



“Fortis Healthcare Limited 24th Annual General Meeting”

**August 31, 2020**



**MANAGEMENT: MR. RAVI RAJAGOPAL – CHAIRMAN, FORTIS  
HEALTHCARE LIMITED  
DR. ASHUTOSH RAGHUVANSHI – MANAGING  
DIRECTOR AND CHIEF EXECUTIVE OFFICER, FORTIS  
HEALTHCARE LIMITED  
MR. VIVEK KUMAR GOYAL – CHIEF FINANCIAL  
OFFICER, FORTIS HEALTHCARE LIMITED  
MR. SUMIT GOEL – COMPANY SECRETARY, FORTIS  
HEALTHCARE LIMITED**

**BOARD OF DIRECTORS:**

**MR. DILIP KADAMBI – NON-EXECUTIVE ADDITIONAL DIRECTOR, FORTIS HEALTHCARE LIMITED**  
**DR. FARID BIN MOHAMED SANI – NON-EXECUTIVE DIRECTOR, FORTIS HEALTHCARE LIMITED**  
**MR. HENG JOO JOE SIM – NON-EXECUTIVE DIRECTOR, FORTIS HEALTHCARE LIMITED**  
**DR. KELVIN LOH CHI-KEON – NON-EXECUTIVE DIRECTOR, FORTIS HEALTHCARE LIMITED**  
**MR. SHIRISH MORESHWAR APTE – NON-EXECUTIVE DIRECTOR AND VICE CHAIRMAN, FORTIS HEALTHCARE LIMITED**  
**MR. INDRAJIT BANERJEE – INDEPENDENT DIRECTOR AND CHAIRPERSON - NOMINATION AND RENOVATION COMMITTEE, FORTIS HEALTHCARE LIMITED**  
**MS. SHAILAJA CHANDRA – INDEPENDENT DIRECTOR, FORTIS HEALTHCARE LIMITED**  
**MS. SUVALAXMI CHAKRABORTY – INDEPENDENT DIRECTOR, CHAIRPERSON - AUDIT AND RISK MANAGEMENT COMMITTEE AND STAKEHOLDER RELATIONSHIP COMMITTEE, FORTIS HEALTHCARE LIMITED**

**Moderator:** (Audio-Video Presentation)

Dear members, good afternoon. Welcome to the 24th Annual General Meeting of Fortis Healthcare Limited being conducted through video conferencing. For a smooth conduct of the meeting, members will be on mute mode. For members who have pre-registered themselves to speak at the AGM, the audio-video will open when the Chairman takes up the questions from the members. Please note that the proceedings of the AGM will be recorded and will be available on the company's website.

I would request Mr. Ravi Rajagopal, Chairman of the company to take over and start the proceedings of the meeting. Over to you, Chairman, sir.

**Ravi Rajagopal:**

Thanks. Dear members, good afternoon. I, Ravi Rajagopal, Independent Director and Chairman of Fortis Healthcare, welcome all members present to the 24th Annual General Meeting of the company. This AGM is being held through video conferencing in compliance with relevant circulars issued by the Ministry of Corporate Affairs and SEBI in this regard. Dear members, all Directors of the company are present. Let me introduce the fellow Board members and key managerial personnel present on the screen.

Dr. Ashutosh Raghuvanshi is our Managing Director and Chief Executive Officer. He is participating from Gurugram.

Mr. Dilip Kadambi is a Non-Executive Additional Director and a member of the Audit and Risk Management Committee. He is participating from Singapore.

Dr. Farid Bin Mohamed Sani is a Non-Executive Director and a member of the Nomination and Remuneration Committee, he is participating from Malaysia.

Mr. Heng Joo Joe Sim is a Non-Executive Director participating from Singapore.

Dr. Kelvin Loh Chi-Keon is a Non-Executive Director and a member of the Corporate Social Responsibility Committee, participating from Singapore.

Mr. Shirish Moreshwar Apte is the non-Executive Director and member of the Nomination and Remuneration Committee, and is also our Vice Chairman. He is participating from Singapore.

Mr. Indrajit Banerjee is an Independent Director. He is Chairperson of the Nomination and Renovation Committee. Also a Member of the Audit and Risk Management Committees, Stakeholders Relationship Committee and Corporate Social Responsibility Committee. He is participating from Delhi.

Ms. Shailaja Chandra is an Independent Director. She is a member of the Audit and Risk Management Committee, Stakeholders Relationship Committee and Corporate Social Responsibility Committee. She is participating from Delhi.

Ms. Suvalaxmi Chakraborty is an Independent Director, Chairperson of the Audit and Risk Management Committee and Stakeholder Relationship Committee. Member of the Nomination and Remuneration Committee and participating from Bombay.

Mr. Vivek Kumar Goyal is our Chief Financial Officer, participating from Gurugram.

Mr. Smith Goel is our Company Secretary, participating from Gurugram.

Apart from that, we also have other key executives and senior management joining from their respective locations. Statutory Auditors and Secretarial Auditor have joined the meeting.

As informed by the Company Secretary, the requisite quorum as required under the law is present therefore. I hereby call the meeting to order.

Members may kindly note that all statutory registers maintained under Companies Act and required to be placed at the AGM are available for inspection during the meeting on the NSDL website under the tab, AGM documents. The Board Report as well as the Notice of the AGM has already been dispatched to shareholders through email only, as permitted by the Ministry of Corporate Affairs and SEBI.

I will now talk about the performance of the company for the financial year 2019-2020, and briefly cover financial and business performance.

Dear valued shareholders, I welcome you to the 24th Annual General Meeting of Fortis Healthcare. It is my pleasure to present the Audited Financial Statements and the Annual Report of your company for the financial year 2019-2020. On behalf of the Board of Directors, I thank you for your continued trust and support to the organization.

I would like to begin by stating that this year marks the culmination of our extensive efforts in institutionalizing our governance and transparency of processes, which were initiated by the reconstituted board in 2018. We had already successfully disassociated ourselves from the erstwhile promoters, and in parallel, we continue to pursue all legal means for recoveries of monies due from them. We have during the filed a civil suit, in addition to other legal avenues already being pursued. We continue to work closely with the regulatory authorities on the various investigations.

