adding life to years

September 03, 2019

**National Stock Exchange of India Limited,**
Compliance Department,
Exchange Plaza, Bandra Kurla Complex,
Bandra (East), Mumbai - 400051,
Maharashtra, India

**BSE Limited,**
Compliance Department,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400001,
Maharashtra, India

Dear Sir/Madam,

**Stock Code : BSE – 539787, NSE - HCG**

**Sub : Notice of the 21st Annual General Meeting, Annual Report for the year 2018-19 and details of Remote E-Voting & Book Closure.**

With reference to the above subject, we would like to inform you that, the Twenty First (21st) Annual General Meeting ("AGM") of the members of HealthCare Global Enterprises Limited ("the Company"), will be held on Thursday, September 26, 2019, at 3.00 P.M. at The Chancery Pavilion, No. 135, Residency Road, Shanthala Nagar, Ashok Nagar, Bengaluru – 560025, Karnataka.

Pursuant to Regulation 30, 34 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other regulations, as may be applicable, please find enclosed the Notice of the 21st AGM and Annual Report for FY 2018-19. The same is being made available on the Company's Website https://hcgel.com/investors.

The Register of Members and Share Transfer Books of the Company will remain closed from Monday, September 23, 2019 to Thursday, September 26, 2019 (both days inclusive).

The schedule of events is set out below:

| **Events** | **Date** | **Time** |
|---|---|---|
| Record date / Cut-off date for the purpose of e-voting | 19/09/2019 | NA |
| Commencement of e-voting | 23/09/2019 | 09:00 A.M IST |
| End of e-voting | 25/09/2019 | 05:00 P.M IST |
| Annual General Meeting | 26/09/2019 | 03:00 P.M IST |

Kindly take this on record.

Thanking you,

For **HealthCare Global Enterprises Limited**

**Sunu Manuel**
**Company Secretary & Compliance Officer**

# HealthCare Global Enterprises Limited

**CIN:** L15200KA1998PLC023489

**Registered Office:** HCG Towers, No. 8, P Kalinga Rao Road, Sampangi Rama Nagar, Bengaluru 560 027, Karnataka, India

**Corporate Office:** No. 3, Ground Floor, Tower Block, Unity Buildings Complex, Mission Road, Bengaluru – 560027, Karnataka, India **Website:** www.hcgel.com **E-mail:** investors@hcgoncology.com **Telephone:** +91-80-4020 6000

# NOTICE OF THE 21ST ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty First (21st) Annual General Meeting ("AGM") of the members of HealthCare Global Enterprises Limited ("the Company"), will be held on Thursday, September 26, 2019, at 3.00 P.M. at The Chancery Pavilion, No. 135, Residency Road, Shanthala Nagar, Ashok Nagar, Bengaluru – 560025, to transact the following business:

## ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Financial Statements of the Company (including Audited Consolidated Financial Statements) for the financial year ended March 31, 2019, together with the Reports of the Board of Directors and the Auditors thereon.

2. To appoint a Director in place of Mr. Gangadhara Ganapati (DIN: 00489200), who retires by rotation and being eligible, offers himself for re-appointment.

## SPECIAL BUSINESS

3. To consider and to pass the following resolution as a **Special Resolution:**

   **RESOLVED THAT** pursuant to the provisions of Sections 152, 196, 197, 198, 203, Schedule V, Chapter VIII and other applicable provisions, if any, of the Companies Act, 2013, (including any amendment/modification thereof), Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and subject to such other necessary approval(s), consent(s) or permission(s), as may be required; and in accordance with the provisions of Articles of Association of the Company and the recommendation of the Nomination and Remuneration Committee, Audit and Risk Management Committee, and the approval of Board of Directors, the consent of the Shareholders of the Company be and is hereby accorded to re-appoint Dr. B. S. Ajaikumar (DIN: 00713779) as Whole-time Director & Chief Executive Officer (CEO) of the Company, for a period of 4 (four) years with effect from July 01, 2019, not liable to retire by rotation, on the payment of remuneration and other terms and conditions as set out below.

   1. Fixed remuneration (Cost To Company) of ₹2,09,00,000 (Rupees Two Crore and Nine Lakhs only) per annum,

   2. Variable remuneration, of up to ₹3,00,00,000 (Rupees Three Crores only) per annum, based on the quantitative and qualitative parameters, as detailed below:

      **(a) Based on Financial Performance**

      Up to ₹2,40,00,000 (Rupees Two Crores and Forty Lakhs only) payable based upon achievement of financial performance as detailed below:

| Actual *EBITDA as a % of the **Approved Budget for the Financial Year | Variable Compensation Payable |
|---|---|
| Less than 90% of the Budget | Nil |
| 90% of the Budget | 0.6% of EBITDA |
| Between 90% and up to 100% of the Budget | 1.2% of EBITDA on a linear scale |
| Greater than Budget | 2.4% on the incremental EBITDA |

Note:

1. *EBITDA shall mean consolidated EBITDA, net of minority interest, computed at the end of every financial year on the basis of the consolidated audited financials of the Company.
2. Only the EBITDA generated out of organic growth shall be considered for the first year, i.e. the EBITDA associated with any acquisition by the Company during the financial year shall be excluded in the computation of the Variable Compensation in the financial year in which the acquisition occurred.
3. **Approved Budget for the Financial Year, shall mean the Budget approved by the Board of Directors of the Company for the relevant financial year.

