes have occurred in the constitution of the Board of Directors of the Company:

(a) Mr. Rohit Bhasin was appointed as an additional independent director in the Company in April 2018. He subsequently resigned on June 26, 2018.

(b) In April 2018, Ms. Suvalaxmi Chakraborty, Mr. Ravi Rajagopal and Mr. Indrajit Banerjee were appointed as Non-Executive Independent Directors of the Company and their appointment



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was ratified by the members of the Company in the extra-ordinary general meeting ("EGM") of the Company in May 2018.

- (c) During May 2018, Mr. Harpal Singh, Director, Lt. Gen. Tejinder Singh Shergill and Ms. Sabina Vaisoha, Additional Directors in the Company, resigned from their directorships in the Company and Dr. Brian Tempest, Independent Director and Chairman of the Audit and Risk Management Committee, disassociated from his position at the behest of the resolution of the members in the EGM held in May 2018.
- (d) Further, Mr. Ravi Rajagopal has been appointed as Chairman of the Board with effect from June 1, 2018. As such, the re-constituted Board of Directors comprises the following directors as on date who were all appointed in April 2018 after the financial year ended March 31, 2018:
- i. Mr. Ravi Rajagopal – Chairman & Independent Director
 - ii. Mr. Indrajit Banerjee - Independent Director
 - iii. Ms. Suvalaxmi Chakraborty - Independent Director

together referred to as the "Re-constituted Board".

14. Investigation initiated by the erstwhile Audit and Risk Management Committee

- (a) During the previous year there were reports in the media and enquiries from, *inter alia*, the stock exchanges received by the Company about certain inter-corporate loans ("ICDs") given by a wholly owned subsidiary of the Company, FHsL. The erstwhile Audit and Risk Management Committee of the Company in its meeting on February 13, 2018 decided to carry out an independent investigation through an external legal firm.
- (b) The terms of reference of the investigation, *inter alia*, comprised: (i) ICDs amounting to a total of ~~Rupees 49,414 lacs (principal)~~, placed by the Company's wholly-owned subsidiary, FHsL, with three borrowing companies as on July 1, 2017; (ii) the assignment of these ICDs to a third party and the subsequent cancellation thereof as well as evaluation of legal notice (now a civil suit) received from such third party (refer Note 9 above); (iii) review of intra-group transactions for the period commencing FY 2014-15 and ending on December 31, 2017 (refer Note 8 above); (iv) investments made in certain overseas funds by the overseas subsidiaries of the Company (i.e. Fortis Asia Healthcare Pte. Ltd, Singapore and Fortis Global Healthcare (Mauritius) Limited); (v) certain other transactions involving acquisition of Fortis Healthstaff Limited ("Fortis Healthstaff") from a promoter group company, and subsequent repayment of loan by said subsidiary to the promoter group company.
- (c) The investigation report ("Investigation Report") was submitted to the re-constituted Board on June 8, 2018.
- (d) The re-constituted Board discussed and considered the Investigation Report and noted certain significant findings of the external legal firm, which are subject to the limitations on the information available to the external legal firm and their qualifications and disclaimers as described in their investigation report.
- i. While the Investigation Report did not conclude on utilization of funds by the borrower companies, there are findings in the report to suggest that the ICDs were utilized by the borrower companies for granting/ repayment of loans to certain additional entities including those whose current and/ or past promoters/ directors are known to/ connected with the promoters of the Company.
 - ii. In terms of the relationship with the borrower companies, there was no direct relationship between the borrower companies and the Company and / or its subsidiaries during the period December 2011 till December 14, 2017 (these borrower companies became related parties from December 15, 2017). The Investigation Report has made observations where promoters were evaluating certain transactions concerning certain assets owned by them for the settlement of ICDs thereby indirectly implying some sort of affiliation with the borrower companies. The Investigation Report has observed that the borrower companies could possibly qualify as related parties of the Company and/ or FHsL, given the substance of the



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relationship. In this regard, reference was made to Indian accounting Standards dealing with related party disclosures, which states that for considering each possible related party relationship, attention is to be directed to the substance of the relationship and not merely the legal form.

- iii. Objections on record indicate that management personnel and other persons involved were forced into undertaking the ICD transactions under the repeated assurance of due repayment and it could not be said that the management was in collusion with the promoters to give ICDs to the borrower companies. Relevant documents/information and interviews also indicate that the management's objections were overruled. However, the former Executive Chairman of the Company, in his written responses, has denied any wrongdoing, including override of controls in connection with grant of the ICDs.
- iv. Separately, it was also noted in the Investigation Report that the aforesaid third party to whom the ICDs were assigned has also initiated legal action against the Company. Whilst the matter was included as part of the terms of reference of the investigation, the merits of the case cannot be reported since the matter was *sub-judice*.
- v. During the previous year ended 31 March 2018, the Company through its subsidiary (i.e. Escorts Heart Institute and Research Centre Limited ("EHIRCL")), acquired 71% equity interest in Fortis Healthstaff Limited at an aggregate consideration of Rupees 3.46 lacs. Subsequently, EHIRCL advanced a loan to Fortis Healthstaff Limited, which was used to repay the outstanding unsecured loan amount of Rupees 794.50 lacs to a promoter group company. Certain documents suggest that the loan repayment by Fortis Healthstaff Limited and some other payments to the promoter group company may have been ultimately routed through various intermediary companies and used for repayment of the ICDs /vendor advance to FHsL / Company.
- vi. The investigation did not cover all related party transactions during the period under investigation and focused on identifying undisclosed parties having direct/indirect relationship with the promoter group, if any. In this regard, it was observed in internal correspondence within the Company that transactions with certain other entities have been referred to as related party transactions. However, no further conclusions have been made in this regard.
- vii. Additionally, it was observed in the Investigation Report that there were significant fluctuations in the NAV of the investments in overseas funds by the overseas subsidiaries during a short span of time. Further, similar to the paragraph above, in the internal correspondence within the Company, investments in the overseas funds have been referred to as related party transactions. The investment was realized at a discount in April 2018 with no loss in the principal value of investments

(e) Other Matters:

In the backdrop of the investigation, the Management has reviewed some of the past information/documents in connection with transactions undertaken by the Company and certain subsidiaries. It has been noted that the Company through its subsidiary (i.e. Fortis Hospitals Limited ("FHsL")) acquired equity interest in Fortis Emergency Services Limited from a promoter group company. On the day of the share purchase transaction, FHsL advanced a loan to Fortis Emergency Services Limited, which was used to repay an outstanding unsecured loan amount to the said promoter group company. It may be possible that the loan repayment by Fortis Emergency Services Limited to the said promoter group company was ultimately routed through various intermediary companies and was used for repayment of the ICDs /vendor advance to FHsL.

- (f) Related party relationships as required under Ind AS 24 – Related Party Disclosures and the Companies Act, 2013 are as identified by the Management taking into account the findings and limitations in the Investigation Report (Refer Notes 14 (d) (i), (ii) (vi) and (vii) above) and the information available with the Management. In this regard, in the absence of specific declarations from the erstwhile directors on their compliance with disclosures of related parties, especially considering the substance of the relationship rather than the legal form, the related parties have been identified based on the declarations by the erstwhile directors and the



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information available through the known shareholding pattern in the entities. Therefore, there may be additional related parties whose relationship may not have been disclosed to the Company and, hence, not known to the Management.

- (g) With respect to the other matters identified in the Investigation Report, the Board initiated specific improvement projects to strengthen the process and control environment. The projects include revision of authority levels, both operational and financial and oversight of the Board, review of Financial Reporting processes, assessment of secretarial documentation w.r.t compliance to regulatory requirements and systems design & control enhancement. The assessment work is being done and corrective action plans are being implemented. Board continues to evaluate other areas to strengthen processes and build a robust governance framework. Towards this end, it is also evaluating internal organizational structure and reporting lines, the roles of authorized representatives and terms of reference of executive committees and their functional role. The Company's Board of Director have also initiated an enquiry of the management of the certain entities in the Group that were impacted in respect of the matters investigated by the external legal firm.
- (h) It is in the above backdrop, that it is pertinent to mention that during the previous year the Company received a communication dated February 16, 2018 from the Securities and Exchange Board of India (SEBI), confirming that an investigation has been instituted by SEBI in the matter of the Company. In the aforesaid letter, SEBI summoned the Company under section 11C (3) of the SEBI Act, 1992 to furnish by February 26, 2018 certain information and documents relating to the short-term investments of Rupees 473 Crores reported in the media. SEBI had also appointed forensic auditors to conduct a forensic audit, of collating information from the Company and certain of its subsidiaries. The Company / its subsidiaries have furnished all requisite information and documents requested by SEBI.

In furtherance of the above, on October 17, 2018 SEBI passed an *ex-parte* Interim Order ("Order") whereby it observed that certain transactions were structured by some identified entities over a certain duration, which were *prima facie* fictitious and fraudulent in nature resulting in *inter alia* diversion of funds from the Company for the ultimate benefit of ex-promoters (and certain entities controlled by them) and misrepresentation in financial statements of the Company. Further, it issued certain interim directions *inter alia* directing the Company shall take all necessary steps to recover Rupees 40,300 lacs along with due interest from ex-promoters and various other entities, as mentioned in the Order. The said entities have been directed to jointly and severally repay Rupees 40,300 crores (approx.) along with due interest to Company within three months of the order. Further, SEBI has directed the said entities that pending completion of investigation and till further order, they shall not dispose of or alienate any of their assets or divert any funds, except for the purposes for meeting expenses of day-to-day business operations, without the prior permission of SEBI. Ex-promoters have also been directed not to associate themselves with the affairs of the Company in any manner whatsoever, till further directions. Parties named in the Order have been granted opportunity for filing their respective replies/objections within 21 days. In line with the above, the Company and the Board is evaluating all further appropriate steps to be taken in this matter for recovery of dues from the ex-promoters and various other entities, in consultation with external counsels.

The Company and one of its subsidiaries has filed applications for modification of the order, deletion of name of its subsidiary from the directions issued. The Company has also filed an application to seek delivery of the documents relied upon by SEBI, so as to be able to make suitable representations and file a detailed reply to the Order, taking into account Company's best interests

The matter before SEBI is *sub-judice* and the investigation being conducted by it not yet concluded, in as much as it has observed that a detailed investigation would be undertaken to ascertain the role of each entity in the alleged diversion and routing of funds. The Board of Directors is committed to fully co-operating with the relevant regulatory authorities to enable them to make a determination on these matters and to undertake remedial action, as may be required, and to ensure compliance with applicable laws and regulations. In the aforesaid context, proper and sufficient care has been taken for the maintenance of adequate



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accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities. In the event, any other exposures were to come to light, the Company is committed to appropriately addressing the same.

As per the assessment of the Board, based on the investigation carried out through the external legal firm, SEBI order and the information available at this stage, all identified/required adjustments/disclosures arising from the findings in the Investigation Report, were made in the Standalone Financial Results for the year ended March 31, 2018.

No further adjustments is required to be made in Standalone Financial Results for the quarter and six months ended September 30, 2018.

In the event other exposures were to come to light, the Company / FHsL are committed to appropriately addressing the same, including making additional provisions where required.

- (i) Vide order no. WTM/GM/IVD/68/2018-19 order ("Order") passed by SEBI, Fortis Healthcare Limited ("FHL") has been directed to take all steps to recover an amount of approximately INR 403 crore, along with due interest from, inter alia Fortis Hospitals Limited (FHsL). The SEBI Order, while directing other defaulting parties to not dispose of/alienate any assets or divert funds, has also included FHsL within the ambit of the same prohibition. Pursuant to this, FHsL's beneficial owner account has been suspended for debits by the National Securities Depository Limited and Central Depository Services (India) Limited.

The company has been advised by its legal counsels that the relevant part of the Order characterizing FHL as a defaulting party appears to be an inadvertent oversight on the part of SEBI. In fact, FHsL, and not FHL is the relevant entity which had advanced the amounts in question. Further, given that the relationship between the two companies is that of a parent and a wholly owned subsidiary, the recovery of amounts of FHL from FHsL would lead to a discharge of the liabilities of the actual defaulting entities, and given the consolidation of accounts between FHsL and FHL (its parent entity) would lead to an anomalous situation where there is no impact on the consolidated balance sheet of FHL - which cannot be the intention of the SEBI order in as much as it has been passed with a view to protect, inter alia the interests of the public shareholders of FHL.

In light of this fact, the FHL and FHsL have filed appropriate representation with SEBI for an appropriate modification of the order - to the effect that FHsL would be the relevant entity required to take steps for the recovery and that FHsL cannot itself be the subject matter of any injunction / restraint as had been specified in the Order.

- (j) As per the assessment of the Board, based on the investigation carried out through the external legal firm, SEBI order and the information available at this stage, all identified/required adjustments/disclosures arising from the findings in the Investigation Report, were made in the Standalone Financial Results for the year ended March 31, 2018.

No further adjustments have been required to be made in Consolidated Financial Results for the quarter and six months ended September 30, 2018.

Any further adjustments/disclosures, if required, would be made in the books of account pursuant to the above actions to be taken by the Board / regulatory investigations, as and when the outcome of the above is known.

15. Investigation by Various Other Regulatory Authorities

- a) During the previous year the Registrar of Companies (ROC) under section 206(1) of the Companies Act, 2013, *inter alia*, had also sought information in relation to the Company. All requisite information in this regard has been duly shared by the Company with the ROC.

b) During the previous year the Company has also received a letter from the Serious Fraud Investigation Office (SFIO), Ministry of Corporate Affairs, under section 217(1)(a) of the



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Companies Act, 2013, *inter alia*, initiating an investigation and seeking information in relation to the Company, its material subsidiaries, joint ventures and associates. The Company has submitted all requisite information in this regard with SFIO. Subsequently another letter was received from SFIO on June 7, 2018 and the requisite information in this regard has been submitted. During the current quarter the Company has received email requisitions on September 6, 2018 and September 28, 2018. All information for email dated September 6, 2018 has been submitted and partial information is pending for September 28, 2018 requisition. On October 26, 2018 Company has received an email requisition from SFIO office, the reply where of has been submitted.

The Investigation Report of the external legal firm has been submitted by the Company to the Securities and Exchange Board of India, the Serious Frauds Investigation Office ("SFIO") on June 12, 2018.