IHH Healthcare Berhad is the largest shareholder and promoter of your company. It is Asia's largest healthcare organization, and operates more than 15,000 licensed beds across 76 hospitals in 10 countries worldwide. The Fortis IHH partnership has enabled us to further build on our culture of serving patients with care and compassion. Synergies with IHH have allowed us to replicate leading global practices in patient care, thereby further elevating our capabilities and heightening our focus on technology and quality.

We have a renewed focus on patient centricity and clinical excellence, which is aligned with our aspiration to be the most trusted healthcare organization in the country. Dr, Ashotosh Raghuvanshi, our Managing Director and CEO and his team deserve recognition for their drive and commitment to this important shift in culture.

Consistent with our new journey and therefore new identity, the Board of Directors have recently proposed a change in the company's name, brand and logo. And your company intends to obtain the license and seek required approvals for use of the brand Parkway. Parkway is an internationally acclaimed brand owned by IHH in healthcare that is well recognized across its footprint in Malaysia, Singapore, Greater China and Brunei. We will benefit considerably by using the parkway brand as it reflects patient trust and quality care. We will also seek to develop a new neutral name, brand and logo for SRL diagnostics. As related matters are sub judice, we will await directions in due course from the honorable Supreme Court of India.

As regards the IHH open offer, the matter continues to be sub judice in the Supreme Court as a result of the order passed by the court in December 2018 and a subsequent suo motu contempt notice issued to the company in November 2019. We have, under guidance of senior counsel, filed our detailed reply, duly submitting that there had been no violation of any order of the honorable court, and all actions undertaken were with clear requisite approvals. And that we make timely and full disclosures to the required regulatory authorities.

NTK, a wholly owned subsidiary of IHH; SEBI, the capital markets regulator, and a retail investor have separately filed applications before the honorable Supreme Court praying for the mandatory open offer to proceed. The tentative date for the matter to be heard by the court is September 11, 2020. While we understand that the matter has been unduly prolonged, we would like to assure you that your company is undertaking all efforts to try and bring this matter to speedy resolution.

Your company has undertaken several measures to tackle the worst healthcare crisis in the country, i.e. the COVID-19 pandemic. In addition to donating Rs. 5.9 crores to the PM Cares Fund, all our doctors, nurses, paramedics and technical staff have been working tirelessly attending to infected patients, often living in the hospital itself, putting themselves and their families at risk.

A 360 degree operational system has been established for both patients and staff. Over 1,200 beds have been made available to the government. And in addition, homecare packages and e-consultation for patients are currently running successfully. So far, Fortis has treated around 7,000 COVID positive patients. SRL, our diagnostics arm has undertaken more than 380,000 RT-PCR COVID test to date.

It gives me great satisfaction to note that our team of doctors, nurses, paramedics and administrators have waged a successful battle against the infectious disease. The large number of recoveries and discharges across our hospitals is a testimony to the fantastic work our teams

are doing. The current crisis has also led to a recognition that both the public and private healthcare sectors need to work closely together to ensure better facilitation and provision of healthcare in this country.

As a firm believer and strong supporter of this proposition, we have completely aligned ourselves with government initiatives and are actively supplementing the public healthcare systems efforts in fighting COVID and protecting our country. We continue to work closely with industry associations such as CII, NATHEALTH and FICCI to ensure we have a voice on the table and to shape public policy.

Coming to the performance for the year, FY 2020 witnessed a significant turnaround in profitability in the hospital segment, driven by better operating metrics, productivity measures and cost savings. Revenues for FY 2020 were Rs. 4,685 crores versus Rs. 4,562 crores for the same period last year. And our profitability in terms of EBITDA increased 108% to reach Rs. 662 crore. This was despite the last quarter of the fiscal impacted by the COVID pandemic, in both the hospitals and the diagnostics business.

Our hospital occupancy stood at 68% across our network, and we undertook more than 30 million tests in our diagnostic business. Focus on cost during the year comprised streamlining the organization structure, optimizing manpower costs, and achieving efficiencies in administrative and corporate office costs. Your company's balance sheet reflected a healthy position, with a strengthened capital structure and a low debt-to-equity of 0.14x.

A stronger operational performance, along with better working capital management, lower borrowing costs and a significant improvement in credit rating of your company from BBB negative to A, all enables stronger cash flows in FY 2020. This allowed your company to reinitiate its previously curtailed capital expenditure needed for better expansion, medical equipment and new clinical offerings.

Reflecting this, we committed Rs. 280 crores in the same fiscal for our growth and expansion needs. Our Bengaluru facility witnessed the commissioning of a new oncology block with a proposed capacity of 170 beds. And we also added medical equipment such as MRI, CTs and cath labs across our facilities in the same year.

On the clinical side, we continue to consolidate our existing position in speciality such as cardiac sciences, orthopedics, by focusing on high growth specialties such as oncology, neurosciences, gastro and renal sciences. These specialities today account for approximately 60% of our total revenue. We implemented a redesigned clinical governance framework, which included the setting up of 14 councils for the management of the speciality program, so as to have the clinicians at the forefront of speciality medical program management.

Your company has undertaken a number of transformative initiatives, including a comprehensive portfolio assessment and a non-core asset divestment program. Digitization initiatives have picked up pace and we are progressing towards a single integrated information

technology and hospital information system platform across all hospitals vis-à-vis the present diverse legacy systems, with the objective of creating a singular view of a patient, irrespective of which hospital the patient visited.

In contrast, the diagnostics business did face some challenges as compared to the last fiscal. A small piece of network expansion, with a sub-optimal channel engagement strategy impacted performance during the year. These are currently being addressed, with efforts underway for faster expansion, a stronger channel connect and a balanced product portfolio approach. In order to take the business to its next level, we have inducted Mr. Anand K as the new CEO SRL in August this year. Mr. Anand has extensive experience over 25 years in the industry, and I expect SRL to accelerate its business momentum going forward.