**(b) Based on Qualitative Performance**

Variable Compensation of up to ₹60,00,000 (Rupees Sixty Lakhs only) based on the annual performance evaluation of the CEO by the Board of Directors, as further detailed below:

No Variable Compensation on the Qualitative Performance shall be payable if the Actual EBITDA (as computed in 2(a) above) is less than 85% of the Approved Budget for the Financial Year.

| Performance Rating (on a scale of 5) | Variable Compensation Payable |
|---|---|
| Less than 3.50 | Nil |
| Between 3.50 and 5.00 | On a linear scale starting from 0% upto a maximum of 100% of ₹60,00,000 (Rupees Sixty Lakhs Only). |

**RESOLVED FURTHER THAT** the remuneration, subject to the aforesaid approvals, shall be effective from July 01, 2019 for a period of 4 years or such other earlier date where a resolution is passed by the Board of Directors altering or varying the remuneration; and that the Board of Directors (hereinafter referred to as "Board" which term shall be deemed to include the Nomination and Remuneration Committee constituted by the Board) be and is hereby authorized to alter and vary the said remuneration in such form and manner or with such modifications as the Board of Directors may deem appropriate, provided that such variation or alteration, as the case may be, is within the overall limits as set out in the resolution, or as specified under Section 197 read with Schedule V of the Companies Act, 2013 (including any statutory modification(s) or re-enactment thereof for the time being in force) and other relevant provisions of the Companies Act, 2013 and/or as approved by such other competent authority, as applicable.

**RESOLVED FURTHER THAT** the Nomination and Remuneration Committee and the Board of Directors of the Company be and are hereby authorized to decide and finalize the quantum of Variable Remuneration payable to Dr. B. S. Ajaikumar, Whole-time Director & CEO of the Company, from time to time, and to decide upon, revise and lay down new milestones/performance matrix for Dr. B. S. Ajaikumar from time to time.

**RESOLVED FURTHER THAT** pursuant Schedule V of the Act and other applicable provisions of the said Act, if any, and subject to such approvals as may be necessary, the Company may pay the remuneration specified supra to Dr. B. S. Ajaikumar, Whole-time Director &CEO of the Company, as minimum remuneration in case the Company has no profits or its profits are inadequate during any of the financial years of the period mentioned hereinabove.

**RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorized to do all such acts, deeds and things and execute all such documents, agreements, instruments and writings as may be required in this regard, and to delegate all or any of its powers herein conferred to any Committee of Directors or Director(s) to give effect to the aforesaid resolutions.

4. To consider and to pass the following resolution as a **Special Resolution:**

**RESOLVED THAT** pursuant to the provisions of Section 188 (1) (f) and other applicable provisions, if any, of the Companies Act, 2013, (the "Act") read with the Companies (Meetings of Board and its Powers) Rules, 2014 and any other rules framed under Companies Act, 2013 (including any amendment, modification or re-enactment thereof from time to time) and the recommendation of the Nomination and Remuneration Committee, Audit and Risk Management Committee, and the approval of Board of Directors accorded at their meeting held on May 23, 2019, the consent of the Shareholders of the Company be and is hereby accorded to enhance the remuneration payable to Ms. Anjali Ajaikumar, Vice-President – Strategy & Quality, relative of Dr B. S. Ajaikumar, Whole-time Director & CEO of the Company, from ₹55,39,200 (Rupees Fifty Five Lakh Thirty Nine Thousand Two Hundred) per annum (Cost To Company) to ₹57,60,768 (Rupees Fifty Seven Lakh Sixty Thousand Seven Hundred Sixty Eight) per annum, inclusive of all basic, additional, fixed and variable remunerations, bonus, commission, incentives, allowances, benefits, perquisites, amenities and conveniences, effective from May 23, 2019; till such time the remuneration is further modified in accordance with the Act.

**RESOLVED FURTHER THAT** the Board of Directors of the Company (referred to as the "Board" which term shall be deemed to include any committee duly constituted by the Board or any committee which the Board may hereinafter constitute, to exercise one or more of its powers including the powers conferred by this resolution) be and is hereby authorized to alter and vary the terms and conditions of the said appointment and remuneration from time to time, within the limits approved by the Members and subject to such approvals, as may be necessary.

**RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorized to do all such acts, deeds and things and execute all such documents, agreements, instruments and writings as may be required and to delegate all or any of its powers herein conferred to any Committee of Directors or Director(s) to give effect to the aforesaid resolutions.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to delegate all or any of the powers herein conferred by this resolution to any Director or Directors or to any Committee of Directors or any other officer or officers of the Company to give effect to the aforesaid resolution."

5. To consider and to pass the following resolution as an **Ordinary Resolution:**

**RESOLVED THAT** pursuant to Section 148 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, as amended from time to time, the approval of the shareholders of the Company be and is hereby accorded for the ratification of remuneration of ₹1,75,000 (Rupees One Lakh Seventy-Five Thousand Only) (exclusive of taxes and re-imbursement of actual out-of-pocket expenses) payable to M/s. Rao, Murthy & Associates, Cost Accountants (Firm Registration No. 00065), appointed as Cost Auditors, for conducting audit of cost records of the Company for the Financial Year 2018-19, as recommended by the Audit and Risk Management Committee and approved by the Board of Directors of the Company.

