

Your good health is our reward

ANNUAL REPORT 2019-2020



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Daljit Singh, Chairman
Mr. C.K. Nageswaran
Mr. Murari Pejavar
Dr. Nithya Ramamurthy
Mr. Ramesh Lakshman Adige
Mr. Ravi Rajagopal

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Mayank Jain

CHIEF FINANCIAL OFFICER

Mr. Yogendra Kumar Kabra (w.e.f. June 13, 2020)

STATUTORY AUDITORS

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REGISTERED OFFICE

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REGISTRAR AND TRANSFER AGENT

KFin Technologies Private Limited
Selenium, Tower B,
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Fax No. - +91 40 23431551.
E-mail: einward.ris@kfintech.com
Website: www.kfintech.com

BOARD OF DIRECTORS



Mr. Daljit Singh
(Non-Executive Director
and Chairman)



Mr. C.K. Nageswaran
(Whole-Time Director)



Mr. Murari Pejavar
(Independent Director)



Dr. Nithya Ramamurthy
(Non-Executive Director)



Mr. Ramesh L Adige
(Independent Director)



Mr. Ravi Rajagopal
(Independent Director)

FORTIS MALAR,
CHENNAI, IS TODAY
RECOGNISED AS
A WORLD-CLASS
INSTITUTION IN
THE HEALTHCARE
SPACE, THANKS TO
THE PAINSTAKING
EFFORTS OF A
WONDERFUL
TEAM COMPRISING
OF DEDICATED
DOCTORS, NURSES,
PARAMEDICS,
SUPPORT STAFF
AND HOSPITAL
ADMINISTRATORS.

Daljit Singh
Chairman



CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

It gives me great pleasure to present the results of your Company for the year ended March 31, 2020.

Founded in 1989, Fortis Malar Hospitals (earlier known as Malar Hospitals), became a part of the Fortis family in early 2008. Fortis Malar, Chennai, is today recognised as a world-class institution in the healthcare space, thanks to the painstaking efforts of a wonderful team comprising of dedicated doctors, nurses, paramedics, support staff and hospital administrators. Every day, these highly committed people give their best, ensuring excellent clinical outcomes and delivering compassionate patient care. At the very outset, I thank all staff members of Fortis Malar for their contribution towards building this remarkable institution.

During the year under consideration, Fortis Malar rolled out a comprehensive Seniors First programme, targeted at the city's growing population of elders. The programme was well received and led to a 45% growth in business from senior citizens. A special 'Delivery' package was also introduced for would-be mothers, which led to a 6% growth in the number of deliveries and 9% growth in value terms. Other highlights during the year were the addition of many senior consultants in major specialities, such as Orthopaedics, Neuro Sciences, Cardiology and Cardio Thoracic & Vascular Surgery (CTVS). The new consultants have already performed some outstanding cases, which have been featured in the local media.

Our team of doctors garnered several clinical successes during the year. A team led by Dr Nandkumar Sundaram, Senior Consultant Orthopaedic Surgeon, performed Chennai's first All Autologous Cartilage Transplant (AACT) on a 72-year-old woman with articular cartilage defect of the knee and the minimally invasive Proximal Femoral Nail (PFN) procedure on 93-year-old, who walked on the same day, merely six hours after the procedure. A team of senior CTVS consultants led by Dr Madhu Sankar and Dr Anto Sahayaraj performed a technically challenging minimally invasive cardiac surgical procedure on a 35-year-old woman under Tamil Nadu Chief Minister's Comprehensive Health Insurance Scheme. This is extremely creditable and reflective of the high-end multi-speciality expertise available at the hospital. Other specialities at your hospital, such as Neurology, Obstetrics & Gynaecology, Orthopaedics and Gastroenterology, to name a few, also delivered very encouraging results.

The year under consideration was an extremely challenging one for your Company. The business was adversely impacted by non-availability of organs for international patients since Q3 of the previous year. This trend continued in the first two quarters of this financial year. Additionally, your hospital also witnessed the exit of a few senior clinicians. This, coupled with the discontinuation of heart and lung transplants programme from November 2019, has severely impacted both top-line as well as bottom line of the Company.

During the year, your Company achieved Consolidated Annual Revenue of ₹ 123.06 Crores as against ₹ 154.70 Crores in the previous corresponding financial year. Profit / (Loss) before tax was ₹ (11.93) Crores compared to ₹ 2.79 Crores in the previous financial year. Profit / (Loss) for the year was ₹ (8.89) Crores compared to ₹ 2.06 Crores in the previous financial year. The average revenue per occupied bed (ARPOB) stood at ₹ 171 Lakhs in FY 2020 as against ₹ 169 Lakhs in FY 2019. The average length of stay (ALOS) was 4.02 days in FY 2020 compared to 4.25 days in FY 2019. In the last two weeks of the year, the hospital saw a significant drop in patient footfalls and occupancy, owing to the lockdown declared by the Government owing to the COVID-19 pandemic.