Your company considers human resources as a critical necessity, and we are committed to building quality leadership in the healthcare industry. We continue to invest in good talent and in developing skills. The focus is on both clinical and non-clinical talent, and the emphasis is on patient centricity through day-to-day operations. We have continued to retain junior doctors and nursing talent. Our learning and development curriculum is one of the best in the industry, and includes initiatives such as nursing supervisory solutions, and young nurse leaders training program, apart from various other leadership training program for non-clinical staff.

I would like to conclude by assuring you that the year ahead, while challenging, will give us ample opportunities to further build on public and government trust. We will continue to play an important role in primary healthcare, and the need of the hour is to work jointly with government stakeholders to strengthen access to quality health services. We thank every member of our family, doctors, nurses, and frontline staff for their hard work and commitment to the organization, especially during the COVID crisis. And we thank you, our valued shareholders, for your faith in us and for your support. Thank you.

Dear members, management of a company has made necessary arrangements for conducting 24th Annual General Meeting through video conferencing and for voting by shareholders on the items being considered in this meeting through e-voting platform. And all efforts feasible under the present circumstances have been made by the company in this regard. Notice of the 24th AGM dated July 29, 2020, including those items of special business which are concerned unavoidable along with Board's reports and audited financials were duly sent through emails on August 7, 2020. And public notices were published in the newspapers as per MCA and SEBI circular.

Now, I would request the Company Secretary to provide a summary of the Auditor's Report.

**Sumit Goel:**

Thank you, sir. To the members of Fortis Healthcare Limited, report on the audit of the standalone financial statement, qualified opinion, we have audited the standalone financial statement of Fortis Healthcare Limited which comprises a standalone balance sheet as at 31st March, 2020, and the standalone statement of profit and loss, including other comprehensive

income, standalone financial statement of the changes in equity and standalone statement of cash flow for the year then ended, and notes to the standalone financial statement, including a summary of the significant accounting policies and other explanatory information hereinafter referred to as the standalone financial statements.

In our opinion, and to the best of the information and according to the explanation given to us, except for the effect and possible effect, if any, of the matters described in the basis of qualified opinion paragraph in our report, the aforesaid standalone financial statement give the information required by the Companies Act 2013 in the manner so required, and give a true and fair view in conformity with accounting principles generally accepted in India, of the state of affair of the company as at March 31, 2020, of its profit and other comprehensive income, the equity and its cash flow for the year ended on that date.

Basis of qualified opinion, point number one. As explained in Note #29 of the standalone financial statement, pursuant to certain event transactions, the erstwhile Audit and Risk Management Committee of the company carried out an independent investigation and special audits by an external professional firm on the matters relating to the systematic lapses over override of internal controls. As a result of the investigation special audit, the company recorded adjustment in its books of the accounts during the year ended 31st March, 2018, which are explained in Note #25 and #29 of the standalone financial statements.

However, the report of the said investigation was subject to the limitation of the information available to the external professional firms, and their qualification and disclaimers including; completeness of related party transaction which relates to or which originated prior to the loss of control of erstwhile promoters in the year ended 31st March, 2018. Further, as explained in Note #29 and 30 of the standalone financial statement, various regulatory authorities, including Security and Exchange Board of India, and Serious and Fraud Investigation Office are undertaking their own investigation on the matters which are currently ongoing.

As explained in Note #29 is sub clause E of the standalone financial statement, the management has also initiated additional procedures of inquiries, which are ongoing, of certain entities in the group that were impacted in respect of the matters investigated by the external legal firm. Consequently, an overall assessment of the impact of the additional procedures inquiry, and/or investigation from the standalone financial statement is yet to be concluded.

Also, as explained in Note #12 of the standalone financial statement, a civil suit claiming Rs. 25,344 lakhs was filed by a third-party against various entities including the company, relating to the Fortis, SRL and La Femme brands. Based on legal advice of external counsel, the management believe that the claims are without the legal bias and are not tenable. The matter is currently sub judice.

In view of the above we are unable to comment on further adjustment, disclosures which may become necessary as a result of finding arising out of the ongoing additional procedure inquiry



investigation required, if any. And the outcome of the civil suit or the statement including the completeness and accuracy of the related party transaction which relate to or which originated prior to the loss of control of forceful promoter directors in the year ended March 31, 2018, the regulatory non-compliances, if any, and the consequential impact of the above adjustment, if any, on the standalone financial statements.

Point #2, as explained in Note #32 of the standalone financial statement, during the year ended 31st March, 2018, the company concluded that it had paid an amount aggregating to Rs. 2,002.39 lakhs to the erstwhile Executive Chairman in excess of the amount approved by the central government under Section 197 of the Companies Act 2013 and as remuneration and other reimbursement. This is accordingly a non-compliance with the provision of Section 197 of the Companies Act 2013. Due to the uncertainty involved on the recoverability of the set amount, a provision for this has also been recorded in the year ended 31st March, 2018. The matters stated above were subject matter of the qualification in our audit opinion on the standalone financial statement for the year ended 31st March, 2019 also.

We conducted our audit in accordance with the standards on audit hereinafter referred to as specified under Section 143, subsection 10 of the Companies Act. Our responsibility under those standards are further described in the auditor's responsibility for the audit on the standalone financial statement section of our report. We are independent of the company in accordance with a code of ethics issued by Institute of Chartered Accountants of India, together with the ethical requirements that are relevant to our audit of the standalone financial statement under the provisions of the act and the rules thereunder. And we have fulfilled our other ethical responsibilities in accordance with these requirements and the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion, on the standalone financial statements.

Emphasis of matter. We draw attention on Note #35 of the accompanying standalone and financial statement relating to the order dated 15th November, 2019, of the honorable Supreme Court, where it stated that the honorable Supreme Court has issued a suo motu contempt notice to, among others, the company and directors to register a fresh content petition in regard to the alleged violation of its order dated December 14, 2018. In this respect, the honorable Supreme Court has sought an inquiry into whether the subscription by Northern TK Ventures Pte Ltd, Singapore, a wholly owned subsidiary of IHH Healthcare Berhad, Malaysia, to the shares of the company was undertaken after the status quo order was issued by the Supreme Court on December 14, 2018. And accordingly, if such suspicion was in violation of the status quo order.