**RESOLVED FURTHER THAT** pursuant to Section 148 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, as amended from time to time, the approval of the shareholders of the Company be and is hereby accorded for the ratification of remuneration of ₹1,75,000 (Rupees One Lakh Seventy Five Thousand Only) (exclusive of taxes and re-imbursement of actual out-of-pocket expenses) payable to M/s. Rao, Murthy & Associates, Cost Accountants, (Firm Registration No. 00065) appointed as Cost Auditors, for conducting audit of cost records of the Company for the Financial Year 2019-20, as recommended by the Audit and Risk Management Committee and approved by the Board of Directors of the Company.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.

**By order of the Board**

Sd/-

Date: August 08, 2019
Place: Bengaluru

**Sunu Manuel**
Company Secretary

## NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/ HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. A person can act as proxy on behalf of members not exceeding 50(fifty) and holding in aggregate not more than ten percent of paid up share capital of the company. The instrument appointing the proxy should be deposited at the Registered Office of the company not less than 48 hours before the time fixed for commencement of the meeting.

2. Corporate Members intending to send their authorized representatives are requested to send a duly certified copy of the board or governing body resolution authorizing the representatives to attend and vote at the Annual General Meeting.

3. During the period beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, a member would be entitled to inspect the proxies lodged at any time during the business hours of the Company, provided that not less than three days of notice in writing is given to the Company.

4. Members/proxies are requested to kindly take note of the following:

   (i) Copies of the Annual Report will not be distributed at the venue of the meeting;

   (ii) Attendance Slip, as sent herewith, is required to be produced at the venue duly filled-in and signed, for attending the meeting;

   (iii) In all correspondence with the Company and/or the RTA, , Folio No. /DP ID and Client ID no. must be quoted.

   (iv) No gift or gift coupons will be distributed at the meeting.

5. An Explanatory Statement setting out material facts pursuant to Section 102 of the Companies Act, 2013 in respect of Special Businesses is annexed hereto and forms part of the notice.

6. The Register of Members and the Share Transfer Books of the Company will remain closed from Monday, September 23, 2019 to Thursday, September 26, 2019 (both days inclusive).

7. Relevant documents referred to in the accompanying Notice and the statement pursuant to Section 102(1) of the Companies Act, 2013 are available for inspection at the Registered Office as well as the Corporate Office of the Company during normal business hours on all working days up to the date of the AGM. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, and Register of Contracts or Arrangements in which directors are interested under Section 189 of the Companies Act 2013, will be made available for inspection by members of the Company at the meeting.

8. Members are requested to promptly notify in writing any changes in their address. All such communication shall be addressed to the Company Secretary and shall be deposited at the registered office of the Company. Members holding shares in the dematerialised (electronic) form are also requested to intimate address notifications to their respective Depository Participants.

9. Members desiring any information relating to the annual accounts of the Company are requested to write to the Company at the earliest, so as to enable the Board of Directors to keep the information ready.

10. The Companies Act, 2013 and the Listing Agreement with the Stock Exchanges permits Companies to send soft copies of the annual report to all those shareholders who have registered their e-mail addresses with the Company/depository participants. To support this green initiative, the shareholders holding shares both in physical/ demat form are requested to register/update their e-Mail addresses with the Company/depository participants. Accordingly, the annual report for the year 2018-19, notice for annual general meeting etc., are being sent in electronic mode to shareholders who have registered their e-mail addresses with the Company/depository participants. For those shareholders who have not opted for the above, the same are being sent in physical form.

11. Members who have not registered their e-mail addresses so far are requested to register their e-mail ids with the RTA of the Company / Depository Participant(s) for receiving all future communication(s) including Annual Report, Notices, Circulars etc. from the Company electronically.

12. As per the provisions of the Companies Act, facility for making nominations is available to individuals holding shares in the Company. The prescribed nomination form can be obtained from the Company. As on this date, there are large numbers of shareholders who are yet to opt for the nomination facility. Shareholders, and in particular those holding shares in single name, are requested to avail of the above facility by furnishing to the Company, the particulars of their

nomination. Members holding shares in electronic form may forward nomination form duly filled to their respective depository participants only.

13. Additional information, pursuant to Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 and Secretarial Standard for General Meetings (SS-2) in respect of director(s) recommended for re-appointment and/ or fixation of remuneration forms part of the notice.

14. Members are requested to visit the website of the Company https://hcgel.com/investors for viewing the quarterly and annual financial results and for more information on the Company.

15. At the 19th Annual General Meeting of the Company held on August 10, 2017, the members approved appointment of M/s. B S R & Co. LLP (Firm Registration No. 101248W/W-100022) as Statutory Auditors for a term of 5 years commencing from the conclusion of the Annual General Meeting of the Company held on August 10, 2017, till the conclusion of the Annual General Meeting to be held in the year 2022, subject to ratification of their appointment by members at every Annual General Meeting, if so required by the Companies Act 2013. Vide notification dated May 7, 2018, the Ministry of Corporate Affairs has done away with the requirement of seeking ratification of members for appointment of auditors at every Annual General Meeting. Accordingly, no resolution is being proposed for ratification of appointment of statutory auditors at the 21st Annual General Meeting.