The Company is fully co-operating with the regulators in relation to the ongoing investigations, to enable them to make their determination on these matters. Any further adjustments/disclosures, if required, would be made in the books of account as and when the outcome of the above investigations is known.

16. Proposed investment in the Company

The Board of Directors had approved an equity infusion of Rupees 4,000 Crores at a price of Rupees 170 per equity share into the Company by Northern TK Venture Pte Ltd, Singapore, a wholly owned subsidiary of IHH Healthcare Berhad, Malaysia through a preferential allotment ("Preferential Issue"), subject to approval of the shareholders and other regulatory approvals. The shareholders of the Company have approved the Preferential Issue by requisite majority at their Extra Ordinary General Meeting dated August 13, 2018. The acquirer has received the approval from Competition Commission of India (CCI) on October 30, 2018 and the preferential allotment is expected shortly. Further, pursuant to the Preferential Issue, Northern TK Venture Pte. Ltd is under an obligation to make a mandatory open offer to the public shareholders of the Company and Fortis Malar Hospitals Limited in accordance with the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

17. Letter of Appointment of erstwhile Executive Chairman

The Company having considered all necessary facts and taking into account external legal advice, had on June 27, 2018 decided to treat as *non est* the Letter of Appointment dated September 27, 2016, as amended, ("LoA") issued to the erstwhile Executive Chairman of the Company in relation to his role as 'Lead: Strategic Initiatives' in the Strategy Function. Basis legal advice taken by the Company, the payments made to him under this LOA would be considered to be covered under the limits of section 197 of the Companies Act, 2013. The Company is in the process of taking suitable legal measures to recover the payments made to him under the LoA as also to recover all the Company's assets in his possession. The Company sent a letter to the erstwhile Executive Chairman seeking refund of the excess amounts paid to him.

In view of the above, the amounts paid to him under the aforesaid LoA and certain additional amounts reimbursed in relation to expenses incurred (in excess of the amounts approved by the Central Government under section 197 of the Companies Act 2013 for remuneration & other reimbursements), aggregating to Rupees 2,002 lacs (comprising reversal of FY 2016-17 expenditure of Rupees 735 lacs, which has been disclosed as an exceptional income in the Standalone Financial Results for the year ended March 31 2018, and expenditure of Rupees 1,267 lacs relating to FY 2017-18) was shown as recoverable in the Standalone Financial Results of the Company for the year ended March 31, 2018. However, considering the uncertainty involved on recoverability of the said amounts a provision of Rupees 2,002 lacs was made which has been shown as an exceptional item in the Standalone Financial Results for the year ended March 31, 2018.

During the previous quarter, the erstwhile Executive Chairman sent a notice to the Company claiming Rupees 4,610 lacs as allegedly due to him under the employment agreement. The Company has replied to the same through its legal counsel denying any liability and stated that the demand is not



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payable and illegal and accordingly no adjustment has been made in these Standalone Financial Results with respect to these claims.

Subsequently, the Company has filed a complaint against the erstwhile Executive Chairman before Economic Offence Wing, New Delhi which is being investigated. (Also refer Note 14(h) on recent SEBI Order)

18. Going concern assumption

The Company has incurred a net loss of Rupees 6,373 lacs during the year ended March 31, 2018 consequent to various events during the year, which necessitated creating one-time provisions in the financial results (refer note 6). These events have adversely impacted the Company's working capital position and its credit rating. Further, the Company's current liabilities exceeded its current assets by Rupees 14,666 lacs as at March 31, 2018.

During the current six months ended September 30, 2018, the Company has further incurred a net loss of Rupees 2,038 lacs. The Company's current liabilities exceeded its current assets by Rupees 65,434 lacs as at September 30, 2018.

However, the Company's operations during the current year and previous year continued to generate positive cash flows from operations and the Management believes that the events stated above do not impact the entity's ability to continue as a going concern due to the following:

1. During the six months ended September 2018, the Company has secured new line of credit of Rupees 134,200 lacs (including non-fund-based line of credit Rupees 11,500 lacs) out of which Rupees 25,000 lacs was drawn for six months ended and Rupees 60,000 lacs was drawn in October 2018.
2. The Company has access to certain unencumbered assets that can be offered as security for any additional funding requirements in the future.

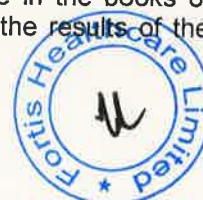
Accordingly, the Company's financials have been prepared on a going concern basis.

Additionally, the Board of Directors have, also, initiated measures to obtain capital infusion into the Group. (Also refer Note 16).

19. During the previous quarter, the Company has sold 18.2 million units of RHT Health Trust, an associate of the Company for a consideration of 13.65 million Singapore Dollars.
20. During the current quarter, the Company has received dividend of Rupees 2,459 lacs from its wholly owned subsidiary, Fortis Healthcare International Limited.
21. The Company has adopted the new revenue accounting standard "Ind AS 115- "Revenue from Contracts with Customers" with effect from April 1, 2018. Based on the assessment carried out, there is no material impact consequent to the adoption of new standard.

22. Management's response to comments of the statutory auditors in the Audit Report

- (a) With regard to the comments of the statutory auditors in paragraph 1 of the Basis for Qualified Conclusion of Limited Review Report, pertaining to the Investigation Report, it is submitted that, based on the investigation carried out by the external legal firm, SEBI Interim order dated October 17, 2018, and the information available at this stage, all identified / required adjustments/ disclosures arising from the findings in the Investigation Report, have been made. Further, the Board initiated specific improvement projects to strengthen the process and control environment for which assessment work is being done and corrective action plans are being implemented. The Board continues to evaluate other areas to strengthen processes and build a robust governance framework. Further, various regulatory authorities are currently undertaking their own investigation. Any further adjustments/ disclosures, if required, would be made in the books of account, pursuant to the actions to be taken by the Board and as and when the results of the various investigations are known. For more details please refer to Note 14.



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- (b) With regard to the comments of the statutory auditors in paragraph 2 of the Basis for Qualified conclusion of Limited Review Report, pertaining to certain provisions made by the Company due to uncertainty in recovery, the Company is exploring resolution of the issues. The Company is also evaluating other legal actions for recovery in consultation with external legal counsels. For more details, please refer to Note 8.
- (c) With regard to the comments of the statutory auditors in paragraph 3 of the Basis for Qualified conclusion of Limited Review Report, pertaining to certain claims against the Company, the Company has filed appropriate submissions in the court denying all allegations and praying for dismissal of the suit. For more details, please refer to Note 9.
- (d) With regard to the comments of the statutory auditors in paragraph 4 of the Basis for Qualified conclusion of Limited Review Report, pertaining to related party transactions, please refer to Note 14.
- (e) With regard to the comments of the statutory auditors in paragraph 5 of the Basis for Qualified conclusion of Limited Review Report, pertaining to the LoA issued to the erstwhile Executive Chairman, the Company, having considered all necessary facts, has decided to treat as *non est* the LoA issued to the erstwhile Executive Chairman and is taking suitable legal measures to recover the payments made to him under the LoA as well as all the Company's assets in this possession. For more details, please refer to Note 17.

Date: November 05, 2018
Place: Gurugram



For and on behalf of the Board of Directors


Ravi Rajagopal
Chairman
DIN: 00067073





INDEPENDENT AUDITOR'S REVIEW REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL RESULTS

TO THE BOARD OF DIRECTORS OF FORTIS HEALTHCARE LIMITED

- A.** We have reviewed the accompanying Consolidated Unaudited Financial Results of **FORTIS HEALTHCARE LIMITED** ("the Parent" or "the Company") and its subsidiaries (the Parent and its subsidiaries together referred to as "the Group"), and its share of the profit / (loss) of its joint venture and associates for the quarter and six months ended September 30, 2018 ("the Consolidated Results") included in the accompanying Statement of Consolidated Unaudited Financial Results ("the Consolidated Statement"), being submitted by the Parent pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as modified by Circular No. CIR/CFD/FAC/62/2016 dated 5 July, 2016.

B. Management's Responsibility for the Consolidated Statement

This Consolidated Statement, which is the responsibility of the Parent's Management and approved by the Board of Directors of the Company, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34"), prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India.

Also, refer to the matters described in section D. Basis for Qualified Conclusion and section G. Other Matters below.

C. Auditor's Responsibility

1. Our responsibility is to issue a report on the Consolidated Results included in the Consolidated Statement based on our review.

We conducted our review of the Consolidated Results in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the Consolidated Results are free of material misstatement. A review is limited primarily to inquiries of the Parent's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

2. Except as indicated in the Basis for Qualified Conclusion paragraphs below, we believe that the evidence obtained by us and the evidence obtained by other auditors in terms of their reports referred to in the Other Matters paragraphs below, is sufficient and appropriate to provide a basis for our conclusion on the Consolidated Results included in the Consolidated Statement.



*Independent Auditor's Review Report on the
Review of interim consolidated financial results for quarter and six months ended September 30, 2018
of Fortis Healthcare Limited*

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D. Basis for Qualified Conclusion

1. As explained in Note 20 of the Consolidated Statement, pursuant to certain events/transactions, the erstwhile Audit and Risk Management Committee (the 'ARMC') of the Company had during the year ended March 31, 2018 decided to carry out an independent investigation through an external legal firm on certain matters more fully described in the said Note. The terms of reference for the investigation, the significant findings of the external legal firm (including identification of certain systemic lapses and override of internal controls), which are subject to the limitations on the information available to the external legal firm and their qualifications and disclaimers as described in their Investigation Report, are summarised in the said Note.

Also, as explained in the said Note:

- a) As per the assessment of the Board, based on the investigation carried out through the external legal firm, and the information available at this stage, all identified/required adjustments/disclosures arising from the findings in the Investigation Report, were made in the Consolidated Ind AS Financial Statements / Results of the Group for the year ended March 31, 2018 and quarter ended June 30, 2018 and no further adjustments/disclosures are required in the Consolidated Results for the quarter and six months ended September 30, 2018. Also refer paragraph 2(a) and 2(b) below.
- b) The Company's Board of Director have also initiated an enquiry of the management of the certain entities in the Group, that were impacted in respect of the matters investigated by the external legal firm
- c) Various regulatory authorities are currently undertaking their own investigation (refer Note 20(h) and 21 of the Consolidated Statement).

In furtherance of the above, on October 17, 2018 SEBI passed an *ex-parte* Interim Order ("Order") whereby it is observed that certain transactions were structured by some identified entities over a certain duration, which were *prima facie* fictitious and fraudulent in nature resulting in *inter alia* diversion of funds from the Company for the ultimate benefit of ex-promoters (and certain entities controlled by them) and misrepresentation in financial statements of the Company. Further, it issued certain interim directions *inter alia* directing the Company shall take all necessary steps to recover Rupees 40,300 lacs along with due interest from ex-promoters and various other entities, as mentioned in the Order.

The Company and one of its subsidiaries has filed applications for modification of the order, requesting deletion of name of its subsidiary from the directions issued. The Company has also filed an application to seek delivery of the documents relied upon by SEBI, so as to be able to make suitable representations and file a detailed reply to the Order.

The matter before SEBI is *sub-judice* and the investigation being conducted by it not yet concluded, in as much as it has observed that a detailed investigation would be undertaken to ascertain the role of each entity in the alleged diversion and routing of funds.

- d) Any further adjustments/disclosures, if required, would be made in the books of account pursuant to the above actions to be taken by the Board / regulatory investigations, as and when the outcome of the above is known.

In view of the above, we are unable to comment on the regulatory non-compliances, if any, and the adjustments / disclosures which may become necessary as a result of further findings of the ongoing or future regulatory / internal investigations and the consequential impact, if any, on the Consolidated Results included in the Consolidated Statement.

2. As explained in Notes 9, 10 and 11 of the Consolidated Statement, the Group had, during the year ended March 31, 2018, recognised provisions aggregating to Rupees 44,503 lacs against the outstanding ICDs placed (including interest accrued thereon upto March 31, 2018 of Rupees 4,260 lacs), Rupees 5,333 lacs (comprising amounts due from a party Rupees 2,676 lacs and Rupees 2,657 lacs towards capital work-in-progress) and Rupees 2,549 lacs against property advance (including interest accrued thereon of Rupees 174 lacs), due to uncertainty of recovery of these balances. Further, the Group also provided Rupees 186 lacs as an exceptional item during the quarter ended June 30, 2018 towards additional expenditure on capital work-in-progress incurred during the previous quarter where the recovery is uncertain.

In this regard,

- a) The recognition of interest income aggregating to Rupees 4,434 lacs as at March 31, 2018 on these doubtful ICDs and property advance was not in compliance with Ind AS 18 'Revenue' and consequently interest income and exceptional items (net) were overstated to that extent during the year ended March 31, 2018.
 - b) As The Group is in the process of evaluating the legal alternatives available to it to recover the aforesaid balances and interest thereon. Consequently, we are unable to comment if any adjustments are required to the Consolidated Results included in the Consolidated Statement in respect of the provisions made towards these balances and interest income not recognised aggregating to Rupees 2,968 Lacs.
3. As explained in Note 14 of the Consolidated Statement, during the year ended March 31, 2018, a Civil Suit was filed by a third party (to whom the ICDs were assigned - refer Note 9 of the Consolidated Statement) ('Assignee' or 'Claimant') against various entities including the Company (together "the Defendants"), before the District Court, Delhi and have, *inter alia*, claimed implied ownership of brands "Fortis", "SRL" and "La-Femme" in addition to certain financial claims and for passing decree that consequent to a term sheet dated December 6 2017 ('Term Sheet') with a certain party, the Company is liable for claims owed by the Claimant to the certain party. In connection with this, the District Court passed an ex-parte order directing that any transaction undertaken by defendants, in favour of any other party, affecting the interest of the Claimant shall be subject to orders passed in the said suit.

The Company filed a written statement denying all allegations made against it and prayed for dismissal of the Civil Suit on various legal and factual grounds. The Company in its written statement also stated that it has not signed the alleged binding Term Sheet with the certain party.

Whilst this matter was included as part of the investigation carried out by the external legal firm referred to in paragraph 1 above, the external legal firm did not report on the merits of the case since the matter was *sub judice*.