Second, the continuation of the acquisition of healthcare assets from RHT Trust by the company. As also explained in the said note, the management believes that it has a strong case on merits, and as per the current position of the case, the liability, if any, arising out of this contingency cannot be determined at this stage. Accordingly, at present, no adjustment is required in the standalone financial statements.

We draw attention on Note #36 to the standalone financial statement, which explains that, due to a significant amount of dividend received during the year from a wholly owned overseas subsidiaries, the income from financial assets of the company is more than 50% of the gross income for the year ended 31st March, 2020. Since the company's financial asset as at the date are also more than 50% of the total assets, the company meets the criteria for classification as non-banking financial company, as per the press release of the Reserve Bank of India, wide number 1998-99/1269 dated April 8, 1999, as at 1st April, 2020.

As per the company, dividend is non-recurring in nature and does not represent the income from ordinary activities of the company. And the company does not intend to carry on the business as NBFC. The company has made a representation to RBI even this regard. The company has not received any response from RBI in this regard till date. Our conclusion is not modified in respect of this matter mentioned in Paragraph 1 and 2 above.

Key audit matters. Key audit matters are those matters that in our professional judgement, were of most significant in our audit of the standalone financial statement of the current period. These matters were addressed in the context of our audit of the standalone financial statement as a whole. Informing our opinion thereon, we do not provide a separate opinion on these matters. In addition to the matters described in the basis of qualified opinion paragraphs, we have determined that the following are the key audit matters.

Point #1, going concern. See Note #33 of the standalone financial statement. As disclosed in Note #33, the financial statement of the company have been prepared on a going concern basis. As at 31st March, 2020, the current liabilities of the company exceeds its current assets by 10,979.49 lakhs. The recent pandemic and the decline in the business has put further pressure on its projection. The company has prepared budget, cash flow forecast, which involves judgement and estimation around the sources of funds to meet the financial obligations, and the cash flow requirement over this period.

Considering the above, outcome of the pending litigation, as explained below, we have identified the assessment of ongoing consumption as a key audit matter. How that the same has been addressed in the audit? Our audit procedure included assessing the cash flow requirements of the company based on the budget and forecast, understanding what forecast expenditure is committed and what would be considered discretionary. Considering the liquidity of the existing assets on the balance sheet, considering the terms of the bank loans, trade, financial facility and the amount available for drawdown, considering the potential downside scenario and the resultant impact on the available funds. Assess the adequacy of disclosures in the financial statements relating to uncertainties and mitigation they are.

Another key audit matter was legal matters. The company is involved in several legal proceedings. In some of these cases, the company has counterclaims against the other party. Management judgement is involved in assessing the accounting for claims, and in particular, considering the probability of a claim being successful. The risk related to these claim is mainly

associated with the adequacy of disclosure and the completeness of the provision in the standalone financial statement. Accordingly, we have designated this as a key audit matter. How this has been addressed in the audit? Our audit procedure included on all significant legal matters, assessment of correspondence with the company's legal counsel, internal or external, accompanied by the discretion and the formation formal communication from the legal council. We read the minutes of the board meeting and inspected the company's legal expenses. We also assess whether the company's disclosure relating to the significant legal proceeding adequately disclosed the potential liabilities of the company.

The other key audit matter was IndAS 116 on leases. IndAS 116 replaces the existing standard of IndAS 17, and set out the principle of the recognition, measurement, presentation and disclosure for both lessor and lessee. The company has adopted IndAS 116 effective annual reporting period beginning 1st April, 2019, and applied the standard of leases retrospectively. With the cumulative effect on the initial applying the standard recognized as on date the initial application. Accordingly, the company has not stated the comparative information. As on 1st April, 2019, the company has recognized the right-to-use assets at an amount equivalent to the lease liability, and consequently there is no adjustment on the opening balance of the retained earning as a 1st April, 2019.

On application of IndAS 116, the nature of expenses has changed from lease rent in the previous period to depreciation cost for the right-to-use assets and finance costs for the interest accrued on lease liability. We considered the first time implementation of IndAS 116 as a key audit matter due to the material nature of the lease on the standalone financial statement, and significance of the company's management judgement needed in establishing the underlying key assumption, including the lease terms and discount rate. How this has been addressed in the audit? Through our discussion with the company's management, we understand the process of identifying the lease contract or the contract, which contain leases. We inspected the contracts for identification of lease under IndAS 116, we obtained the company's qualification of ROU assets and lease liabilities, and agreed the input used in the quantification of the lease agreement, challenged the calculation on the discount rate applied and perform computation check. We also consider the adequacy of the disclosure in Note #7 to the standalone financial statement.

Other key audit matter was impairment of goodwill and investment. The company is required to annually test the amount of goodwill for impairment investment in the subsidiary companies, associates and joint venture are tested for the impairment in case of indicator of potential impairment is identified. There are inherent uncertainties involved in forecasting and discounting future cash flows, which are basis of the assessment of recoverability. Accordingly, this is one of the key judgement areas in our audit. In this area, our audit procedure include testing of company's budgeting procedure upon which the forecasts are based, and the principle of integrative the company's discounted cash flow model. We use our valuation specialists to assist us in evaluating the assumption and the methodology used by the company. In particular, this include those relating to the forecast revenue growth, profit margin and discount rates.

We compare the company's assumption to externally derived data, as well as our own assessment in relation to the key inputs such as projected economic growth, cost inflation, discount rate. We also performed sensitivity analysis of the key assumption. We also assess the adequacy of related disclosure in the Note #5, sub-clause 2, and Note #529 of the standalone financial statement and the sensitivity of the key assumption.