16. In compliance with the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 as substituted by the Companies (Management and Administration) Amendment Rules, 2015 ('Amended Rules 2015'), and Regulation 44 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Members are provided with the facility of voting through electronic means (remote e-voting) on all the resolutions set forth in this notice, through e-voting services provided by Karvy Fintech Private Limited.

17. The Instructions for E-Voting are annexed to this Notice.

18. The facility for e-voting ('Instapoll') shall be made available at the Meeting and the members attending the Meeting who have not cast their vote by remote e-voting shall be able to vote at the Meeting through 'Instapoll'.

19. The members who have cast their vote by remote e-voting may also attend the Meeting but shall not be entitled to cast their vote again.

**By order of the Board**

Sd/-
**Sunu Manuel**
Company Secretary

Date: August 08, 2019
Place: Bengaluru

# ANNEXURE – INFORMATION TO SHAREHOLDERS

**Details of Directors seeking appointment/re-appointment at the 21st Annual General Meeting to be held on September 26, 2019.**

(Pursuant to of Regulation 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard for General Meetings (SS-2) in respect of director(s) recommended for appointment and re-appointment

| Name of the Director | Mr. Gangadhara Ganapati | Dr. B. S. Ajaikumar |
|---|---|---|
| **Age** | 53 years | 67 years |
| **Date of first appointment to the Board** | December 12, 2005 | March 07, 2000 |
| **Brief profile and nature of Expertise in specific functional areas** | **Mr. Gangadhara Ganapati** is a Non-Executive Director of our Company. He has been a Director of our Company since December 21, 2005. He holds a bachelor's degree in Mechanical Engineering from the Indian Institute of Technology, Madras, and a Post Graduate Diploma in Management from the Indian Institute of Management, Ahmedabad. He also holds a Master's Degree in Business Administration from the Wharton School, University of Pennsylvania. In the past, he has worked as the Managing Director of Adamas India Pharmaceuticals Private Limited, and as Vice President, corporate development of Neuro Molecular Pharmaceuticals, Inc. He founded Triesta Sciences, Inc. and served as its Chief Executive Officer from 2002 until 2006. He served in the Tata Administrative Service at Tata Industries Limited from 1990 to 1994. | **Dr. B. S. Ajaikumar** is the Chairman of the Board and Whole-time Director & Chief Executive Officer of our Company. He has been a Director of our Company since March 7, 2000. He was re-appointed as the Chief Executive Officer with effect from July 1, 2015. He holds a bachelor's degree in Medicine and Surgery from St. John's Medical College, Bangalore, India. He completed his residency in Oncology from the University of Virginia Hospital, Charlottesville and his residency in Radiotherapy from the University of Texas System Cancer Centre, MD Anderson Hospital and Tumour Institute, Texas, United States of America. He has been awarded the Ernst and Young Entrepreneur of the Year Award for the start-up category in healthcare and the BC Roy Award by the Indian Science Monitor. He has also been awarded the CII Regional Emerging Entrepreneurs Award for the contribution made by our company in the field of healthcare. |
| **Relationships with other Directors inter-se & KMPs** | None | None |
| **No. of meetings of the Board attended during the year** | As mentioned in the Corporate Governance Report | As mentioned in the Corporate Governance Report |
| **Shareholding in the company** | 17,16,170 Shares (1.94% of the total paid up capital) | 1,76,80,921 Equity Shares (19.95% the total paid up capital) |
| **Other Listed companies in which the Director is a Director** | Nil | Nil |
| **Membership of the Committees of the Board of other listed companies** | Nil | Nil |
| **Terms and Conditions of appointment/reappointment along with details of Remuneration sought to be paid/last drawn** | None | Refer to the Resolution and Explanatory Statement for the terms and conditions of reappointment including details of Remuneration sought to be paid/last drawn. |

## EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

The following statement sets out the material facts relating to all the Special Business mentioned in the Notice of the Annual General Meeting.

## ITEM NO. 3:

On the recommendation of the Nomination and Remuneration Committee, Audit and Risk Management Committee, the Board of Directors of the Company at their meeting held on May 23, 2019, subject to the approval of the shareholders has approved the reappointment of Dr. B. S. Ajaikumar, as Whole-time Director & CEO of the Company for a period of 4 years with effect from July 1, 2019.

The details of present remuneration and proposed remuneration is as under:

**A. Present remuneration:**

a) Fixed remuneration (Cost To Company) of ₹2,09,00,000 (Rupees Two Crore and Nine Lakh Only) per annum.

b) Variable remuneration, of up to ₹3,00,00,000 (Rupees Three Crore) per annum, based on the achievement of certain milestones which is as under.

| Actual EBITDA* as a % of the approved Budget** | Variable Compensation Payable |
|---|---|
| Less than 90% of the Budget | Nil |
| 90% of the Budget | 0.6% of EBITDA |
| Between 90% and upto 100% of the budget | 1.5% of EBITDA on a linear scale |
| Greater than Budget | 3% on the incremental EBITDA |

Note:

*1. EBITDA shall mean Consolidated EBITDA, net of Minority Interest, computed at the end of every financial year on the basis of the Consolidated Audited Financials of the Company. Only the EBITDA generated out of organic growth shall be considered for the first year.