In addition to the above, the Company received four notices from the Claimant claiming (i) Rupees 1,800 lacs as per notices dated 30 May, 2018 and 1 June, 2018 (ii) Rupees 21,582 lacs as per notice dated 4 June, 2018; and (iii) and Rupees 1,962 lacs as per notice dated 4 June, 2018. All these notices have been responded to by the Company denying any liability whatsoever.



Separately, the certain party also alleged rights to invest in the Company. It has also alleged failure on the part of the Company to abide by the aforementioned Term Sheet and has claimed ownership over the brands as well.

Allegations made by the aforesaid party has been duly responded to by the Company denying (i) execution of any binding agreement with the certain party and (ii) liability of any kind whatsoever. The Company has also filed caveats before Hon'ble High Court of Delhi in this regard.

During the previous quarter, the said certain party has also filed an application for being impleaded as party to the Civil Suit by the Claimant. The matter is yet to be heard.

Based on advice of external legal counsel, the Management believes that the claims are without legal basis and are not tenable and accordingly no adjustment has been made in the Consolidated Results, with respect to these claims.

Since the matter is *sub-judice*, the outcome of which is not determinable at this stage, we are unable to comment on the consequential impact, if any, of the same on the Consolidated Results, included in the Consolidated Statement.

4. As explained in Note 20(d)(v) of the Consolidated Statement, during the year ended March 31, 2018, the Company had, through its subsidiary (i.e. Escorts Heart Institute and Research Centre Limited ("EHIRCL")), acquired 71% equity interest in Fortis Healthstaff Limited at an aggregate consideration of Rupees 3.46 lacs. Subsequently, EHIRCL advanced a loan to Fortis Healthstaff Limited, which was used to repay the outstanding unsecured loan amount of Rupees 794.50 lacs to a promoter group company. Certain documents suggest that the loan repayment by Fortis Healthstaff Limited and some other payments to the promoter group company may have been ultimately routed through various intermediary companies and used for repayment of the ICDs /vendor advance to Group.

Further as explained in Note 20 (e) of the Consolidated Statement, the Company through its subsidiary (i.e. Fortis Hospitals Limited ("FHsL")), had during the year ended March 31, 2018, acquired equity interest in Fortis Emergency Services Limited from a promoter group company. On the day of the share purchase transaction, FHsL advanced a loan to Fortis Emergency Services Limited, which was used to repay an outstanding unsecured loan amount to the said promoter group company. It may be possible that the loan repayment by Fortis Emergency Services Limited to the said promoter group company was ultimately routed through various intermediary companies and was used for repayment of the ICDs /vendor advance to FHsL.

With regard to the above acquisitions, we were informed that pre-approval from the Audit Committee was obtained for acquiring the equity interest, but not for advancing the loans to these subsidiaries. Further, we understand that the aggregate of the amounts paid towards acquisition of shares and the loans given in the aforesaid transactions were substantially higher than the enterprise value of these companies at the time of acquisition, as determined by the Group.

In view of the above, we were unable to determine whether these transactions are prejudicial to the interests of the Group.

5. As explained in Note 20(f) of the Consolidated Statement, during the year ended March 31, 2018, related party relationships as required under Ind AS 24 – Related Party Disclosures and the Companies Act, 2013 were as identified by the Management taking into account the findings and limitations in the Investigation Report (Refer Notes 20 (d) (i), (ii), (vi) and (vii) of the Consolidated Statement) and the information available with the Management. In this regard, in the absence of specific declarations from the erstwhile directors on their compliance with disclosures of related parties, especially considering the substance of the

relationship rather than the legal form, the related parties were identified based on the declarations by the erstwhile directors and the information available through the known shareholding pattern in the entities. Therefore, there may be additional related parties whose relationship may not have been disclosed to the Group and, hence, not known to the Management.

In the absence of all required information, we were unable to comment on the completeness/accuracy of the related party relationships during the year ended March 31, 2018 as required under Ind AS 24 – Related Party Disclosures, the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended) and the compliance with the other applicable regulations.

In view of the above, we are unable to comment on the consequential impact, if any, of the same on the Consolidated Results included in the Consolidated Statement.

6. As explained in Note 23 of the Consolidated Statement, during the year ended March 31, 2018, the Company, having considered all necessary facts and taking into account external legal advice, decided to treat as *non est* the Letter of Appointment dated September 27, 2016, as amended, ("LoA") issued to the erstwhile Executive Chairman of the Company in relation to his role as 'Lead: Strategic Initiatives' in the Strategy Function. The external legal counsel also advised that the payments made to him under this LoA would be considered to be covered under the limits of section 197 of the Companies Act, 2013.

The Company is in the process of taking suitable legal measures to recover the payments made to him under the LoA as also to recover all the Company's assets in his possession. The Company sent a letter to the erstwhile Executive Chairman seeking refund of the excess amounts paid to him.

In view of the above, the amounts paid to him under the aforesaid LoA and certain additional amounts reimbursed in relation to expenses incurred (in excess of the amounts approved by the Central Government under section 197 of the Companies Act 2013 for remuneration & other reimbursements), aggregating to Rupees 2,002 lacs were shown as recoverable in the Consolidated Ind AS Financial Statements for the year ended March 31, 2018. However, considering the uncertainty involved on recoverability of the said amounts a provision of Rupees 2,002 lacs was made in the said Consolidated Ind AS Financial Statements and shown as an exceptional item.

The erstwhile Executive Chairman has claimed an amount of Rupees 4,610 Lacs from the Company towards his terms of employment. The Company has responded denying any liability whatsoever in this regard.

During the current quarter, the Company has filed a complaint against the erstwhile Executive Chairman before Economic Offence Wing, New Delhi in the above matter.

As stated above, due the nature of dispute and uncertainty involved, we are unable to comment on the tenability of the aforesaid claims, the provision made for the uncertainty in recovery of the amounts and any provision that may be required for the claim made by the erstwhile Executive Chairman, the recovery of the other assets in possession of the erstwhile Executive Chairman, and other non-compliances, if any, with the applicable regulations and the consequential impact, if any, of the same on the Consolidated Results included in the Consolidated Statement.

7. As explained in Note 25 of the Consolidated Statement, the Company through its overseas subsidiaries made investments in an overseas fund. Subsequent to the year-end, investments held in the fund were sold at a discount of 10%. As at March 31, 2018, the consequential foreseeable loss of Rupees 5,510 lacs (between the previously recorded

carrying value of the investment and the amount subsequently realised) were recognised in the Consolidated Ind AS Financial Statements for the year ended March 31, 2018.

In absence of sufficient information available with the Group demonstrating the reasonability of the discount recorded as provision for foreseeable loss in the value of the investment in the overseas fund, we are unable to comment on the losses recognised by the Group in this regard.

The matters referred to in paragraphs 1 to 7 above were included as part of the Basis of Qualified Opinion in the audit report on the Consolidated Ind AS Financial Statements / Consolidated Results of the Group for the year ended March 31, 2018 and quarter ended June 30, 2018.

E. Qualified Conclusion

Based on our review conducted as stated above and based on the consideration of the review reports of the other auditors and the other financial information of subsidiaries, associates and joint ventures referred to in paragraphs G.1. to G.4 below:

1. The Consolidated Results included in the Consolidated Statement includes the results of the following entities
 - a. Fortis Healthcare Limited (the Parent Company)
 - b. Fortis Hospitals Limited ("FHsL") (wholly owned subsidiary of the Parent Company) and results of its subsidiaries and joint ventures:
 - i. Birdie & Birdie Realtors Private Limited (wholly owned subsidiary of FHsL)
 - ii. Fortis C-Doc Healthcare Limited (joint venture of FHsL)
 - iii. Fortis Health Management (East) Limited (wholly owned subsidiary of FHsL)
 - iv. Fortis Cancer Care Limited ("FCCL") (wholly owned subsidiary of FHsL) and the results of its subsidiary Lalitha Healthcare Private Limited
 - v. Fortis Cauvery (joint venture of FCCL)
 - vi. Fortis Malar Hospitals Limited (subsidiary of FHsL) and the results of its wholly owned subsidiary Malar Stars Medicare Limited.
 - vii. Fortis Emergency Services Limited (subsidiary of FHsL)
 - viii. Stellant Capital Advisory Services Private Limited (wholly owned subsidiary of FHsL) and the results of its wholly owned subsidiary RHT Health Trust Trustee Manager Pte Limited.
 - ix. Fortis Global Healthcare (Mauritius) Limited (wholly owned subsidiary of FHsL)
 - c. Escorts Heart Institute and Research Centre Limited ("EHIRCL") (wholly owned subsidiary of the Parent Company) and results of its subsidiaries and associate:
 - i. Fortis Health Staff Limited (subsidiary of EHIRCL)
 - ii. Fortis Asia Healthcare Pte. Limited (wholly owned subsidiary of EHIRCL) and the results of its wholly owned subsidiary Fortis Healthcare International Pte. Limited ("FHIPL")
 - iii. Lanka Hospitals Corporation Plc (associate of FHIPL)
 - iv. Fortis Healthcare Middle East LLC (subsidiary of FHIPL)
 - v. Mena Healthcare Investment Company Limited (subsidiary of FHIPL) and the results of its wholly owned subsidiary Medical Management Company Limited
 - d. SRL Limited ("SRL") (subsidiary of the Parent Company) and the results of its subsidiaries and joint venture entities :
 - i. SRL Diagnostics Private Limited (wholly owned subsidiary of SRL)
 - ii. SRL Reach Limited (wholly owned subsidiary of SRL)
 - iii. DDRC SRL Diagnostics Services Private Limited (joint venture of SRL)



- iv. Super Religare Reference Laboratories (Nepal) Private Limited (joint venture of SRL)
 - v. SRL Diagnostics FZ-LLC (wholly owned subsidiary of SRL).
- e. Hiranandani Healthcare Private Limited (subsidiary of the Parent Company)
- f. Fortis Healthcare International Limited ("FHIL") (wholly owned subsidiary of the Parent Company) and results of its subsidiaries and associate:
- i. Fortis Global Healthcare (Mauritius) Limited (wholly owned subsidiary of FHIL up to October 3, 2016)
 - ii. Fortis Medicare International Limited (associate of FHIL) up to September 7, 2017.
 - iii. RHT Health Trust (previously known as Religare Health Trust) and its subsidiaries (associate of FHIL)
 - iv. Medical and Surgical Centre Limited (associate of FHIL)
- g. Fortis La Femme Limited (wholly owned subsidiary of the Parent Company)
- h. Fortis Hospotel Limited (subsidiary of the Parent Company).
2. except for the effects / possible effects of the matter(s) described in section D. Basis for Qualified Conclusion above, nothing has come to our attention that causes us to believe that the Consolidated Results included in the Consolidated Statement, has not been prepared in accordance with the aforesaid Ind AS and other accounting principles generally accepted in India, and
3. nothing has come to our attention that causes us to believe that the Consolidated Statement is not presented in accordance with the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as modified by Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016.

F. Emphasis of Matter

1. We draw attention to the following Notes in the Consolidated Statement
- (a) Note 12 b) relating to outcome of income tax assessments in respect of Escorts Heart Institute and Research Centre Limited (EHIRCL), one of the subsidiaries in the Group, regarding amalgamation of two Societies and its subsequent conversion to EHIRCL.
 - (b) Notes 12 a) and 12 c) relating to the outcome of the civil suit / arbitrations with regard to termination of certain land leases allotted by Delhi Development Authority (DDA) and the matter related to non-compliance with the order of the Honourable High Court of Delhi in relation to provision of free treatment / beds to poor by Escorts Heart Institute and Research Centre Limited.
 - (c) Note 13 regarding matter relating to termination of Hospital lease agreement of Hiranandani Healthcare Private Limited, one of the subsidiaries in the Group, by Navi Mumbai Municipal Corporation ('NMMC') vide order dated January 18, 2018.

Based on the advice given by external legal counsel, no provision/ adjustment has been considered necessary by the Management with respect to the above matters in the Consolidated Results included in the Consolidated Statement.

2. We draw attention to Note 26 of the Consolidated Statement wherein it has been explained that the Consolidated Results have been prepared on a going concern basis for the reasons stated in the said Note.



Our report on the Consolidated Results included in the Consolidated Statement is not modified in respect of these matters.

G. Other Matters

1. The consolidated unaudited financial results includes interim financial results of 1 subsidiary, whose interim financial results prepared under International Financial Reporting Standards "IFRS", reflect total revenue of Rupees 752 lacs and Rupees 1,472 lacs for the , total loss after tax of Rupees 112 lacs and Rupees 281 lacs and total comprehensive loss of Rupees 128 lacs and Rupees 281 lacs for the quarter and six months ended September 30, 2018, as considered in the Consolidated Results included in the Consolidated Statement.

These interim financial results have been reviewed by other auditor whose report has been furnished to us by the Management and our report on the consolidated results included in the Consolidated Statement, in so far as it relates to the amounts and disclosures included in respect of the subsidiary, is based solely on the report of the other auditor.

2. The Consolidated Results also includes the Group's share of profit after tax of Rupees 103 lacs and Rupees 190 lacs and Total comprehensive income of Rupees 112 lacs and Rupees 199 lacs for the quarter and six months ended September 30, 2018, as considered in the consolidated results included in the Statement, in respect of 1 Joint Venture, whose interim financial results have not been reviewed by us.

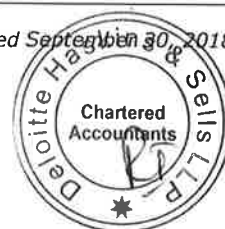
These interim financial results have been reviewed by other auditor whose report has been furnished to us by the Management and our report on the Consolidated Results included in the Consolidated Statement, in so far as it relates to the amounts and disclosures included in respect of the Joint Venture, is based solely on the report of the other auditor.

3. The Consolidated Results also includes the Group's share of loss profit tax of Rupees 3,283 lacs and Rupees 2,815 lacs and Total comprehensive loss of Rupees 2,219 lacs and Rupees 1,512 lacs for the quarter and six months ended September 30, 2018, as considered in the Consolidated Results included in the Consolidated Statement, in respect of 3 associates and 1 Joint venture, whose interim financial results have not been reviewed by us.