Other information. The company's management and the Board of Directors are responsible for other information. The other information comprises the information included in the company's Annual Report, and does not include the financial statement of our audit period thereon. Our opinion on the standalone financial statement does not cover the other information, and we do not express any form of assurance conclusion thereon. In connection with the audit, our audit of the standalone financial statement are responsibilities to read the other information, and in doing so, consider whether the other information is materially inconsistent with the standalone financial statement or our knowledge obtained in the audit or otherwise appear to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report the fact. We have nothing to report in this matter.

Management at the Board of Director's responsibility on the standalone financial statement. The company's management and the Board of Directors are responsible for the matters stated in Section 134, subsection 5 of the act, with respect to the preparation of these standalone financial statements that are true and fair view of the state of affair, profit and loss and other comprehensive income, changes in equity and cash flow of the company, and accordance with accounting principles generally accepted in India, including the Indian Accounting Standard specified under Section 113 of the Companies Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provision of the Companies Act. For safeguarding the assets of the company and for preventing and detecting fraud and other irregularities, selection and application of appropriate accounting policies making judgement and estimate that are reasonable and prudent, and design implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statement that give true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statement, the management and the Board of Directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable matters relating to the going concern and use a going concern basis of accounting unless the Board of Directors either intend to liquidate the company or to cease operation, or has no realistic alternative, but to do so. The Board of Directors is all responsible for overseeing the company's financial reporting process.

Auditor's responsibility on the audit of the standalone financial statement. Our objective are to obtain reasonable assurance about whether the standalone financial statement as a whole are free from material misstatement, whether due to fraud or error. And to issue an auditor's report that includes an opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with the essay would always detect a material misstatement when it exists. Misstatement can arise from a fraud or error and are considered material if the individually or in aggregate they are reasonably expected to influence the economic decision of the user taken on the basis of these standalone financial statements.

As a part of an audit in accordance with essay, we exercise professional judgement and maintain professional expectation throughout the audit. We also identify and assess the risk of material misstatement of the standalone financial statement, whether due to fraud or error design, and performing the audit procedure responsive to those essays, and to obtain audit evidence that is sufficient and appropriate to provide the basis or opinion. The risk is not detected as material.

Misstatement resulting from the fraud is higher than the one resulting from error. A fraud may involve collusion, forgery, intentional omission, misrepresentation or the override of internal controls. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143, subsection 3 Clause 1 of the Companies Act, we are also responsible of expressing our opinion on whether the company has adequate internal financial control with reference to the financial statement in place and operating effectiveness of such controls, evaluate the appropriateness of accounting policies, used for reasonableness of accounting estimate and disclosure in the standalone financial statement made by the management and Board of Directors.

To conclude, on the appropriateness of management and the Board of Directors use of the ongoing concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to event or condition that may cast significant doubt on the company's ability to continue as a going concern.

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to relate disclosures in the standalone financial statement, or if such disclosures are inadequate to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or condition may cause the company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the standalone financial statement, including the disclosure. And whether the standalone financial statement represents the underlying transaction and event in the matter that achieves fair representation. We believe that as stated above in the basis of qualified opinion paragraphs, the audit evidence obtained by us is sufficient and appropriate to provide a basis of our qualified opinion on the standalone financial statements. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit finding, including any

significant deficiencies in the internal control that we identified during our audit. We also provide those charged with governance with the statement that we have complied with the relevant ethical requirement regarding the independence, and to communicate with them all relationship and other matters that may reasonably be thought to bear to our independence, and to our applicable related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were most significant in the audit of the standalone financial statement of the current period and are therefore the key audit matters. We describe these in our Auditor's Report. Unless there's a relation to preclude public disclosures about the matters or when an external extremely rare circumstance, we determined that a matter should not be communicated in our report, because the adverse consequence of doing so would be reasonably to be expected to outweigh the public interest benefit of such communication.

Report on other legal and regulatory requirement. As required by the company's Audit Report order 2016 issued by central government, in terms of Section 143, subsection 11 of the Act, we give in the Annexure A a statement on the matters specified in paragraph three and four of the order, which is subject to the possible effect of the matter describing the basis of qualified opinion paragraphs of our audit report, and the material weakness described in the basis of qualified opinion paragraph in our separate report on our internal financial control with reference to the financial statements.

As required by Section 143, subsection 3 of the Companies Act, we report that we have sought and expect for the matters described in the basis of qualified opinion paragraphs above, obtain all information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit. Except for the effect and possible effect of the matters described in the basis of qualified opinion paragraphs above, in our opinion, proper books of accounts as required by the law have been kept by the company so far as it appears from our examination of those books.

Standalone balance sheet. The standalone statement of profit and loss, including other comprehensive income, the standalone statement of changes in the equity and the standalone statement of cash flow dealt with by this report are in agreement with the books of accounts. Except to the possible effect of the matters described on the basis of qualified opinion paragraphs above, in our opinion, the aforesaid standalone financial statements comply with the accounting standards specified under Section 133 of the Companies Act. The matters described in the basis of qualified opinion paragraph and the emphasis of matter paragraph above, in our opinion, we have an adverse effect on the functioning of the company. On the basis of the written representation received from the directors as in 21st March, 2020, taken on record by the Board of Directors, none of the board is disqualified as on 31st March, 2020, from being appointed as a director in terms of Section 164, subsection 2 of the Companies Act.

Qualification relating to maintenance of accounts and other matters connected therewith are, as stated in the basis of qualified opinion paragraphs above. With respect to the adequacy of internal financial control, with reference to the financial statement of the company, and operating effectiveness of such control, referred to our separate report in Annexure B. With respect to the others matters to be included in the Auditor's Report in accordance with Rule 11 the company's Audit and Auditors Rule 2014, in our opinion and to the best of our information, and according to the instructions given to us, except for the effect, possible effect of the matters described in paragraph one of the basis of qualified opinion section above, the company has disclosed the impact of pending litigation as on 31st March, 2020, on its financial position in its standalone financial statement, refer Note #11 and #12 to the standalone financial statements.

Except for the effect, possible effect of the matters described in paragraph one of the basis of qualified opinion section about, the company did not have any long-term contract, including the derivative contract for which there were any material unforeseeable losses. There are no amount which are required to be transferred to investor's Education and Protection Fund by the company. The disclosure in the standalone financial statement regarding holding as well as dealing in the specified bank notes during the period from November 8, 2016, to 30 December, 2016, have not been made in these financial statements, since they do not pertain to the financial year ended 31st March, 2020.