Your hospital put up a brave performance in spite of very challenging circumstances. Nevertheless, our unflinching commitment towards all our patients and the society at large remains as strong as ever. As a responsible corporate citizen, Fortis Malar contributed to the society by undertaking several corporate social responsibility activities. These included cleanliness and hygiene maintenance activities, offering Basic Life Support training to citizens and conducting health camps. With the spread of COVID-19 pandemic towards the end of the Financial Year, your hospital made a CSR fund contribution to the 'Prime Minister's National Relief Fund' (PMNRF Fund) towards supporting the Government's efforts to mitigate the spread and impact of the infection.

Before I conclude, I would like to thank all our shareholders and other stakeholders for their continued support through the year. I am sure that with your guidance, we will continue to serve our patients with renewed vigour and zeal in the years to come.

With Best Wishes and Warm Regards,

Daljit Singh

Chairman

Fortis Malar Hospitals Limited

BOARD REPORT

Dear Members,

Your Directors have pleasure in presenting here the Twenty Ninth Annual Report of your Company along with the Audited Standalone and Consolidated Financial Accounts and the Auditors' Report thereon for the Year ended March 31, 2020.

FINANCIAL RESULTS

The highlights of Consolidated and Standalone Financial Results of your Company are as follows:

(₹ In Lakhs)

Particulars	Consolidated	
	Year ended March 31, 2020	Year ended March 31, 2019
Revenue from Operations	11,187.20	14,459.39
Other Income	1,118.58	1,011.08
Total Income	12,305.78	15,470.47
Total Expenses	11,465.38	14,702.19
Profit before Finance Charges, Taxes, Depreciation & Amortisation (EBITDA)	840.40	768.28
Less: Finance Charges, Depreciation & Amortization	2,033.90	489.21
Profit / (Loss) before tax	(1,193.50)	279.07
Less: Tax Expenses	(304.14)	73.52
Profit / (Loss) for the year	(889.36)	205.55
Other Comprehensive Income (Net of Taxes)	(7.32)	12.32
Total Comprehensive Income for the year	(896.68)	217.87

(₹ In Lakhs)

Particulars	Standalone	
	Year ended March 31, 2020	Year ended March 31, 2019
Revenue from Operations	11,187.20	14,459.39
Other Income	1,092.34	968.44
Total Income	12,279.54	15,427.83
Total Expenses	11,461.21	14,702.63
Profit before Finance Charges, Taxes, Depreciation & Amortisation (EBITDA)	818.33	725.20
Less: Finance Charges, Depreciation & Amortisation	2,033.90	489.21
Profit / (loss) before tax	(1,215.57)	235.99
Less: Tax Expenses	(309.88)	62.32
Profit / (Loss) for the year	(905.69)	173.67
Other Comprehensive Income (Net of Taxes)	(11.16)	11.12
Total Comprehensive Income for the year	(916.85)	184.79

STATE OF COMPANY'S AFFAIR, OPERATING RESULTS AND PROFITS

Fortis Malar Hospital (formerly known as Malar Hospital) was acquired by Fortis Group in early 2008. The hospital founded in 1989, has established itself as one of the largest corporate hospitals in Chennai, providing quality super specialty and multi-specialty healthcare services. With a total bed-strength of 141, including 53 ICU beds, the hospital focuses on providing comprehensive medical care in the areas of Cardiology and Cardiac Surgery, Neuro Surgery, Gynecology, Orthopedics, Gastroenterology, Neurology, Pediatrics, Diabetics, Nephrology and Internal Medicine.

Fortis Malar Hospital has a state of the art Cath Lab and multiple dedicated cardiac operation theatres and intensive coronary care units. Several rare and complex Adult and Pediatric, Cardiac surgeries, Orthopedic and Joint replacements, Neurosurgeries and Plastic reconstruction surgeries have been performed at this hospital. The hospital's Obstetrics and Gynecology services are among the busiest in the city, successfully performing many complicated deliveries and surgeries. They are supported by a dedicated Neonatology unit.

The year under consideration was an extremely challenging one for your company. Already, the business had been adversely impacted by non-availability of organs for international patients since Q3 of the previous year. This trend continued in the first two quarters of this financial year. Added to this, your hospital saw a few senior clinicians leave in the first quarter. In November 2019, the CTVS team which had done more than 300 transplants in your hospital in the last 5 years left to join another city hospital.