The interim financial results of associates and joint venture prepared under Singapore Financial Reporting Standards "SFRS" and Nepal Accounting Standard "NAS" respectively have been reviewed by other auditors whose reports have been furnished to us by the Management. The Management of the Parent Company has converted these financial results of the associates to accounting principles generally accepted in India (Indian Accounting Standards), for the purpose of the preparation of the Parent Company's Consolidated Results under accounting principles generally accepted in India (Indian Accounting Standards). Our report on the consolidated results included in the Statement, in so far as it relates to the amounts and disclosures included in respect of these associates and joint venture, is based solely on the reports of the other auditors and our review of the conversion process followed by the Management.

4. The Consolidated Results included in the Consolidated Statement includes the interim financial results of 19 subsidiaries which have not been reviewed by their auditors, whose interim financial results reflect total revenue of Rupees 22,857 lacs and Rupees 30,160 lacs and total profit after tax of Rupees 233 lacs and Rupees 10,030 lacs and total comprehensive loss of Rupees 7,545 lacs and Rupees 435 lacs for the quarter and six months ended September 30, 2018, as considered in the Consolidated Results included in the Consolidated Statement.

The Consolidated Results included in the Consolidated Statement also include the Group's share of profit after tax of Rupees 307 lacs and Rupees 420 lacs and Total comprehensive income of Rupees 307 lacs and Rupees 420 lacs for the quarter and six months ended



September 30, 2018, as considered in the consolidated results included in the Statement, in respect of 2 joint ventures and 3 associates, based on their interim financial results which have not been reviewed by their auditors. According to the information and explanations given to us by the Management, these interim financial results are not material to the Group.

5. Attention is drawn to Note 2 of the Consolidated Statement wherein it is stated that the figures for the quarter and six months ended September 30, 2017, included in the Consolidated Statement contained a disclaimer of conclusion on the consolidated financial results. We did not express a conclusion on the consolidated financial results for the quarter and six months ended September 30, 2017 being presented as part of the Consolidated Statement of the Company for the quarter and six months ended September 30, 2018.

Our report on the Consolidated Results included in the Consolidated Statement is not modified in respect of the above matters.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)



RASHIM TANDON
Partner
(Membership No. 095540)



Gurugram, 05 November, 2018
RT/YK/2018

FORTIS HEALTHCARE LIMITED
STATEMENT OF CONSOLIDATED FINANCIAL RESULTS

(Rupees in lacs)

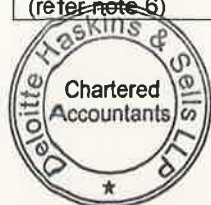
Particulars	Consolidated					
	Quarter ended			Six Month Ended		Year ended
	30-Sep-18	30-Jun-18	30-Sep-17	30-Sep-18	30-Sep-17	31-Mar-18
	Unaudited	Unaudited	Unaudited (Refer Note 2)	Unaudited	Unaudited (Refer Note 2)	Audited
1 - Income from operations	113,990	104,204	119,717	218,194	235,378	456,081
2 - Other income (refer note 5)	1,065	2,851	3,708	3,916	7,840	13,973
3 - Total income (1+2)	115,055	107,055	123,425	222,110	243,218	470,054
4 - Expenses						
(a) Cost of material consumed	23,104	22,226	25,875	45,330	51,846	99,902
(b) Employee benefits expenses	22,063	23,061	22,879	45,124	46,552	90,565
(c) Finance costs	8,462	7,640	6,601	16,102	13,044	25,779
(d) Hospital service fee	9,611	9,308	9,643	18,919	19,210	37,862
(e) Professional charges to doctors	14,540	14,197	14,415	28,737	28,532	57,056
(f) Net depreciation/ impairment & amortisation	5,586	5,694	6,067	11,280	11,966	23,896
(g) Other expenses	38,259	34,604	36,260	72,863	68,352	143,384
Total expenses	121,625	116,730	121,740	238,355	239,502	478,444
5. Net profit / (loss) from continuing operations before share in profit/ (loss) of associates and joint ventures (3-4)	(6,570)	(9,675)	1,685	(16,245)	3,716	(8,390)
6. Add: Share in profit / (loss) of associate companies and joint ventures	508	900	2,328	1,408	3,840	5,316
7. Net profit / (loss) before exceptional items and tax (5+6)	(6,062)	(8,775)	4,013	(14,837)	7,556	(3,074)
8. Exceptional gain/ (loss) (refer note 8)	(9,607)	111	(4,676)	(9,496)	(4,733)	(88,103)
9. Profit / (loss) before tax from continuing operations (7-8)	(15,669)	(8,664)	(663)	(24,333)	2,823	(91,177)
10. Tax expense/ (credit)	(1,470)	(3,384)	1,698	(4,854)	2,923	2,265
11. Net profit / (loss) for the period from continuing operations (9-10)	(14,199)	(5,280)	(2,361)	(19,479)	(100)	(93,442)
12. Profit from discontinued operations before tax	-	-	-	-	-	-
13. Tax expense of discontinued operations	-	-	-	-	-	-
14. Net profit / (loss) for the period from discontinuing operations (12-13)	-	-	-	-	-	-
15. Net profit / (loss) for the period (11+14)	(14,199)	(5,280)	(2,361)	(19,479)	(100)	(93,442)
16. Profit/ (loss) from continuing operations attributable to:						
Owners of the Company	(16,672)	(7,074)	(4,573)	(23,746)	(4,044)	(100,921)
Non Controlling Interest	2,473	1,794	2,212	4,267	3,944	7,479



FORTIS HEALTHCARE LIMITED
STATEMENT OF CONSOLIDATED FINANCIAL RESULTS

(Rupees in lacs)

Particulars	Consolidated					
	Quarter ended			Six Month Ended		Year ended
	30-Sep-18	30-Jun-18	30-Sep-17	30-Sep-18	30-Sep-17	31-Mar-18
	Unaudited	Unaudited	Unaudited (Refer Note 2)	Unaudited	Unaudited (Refer Note 2)	Audited
17. Profit/ (loss) from discontinuing operations attributable to:						
Owners of the Company	-	-	-	-	-	-
Non-Controlling Interest	-	-	-	-	-	-
18. Other Comprehensive Income/(loss) (including OCI relating to associates and joint venture (after tax)) ('OCI')	(1,019)	1,424	(2,561)	405	(1,966)	367
19. Total comprehensive Income/(Loss) (15+18)	(15,218)	(3,856)	(4,922)	(19,074)	(2,066)	(93,075)
20. Total comprehensive Income/(Loss) attributable to:						
Owners of the Company	(17,716)	(5,663)	(7,102)	(23,379)	(5,961)	(100,541)
Non-Controlling interest	2,498	1,807	2,180	4,305	3,895	7,466
21. Paid-up equity share capital (Face Value Rupees 10 per Share)	51,908	51,868	51,852	51,908	51,852	51,866
22. Reserves						354,307
23. Earnings per equity share for continuing operations						
Basic earnings (loss) per share - In Rupees	(3.21)	(1.36)	(0.88)	(4.57)	(0.78)	(19.46)
Diluted earnings (loss) per share - In Rupees	(3.21)	(1.36)	(0.88)	(4.57)	(0.78)	(19.46)
24. Earnings per equity share for discontinued operations						
Basic earnings (loss) per share - In Rupees	-	-	-	-	-	-
Diluted earnings (loss) per share - In Rupees	-	-	-	-	-	-
25. Earnings per equity share from continuing and discontinued operations						
Basic earnings (loss) per share - In Rupees	(3.21)	(1.36)	(0.88)	(4.57)	(0.78)	(19.46)
Diluted earnings (loss) per share - In Rupees	(3.21)	(1.36)	(0.88)	(4.57)	(0.78)	(19.46)
26. Earnings before depreciation and amortization expense, finance costs, exceptional items, tax expenses and share in profit/(loss) of associate companies and joint ventures (EBITDA) (refer note 6)	7,478	3,659	14,353	11,137	28,726	41,285



FORTIS HEALTHCARE LIMITED
STATEMENT OF CONSOLIDATED FINANCIAL RESULTS

Notes to the results

1. The above consolidated financial results for the quarter and six months ended September 30, 2018 have been reviewed by the Audit and Risk Management Committee and approved by the Board of Directors at their meetings held on November 3, 2018 and November 5, 2018 respectively.
2. The Auditors report on the results for quarter and six months ended September 30, 2017 contained a disclaimer of conclusion on the consolidated financial results.
3. The financial results along with the comparatives have been prepared in accordance with the recognition and measurement principles laid down in Ind AS 34 Interim Financial Reporting, prescribed under section 133 of the Companies Act, 2013 read with the relevant rules issued there under and the other accounting principles generally accepted in India.
4. **Segment Reporting**

Business segments:

The Group is primarily engaged in the business of healthcare services, which in the opinion of management is considered to be the only reportable business segment as per Ind AS 108 on 'Operating Segments' prescribed under Section 133 of the Companies Act, 2013. Healthcare services include various patient care services delivered through clinical establishment, medical services companies, pathology and radiology services etc.

Geographical segments:

The Group operates in the business segment explained above in two principal geographical areas, India and outside India. The geographical segments have been identified as secondary segment. The Group operates in two principal geographical segments, which contributes more than 10% of the Groups' revenue or segment assets. Outside India, Group now primarily operates in Dubai, Singapore and Mauritius.

Income from operations –by geographical segments

The following table shows the distribution of the Groups' consolidated revenues by geographical segment:

(Rupees in lacs)

Region	Quarter ended			Six months ended		Year ended
	30-Sep-18	30-Jun-18	30-Sep-17	30-Sep-18	30-Sep-17	31-Mar-18
India	111,893	102,358	118,009	214,251	231,739	449,027
Outside India	2,097	1,846	1,708	3,943	3,639	7,054
Total	113,990	104,204	119,717	218,194	235,378	456,081

The following table shows the carrying amount of segment assets and additions to tangible and intangible fixed assets by geographical area in which the assets are located:

(Rupees in lacs)

Region	Carrying amount of Segment assets		Additions to Fixed & Intangible assets	
	September 30, 2018	March 31, 2018	September 30, 2018	March 31, 2018
India	723,037	731,336	3,485	21,213
Outside India	105,973	130,833	12	94
Total	829,010	862,169	3,497	21,307

5. Other income includes interest income from Inter-Corporate Deposits (ICDs) and from Banks, foreign exchange fluctuation gain (net), profit on sale of assets (net), fair value adjustments, dividend on



FORTIS HEALTHCARE LIMITED
STATEMENT OF CONSOLIDATED FINANCIAL RESULTS

investments, forward cover premium amortization (net) and miscellaneous income, etc., as applicable in the respective periods presented.

6. The Group has presented Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) additionally in the financial results. In its measurement, the Group includes other income, but does not include depreciation and amortization expense, finance costs, exceptional items, tax expenses and share in profit/(loss) of associates and joint ventures.
7. Statement of Assets and Liabilities:

(Rupees in lacs)

Particulars	Consolidated	
	As at 30-Sep-18 Unaudited	As at 31-Mar-18 Audited
ASSETS		
Non-current assets		
(a) Property, plant and equipment	278,062	284,898
(b) Capital work-in-progress	19,987	19,401
(c) Goodwill	200,849	204,880
(d) Other intangible assets	7,928	9,426
(e) Intangible assets under development	3,268	3,206
(f) Financial assets		
(i) Investments		
a) Investments in associates/Joint venture	126,981	139,686
(ii) Loans	35	35
(iii) Other financial assets	6,074	6,206
(g) Non-current tax assets (Net)	39,718	33,149
(h) Deferred tax assets (Net)	38,850	29,512
(i) Other non-current assets	4,004	3,618
Total non-current assets	725,756	734,017
Current assets		
(a) Inventories	6,093	6,663
(b) Financial assets		
(i) Other investments	5,378	33,506
(ii) Trade receivables	49,308	47,019
(iii) Cash and cash equivalents	8,204	12,962
(iv) Bank balances other than (iii) above	11,206	9,006
(v) Loans	923	1,649
(vi) Other financial assets	16,006	12,266
(c) Other current assets	6,136	4,732
	103,254	127,803
Assets classified as held for sale	-	349
Total current assets	103,254	128,152
Total assets	829,010	862,169
EQUITY AND LIABILITIES		
Equity		
(a) Equity share capital	51,908	51,866
(b) Other equity	334,129	354,307



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(Rupees in lacs)

Particulars	Consolidated	
	As at 30-Sep-18 Unaudited	As at 31-Mar-18 Audited
Equity attributable to owners of the Company	386,037	406,173
Non-controlling interests	130,226	125,523
Total equity	516,263	531,696
Liabilities		
Non-current liabilities		
(a) Financial Liabilities		
(i) Borrowings	75,462	94,813
(ii) Other financial liabilities	2,621	1,244
(b) Provisions	6,305	6,370
(c) Deferred tax liabilities (Net)	14,980	14,311
(d) Other non-current liabilities	226	255
Total non-current liabilities	99,594	116,993
Current liabilities		
(a) Financial liabilities		
(i) Borrowings	58,567	45,229
(ii) Trade payables	85,685	78,296
(iii) Other financial liabilities	50,395	70,817
(b) Provisions	6,633	6,659
(c) Current tax liabilities (Net)	905	276
(d) Other current liabilities	10,968	12,079
Liabilities directly associated with assets classified as held for sale	-	124
Total current liabilities	213,153	213,480
Total liabilities	312,747	330,473
Total equity and liabilities	829,010	862,169

8. Exceptional gain/ (loss) included in the above consolidated financial results include:

(Rupees in lacs)

Sr No.	Particulars	Quarter ended	Quarter ended	Quarter ended	Period ended	Period ended	Year ended
		30-Sep- 18	30-Jun- 18	30-Sep- 17	30- Sep- 18	30- Sep- 17	31-Mar- 18
(a)	Impairment of goodwill on consolidation in books pertaining to certain cash generating units (CGU's) and impairment on closure of one hospital facility.	(4,031)	-	-	(4,031)	-	(27,764)
(b)	Impairment of investment in a associate	(5,586)	-	-	(5,586)	-	(4,905)
(c)	Reversal of impairment of assets of a CGU	7	300	-	307	-	-
	Impairment of investment & Goodwill (A)	(9,610)	300	-	(9,310)	-	(32,669)