With respect to the matters to be included in the Auditor's Report under Section 197, subsection 16 of the Companies Act, in our opinion and according to the information and explanation given to us, the remuneration paid by the company to its director during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down by Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197, subsection 16 which are required to be commented upon by us. For BSR and company, Rajesh Arora partner.

Over to you, Chairman, sir.

**Ravi Rajagopal:**

Thank you, Sumit. Dear members, your company has provided remote e-voting facility for agenda items mentioned at the Notice of the 24th AGM, which started from 20th August, 2020, at 9am and ended on August 30th, 2020, at 5pm.

Now, for all those members who are participating in the meeting, but have not cast their vote at the time of remote e-voting facility, will be provided with the facility to vote at the meeting as per the instructions mentioned in the 24<sup>th</sup> AGM notice using NSDL platform. I will now proceed to agenda items as mentioned in the Notice of the AGM.

There are two ordinary business items and six special business items. First item of the agenda is to consider and adopt the audited standalone financial statements of the company, together with the report of Board and auditors thereon. And the audited consolidated financial statements of

the company, including report of auditors thereon for the financial year ended on 31st March, 2020.

Second item on the agenda is to appoint a Director in the place of Mr. Shirish Moreshwar Apte, who retires by rotation and being eligible for six reappointment.

Third item of the agenda is to appoint Dr. Kelvin Loh Chi-Keon as a non-Executive Director of the company liable to retire by rotation.

Fourth item is to appoint Mr. Heng Joo Joe Sim as a non-Executive Director of the company liable to retire by rotation.

Fifth item is to appoint Dr. Farid Bin Mohamed Sani as a non-Executive Director of the company liable to retire by rotation.

Sixth item is to appoint Mr. Dilip Kadambi as a non-Executive Director of the company liable to retire by rotation.

Seventh item of the agenda is to ratify the remuneration paid to M/s Jitender Navneet & Co, cost auditor, to conduct the audit of the cost records of the company for the financial year ended 31st March, 2020.

I have been interested in the next agenda item. I would request Mr. Shirish Apte to take up Item #8 of the Notice.

**Shirish Moreshwar Apte:** Thank you, Chairman. The last item of the agenda is to approve the payment of commission up to 1% of net profits of the company to all independent directors of the company. Back to you, Chairman.

**Ravi Rajagopal:** The details related to the special business from items number three to eight are provided in the explanatory statement enclosed with the notice convening the AGM. The Board recommends all business items forming part of the Notice for approval of the shareholders.

Dear members, this year being a virtual AGM, there are three ways in which members can ask their questions on the agenda items mentioned in the Notice of the AGM. First, a member could have pre-registered himself or herself as a speaker shareholder latest by 28 August, through an email on [secretarial@fortishealthcare.com](mailto:secretarial@fortishealthcare.com). The second, a member might have submitted their question latest by August 28 through email on the above mentioned email id. Third, a member may post questions through the question box option, and such questions by the members shall be taken up during the meeting or shall be replied suitably after the meeting by the company. We will now take up questions from the shareholders.

**Moderator:** Thank you very much, sir. Now I invite speaker shareholders who have registered themselves with the company, as such in advance, to ask questions. Due to time constraints, I request each



speaker shareholder to wrap-up their queries within two minutes. I would also request each speaker shareholder to switch off their mobile phones in order to avoid any background noise and unmute themselves before starting the session.

We have Mr. Anuj Jain as our first speaker shareholder. Kindly unmute your line and ask your questions, sir.

**Anuj Jain:** Good afternoon, sir. Good afternoon, everyone. Sir, my question is, basically I just wanted to have an update on the open offer front. I mean, because as I guess we all know, like CGI is retiring in the first week of September, so when we have the next date and how we would like to proceed in the open offer case? My query is this.

**Moderator:** Thank you. We have next question from the line of Chandravati Gattani.

**Chandravati Gattani:** Namaste sir. Chairman, nice meeting you for the first time. You are such a big person. Our company is a very big company, sir. Our Company Secretary, Mr. Sumit Goel did an excellent job in order to arrange this meeting with you. Fortis is such a big name in India, our Board members are also very good, and CFO has done an excellent job in the account part. I am a Chartered Accounting, I am CA Sarvanand Gattani, joint holder with Chandravati Gattani.

I have gone through the balance sheet and I have some queries. Let us talk about the positive of the company first, sir. The revenue from operation Rs. 70,184 lakhs against Rs. 65,649 lakhs last year, 7% approximately jump, good sir. Our profit after tax at Rs. 51,332 lakhs against Rs. 12,308 lakhs, it is up by 317%. How is it possible, I was unable to analyze. Our revenue just went up by 7%, profit went up by 317%. I would like to know the reason, sir, like was there any income that was not related to the business?

Fortis India is India's second largest integrated healthcare service provider. This is very good. I had something more, but Fortis donated a sum of Rs. 5.90 crores to the PM's National Relief Fund, it's also good, sir.

Now I have some queries. Our long-term borrowing increased to Rs. 62,134.77 lakhs against Rs. 31,977 lakhs last year, about double, Rs. 31,000 lakhs last year and Rs. 62,000 lakhs this year. What is the reason of borrowing?

Our closing cash and cash equivalent was negative at Rs. 8,041.84 lakhs. I am so surprised, sir, this is the first balance sheet. I have spoken at about 100 AGMs, I used to speak in Kolkata, but this year I have spoken at about 100 AGMs. And negative cash flow, how could it happen? And what are the control measures that you are taking, sir?

Our statutory disputes pending is Rs. 8,404 lakhs. What if all the cases go against us, or rather let me know the status, sir, as of today.

Audit and Risk Management Committee of the company had initiated an independent Indian investigation by an external legal firm, and special audit by professional firms on matters relating to systematic lapses and override of controls in auditor's opinion it may have an adverse effect on the functions of the company. So, I would like to know more details of original status. And how are you working in COVID, sir?