Towards the end of the year, your company also got severely impacted by the COVID-19 pandemic. The occupancy in your hospital dropped to its lowest level of 35% owing to the lockdown announced by the Government, decline in OPDs and elective surgeries. We expect the situation to get worse in the first quarter of the year 2020-21 – and normalcy to return by the third quarter of the year 2020-21.

SIGNIFICANT MATTERS DURING THE YEAR UNDER REVIEW

OPEN OFFER

Pursuant to execution of Share Subscription Agreement on July 13, 2018 ("SSA"), Northern TK Venture Pte Ltd ("NTK" or the "Acquirer"), a wholly owned subsidiary of IHH Berhad, subscribed to 235,294,117 new equity shares of Fortis Healthcare Limited ("FHL") with a face value of ₹ 10 each ("Subscription Shares"), constituting approximately 31.1% of the total voting equity share capital of FHL on a fully diluted basis ("Expanded Voting Share Capital") for a total consideration of ₹ 4,000 crore and FHL issued and allotted the Subscription Shares by way of preferential allotment in accordance with the terms of the SSA ("Subscription"). As a consequence of the Subscription, the Acquirer together with IHH Healthcare Berhad ("PAC 1") and Parkway Pantai Limited ("PAC 2"), (collectively referred to as the "PACs") made a mandatory open offer, by filing a public announcement dated July 13, 2018. The Subscription was completed in accordance with the terms of the SSA on November 13, 2018 and NTK became the controlling shareholder of FHL.

As a consequence of the Subscription, NTK was required to carry out the following:

- (i) a mandatory open offer for acquisition of up to 197,025,660 equity shares of face value of ₹ 10 each in FHL, representing additional 26% of the Expanded Voting Share Capital of FHL, at a price of not less than ₹ 170 per share ("Fortis Open Offer") or such higher price as required under the Securities and Exchange Board of India ("SEBI") (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("SEBI (SAST) Regulations"); and
- (ii) in light of the acquisition of the controlling stake of FHL, a mandatory open offer for acquisition of up to 4,894,308 fully paid up equity shares of face value of ₹ 10 each in Fortis Malar Hospitals Limited ("Malar"), representing 26% of the paid-up equity shares of Malar at a price of ₹ 58 per share ("Malar Open Offer"). The Malar Open Offer is subject to the completion of the Fortis Open Offer.

On December 14, 2018, Hon'ble Supreme Court of India passed an order in the matter of "Mr Vinay Prakash Singh v. Sameer Gehlaut & Ors.", directing "status quo with regard to sale of the controlling stake in Fortis Healthcare to Malaysian IHH Healthcare Berhad be maintained" ("Order"). Pursuant thereto, decision was taken not to proceed with the Fortis Open Offer and Malar Open Offer until further order(s)/ clarification(s)/ direction(s) are issued by the Hon'ble Supreme Court of India."

RECLASSIFICATION OF PROMOTERS

The Company received a request letter ("FHsL Letter") from Fortis Hospitals Limited ("FHsL") (immediate holding company and one of the Promoters) stating that FHsL is a wholly owned subsidiary of Fortis Healthcare Limited ("FHL") and FHL, vide its letter FHL/SEC/2019-20 dated June 03, 2019 captioned "Reclassification of Promoters", intimated to stock exchanges [viz. BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE")] regarding the approval granted by the stock exchanges viz. BSE & NSE for reclassification of the following promoters as public shareholders: Malvinder Mohan Singh – Trust, Harpal Singh, Abhishek Singh, Malvinder Mohan Singh, Shivinder Mohan Singh, Fortis Healthcare Holdings Private Limited, Malav Holdings Private Ltd, RHC Holding Private Limited ("Erstwhile Promoters of FHL") and that the only remaining promoter of FHL is Northern TK Venture Pte. Limited ("NTK"). Further, Securities and Exchange Board of India ("SEBI"), had on October 17, 2018, December 21, 2018, March 19, 2019 and June 28, 2019 ("SEBI Orders"), directed that Mr. Malvinder Mohan Singh and Mr. Shivinder Mohan Singh shall not associate themselves with the affairs of FHL and FHsL in any manner whatsoever, till further directions. FHsL, being Promoter and largest shareholder of the Company, is holding 11,752,402 equity shares representing 62.71% stake. Further, other than FHsL, following entities are Promoter / Promoter Group Companies ("Identified Promoter / Promoter Group") of the Company:

Sl. No.	Name	PAN	Number of shares held on March 31, 2020
1	PS Trust (Acting and Represented by its trustees, Mr. Malvinder Mohan Singh and Dr. Shivinder Mohan Singh)	AACTP6651N	100
2	Fortis Healthcare Holdings Private Limited	AAACF6715A	100
3	Oscar Investments Ltd	AAACO1722C	0
4	Shivi Holdings (P) Ltd	AAACO2664H	100
5	RHC Finance Private Limited	AAACW7196C	100
6	Todays Holdings Private Limited	AACCT7136K	100
7	Malav Holdings Private Limited	AADCM1170B	0
8	RHC Holding Private Limited	AAKCS7686P	0

In view of the letter received from FHsL and the facts stated herein above, the Board considered the same and empowered certain officials to issue letters to Identified Promoter / Promoter Group for intimating the decision of the Company with respect to reclassification of status of said members as public shareholders. Identified Promoters did not respond to the letters and emails sent by the Company on August 5, 2019 seeking their respective consent with respect to their reclassification. Therefore, the Board accorded its approval for proceeding with reclassification of said Identified Promoters and the said proposal was also approved by the shareholders of the Company. Further, the Company has made an application with said effect with BSE Limited for its approval and such application is pending for approval as on date of this Board Report.

OPERATIONAL AND FINANCIAL PERFORMANCE

Your company achieved a consolidated total income of ₹ 123.06 Crores during the current year as against ₹ 154.70 Crores in the corresponding financial year ended 31st March 2019. EBITDA for the year stood at ₹ 8.40 Crore compared to ₹ 7.68 Crore for the previous corresponding year. The Profit / (Loss) before tax for the period stood at ₹ (11.93) Crores as against ₹ 2.79 Crores during the corresponding period. Profit / (Loss) for the year stood at ₹ (8.89) Crores in the current financial year compared to ₹ 2.06 Crores in the previous year.

Regarding the key performance indicators, the Company's average revenue per occupied bed (ARPOB) for the current year stood at ₹ 171 lacs as against ₹ 169 lacs in the previous year. The average length of stay (ALOS) was at 4.02 days in Financial Year 2020 compared to 4.25 days in Financial Year 2019. Occupancy of the hospital during the year was at 48% as compared to 58% in the previous year. There has been no change in the nature of business of the Company during the year under review.

DIVIDEND AND TRANSFER TO RESERVES

The Board of Directors of your Company has not recommended any dividend for the FY 2019-20. Accordingly, there has been no transfer to General Reserves.

LOANS/ADVANCES/INVESTMENTS/GUARANTEES

Particulars of Loans/Advances/Investments/Guarantees given & outstanding during the Financial Year 2019-20 are mentioned in notes to financial statements.

PUBLIC DEPOSITS

During the year under review, your Company has not invited or accepted any deposits from the public pursuant to the provisions of Section 73 of the Companies Act, 2013 read with Companies (Acceptance of Deposit) Rules, 2014.

MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR 2019-20 AND THE DATE OF THE REPORT

There are no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year 2019-20 and the date of the report.

STATEMENT IN RESPECT OF ADEQUACY OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE FINANCIAL STATEMENTS

The Company has in place adequate internal financial controls with reference to financial statements. During the year such controls were tested and no reportable material weakness in the design or operation was observed.

DETAILS OF SUBSIDIARY

During the year under review, the Company has only one subsidiary Company i.e. Malar Stars Medicare Limited. The main object of the said wholly-owned subsidiary company include setting up, managing / administering hospital(s) and to provide Medicare and Healthcare services.

Further note that the Board of Directors has adopted a policy for determining "material subsidiary" pursuant to Regulation 16(1)(c) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The said policy is available at <https://www.fortismalar.com/frontend/investorrelations/Policy%20on%20Material%20Subsidiary%20Company-1559121470.pdf>. Basis the Consolidated Audited Annual Accounts of the Company for the Financial Year 2019-20, the Company has no "material non-listed subsidiary" in terms of policy and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

PERFORMANCE AND FINANCIAL POSITION OF THE SUBSIDIARY COMPANY

The consolidated financial statements of the Company and its subsidiary, prepared in accordance with applicable Indian Accounting Standards, issued by the Institute of Chartered Accountants of India, forms part of the Annual Report. In terms of the Section 136 of the Companies Act, 2013, financial statements of the subsidiary company will be provided to any shareholder of the Company who asks for it and said annual accounts will also be kept open for inspection at the registered office of the Company and that of subsidiary. Performance and financial position along with contribution of the subsidiary to the overall performance of your Company which also included in the Consolidated Financial Statements of the Company is mentioned below:-