**2. Budget shall mean the Budget approved by the Board of Directors of the Company for the relevant financial year.

**B. Proposed remuneration:**

1. Fixed remuneration (Cost To Company) of ₹2,09,00,000 (Rupees Two Crore and Nine Lakhs only) per annum,

2. Variable remuneration, of up to ₹3,00,00,000 (Rupees Three Crores only) per annum, based on the quantitative and qualitative parameters, as detailed below:

### a) Based on Financial Performance

Up to ₹2,40,00,000 (Rupees Two Crores and Forty Lakhs only) payable based upon achievement of financial performance as detailed below:

| Actual *EBITDA as a % of the **Approved Budget for the Financial Year | Variable Compensation Payable |
|---|---|
| Less than 90% of the Budget | Nil |
| 90% of the Budget | 0.6% of EBITDA |
| Between 90% and upto 100% of the Budget | 1.2% of EBITDA on a linear scale |
| Greater than Budget | 2.4% on the incremental EBITDA |

Note:

1. *EBITDA shall mean consolidated EBITDA, net of minority interest, computed at the end of every financial year on the basis of the consolidated audited financials of the Company.
2. Only the EBITDA generated out of organic growth shall be considered for the first year, i.e. the EBITDA associated with any acquisition by the Company during the financial year shall be excluded in the computation of the Variable Compensation in the financial year in which the acquisition occurred.
3. **Approved Budget for the Financial Year, shall mean the Budget approved by the Board of Directors of the Company for the relevant financial year.

### b) Based on Qualitative Performance

Variable Compensation of up to ₹60,00,000 (Rupees Sixty Lakhs only) based on the annual performance evaluation of the CEO by the Board of Directors, as further detailed below.

No Variable Compensation on the Qualitative Performance shall be payable if the Actual EBITDA (as computed in 2(a) above) is less than 85% of the Approved Budget for the Financial Year.

| Performance Rating (on a scale of 5) | Variable Compensation Payable |
|---|---|
| Less than 3.50 | Nil |
| Between 3.50 and 5.00 | On a linear scale starting from 0% upto a maximum of 100% of ₹60,00,000 (Rupees Sixty Lakhs Only). |

Considering the vast expertise, experience and the need to oversee various activities of the Company, the proposed remuneration is considered justifiable.

Except Dr. B. S. Ajaikumar and his relatives who are shareholders in the Company, none of the Directors/KMP/their relatives, are in any way, concerned or interested, financially or otherwise, in the resolution. The Board commends this resolution for the approval of the members.

## ADDITIONAL INFORMATION

As required under Section II of Part II of Schedule V of the Companies Act, 2013, the relevant information to be sent along with the notice calling the general meeting is given below:

**I. General Information**

(1) **Nature of industry**: HealthCare Global Enterprises Limited (HCG) headquartered in Bangalore is the leading provider of speciality healthcare in India focussed on cancer. Our HCG cancer care network is the largest cancer care network in India in terms of the total number of comprehensive cancer centres in operation, the total number of new patient registrations and the total number of patients receiving radiation therapy.

(2) **Date or expected date of commencement of commercial production**: The Company had been carrying on the business since its incorporation in the year 1998.

(3) **In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the Prospectus**: Not Applicable.

(4) **Financial performance based on given indicators (₹ in Million)**:

| Standalone financials | 2018-19 | 2017-18 | 2016-17 |
|---|---|---|---|
| Total Income | 6,539.75 | 6,027.92 | 5,517.51 |
| Total Expenditure (excluding Depreciation, Finance Cost & Amortisation) | 5464.28 | 4,981.39 | 4,623.64 |
| EBITDA (before exceptional items) | 1075.47 | 1,046.53 | 893.87 |
| Depreciation and Finance Charges | 949.82 | 707.16 | 600.86 |
| Exceptional item | - | 29.35 | - |
| Profit/(Loss) before tax | 125.65 | 368.72 | 293.01 |
| Profit/Loss after tax | 72.45 | 248.90 | 194.84 |

(5) **Export Performance**: The details of Foreign Exchange Earnings and Outgo during the year ended March 31, 2019 and March 31, 2018, is as under:

| Particulars | For the year ended 31.03.2019 (₹ in Million) | For the year ended 31.03.2018 (₹ in Million) |
|---|---|---|
| Expenditure in Foreign Exchange | | |
| Interest | - | 1.49 |
| Travel expenses | 20.02 | 10.10 |
| Repairs and maintenance : Machinery | 0.79 | - |
| Professional charges | 28.60 | 22.00 |
| Business promotion expenses | 1.36 | 8.06 |
| Rent | 0.83 | 1.87 |
| Others | 286.86 | - |
| **Total** | **338.46** | **43.53** |

| Particulars | For the year ended 31.03.2019 (₹ in Million) | For the year ended 31.03.2018 (₹ in Million) |
|---|---|---|
| Imports | - | - |
| Capital Goods | 134.80 | 323.24 |
| Hospital Consumables | 29.59 | 6.52 |
| Earnings in foreign exchange | - | - |
| Medical service income | 380.41 | 345.94 |

(6) **Foreign Investments or collaborators, if any**: HealthCare Global Enterprises Limited has received foreign investments as FDI, apart from the shares issued to Foreign Institutional Investors, Foreign Venture Capital Funds, Foreign Nationals etc., who would have subscribed to the shares through IPO or preferential issuance or from the secondary market.