I am a very positive supporter of our company, sir. I am a very old shareholder, but could not speak, because I don't go to the AGM places, except in Calcutta, where I stay and I work. I support all the resolution, they are very good. But some my queries I am not convinced, I request you to convince.

I have got another request. MD and CEO, Dr. Ashutosh Raghuvanshi, sir, you are doing a very hard work, sir, and I would request for a visiting card of yours and a autograph, if possible, sir. Let Company Secretary deal with it. He has got my address, I request you for it. Thank you very much, sir.

**Moderator:** Thank you. We have the next question from the line of PS Krishnan. Request to kindly unmute your line to ask your question.

**PS Krishnan:** All right, thank you. Basically, I do have five queries. My queries are; I would like to have an understanding in terms of what are our key revenue figures for upward revenue growth for Fortis for the next three years?

My second query is, COVID notwithstanding and after discounting the COVID impact, what are the targets, performance metric goals you have set for our company for the next three years? This is basically from a revenue EBITDA, margin, profitability and a free cash flow generation perspective.

And, again, a request which is linked to my previous question is, I would also like to get an understanding in terms of what are the steps taken by the management to increase utilization rates, EBITDA and free cash flow?

Also wanted to get an understanding of, what is a plan for debt reduction? And if the management is looking for a timeline for debt reduction, what is the timeline? That's it from my end. Thank you very much.

**Moderator:** Thank you. We have couple of audio questions lined up. The first question is from the line of Mr. Abhishek Kalra from audio.

**Abhishek Kalra:** Sir, first of all I congratulate the management on the eve 24th Annual General Meeting. Sir, we are moving towards 25th year silver jubilee here, the shareholders are having a lot of expectation from the management, like a special dividend and bonus. Sir, we have not received any dividend from the management in the past so many years, I don't remember when the last dividend was being declared for Fortis Healthcare. So kindly let us know when was the last dividend given

**(Inaudible) 1:31:41.1** Rest all is well with you and your family in this challenging situation. Our company deserves much more respect than the current market share, after completing more than a decade of **(Inaudible) 1:31:49.0** and becoming one of the best brands in our respective segment. Sir, our hospital team is doing a very good job for COVID patients, you are doing a challenge job in this particular situation, so my appreciation for the management for that.

Sir, we are a long-term shareholders in the company and we have fallen behind a bit **1:32:11.1 (Inaudible)** higher salary cut, in percentage, if any. What was the **(Inaudible) 1:32:29.2** any response so far? Sir, what are the **1:32:35.7 (Inaudible)** I would like to know. Sir, what is the view of the management going forward sustainability of the profit and growth will remain challenged in the coming quarters? **1:32:52.0 (Inaudible)**

Nothing much to ask, sir. I wish the company and the Board of Directors a great success in coming future. I wish that our **(Inaudible)1:33:36.8** Thank you for giving the opportunity.

**Moderator:** Thank you. We have the next question from the line on Mr. Chetan Chheda.

**Chetan Chheda:** **1:34:02.6 (Inaudible)** Sir, this is our 24th AGM and next year is our 25th, this is so special year for us. In your speech you said that this financial year is so challenging for us, and it is too challenging for the world also, sir. Sir, in your last **1:34:29.3** my first question. **1:34:35.8 (Inaudible)**

Sir, I want to know, the last resolution that you have brought **1:35:00.0 (Inaudible)** We haven't got any dividend in last many years. So I want to know from the management that what does the management think regarding giving us any dividend from company's profitability?

Second thing I want to ask, sir. We are in healthcare business, the work that Mr. Modi is doing for India, he is motivating everyone to take a mediclaim. So what is our stance in this matter? Do we provide any beneficiary plan for our customers, or are our customers being able to take the benefits of such government schemes?

**1:35:49.8 (Inaudible)** Sir, I would also like to know, during this COVID period, what was the deduction the management had taken in their salaries? And sir, have we sacked some employees during this pandemic time?

Last thing that I want to ask is, since last many years we used to host our AGMs at the end of September, **1:36:22.6 (Inaudible)**

**Moderator:** I am sorry, Mr. Chheda, but your line is not clear. And thank you for your question. I thank all the speaker shareholders for their participation and raising their queries. I would now bring them up to the Chairman. Request the chairman sir to answer.

**Ravi Rajagopal:**

Thank you. And thank you shareholders for your questions. And looking at these various questions, I think there is some overlap on a few questions, and I will cover some of them, and then hand over to Mr. Vivek Goyal, CFO, for some of the specific financial related questions.

So, the first question was on the update of the open offer. As I said in my speech, and as we have explained quite a few times publicly, the matter is sub judice, there is a hearing coming up in the Supreme Court on 11th of September as the date we have been given. And this pertains to the original order that came out in December 2018 where the Supreme Court put a temporary freeze on any further move by IHH to increase its shareholding in Fortis. And ever since then, the whole process of the mandatory open offer has been withheld or being stayed. We will be making a number of attempts in terms of going to Supreme Court, one of which resulted in the suo motu order that came out last year. And we are dealing with that as well, all beginning on September 11th.

The good thing is, in addition to our efforts, NTK, which is the direct shareholder in Fortis on behalf of IHH have separately filed their own plaint before the Supreme Court, as has SEBI, and as has one individual shareholder. So, you can see that various people are making efforts, because there is concern that this open offer should be allowed to go through subject to other legal matters the court may be looking at. Simply because shareholders like you have been waiting for the day. And it will also enable the company to then pursue follow-up initiatives in terms of looking at increasing its capital base for modernization and expansion. So all I can say is, we are hoping in the next few months we will have more clarity, starting with the 11th hearing. That's the first question.

The second point. Overall, and I will ask Mr. Vivek Goyal to give more specific answers, but to this point of our profit increasing at a much higher rate than the revenue, primarily as you know, in January 2019, we did the buyback of a lot of our hospitals from the RHT Trust in Singapore. And that RHT Trust, we were earlier paying lease rentals, which meant covering both interest depreciation and capital cost, which was all saved and there has been a substantial savings in those lease rental costs. That's been part of the reason. The second is, with IHH coming in, our debt ratings improved, our interest cost has come down. Plus, a number of other reasons. That's where the focus is. But more specific reply will follow.