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(Rupees in lacs)

Sr No.	Particulars	Quarter ended	Quarter ended	Quarter ended	Period ended	Period ended	Year ended
		30-Sep- 18	30-Jun- 18	30-Sep- 17	30- Sep- 18	30- Sep- 17	31-Mar- 18
(a)	Allowance for Inter-corporate deposits and interest thereon [refer note 9]	-	-	-	-	-	(44,503)
(b)	Allowance for advance and security deposit given to body corporate along with impairment of Capital work-in-progress [refer note 10]	-	(186)	-	(186)	-	(5,333)
(c)	Allowance for loan given to body corporate and interest thereon [refer note 11]	-	-	-	-	-	(2,549)
(d)	Allowance for loan given to an associate and interest thereon	-	-	-	-	-	(1,623)
(e)	Expenses on composite scheme of arrangement and amalgamation	3	(3)	(87)	-	(144)	(159)
(f)	Exceptional gain on recovery of salary & other reimbursements paid in previous year (refer note 23)	-	-	-	-	-	735
(g)	Allowance for amount recoverable for salary and other reimbursement of expenses (refer note 23)	-	-	-	-	-	(2,002)
(h)	Loss on closure of hospital Facility	-	-	(4,589)	-	(4,589)	-
	Other provisions & exceptional item (B)	3	(189)	(4,676)	(186)	(4,733)	(55,434)
	Net exceptional gain/ (loss) [Total (A)+(B)]	(9,607)	111	(4,676)	(9,496)	(4,733)	(88,103)

9. FHsL, a wholly owned subsidiary of the Company, had placed Secured Short-Term Investments in the nature of Inter Corporate Deposits (ICDs) with three companies ('borrowers') aggregating to Rupees 49,414 lacs on July 1, 2017 for a term of 90 days (of which Rupees 40,243 lacs remained outstanding as of March 31, 2018). Further, FHsL received intimation that the borrowers became a part of the Promoter Group with effect from December 15, 2017. These borrowers continued to be related parties until February 16, 2018 subsequent to which the shareholding of the Promoter Group in the Company reduced to 0.77% till March 31, 2018.

In terms of agreements dated September 30, 2017, FHsL assigned the outstanding ICDs to a third party ('Assignee company'). Such assignments were subsequently terminated on January 5, 2018. On February 28, 2018, these ICDs were secured by way of a charge on the present and future assets of the Borrowers.

As on September 30, 2018, ICDs aggregating to Rupees 44,503 lacs (as at March 31, 2018 Rupees 44,503 lacs) including interest accrued thereon of Rupees 4,260 lacs (as at March 31, 2018 Rupees 4,260 lacs) calculated up to March 31, 2018 remained outstanding.

On failure to meet repayment obligations by the Borrowers, FHsL initiated legal action to recover the outstanding ICDs, including interest thereon. FHsL has accrued for the interest on the ICDs till March 2018 for the purpose of including the same in the legal claim on the borrowers. However, in line with applicable accounting norms, interest thereon for the six months ended September 30, 2018 amounting to Rupees 2,825 lacs has not been accrued considering the uncertainties around ultimate realisation of the amounts. FHsL is asserting its rights for receiving entire outstanding from the three parties and is taking recourse to available legal remedies for recovery of not only the Principal but also accrued interest thereon.



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In view of the uncertainty in realisability of the security and/or collection of the amounts, the amounts due, including interest thereon accrued and recognised in the books of account until March 31, 2018, aggregating to Rupees 44,503 lacs was provided for in the Consolidated Financial Results of the Group for the year ended March 31, 2018.

Reference is invited to Note 20 regarding the findings in the Investigation Report which indicate that the placement of the ICDs, including the method of such placement, their subsequent assignment and the cancellation of such assignment were done without following the normal treasury operations and treasury mandate; and without specific authorization by the Board of FHsL. (Also refer Note 20 (h) on recent SEBI Order)

10. The Company and its subsidiary SRL Limited had paid security deposits and advances aggregating to Rupees 2,676 lacs in the financial year 2013-14 and 2017-18 respectively, to a private company ("Lessor") towards lease of office space. Due to delays in obtaining occupancy certificate (OC), the lease agreement/MOUs were terminated by the Company or expired during the previous year. SRL Limited attempted to encash the cheques issued by the Lessor for refund of the advance paid but the same were returned unpaid. The amounts outstanding from the Lessor as on September 30, 2018 aggregated to Rupees 2,676 lacs (as at March 31, 2018 Rupees 2,676 lacs). Additionally, expenditure aggregating to Rupees 2,843 lacs (as at March 31, 2018 Rupees 2,657 lacs) was incurred towards capital work-in-progress on the premises proposed to be take on lease from the Lessor, which amount is also being claimed from the Lessor pursuant to the aforesaid termination. The Company has invoked arbitration against the Lessor and issued a Legal Notice under Section 21 of the Arbitration and Conciliation Act 1996 and has nominated its arbitrator. The Company is also evaluating other legal action for recovery in consultation with external legal counsels. The subsidiary, SRL Limited, has filed criminal complaint in Mumbai against the body corporate under Section 138 of the Negotiable Instruments Act wherein its Directors and authorized representatives have been directed to appear before court.

in view of the facts stated above and the uncertainty in the ultimate recovery of the aforesaid balances, the Group had recorded provisions aggregating to Rupees 5,333 lacs in the Consolidated Financial Results for the year ended March 31, 2018 (also refer to note 20(d)(vi)) and a further provision of Rupees 186 lacs has been made during the previous quarter in respect of expenditure accrued during the previous quarter.

During the current financial year, the Lessor responded to notice of the Company stating that meeting be scheduled between the Parties for amicably addressing the concern. Meetings have been held with the Lessor and the matter is being discussed for exploring resolution of the issues being agitated by the Company.

11. FHsL, a wholly owned subsidiary of the Company, had advanced moneys to an entity towards acquisition of property in Mumbai in financial year 2013-14 which did not materialize. Of the total advance of Rupees 10,000 lacs, a balance of Rupees 2,375 lacs was outstanding as of March 31, 2018. Post-dated cheques received from the entity were dishonoured, and FHsL initiated legal proceedings in this regard. FHsL has accrued for the interest amounting to Rupees 174 lacs upto March 31, 2018 on the advance for the purpose of including the same in the legal claim on the entity. However, in line with applicable accounting norms, interest thereon for the six months ended September 30, 2018 amounting to Rupees 143 lacs has not been accrued considering the uncertainties around ultimate realisation of the amounts. FHsL is asserting its rights for receiving entire outstanding from the entity and is taking recourse to available legal remedies for recovery of not only the Principal but also accrued interest thereon.

In view of the facts stated above and the uncertainty in the ultimate recovery of the aforesaid balances, the Group had recorded provisions aggregating to Rupees 2,549 lacs towards the amounts due, including interest, in the consolidated financial results for the year ended March 31, 2018. (also refer to note 20(d)(vi)).

During current quarter on August 9, 2018, the matter was heard in the District Court at Gurugram and the Ld. Judge issued notice to the entity and its Directors for appearance in Court on 13th November 2018.



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12. In case of one of the subsidiaries ("Escorts Heart Institute and Research Centre Limited") ('EHIRCL'), that was formed after amalgamation of Escorts Heart Institute and Research Centre ('EHIRC'), Delhi Society with EHIRC, Chandigarh Society and thereafter registration of EHIRC, Chandigarh Society as a company:

- a) Delhi Development Authority ('DDA') had terminated the lease deeds and allotment letters relating to land parcels on which a hospital of EHIRCL exists. Consequent to termination, DDA issued show cause notice and initiated eviction proceedings against EHIRCL. Both these matters are currently pending before the Hon'ble High Court of Delhi, Hon'ble Supreme Court and Estate Officer. Based on the external legal counsel opinions, the Company is of the understanding that EHIRCL will be able to suitably defend the termination order and eviction proceedings and accordingly considers that no adjustments are required to the Consolidated Financial Results.
- b) Further, EHIRCL also has open tax demands of Rupees 9,144 lacs (after adjusting Rupees 13,825 lacs (As at March 31, 2018 Rupees 9,627 lacs (after adjustment Rupees 13,342 lacs) of an escrow account which was maintained out of sale consideration payable by the Company to the erstwhile promoters) for various assessment years. Further, as per the Share Purchase Agreement, one third of any excess of the net demand, amounting to Rupees 3,048 lacs after adjusting the recovery from escrow account, would be borne by the said erstwhile promoters and the rest by the Company. During the year ended March 31, 2015, the Commissioner of Income Tax (Appeals) decided the case in favour of EHIRCL. Income Tax Department has filed an appeal before Income Tax Appellate Tribunal (ITAT), and the matter is currently pending at ITAT. Based on management assessment, Group believes that it has good chance of success in these cases.
- c) In relation to the judgement of the Hon'ble High Court of Delhi relating to provision of free treatment/ beds to poor, Directorate of Health Services ('DoHS'), Government of NCT of Delhi, appointed a Firm to calculate "unwarranted profits" arising to it due to non-compliance. During the year ended March 31, 2014, the Special Committee of DoHS stated that before giving a hearing to the hospital, a formal intimation shall be given regarding the recoverable amount as per calculation of the appointed Firm, which as per their method of calculations amounts to Rupees 73,266 lacs for the period 1984-85 to 2011-12, seeking hospital's comments and inputs, if any. The company responded to the said intimation explaining errors and objections to the calculations. During the year ended March 31, 2016, EHIRCL received notice from DoHS to appear for a formal and final hearing which raised a demand of Rupees 50,336 lacs for the period till FY 2006 -2007, against which the Company again responded explaining errors and objections to the calculations. During the quarter ended June 30, 2016, DoHS issued a demand notice dated June 9, 2016 directing EHIRCL to deposit Rupees 50,336 lacs within one month. EHIRCL challenged the demand notice by way of a writ petition in Hon'ble High Court of Delhi which vide order dated August 1, 2016 set aside the demand and disposed of the petition of EHIRCL. DoHS agreed to grant hearing to EHIRCL on the reply submitted to it. Hearings were held before DoHS and order dated May 28, 2018 was passed imposing the penalty of Rupees 50,337 lacs. This order was challenged before the Delhi High Court and the Court vide order dated June 1, 2018 has issued notice and directed that no coercive steps may be taken subject to EHIRCL depositing a sum of Rupees 500 lacs before the concerned authority. EHIRCL has deposited Rs 500 lacs on June 20, 2018. Next hearing in this matter is scheduled in December 2018. Based on its internal assessment and advice from its counsels on the basis of the documents available, The Group believes that it is in compliance of conditions of free treatment and free beds to the poor and expects the demand to be set aside.

13. In case of one of the subsidiaries ("Hiranandani Healthcare Private Limited") ('HHPL'):

Navi Mumbai Municipal Corporation ('NMMC') terminated the Hospital lease agreement with HHPL vide order dated January 18, 2017 (Termination Order) for certain alleged contravention of the Hospital Lease agreement. NMMC granted a period of one month to HHPL to hand over the possession of the hospital to NMMC and also directed HHPL not to admit any new patients. HHPL filed Writ Petition before the Hon'ble Supreme Court of India challenging the Termination Order. The Writ Petition has been tagged with Special Leave Petition also filed by HHPL *inter alia* challenging the actions of State Government, City Industrial Development Corporation and NMMC



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which led to the passing of the said Termination Order. The Hon'ble Supreme Court of India in the hearing held on January 30, 2017 ordered "Status Quo". SLP has been admitted on January 22, 2018 and "Status Quo" has been continuing. Based on external legal counsel opinion, management is confident that HHPL is in compliance of conditions of Hospital Lease Agreement and accordingly considers that no adjustment is required to the Consolidated Financial Results.

14. A third party (to whom the ICDs were assigned – refer note 9 above) ("Assignee" or "Claimant") has filed a Civil Suit before the District Court, Delhi in February 2018 against various entities including the Company (together "the defendants") and have, *inter alia*, claimed implied ownership of brands "Fortis", "SRL" and "La Femme" in addition to certain financial claims and for passing a decree that consequent to a Term Sheet dated December 6, 2017 ("Term Sheet") with a certain party, the Company is liable for claims owed by the Claimant to the certain party. In connection with this, the District Court passed an ex-parte order directing that any transaction undertaken by defendants, in favour of any other party, affecting the interest of the Claimant shall be subject to orders passed in the said suit (also refer note 20).

The Company has filed written statement denying all allegations made against it and prayed for dismissal of the Civil Suit on various legal and factual grounds. The Company has in its written statement also stated that it has not signed the alleged binding Term Sheet with certain party.

In addition to the above, the Company has also received four notices from the Claimant claiming (i) Rupees 1,800 lacs as per notices dated May 30, 2018 and June 1, 2018 (ii) Rupees 21,582 lacs as per notice dated 4 June 2018; and (iii) Rupees 1,962 lacs as per notice dated June 4, 2018. All these notices have been responded to by the Company denying any liability whatsoever.

Separately, a certain party has also alleged rights to invest in the Company. It has also alleged failure on part of the Company to abide by the aforementioned Term Sheet and has claimed ownership over the brands as well.

Allegations made by the aforesaid party has been duly responded to by the Company denying (i) execution of any binding agreement with the certain party and (ii) liability of any kind whatsoever. Company has also filed caveats before Hon'ble High Court of Delhi in this regard.

During the previous quarter, the said certain party has also filed an application for being impleaded as party to the Civil Suit by the Claimant. The matter is scheduled for hearing in February 2019.

Based on advice of external legal counsel, the Management believes that the claims are without legal basis and are not tenable and accordingly no adjustment is required in these Consolidated Financial Results with respect to these claims.

15. The Board of Directors of the Company at their meeting held on August 19, 2016 had earlier approved a proposal to demerge its diagnostic business including that is housed in its majority owned subsidiary SRL Limited ("SRL") into another majority owned subsidiary, Fortis Malar Hospitals Limited ("FMHL") pursuant to a composite scheme of arrangement and amalgamation ("the Composite Scheme").