II. **Information about the appointee, Dr. B. S. Ajaikumar** - Whole-time Director & CEO

(1) **Background details**: Dr. B. S. Ajaikumar, aged about 67 years, is a radiation and medical oncologist with around 40 years of experience in the field of cancer care. Dr. B. S. Ajaikumar practiced as a consultant Doctor in the US, with specialisation in Oncology from the year 1979 till 2002 and successfully established oncology physician practices in Burlington, Iowa and later in Chicago, Illinois.

Dr. Ajaikumar has been a Director of our Company since March 7, 2000. He was appointed as the Chief Executive Officer with effect July 14, 2006. He holds a Bachelor's Degree in Medicine and Surgery from St. John's Medical College, Bengaluru, India. He completed his residency in Oncology from the University of Virginia Hospital, Charlottesville and his residency in Radiotherapy from the University of Texas System Cancer Centre, M. D. Anderson Hospital and Tumour Institute, Houston, Texas, USA.

(2) **Past remuneration**: Dr. B. S. Ajaikumar was appointed as Whole-time Director, designated as Chairman & CEO on July 14, 2006, at a yearly remuneration of ₹48 Lakhs. The remuneration was subsequently revised to ₹75 Lakhs per annum, with effect from August 02, 2007. On June 16, 2010, the remuneration was enhanced to ₹1.20 Crores per annum. The Company, with effect from 01.01.2015 further enhanced the remuneration to ₹1.5 Crores with a variable pay, of up to ₹1.00 Crore per annum, based on the achievement of certain milestones and a Special allowance (One-time payment) – ₹52.50 Lakhs for FY 2014-15.

The Company, with effect from 01.04.2016, enhanced the remuneration to ₹1.9 Crores with a variable pay, up to ₹3.00 Crore per annum, payable based on the achievement of certain milestones.

The Company, with effect from 01.04.2018, further enhanced the remuneration to ₹2.09 Crores with a variable pay, up to ₹3.00 Crore per annum, based on the achievement of certain milestones.

The Company has also secured necessary approvals for the same.

(3) **Recognition or awards**: Dr. B. S. Ajaikumar is the Chairman of the International Human Development & Upliftment Academy (IHDUA). He was awarded 'Face of the year 2006' by Modern Medicare. He has also received prestigious B. C. Roy Award from the Indian Science Monitor and Kannada Rajyotsava award from Government of Karnataka. Amongst several prestigious awards, he has also been conferred with Ernst and Young Entrepreneur of the Year Award 2011 for the start-up category in healthcare, CII Regional Emerging Entrepreneurs Award for the contribution made by our Company in the field of healthcare and CEO of the Year at the Asian Healthcare Leadership Awards 2014.

(4) **Job profile and his suitability**: Dr. B. S. Ajaikumar is a radiation and medical oncologist with around 40 years of experience in the US and India in the field of cancer care and the management of cancer centres. Dr. B. S. Ajaikumar is responsible for the overall conduct and management of business and affairs of the Company. This includes broad development of domestic and international business; providing strategic direction to all the business units of the Company. He was also responsible for placing HCG on an accelerated growth path, expand the organization and help evaluate and build network of centres across India. His vast experience and expert knowledge in the field of oncology, coupled with his strong resources management capability, makes him fully suitable for the position. He is the Promoter of the Company, Chairman of the Board and Whole-time Director & CEO of the Company and has successfully completed Initial Public Offer of the company, through which the Company has raised about ₹252 crores.

(5) **Comparative remuneration profile with respect to industry, size of the company, profile of the position and person**:

Given the size, complexity and uniqueness of the business of the Company and nature of business, and also the profile of the position of Dr. B. S. Ajaikumar as given above, the proposed remuneration is in line with the remuneration prevalent in the industry. His profile also requires expertise for appropriate fund allocation, optimum utilization of various resources in the business. Considering the fact that Oncology is a highly specialized branch of medicine, it is difficult to establish or obtain comparative details of similar doctors in other companies. However, keeping in mind his specialization and expertise in the field of Radiation and medical oncology and management of cancer centres and the onerous responsibilities of Dr. B. S. Ajaikumar, the Board of Directors considers that the remuneration proposed to be paid to him is justified and commensurate with other organisations of the similar type, size and nature in healthcare industry.

(6) **Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any**: Dr. B. S. Ajaikumar is the promoter, Chairman of the Board, Whole-time Director &CEO and a major shareholder of the Company. He receives remuneration from the Company as a Whole-time Director & CEO. Ms. Anjali Ajaikumar, VP –Strategy and Quality is the daughter of Dr. B. S. Ajaikumar. The Company has ongoing transactions with other entities where Dr B.S. Ajaikumar and/or his relatives are interested. These are disclosed under Related Party Transactions forming part of the Financial Statements. Except for this, he has no other pecuniary relationship directly with the Company or relationship with the any other managerial personnel.

**III. Other information**

(1) **Reasons of loss or inadequate profits**: The business growth of the Company has been primarily driven by establishing new centres on our own and as well as through partnership arrangements and acquisitions. Each new centre that we establish goes through an initial ramp-up period during which period the operating expenses of the centre exceeds its revenue resulting in an operating loss.