On your special audits initiated by the Audit and Risk Management Committee. What I would say is that this was a follow-up to the process of bringing in good governance, transparency and cleaning up the accounts back in June 2018, when we were dealing with the audit for the year ending March 2018. Now, at that time, given all the pressures to release the accounts and to resume our public bidding process, we had done one cycle of, you could say, investigation and reflecting the outcome of those investigation into the accounts. But we did decide that we needed to do a more thorough inquiry going back into the last few years. And that we said we will take it up as a second stage. So that that decision was taken in principle back in 2018 itself. It took some time for that process to come through, we also had a complete bidding process, IHH came

in as a shareholder, and in consultation with them we lost the second inquiry process, which is now nearing conclusion. So, this is not any new news.

The third question is the strategy for our next few years. Well, there was a question about EBITDA cash flows. Please, I do hope you will understand, we do not put out financial figures on a forward-looking basis. But what I will share with you briefly is some of the key strategies that Dr. Ashutosh and team are following. And if you wish, you can reach out to the company post this AGM for more details. But primarily, what we are looking at in line with becoming the most trusted healthcare organization in the country is, the strategy consists of a number of key initiatives which include a review of our portfolio of hospital assets in order to drive better synergies and consolidating our leadership in key markets.

Second, identifying select non-core assets and starting the process of strategic resolution for those non-core assets in order to improve our cash flows and liquidity.

Third, capital expenditures had been pretty much at a standstill for quite a few years, given all the issues that we had to deal with, in terms of diversion of funds, and various other governance issues. So to reinstate our capital expenditure and bring back investment into technology and quality, which is what will make this company the most trusted care provider. And of course, looking at cost initiation measures.

So, these would be some of the key points on the hospital side.

As far as the diagnostics is concerned, we are making a conscious effort to look at channel strategy, both in terms of the commercial aspect, as well as optimizing the network in both the B2B and the B2C segments. And something that has been underway for the last few quarters, but this will now be wrapped up, especially with Mr. Anand, the new CEO having taken charge. So that in a summary would be our kind of key focus. But it's all about having the quality of patient care taken to a very new level with investment and capabilities and technology, and putting resources behind it.

The next question is about, and there were two people asking about payment of dividends. Well, we would like to resume this as soon as the company is in a position to set right its capital structure, inject funds and bring more resilience into the operations. You will understand that the fiscal year 2018-2019 was one of stabilization, with the new shareholder coming in, with governance being brought in and cleaning up of the accounts where we had to take a considerable lock in provisioning. And in the last one year, we have started to ramp up our operations, as you can see from the financials, although there has been a setback now with the onset of the COVID pandemic. We are hoping that in the days to come, as the pandemic is being dealt with, and our occupancy rates go up, our operations will get far more stronger, generating more cash flows. And it's only our wish that we should see the resumption of dividends at an early date.

And then the last question, as I think the facilitator said, one could not understand and the audio was not clear. But if you could ask Mr. Goyal to talk specifically on the PAT number, as well as long-term borrowings going up and the cash flow being negative. Mr. Goyal?

**Vivek Goyal:**

Good afternoon, ladies and gentlemen. Chairman has addressed most of the concerns. As regard specific to the PAT level and long-term borrowing thing. The PAT and revenue is basically what the Chairman has said about one-time dividend income the company has received, that is the reason behind that in the current year. Long-term boring has actually gone up, but if you compare it with a short-term borrowing, a corresponding amount has gone down in short-term borrowing. So, it is strengthening the financial position of the company by converting short-term borrowing into long-term borrowing, which actually helped the company in getting the better rating from the rating agencies and strengthening of our financial position.

As regards negative cash flow, the company has generated positive cash flow in the current financial year at the consolidated level. And the main reason for that is basically RHT fees which was going out of the group that has stopped. Company has taken a lot of cost optimization measures, which has resulted into improvement in the operating metrics, which included cash flow and increase in the revenue. So, all these lead to the improvement in the cash flow.

Another question which has come regarding the COVID situation and how we are dealing with it. So, COVID has affected the healthcare sector also, and the revenue has fallen in line of our competencies and which has affected negatively the profitability and cash flow which can be witnessed from the first quarter results, which company has declared. So, company has taken a lot of measures, on one side to reduce the cost; and on the other side, to get into some new levers of revenue. On cost side, the company management has taken cost cutting measures where voluntary reduction of the salary has been done by senior employees, including clinicians. And we have stopped certain non-core expenditure, curtailed certain non-core expenditure, as well as the sales and marketing expenses and things like that wherever we can curtail. And as chairman mentioned, we have postponed the CAPEX to the extent possible.

So we are closely watching the situation and keeping our things tight to deal with the current COVID situation.

**Ravi Rajagopal:**

Thank you, Mr. Goyal. And back to you, facilitator.

**Moderator:**

Over to the Company Secretary.

**Ravi Rajagopal:**

Sumit, over to you now to speak about certain statutory matters concerning the AGM.

**Sumit Goel:**

Thank you, sir. Dear members, the company has appointed Mr. Ramit Rastogi, Company Secretary and whole-Time Director as scrutinizers to scrutinize e-voting at the Annual General Meeting, and remote e-voting in a fair and transparent manner. The results of the voting will be announced within 48 hours of the meeting, and will be posted on the website of the company



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and on the website of stock exchanges, i.e. Bombay Stock Exchange and National Stock Exchange, and on the website of NSDL e-voting agency.

Now, I request all shareholders who are attending this AGM and who have not casted their vote through remote e-voting to exercise their vote on NSDL e-voting platform using the same login credentials as are being used by the shareholder for attending this live Annual General Meeting. The e-voting window is open for a period of 30 minutes, and after which the voting window shall be concluded and the proceedings of the meeting shall be closed. Thank you very much for attending the meetings.