During the previous quarter on June 13, 2018, the Board of the Company, SRL and FMHL decided to withdraw from the scheme, subject to the approval of National Company Law Tribunal ("NCLT"). The approval of the NCLT for withdrawal of the Composite Scheme was received on June 15, 2018.

16. Pursuant to the earlier announcements on the restructuring initiative aimed at consolidating the entire India asset portfolio of RHT Health Trust ("RHT") into the Company, the parties in August 2018, entered into an amendment agreement to modify certain terms of the definitive agreement, including extension of the Long Stop Date of the transaction to December 31 2018. The amendments have been approved by shareholders of the Company and RHT has received its unit holder's approval. The transaction is expected to be completed during the quarter ending December 31, 2018.

During the previous quarter, Fortis Cancer Care Limited (FCCL), a step-down subsidiary of the Company entered into definitive agreements in relation to sale of its entire shareholding in Lalitha



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Healthcare Private Limited (LHPL) another step down subsidiary of the Company, representing 79.43% of the total issued and paid up equity share capital of LHPL, to the remaining promoters of LHPL. With the consummation of the transaction, LHPL ceased to be a step-down subsidiary of the Company and therefore LHPL has not been consolidated w.e.f. June 30, 2018. The gain on sale/deconsolidation aggregating to Rupees 7 lacs and Rupees 307 lacs has been shown as an exceptional item for the quarter and six months ended September 30, 2018 respectively.

18. As on December 31, 2017, the Promoters and Promoter Group entities together held 34.33% of the paid-up capital of the Company of which approximately 98% was pledged to various bank as a security towards the loans raised by the Promoters / Promoter Group entities. In a matter relating to the Promoters and the Promoter Group entities, the Hon'ble Supreme Court of India vide their interim orders dated August 11, 2017 and August 31, 2017 had directed that status quo be maintained over the shares pledged by the Promoter and Promoter Group entities. Subsequently, the Hon'ble Supreme Court of India in its Order on February 15, 2018, has clarified that the earlier direction to maintain status quo of the promoter holding in the Company shall not apply to shares of the Company as may have been encumbered on or before the date of the interim orders. Consequent to the Banks invoking their rights on the shares of the Company that were pledged by the then Promoters / Promoter Group entities, the holding of the Promoters and Promoter Group entities in the Company have reduced to 0.24% of the paid-up capital of the Company as at September 30, 2018 (0.77% of the paid-up capital of the Company as at March 31, 2018). Further the Board of Directors at its meeting held on July 13, 2018, approved re-classification of existing promoter holding under the category of 'Public Shareholding'. This has been approved by the shareholders at their Extra Ordinary General Meeting dated August 13, 2018. Application for re classification of existing promoter is pending for regulatory approvals.

19. During the quarter ended June 30, 2018, the following changes have occurred in the constitution of the Board of Directors of the Company:

- (a) Mr. Rohit Bhasin was appointed as an additional independent director in the Company in April 2018. He subsequently resigned on June 26, 2018.
- (b) In April 2018, Ms. Suvalaxmi Chakraborty, Mr. Ravi Rajagopal and Mr. Indrajit Banerjee were appointed as Non-Executive Independent Directors of the Company and their appointment was ratified by the members of the Company in the extra-ordinary general meeting ("EGM") of the Company in May 2018.
- (c) During May 2018, Mr. Harpal Singh, Director, Lt. Gen. Tejinder Singh Shergill and Ms. Sabina Vaisoha, Additional Directors in the Company, resigned from their directorships in the Company and Dr. Brian Tempest, Independent Director and Chairman of the Audit and Risk Management Committee, disassociated from his position at the behest of the resolution of the members in the EGM held in May 2018.
- (d) Further, Mr. Ravi Rajagopal has been appointed as Chairman of the Board with effect from June 1, 2018. As such, the re-constituted Board of Directors comprises the following directors as on date who were all appointed in April 2018 after the financial year ended March 31, 2018:
 - i. Mr. Ravi Rajagopal – Chairman & Independent Director
 - ii. Mr. Indrajit Banerjee - Independent Director
 - iii. Ms. Suvalaxmi Chakraborty - Independent Director

together referred to as the "Re-constituted Board".

20. Investigation initiated by the erstwhile Audit and Risk Management Committee:

- (a) During the previous year there were reports in the media and enquiries from, *inter alia*, the stock exchanges received by the Company about certain inter-corporate loans ("ICDs") given by a wholly owned subsidiary of the Company. The erstwhile Audit and Risk Management Committee of the Company in its meeting on February 13, 2018 decided to carry out an independent investigation through an external legal firm.



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- (b) The terms of reference of the investigation, *inter alia*, comprised: (i) ICDs amounting to a total of Rupees 49,414 lacs (principal), placed by the Company's wholly-owned subsidiary, FHsL, with three borrowing companies as on July 1, 2017 (refer Note 9 above); (ii) the assignment of these ICDs to a third party and the subsequent cancellation thereof as well as evaluation of legal notice (now a civil suit) received from such third party (refer Notes 14 and 9 above); (iii) review of intra-group transactions for the period commencing FY 2014-15 and ending on December 31, 2017 (refer Note 10 and 11 above); (iv) investments made in certain overseas funds by the overseas subsidiaries of the Company (i.e. Fortis Asia Healthcare Pte. Ltd, Singapore and Fortis Global Healthcare (Mauritius) Limited) (refer Note 25 below); (v) certain other transactions involving acquisition of Fortis Healthstaff Limited ("Fortis Healthstaff") from a promoter group company, and subsequent repayment of loan by said subsidiary to the promoter group company.
- (c) The investigation report ("Investigation Report") was submitted to the re-constituted Board on June 8, 2018.
- (d) The re-constituted Board discussed and considered the Investigation Report and noted certain significant findings of the external legal firm, which are subject to the limitations on the information available to the external legal firm and their qualifications and disclaimers as described in their investigation report.
- i. While the Investigation Report did not conclude on utilization of funds by the borrower companies, there are findings in the report to suggest that the ICDs were utilized by the borrower companies for granting/ repayment of loans to certain additional entities including those whose current and/ or past promoters/ directors are known to/ connected with the promoters of the Company.
 - ii. In terms of the relationship with the borrower companies, there was no direct relationship between the borrower companies and the Company and / or its subsidiaries during the period December 2011 till December 14, 2017 (these borrower companies became related parties from December 15, 2017). The Investigation Report has made observations where promoters were evaluating certain transactions concerning certain assets owned by them for the settlement of ICDs thereby indirectly implying some sort of affiliation with the borrower companies. The Investigation Report has observed that the borrower companies could possibly qualify as related parties of the Company and/ or FHsL, given the substance of the relationship. In this regard, reference was made to Indian accounting Standards dealing with related party disclosures, which states that for considering each possible related party relationship, attention is to be directed to the substance of the relationship and not merely the legal form.
 - iii. Objections on record indicate that management personnel and other persons involved were forced into undertaking the ICD transactions under the repeated assurance of due repayment and it could not be said that the management was in collusion with the promoters to give ICDs to the borrower companies. Relevant documents/information and interviews also indicate that the management's objections were overruled. However, the former Executive Chairman of the Company, in his written responses, has denied any wrongdoing, including override of controls in connection with grant of the ICDs.
 - iv. Separately, it was also noted in the Investigation Report that the aforesaid third party to whom the ICDs were assigned has also initiated legal action against the Company. Whilst the matter was included as part of the terms of reference of the investigation, the merits of the case cannot be reported since the matter was *sub-judice*.
 - v. During the previous year ended March 31, 2018, the Company through its subsidiary (i.e. Escorts Heart Institute and Research Centre Limited ("EHIRCL")), acquired 71% equity interest in Fortis Healthstaff Limited at an aggregate consideration of Rupees 3.46 lacs. Subsequently, EHIRCL advanced a loan to Fortis Healthstaff Limited, which was used to repay the outstanding unsecured loan amount of Rupees 794.50 lacs to a promoter group company. Certain documents suggest that the loan repayment by Fortis Healthstaff Limited and some other payments to the promoter group company may have been ultimately



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routed through various intermediary companies and used for repayment of the ICDs /vendor advance to FHsL / Company.

- vi. The investigation did not cover all related party transactions during the period under investigation and focused on identifying undisclosed parties having direct/indirect relationship with the promoter group, if any. In this regard, it was observed in internal correspondence within the Company that transactions with certain other entities have been referred to as related party transactions. However, no further conclusions have been made in this regard.
- vii. Additionally, it was observed in the Investigation Report that there were significant fluctuations in the NAV of the investments in overseas funds by the overseas subsidiaries during a short span of time. Further, similar to the paragraph above, in the internal correspondence within the Company, investments in the overseas funds have been referred to as related party transactions. The investment was realized at a discount in April 2018 with no loss in the principal value of investments.

(e) Other Matters:

In the backdrop of the investigation, the Management has reviewed some of the past information/ documents in connection with transactions undertaken by the Company and certain subsidiaries. It has been noted that the Company through its subsidiary (i.e. Fortis Hospitals Limited ("FHsL")) acquired equity interest in Fortis Emergency Services Limited from a promoter group company. On the day of the share purchase transaction, FHsL advanced a loan to Fortis Emergency Services Limited, which was used to repay an outstanding unsecured loan amount to the said promoter group company. It may be possible that the loan repayment by Fortis Emergency Services Limited to the said promoter group company was ultimately routed through various intermediary companies and was used for repayment of the ICDs /vendor advance to FHsL.

- (f) Related party relationships as required under Ind AS 24 – Related Party Disclosures and the Companies Act, 2013 are as identified by the Management taking into account the findings and limitations in the Investigation Report (Refer Notes 20 (d) (i), (ii), (vi) and (vii) above) and the information available with the Management. In this regard, in the absence of specific declarations from the erstwhile directors on their compliance with disclosures of related parties, especially considering the substance of the relationship rather than the legal form, the related parties have been identified based on the declarations by the erstwhile directors and the information available through the known shareholding pattern in the entities. Therefore, there may be additional related parties whose relationship may not have been disclosed to the Group and, hence, not known to the Management.

- (g) With respect to the other matters identified in the Investigation Report, the Board initiated specific improvement projects to strengthen the process and control environment. The projects include revision of authority levels, both operational and financial and oversight of the Board, review of Financial Reporting processes, assessment of secretarial documentation w.r.t compliance to regulatory requirements and systems design & control enhancement. The assessment work is being done and corrective action plans are being implemented. Board continues to evaluate other areas to strengthen processes and build a robust governance framework. Towards this end, it is also evaluating internal organizational structure and reporting lines, the roles of authorized representatives and terms of reference of executive committees and their functional role. The Company's Board of Director have also initiated an enquiry of the management of the certain entities in the Group that were impacted in respect of the matters investigated by the external legal firm.

- (h) It is in the above backdrop, that it is pertinent to mention that during the previous year the Company received a communication dated February 16, 2018 from the Securities and Exchange Board of India (SEBI), confirming that an investigation has been instituted by SEBI in the matter of the Company. In the aforesaid letter, SEBI summoned the Company under section 11C (3) of the SEBI Act, 1992 to furnish by February 26, 2018 certain information and documents relating to the short-term investments of Rupees 473 Crores reported in the media.



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SEBI had also appointed forensic auditors to conduct a forensic audit, of collating information from the Company and certain of its subsidiaries. The Company / its subsidiaries have furnished all requisite information and documents requested by SEBI.

In furtherance of the above, on October 17, 2018 SEBI passed an *ex-parte* Interim Order ("Order") whereby it observed that certain transactions were structured by some identified entities over a certain duration, which were *prima facie* fictitious and fraudulent in nature resulting in *inter alia* diversion of funds from the Company for the ultimate benefit of ex-promoters (and certain entities controlled by them) and misrepresentation in financial statements of the Company. Further, it issued certain interim directions *inter alia* directing the Company shall take all necessary steps to recover Rupees 40,300 lacs along with due interest from ex-promoters and various other entities, as mentioned in the Order. The said entities have been directed to jointly and severally repay Rupees 40,300 crores (approx.) along with due interest to Company within three months of the order. Further, SEBI has directed the said entities that pending completion of investigation and till further order, they shall not dispose of or alienate any of their assets or divert any funds, except for the purposes for meeting expenses of day-to-day business operations, without the prior permission of SEBI. Ex-promoters have also been directed not to associate themselves with the affairs of the Company in any manner whatsoever, till further directions. Parties named in the Order have been granted opportunity for filing their respective replies/objections within 21 days. In line with the above, the Company and the Board is evaluating all further appropriate steps to be taken in this matter for recovery of dues from the ex-promoters and various other entities, in consultation with external counsels.

The Company and one of its subsidiaries has filed applications for modification of the order, deletion of name of its subsidiary from the directions issued. The Company has also filed an application to seek delivery of the documents relied upon by SEBI, so as to be able to make suitable representations and file a detailed reply to the Order, taking into account Company's best interests

The matter before SEBI is *sub-judice* and the investigation being conducted by it not yet concluded, in as much as it has observed that a detailed investigation would be undertaken to ascertain the role of each entity in the alleged diversion and routing of funds. The Board of Directors is committed to fully co-operating with the relevant regulatory authorities to enable them to make a determination on these matters and to undertake remedial action, as may be required, and to ensure compliance with applicable laws and regulations. In the aforesaid context, proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities. In the event, any other exposures were to come to light, the Company is committed to appropriately addressing the same.

- (i) Vide order no. WTM/GM/IVD/68/2018-19 order ("Order") passed by SEBI, Fortis Healthcare Limited ("FHL") has been directed to take all steps to recover an amount of approximately INR 403 crore, along with due interest from, inter alia Fortis Hospitals Limited (FHsL). The SEBI Order, while directing other defaulting parties to not dispose of/alienate any assets or divert funds, has also included FHsL within the ambit of the same prohibition. Pursuant to this, FHsL's beneficial owner account has been suspended for debits by the National Securities Depository Limited and Central Depository Services (India) Limited.

The company has been advised by its legal counsels that the relevant part of the Order characterizing FHL as a defaulting party appears to be an inadvertent oversight on the part of SEBI. In fact, FHsL, and not FHL is the relevant entity which had advanced the amounts in question. Further, given that the relationship between the two companies is that of a parent and a wholly owned subsidiary, the recovery of amounts of FHL from FHsL would lead to a discharge of the liabilities of the actual defaulting entities, and given the consolidation of accounts between FHsL and FHL (its parent entity) would lead to an anomalous situation where there is no impact on the consolidated balance sheet of FHL - which cannot be the intention of the SEBI order in as much as it has been passed with a view to protect, inter alia the interests of the public shareholders of FHL.