(2) **Steps taken or proposed to be taken for improvement**: HCG operates the largest cancer care network in India in terms of the total number of cancer treatment centers. HCG's expansion model is based on partnership with local tertiary care centres or physician groups. The business growth of the Company has been primarily driven by establishing new centres on our own and as well as through partnership arrangements and acquisitions. Each new centre that we establish goes through an initial ramp-up period during which period the operating expenses of the centre exceeds its revenue resulting in an operating loss. However, we expect these Centres to grow steadily and become key drivers to our future growth.

(3) **Expected increase in productivity and profits in measurable terms**: Indian healthcare market is expected to rank amongst the top three in terms of incremental growth by 2020. The private sector has emerged as a vibrant force in India's healthcare industry, lending it both national and international repute. Within the emerging trends of investment and consolidation in healthcare, we see a strong focus on category leaders, which is essentially companies that are proven leaders in their segments and are better placed to benefit not only from internal efficiencies and external tailwinds, but also withstand macro or external headwinds. Also, this provides a clear path to increasing earnings through not only organic growth, but also future acquisitions in domestic and international markets based on suitable strategies. Also, the 2018 union budget took a landmark step towards a universal healthcare system making healthcare affordable and accessible to all. Considering some of these factors, the company is optimistic that it will increase its productivity and improve profits over a period of time.

**IV. Additional Disclosures**

Additional disclosures as required under Part II Section II (B) (IV) and Secretarial Standards for General Meetings (SS-2) are disclosed in the Board's Report under the heading "Corporate Governance" of the Company attached to the financial statements for the financial year ended March 31, 2019.

The resolution for proposed revision in terms of remuneration and Explanatory statement in relation thereto may be treated as an abstract of the terms of contract under Section 190 of the Companies Act, 2013. Copy of the contract entered into by the Company with Dr. B.S. Ajaikumar is available for inspection as per the provisions of The Companies Act, 2013.

None of the Directors/KMP of the Company/their relatives, except Dr. B. S. Ajaikumar and his relatives who are shareholders in the Company are, in any way, concerned or interested, financially or otherwise, in the resolution.

## ITEM NO. 4:

On the recommendation of the Audit and Risk Management Committee, Nomination and Remuneration Committee, the Board of Directors of the Company at their meeting held on May 23, 2019, subject to the approval of the shareholders, have approved the enhancement of remuneration payable to Ms. Anjali Ajaikumar from ₹55,39,200 (Rupees Fifty-

Five Lakh Thirty-Nine Thousand Two Hundred) per annum to ₹57,60,768 (Rupees Fifty Seven Lakh Sixty Thousand Seven Hundred Sixty Eight) per annum. Ms. Anjali Ajaikumar, holds office or place of profit in the Company as "Vice-President – Strategy & Quality", being a relative of Dr. B. S. Ajaikumar, Whole-time Director & CEO of the Company, and such increase in remuneration requires approval of the shareholders. The increased remuneration is payable with effect from May 23, 2019.

The disclosures pursuant to para 3 of Explanation (1) to Rule 15 of Companies (Meeting of Board and its Powers) Rules, 2014 are provided herein below:

| | |
|---|---|
| Name of the related party and background | Ms. Anjali Ajaikumar.<br>Ms. Anjali Ajaikumar has completed her Masters' in Business Administration in Entrepreneurship, from Babson College, US. She further holds a Bachelor of Arts degree in International Relations, Politics from Lake Forest College, US. |
| Name of the director or Key Managerial personnel who is related | Dr. B. S. Ajaikumar, Whole-time Director &CEO. |
| Nature of relationship | Ms. Anjali Ajaikumar is the daughter of Dr. B. S. Ajaikumar. |
| Remuneration | The Company proposes to pay Ms. Anjali Ajaikumar, as VP –Strategy & Quality, a total remuneration of ₹57,60,768/- (Rupees Fifty Seven Lakh Sixty Thousand Seven Hundred Sixty Eight) per annum inclusive of all basic, additional, fixed and variable remunerations, bonus, commission, incentives, allowances, benefits, perquisites, amenities and conveniences as applicable, as per the Company policy. |
| Payment Schedule | Not applicable |
| Nature, material terms and particulars of the arrangement | a) Ms. Anjali Ajaikumar was appointed as VP – Strategy and Quality, on February 08, 2017.<br>b) As a part of annual performance appraisal of employees, her performance was evaluated, and the Nomination and Remuneration Committee, The Audit and Risk Management Committee, at their respective meetings held in May 2019 and the Board of Directors of the Company at their meeting held on May 23, 2019 have approved the enhancement of remuneration to ₹57,60,768 (Rupees Fifty Seven Lakh Sixty Thousand Seven Hundred Sixty Eight) per annum (all inclusive), subject to the approval of the shareholders of the Company at the AGM, to be effective from May 23, 2019.<br>c) The Committees and the Board have reviewed the benchmarking study conducted for analysing the overall compensation and benefits provided by the comparators to the identified roles of Ms. Anjali Ajaikumar, in the industry, for ascertaining that the remuneration proposed is in line with the market rates.<br>d) Within the overall limits of remuneration as set out in the resolution, Ms. Anjali Ajaikumar shall be entitled to the allowances and perquisites and benefits as per the policies of the Company. She shall also be entitled to other benefits like medical benefits, group medical insurance, group accidental insurance, group life insurance, pension, gratuity, relocation benefits and such other benefits as per the policies of the Company.<br>e) The other terms & conditions and her remuneration proposed is set out in the resolution. |
| Duration of the contract | Ms. Anjali Ajaikumar is appointed under a contract of employment pursuant to which she may function according to the directions as may be given by the Company from time to time. Contract will continue as long as she remains as an employee as per the contract of employment. |

Except Dr. B. S. Ajaikumar and his relatives who are shareholders in the Company, none of the Directors/ KMP/their relatives, are in any way, concerned or interested, financially or otherwise, in the resolution.