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In light of this fact, the FHL and FHsL have filed appropriate representation with SEBI for an appropriate modification of the order - to the effect that FHsL would be the relevant entity required to take steps for the recovery and that FHsL cannot itself be the subject matter of any injunction / restraint as had been specified in the Order.

- (j) As per the assessment of the Board, based on the investigation carried out through the external legal firm, SEBI order and the information available at this stage, all identified/required adjustments/disclosures arising from the findings in the Investigation Report, were made in the Consolidated Financial Results for the year ended March 31, 2018.

No further adjustments is required to be made in Consolidated Financial Results for the quarter and six months ended September 30, 2018.

Any further adjustments/disclosures, if required, would be made in the books of account pursuant to the above actions to be taken by the Board / regulatory investigations, as and when the outcome of the above is known.

21. Investigation by Various Other Regulatory Authorities:

- a) During the previous year the Registrar of Companies (ROC) under section 206(1) of the Companies Act, 2013, *inter alia*, had also sought information in relation to the Company. All requisite information in this regard has been duly shared by the Company with the ROC.
- b) During the previous year the Company has also received a letter from the Serious Fraud Investigation Office (SFIO), Ministry of Corporate Affairs, under section 217(1)(a) of the Companies Act, 2013, *inter alia*, initiating an investigation and seeking information in relation to the Company, its material subsidiaries, joint ventures and associates. The Company has submitted all requisite information in this regard with SFIO. Subsequently another letter was received from SFIO on June 7, 2018 and the requisite information in this regard has been submitted. During the current quarter the Company has received email requisitions on September 6, 2018 and September 28, 2018. All information for email dated September 6, 2018 has been submitted and partial information is pending for September 28, 2018 requisition. On October 26, 2018 Company has received an email requisition from SFIO office, the reply where of has been submitted.

The Investigation Report of the external legal firm has been submitted by the Company to the Securities and Exchange Board of India, the Serious Frauds Investigation Office ("SFIO") on June 12, 2018.

The Company is fully co-operating with the regulators in relation to the ongoing investigations. to enable them to make their determination on these matters. Any further adjustments/disclosures, if required, would be made in the books of account as and when the outcome of the above investigations is known.

22. The Board of Directors had approved an equity infusion of Rupees 4,000 Crores at a price of Rupees 170 per equity share into the Company by Northern TK Venture Pte Ltd, Singapore, a wholly owned subsidiary of IHH Healthcare Berhad, Malaysia through a preferential allotment ("Preferential Issue"), subject to approval of the shareholders and other regulatory approvals. The shareholders of the Company have approved the Preferential Issue by requisite majority at their Extra Ordinary General Meeting dated August 13, 2018. The acquirer has received the approval from Competition Commission of India (CCI) on October 30, 2018 and the preferential allotment is expected shortly. Further, pursuant to the Preferential Issue, Northern TK Venture Pte. Ltd is under an obligation to make a mandatory open offer to the public shareholders of the Company and Fortis Malar Hospitals Limited in accordance with the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.



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23. Letter of Appointment of erstwhile Executive Chairman

The Company having considered all necessary facts and taking into account external legal advice, had on June 27, 2018 decided to treat as *non est* the Letter of Appointment dated September 27, 2016, as amended, ("LoA") issued to the erstwhile Executive Chairman of the Company in relation to his role as 'Lead: Strategic Initiatives' in the Strategy Function. Basis legal advice taken by the Company, the payments made to him under this LOA would be considered to be covered under the limits of section 197 of the Companies Act, 2013. The Company is in the process of taking suitable legal measures to recover the payments made to him under the LoA as also to recover all the Company's assets in his possession. The Company sent a letter to the erstwhile Executive Chairman seeking refund of the excess amounts paid to him.

In view of the above, the amounts paid to him under the aforesaid LoA and certain additional amounts reimbursed in relation to expenses incurred (in excess of the amounts approved by the Central Government under section 197 of the Companies Act 2013 for remuneration & other reimbursements), aggregating to Rupees 2,002 lacs (comprising reversal of FY 2016-17 expenditure of Rupees 735 lacs, which has been disclosed as an exceptional income in the Consolidated Financial Results for the year ended March 31 2018, and expenditure of Rupees 1,267 lacs relating to FY 2017-18) was shown as recoverable in the Consolidated Financial Results of the Company for the year ended March 31, 2018. However, considering the uncertainty involved on recoverability of the said amounts a provision of Rupees 2,002 lacs was made which has been shown as an exceptional item in the Consolidated Financial Results for the year ended March 31, 2018.

During the previous quarter, the erstwhile Executive Chairman sent a notice to the Company claiming Rupees 4,610 lacs as allegedly due to him under the employment agreement. The Company has replied to the same through its legal counsel denying any liability and stated that the demand is not payable being illegal and accordingly no adjustment has been made in these Consolidated Financial Results with respect to these claims. Subsequently, Company has filed a complaint against the erstwhile Executive Chairman before Economic Offence Wing, New Delhi which is being investigated. (Also refer Note 20(h) on recent SEBI Order)

24. SRL, a subsidiary of the Company, had paid Rupees 603 lacs managerial remuneration to its Executive Chairman, Malvinder Mohan Singh, which was in excess of the limits set out under Section 197 of the Companies Act 2013. The amount paid in excess of the limits aggregating to Rupees 48 lacs was shown as advances recoverable as part of other financial assets in the Consolidated Financial Results for the year ended March 31, 2018. As the Executive Chairman was associated with the subsidiary Company in his capacity of a Whole Time Director till May 27, 2018, during the previous quarter the subsidiary Company has adjusted the excess amounts paid to him for the year ended March 31, 2018 from the amounts payable to him for the period April 1, 2018 to May 27, 2018.

25. The Company through its overseas subsidiaries [i.e. Fortis Asia Healthcare Pte. Ltd, Singapore and Fortis Global Healthcare (Mauritius) Limited] made investments in Global Dynamic Opportunity Fund, an overseas fund. During the previous quarter, investments held in the Global Dynamic Opportunity Fund were sold at a discount of 10%. As at March 31, 2018, the carrying value of the investment in the overseas fund were recorded at the net recoverable values based on subsequent realisation. The consequential foreseeable loss of Rupees 5,510 lacs (between the previously recorded carrying value of the investment and the amount subsequently realised) was considered in the Consolidated Financial Results for the year ended March 31, 2018 (Also refer to note 20).

26. Going Concern

The Group incurred a net loss of Rupees 93,442 lacs during the previous year ended March 31, 2018 consequent to various events during the year, which necessitated creating one-time provisions in the financial results (refer Notes 8 and 25). These events have adversely impacted the Group's working capital position and its credit rating. Further, the Group's current liabilities exceeded its current assets by Rupees 85,329 lacs as at March 31, 2018.



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During the current six months ended, the Group has further incurred a net loss of Rupees 19,479 lacs. The Group's current liabilities exceeded its current assets by Rupees 109,899 lacs as at September 30, 2018.

However, the Group's operations during the current year and previous year continued to generate positive cash flows from operations and the Management believes that the events stated above do not impact the entity's ability to continue as a going concern due to the following:

1. During the six months ended in September 2018, the Company has secured new line of credit of Rupees 134,200 lacs (including non-fund-based line of credit Rupees 11,500 lacs) out of which Rupees 25,000 lacs was drawn for six months ended and Rupees 60,000 lacs was drawn in October 2018.
2. The Group has access to certain unencumbered assets that can be offered as security for any additional funding requirements in the future.

Accordingly, the Group's financials have been prepared on a going concern basis.

Additionally, the Board of Directors have, also, initiated measures to obtain capital infusion into the Group (Also refer Note 22)

27. During the previous quarter, the Group has sold 18.2 million units of RHT Health Trust, an associate of the Company for a consideration of 13.65 million Singapore Dollars.
28. The Group has adopted the new revenue accounting standard "Ind AS 115- "Revenue from Contracts with Customers" with effect from 1 April 2018. Based on the assessment carried out, other than reclassification of certain items of the profit & loss account, there is no material impact consequent to the adoption of new standard.

29. Management's response to comments of the statutory auditors in the Limited Review Report

- (a) With regard to the comments of the statutory auditors in paragraph 1 of the Basis for Qualified Conclusion of Limited Review Report, pertaining to the Investigation Report, it is submitted that, based on the investigation carried out by the external legal firm, SEBI Interim order dated October 17, 2018 and the information available at this stage, all identified / required adjustments/ disclosures arising from the findings in the Investigation Report, have been made. Further, the Board initiated specific improvement projects to strengthen the process and control environment for which assessment work is being done and corrective action plans are being implemented. The Board continues to evaluate other areas to strengthen processes and it continues to build a robust governance framework. Further, various regulatory authorities are currently undertaking their own investigation. Any further adjustments/ disclosures, if required, would be made in the books of account, pursuant to the actions to be taken by the Board and as and when the results of the various investigations are known. For more details please refer to Note 20.
- (b) With regard to the comments of the statutory auditors in paragraph 2 of the Basis for Qualified conclusion of Limited Review Report, pertaining to the recognition of interest income and provision thereof, please refer to Notes 9, 10 and 11. The Company is also evaluating other legal actions for recovery in consultation with external legal counsels.
- (c) With regard to the comments of the statutory auditors in paragraph 3 of the Basis for Qualified conclusion of Limited Review Report, pertaining to certain claims against the Company, the Company has filed appropriate submissions in the court denying all allegations and praying for dismissal of the suit. For more details, please refer to Note 14.
- (d) With regard to the comments of the statutory auditors in paragraph 4 of the Basis for Qualified conclusion of Limited Review Report, pertaining to the acquisition of equity interest in Fortis Healthstaff Limited, this is a part of the investigation referred to in point no. (a) above. Please refer to Note 20 for more details.
- (e) With regard to the comments of the statutory auditors in paragraph 4 of the Basis for Qualified conclusion of Limited Review Report, pertaining to matters relating to acquisition of equity interest in Fortis Emergency Services Limited, please refer to Note 20.



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- (f) With regard to the comments of the statutory auditors in paragraph 5 of the Basis for Qualified conclusion of Limited Review Report, pertaining to related party transactions, please refer to Note 20.
- (g) With regard to the comments of the statutory auditors in paragraph 6 of the Basis for Qualified conclusion of Limited Review Report, pertaining to the LoA issued to the erstwhile Executive Chairman, the Company, having considered all necessary facts, has decided to treat as *non est* the LoA issued to the erstwhile Executive Chairman and is taking suitable legal measures to recover the payments made to him under the LoA as well as all the Company's assets in this possession. For more details, please refer to Note 23.
- (h) With regard to the comments of the statutory auditors in paragraph 7 of the Basis for Qualified conclusion of Limited Review Report, pertaining to the foreseeable loss in the value in the overseas fund, the consequential foreseeable loss of Rupees 5,510.14 lacs, was recorded and considered in the consolidated financial results for the year ended March 31 2018. For more details, please refer to Note 25.

Date: November 5, 2018
Place: Gurugram



For and on behalf of the Board of Directors


Ravi Rajagopal
Chairman
DIN: 00067073





Fortis Healthcare Ltd Announces Q2 & H1 FY2019 Results

All approvals in place for fund infusion of Rs 4,000 Cr from IHH Healthcare Berhad (IHH); Transaction to be completed shortly

Q2FY19 witnessing healthy operating performance versus trailing quarter; business continues to gain traction

Gurugram, November 5, 2018: Fortis Healthcare Ltd. (Fortis), India's leading healthcare delivery company, today announced its consolidated unaudited results for the quarter and six-month period ended September 30, 2018 (Q2FY19 & H1FY19).

Update on Transactions

- CCI approval received by Northern TK Ventures Pte Ltd (a subsidiary of IHH). With all approvals in place both Fortis and IHH working to close the transaction shortly.
- Fund infusion of Rs 4,000 Cr with the Preferential Allotment to provide IHH with a ~ 31% stake followed by an open offer by IHH for upto 26% of the expanded equity capital of the Company.
- Capital raised would primarily be utilised to complete the proposed acquisition of RHT Indian assets which will result in elimination of clinical establishment fee that Fortis pays to RHT.
- Shareholder approval for the amendment to the Master Purchase Agreement related to the proposed acquisition of RHT Indian assets received in October 2018.
- Company witnessing lower borrowing costs in current quarter by 200-300 bps which is expected to have a positive impact going forward.

On the financial results, the business gained traction with a strong performance in Q2FY19 over the trailing quarter. Both the hospital and diagnostics business witnessed steady improvement in operating profitability compared to the trailing quarter. The hospital business occupancy continued to show upward trend with Q2FY19 occupancy at 69% compared to 62% in Q1FY19 and October 2018 witnessing ~71% occupancy.

Consolidated Key Financial Highlights for Q2FY19

- Revenues of Rs 1,140 Cr vs Rs 1,197 Cr in Q2 FY18 and Rs 1042 Cr in Q1FY19
- EBITDAC of Rs 142 Cr with a margin of 12.5% vs 16.7% in Q2FY18 and 7.7% in Q1FY19

- Operating EBITDA of Rs 75 Cr with a margin of 6.6% vs 11% Q2FY18 and 1.4% in Q1FY19
- Net Profit for the quarter at Rs (167) Cr vs Net Profit of Rs (45.9) Cr in Q2 FY18. Net profit for Q2FY19 primarily impacted by impairment of goodwill and investments respectively.

Key Segments Financial Highlights for Q2FY19

- Hospital Business Revenues of Rs 900 Cr vs Rs 966 Cr in Q2 FY18 and Rs 820 Cr in Q1FY19
- Hospital Business Operating EBITDAC of Rs 88 Cr with a margin of 9.7% vs 15.5% in Q2FY18 and 5.1% in Q1FY19
- Diagnostic Business Net Revenues of Rs 235 Cr vs Rs 224 Cr in Q2 FY18 and Rs 216 Cr in Q1FY19
- Diagnostic Business EBITDA of Rs 54 Cr with a margin of 23.0% similar to Q2FY18 and 18.7% in Q1FY19

Consolidated Key Financial Highlights for H1FY19

- Revenues of Rs 2,182 Cr vs Rs 2,354 Cr in H1FY18
- EBITDAC of Rs 223 Cr with a margin of 10.2% vs 15.4% margin in previous year period
- Operating EBITDA of Rs 90 Cr with a margin of 4.1% vs 9.7% margin in previous year period
- Net Profit for the period at Rs (237.5) Cr vs Net Profit of Rs (40.4) Cr in previous period. Net profit for H1FY19 primarily impacted by impairment of goodwill and investments taken in Q2 FY 19.

Key Segments Financial Highlights for H1FY19

- Hospital Business Revenues of Rs 1,719 Cr vs Rs 1,905 Cr in H1FY18
- Hospital Business Operating EBITDAC of Rs 129 Cr with a margin of 7.5% vs 14.5% in H1FY18
- Diagnostic Business Net Revenues of Rs 451 Cr vs Rs 436 Cr in H1FY18
- Diagnostic Business EBITDA of Rs 95 Cr with a margin of 20.9% vs 20.8% margin in H1FY18

Commenting on the results / development on deal, Mr Ravi Rajagopal, Chairman, Fortis Healthcare Ltd said: “While this Quarter has witnessed strong performance versus the trailing quarter, the impending investment by IHH would further help strengthen the business. We are pleased that all approvals pertaining to the Fortis IHH transaction are now in place and both the organization are working to complete the transaction expeditiously. The transparency with which the entire transaction process is being conducted has been well appreciated by all our investors and stakeholders. We look forward to having IHH and Fortis build a symbiotic relationship of mutual respect, strong corporate governance and chart the next phase of growth for the organization. I must thank everyone who supported us all along. Let me assure you that we will always do what is best for our patients, doctors, nurses, investors and employees.”

Commenting on the results, Mr Bhavdeep Singh, CEO, Fortis Healthcare Ltd said: “We are quite encouraged by our business performance in this quarter and believe that the recovery is well under way. Our operating profitability has witnessed significant growth with the EBITDAC in the hospital business more than doubling to Rs 88 Cr from Rs 42 Cr in the trailing quarter. Our SRL business has also shown a robust improvement in profitability in the quarter. Both businesses continue to gain traction as we witness a healthy start to Q3 with the average occupancy in the month of October at approx.71% compared to 62% in Q1FY19 and 69% in Q2FY19. We believe that given our strong fundamentals and the ongoing momentum, the business is stabilizing rapidly and is well poised for growth going forward. And now, as we look forward, with all approvals in place, the transaction with IHH will be completed shortly and we look forward to working together to take the Company to greater heights.”

The Company had net debt of Rs. 1,497 Cr and a net debt to equity ratio of 0.29 times as on September 30, 2018. This compares to a net debt to equity ratio of 0.27 times as on September 30, 2017 and 0.26 times as on 31 March 2018.

Key Focus Areas

- The Company continues to work steadfastly on key priorities which it believes would accelerate the existing growth momentum that business has witnessed in the current quarter. Amongst other things, the Company in the short to medium term would be focussed on growth drivers including commissioning new beds, launching new specialties and medical equipment as follows:
 - Commissioning the Arcot Road Facility, Oncology Block at Fortis BG Road
 - Focus on expanding / initiating new transplant programs in key hospitals i.e. Heart, Liver and Bone Marrow Transplants

- Installation of Gamma Knife at FMRI and Robot at Fortis Mulund
- In addition to the above, appointing New Doctors in select specialties such as medical and surgical oncology, orthopaedics, liver transplant and neurology will also be an important focus area going forward.
- With relative easing of liquidity, the Company would normalize its working capital cycle which will include ensuring payments to key vendors / partners currently impeding business and initiating investments in the above-mentioned priorities.

Key Financial Highlights Consolidated Business - Q2 FY19

Particulars	Q2FY18	Q1FY19	Q2FY19	QoQ % Change	QotQ % Change
	(Rs Cr.)	(Rs Cr.)	(Rs Cr.)		
Revenue	1,197.2	1,042.0	1,139.9	-4.8%	9.4%
Operating EBITDAC*	200.1	80.4	142.1	-29.0%	76.7%
Operating EBITDAC margin	16.7%	7.7%	12.5%		
Operating EBITDA	132.2	15.1	75.1	-43.2%	397.3%
Operating EBITDA margin	11.0%	1.4%	6.6%		
PBT pre-exceptional / FX	22.8	(106.3)	(52.7)		
PATMI	(45.9)	(70.9)	(166.6)		

Consolidated Business - Key Financial Highlights for H1 FY19

Particulars	H1FY18	H1FY19	Variance (%)
	(Rs Cr.)	(Rs Cr.)	
Revenue	2,353.8	2,181.9	-7.3%
Operating EBITDAC*	363.0	222.6	-38.7%
Operating EBITDAC margin	15.4%	10.2%	
Operating EBITDA	227.9	90.2	-60.4%
Operating EBITDA margin	9.7%	4.1%	
PBT pre-exceptional / FX	52.5	(159.0)	
PATMI	(40.4)	(237.5)	

*EBITDAC refers to EBITDA before net business trust costs

^Exceptional loss in Q2FY19 / H1FY19 primarily pertains to Goodwill / investment Impairment and one of expenses

Key Highlights Hospital Business - Q2FY19

Particulars	Q2FY18	Q1FY19	Q2FY19	QoQ % Change	QotQ % Change
	(Rs Cr.)	(Rs Cr.)	(Rs Cr.)		
Revenue	966.4	819.9	899.5	-6.9%	9.7%
Operating EBITDAC*	150.2	41.8	87.6	-41.7%	109.4%
Operating EBITDAC margin	15.5%	5.1%	9.7%		
Net BT Costs	67.9	65.3	67.0	-1.3%	
Operating EBITDA	82.4	(23.5)	20.6	-75.0%	187.8%
Other Income	23.5	10.8	11.8		
EBITDA	105.8	(12.7)	32.4	-69.4%	355.1%

Key Highlights Hospital Business - H1FY19

Particulars	H1FY18	H1FY19	Variance (%)
	(Rs Cr.)	(Rs Cr.)	
Revenue	1,905.4	1,719.4	-9.8%
Operating EBITDAC*	276.7	129.5	-53.2%
Operating EBITDAC margin	14.5%	7.5%	
Net BT Costs	135.1	132.3	
Operating EBITDA	141.7	(2.9)	-102.0%
Other Income	72.3	22.6	
EBITDA	213.9	19.7	-90.8%

- Key operational parameters in the Company's hospital business for the quarter are as follows:
 - The ARPOB (Average Revenue per Occupied Bed) grew to Rs 1.49 Cr compared to Rs 1.46 Cr in Q2FY18 and versus Rs 1.52 Cr in Q1FY19.
 - ALOS (Average length of stay) declined to 3.42 days from 3.46 days in Q2FY18
 - Occupancy levels for the quarter was 69% compared to 75% in Q2FY18 and 62% in Q1FY19
- FMRI, one of the company's largest facilities continues to be the highest ARPOB generating hospital in the Company's network of multi-specialty hospitals with an ARPOB of Rs 2.80 Cr
- International patient revenue at Rs 100 Cr recorded a 11% growth over trailing quarter and represented 11% of the overall hospital business

- Key hospitals witnessed healthy revenue growth over the trailing quarter i.e. FMRI was up 14%, BG Road revenues grew 13%, Mulund, Vashi and Anandpur recorded a healthy growth of 19%, 24% and 12% respectively.
- During the quarter, the top 10 facilities contributed approx. 75.7% of the hospital business revenue.
- The Company introduced and expanded its clinical programs and service offerings in several facilities across its network during the quarter which includes:
 - Fortis La Femme, Bengaluru launched multi-disciplinary comprehensive specialty clinics for women. The speciality clinics include 'Adolescence Obesity Clinic, Adolescence PCOS Clinic, Breast Clinic and Menopause Clinic with a focus to nurture and care for women at every stage of their life.
 - The state-of-the-art Da Vinci robotic surgery technology was introduced at Fortis Flt Lt Rajan Dhall Hospital, New Delhi. The world-class system, which enables anatomical access, 3D HD vision and other advanced features, puts the hospital on a map of leading surgical centres in India.
 - Fortis Escorts Heart Institute (FEHI) launched a Chronic Total Occlusion Percutaneous Coronary Intervention (CTO PCI) becoming the only facility in the Fortis network to offer the specialised programme.
 - A specialised shoulder clinic was launched at Fortis Hospital, CG Road, Bengaluru; positioning it well to become an advanced treatment centre for sports injuries.

Key Highlights Diagnostics Business – Q2FY19

Particulars	Q2FY18	Q1FY19	Q2FY19	QoQ %	QotQ %
	(Rs Cr.)	(Rs Cr.)	(Rs Cr.)		
Net Revenue	224.1	216.4	234.8	4.8%	8.5%
EBITDA	51.6	40.5	54.0	4.6%	33.2%
EBITDA Margin	23.0%	18.7%	23.0%		

Key Highlights Diagnostics Business – H1FY19

Particulars	H1FY18	H1FY19	Variance %
	(Rs Cr.)	(Rs Cr.)	
Net Revenue	436.1	451.2	3.5%
EBITDA	90.7	94.5	4.2%
EBITDA Margin	20.8%	20.9%	

- During the quarter 14 new labs were added and 11 closed; 72 collection centres were added, 31 were closed
- No of accession stood at 4.2 million, a decline of 2.8% vs Q2FY18
- SRL conducted over 9.87 million tests during Q2FY19, a decline of 1.8% vs Q2FY18
- As of September 30, 2018, SRL had 381 labs with 1112 collection centres and 6672 direct clients.

Awards & Accolades – Q2FY19

- Fortis Hospital, Mulund, won two awards at the Times Healthcare Achievers - Mumbai 2018 Awards. The hospital was presented with the Best Cardiology Services Award while Dr Anvay Mulay, Director, Cardiac Sciences, Fortis Mulund, was named the 'Legend-Cardiovascular & Thoracic Surgery'.
- A Government of India-promoted energy company functioning under the Ministry of Micro, Small & Medium Enterprises ranked Fortis Memorial Research Institute, Gurugram (FMRI), as the best in the country for implementing energy conservation initiatives.
- Delhi Medical Association honoured Dr Ashok Seth, Chairman, Fortis Escorts Heart Institute, with the 'Vishisht Chikitsa Ratan Award' on National Doctors' Day, for his distinguished work and contribution to healthcare. The award was presented by the Hon'ble Union Health Minister, Shri J. P. Nadda.
- Ms Seema Singh, Chief Clinical Nutritionist, Fortis Flt Lt Rajan Dhall Hospital, Vasant Kunj, New Delhi, won the 'Best Nutritionist' award at the eighth edition of India Healthcare and Wellness Awards 2018.
- For the fifth year in a row, Fortis C-DOC, New Delhi, was named the 'Best Hospital in India Diabetic Care' recognition at the CIMS (Current Index of Medical Specialities) Healthcare Excellence Awards 2018.

- Fortis Healthcare won the 'BPM Asia Master Award' for the Enterprise level at the BPM Asia Star Championship 2018 organized by CII. The award was presented to Fortis for sound and comprehensive Business Process Management (BPM) practices implemented in the organization, at the BPM Asia Conference 2018 in Delhi.
- Fortis Healthcare received the prestigious FICCI Healthcare Excellence Awards 2018 in the Social Initiative category for the 'Umeed- Dhadkan' programme.
- SL Raheja Hospital, Mahim-A Fortis Associate received 'Green OT' certification from Bureau Veritas, with a performance score of 97%. The Green OT certification project, under which the hospital was certified, is the first 'Make in India' certification protocol developed by Bureau Veritas in conjunction with Abbott India and multihospital stakeholders.
- Fortis Hospital Mohali and Fortis Flt Lt Rajan Dhall Hospital, Vasant Kunj won the second prize at the CII 19th National Awards for Excellence in Energy Management in the Building Category.

Some Cases of Clinical Excellence at Fortis – Q2FY19

- A team of doctors at Fortis Hospital, Bannerghatta Road, Bengaluru conducted its maiden complex paediatric heart transplant to save a 13- year-old boy from Karnataka who was suffering from dilated cardiomyopathy.
- Fortis Escorts Heart Institute achieved yet another milestone by performing the India's first “Protected Angioplasty and Stenting Procedure” with the support of an Impella Heart Pump on an 86-year-old patient suffering from life threatening heavily calcified triple vessel and left main artery blockages.
- A Subcutaneous Implantable Cardioverter Defibrillator (S-ICD) was recently implanted at Fortis Hospital, Mulund. The rare procedure is reportedly the 15th in the country. The recipient, a 36-year-old Iraqi national was diagnosed to have an infected Implantable Cardioverter Defibrillator (ICD) lead, which was placed in his heart a few years ago, in his country.
- A team of Doctors at Fortis Hospital, Shalimar Bagh removed 14 live round worms, measuring 15-20 cm each, from a 38-year-old patient's bile duct. While round worms are generally found in the intestines, they can occasionally migrate to the bile duct.

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Fortis Healthcare Limited

About Fortis Healthcare Limited

Fortis Healthcare Limited is a leading integrated healthcare delivery service provider in India. The healthcare verticals of the company primarily comprise hospitals, diagnostics and day care specialty facilities. Currently, the company operates its healthcare delivery services in India, Dubai, Mauritius and Sri Lanka with 43 healthcare facilities (including projects under development), approximately 9,000 potential beds and 378 diagnostic centres.

DISCLAIMER

This press release may contain forward-looking statements based on the currently held beliefs and assumptions of the management of the Company, which are expressed in good faith and, in their opinion, reasonable. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, financial condition, performance, or achievements of the Company results, to differ materially from the results, financial condition, performance or achievements expressed or implied by such forward-looking statements. Given these risks, uncertainties and other factors, recipients of this press release are cautioned not to place undue reliance on these forward-looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis of any subsequent development, information or events, or otherwise. The information contained herein is subject to change without notice and past performance is not indicative of future results. The Company may alter, modify or otherwise change in any manner the content of this press release, without obligation to notify any person of such revision or changes.