## ITEM NO. 5

The Board of Directors of the Company on March 28, 2019, on recommendation by the Audit and Risk Management Committee, appointed M/s. Rao Murthy & Associates, Cost Accountants, as the cost auditors of the Company for the financial year 2018-19, to fill the casual vacancy arising from resignation of M/s. Thimmarayaswamy & Co., Cost Auditors, at a remuneration of ₹1,75,000 (Rupees One Lakh Seventy Five Thousand Only) and re-imbursement of out of pocket expenses, subject to ratification of the remuneration payable to cost auditor by the shareholders.

Further, the Board of Directors of the Company, at their meeting held on May 23, 2019, on recommendation by the Audit and Risk Management Committee, appointed M/s. Rao Murthy & Associates, Cost Accountants as the cost auditors for the financial year 2019-20, at a remuneration of ₹1,75,000 (Rupees One Lakh Seventy Five Thousand Only) and re-imbursement of out of pocket expenses, subject to ratification of the remuneration payable to cost auditor by the shareholders.

In accordance with the provisions of Section 148 of the Companies Act, 2013 (the Act) and Companies (Audit and Auditors) Rules, 2014 (the Rules), the remuneration of the cost auditor is required to be ratified by the shareholders subsequently in accordance to the provisions of the Act and Rule 14 of the Rules.

None of the Directors and Key Managerial Personnel of the Company or their respective relatives are concerned or interested in the Resolution at Item No. 5 of the accompanying Notice.

**By order of the Board**

Sd/-

Date: August 08, 2019
Place: Bengaluru

**Sunu Manuel**
Company Secretary

# Voting through Electronic Means (E-Voting Facility)

Pursuant to the provisions of Section 108 of the Act read with the rules thereunder and Regulation 44 of SEBI LODR Regulations, the Company is offering e-voting facility to its members in respect of the business to be transacted at the Annual General Meeting scheduled to be held on Thursday, September 26, 2019 at The Chancery Pavilion, No. 135, Residency Road, Shanthala Nagar, Ashok Nagar, Bengaluru – 560025.

The Company has engaged the services of M/s. Karvy Fintech Private Limited ("Karvy") as the Authorized Agency to provide e-voting facilities. The e-voting particulars are set out below:

The e-voting facility will be available during the following voting period:

Commencement of e-voting: **From 23rd September 2019 at 9.00 a.m.**

End of e-voting: **Up to 25th September 2019 at 5.00 p.m.**

**The cut-off date (i.e. the record date) for the purpose of e-voting is 19th September 2019**.

Please read the procedure and instructions for e-voting given below before exercising the vote.

This communication forms an integral part of the Notice dated 08th August 2019 for the AGM scheduled to be held on Thursday, September 26, 2019 which is enclosed herewith and is also made available on the website of the Company www.hcgel.com. Attention is invited to the statement on the accompanying Notice that the Company is pleased to provide e-voting facility through Karvy for all shareholders of the Company to enable them to cast their votes electronically on the resolution mentioned in the Notice of the Annual General Meeting of the Company dated 08th August 2019.

## Procedure and instructions for e-voting

**A.** Members who received the Notice through e-mail from Karvy:

i. Open your web browser during the voting period and navigate to https://evoting.karvy.com'

ii. Enter the login credentials (i.e., user-id & password). However, if you are already registered with Karvy for e-voting, you can use your existing User ID and password for casting your vote:

| | |
|---|---|
| User – ID | For Members holding shares in Demat Form:-<br>a) For NSDL :- 8 Character DP ID followed by 8 digit Client ID<br>b) For CDSL :- 16 digits Beneficiary ID / Client ID<br>For Members holding shares in Physical Form:-<br>Event No. (EVENT) followed by Folio No. registered with the Company |
| Password | Your unique password is printed above / provided in the e-mail forwarding the electronic notice |

iii. After entering these details appropriately, click on "LOGIN".

iv. You will now reach Password Change Menu wherein you are required to mandatorily change their password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character (@, #, $, etc.). The system will prompt you to change your password and update your contact details like mobile number, email ID etc., on first login. You may also enter a secret question of your choice to retrieve your password in case you forget it. It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.

v. After changing password, you need to login again with the new credentials.

vi. On successful login, the system will prompt to select the "Event" i.e., HealthCare Global Enterprises Limited.

vii. On the voting page, enter the number of shares (which represents number of votes) as on the cut-off date under "FOR/AGAINST/ABSTAIN" against the resolution or alternatively you may partially enter any number in "FOR", partially in "AGAINST" and partially in "ABSTAIN" but the total number in "FOR/AGAINST/ABSTAIN" taken together should not exceed your total shareholding.

viii. You may then cast your vote by selecting an appropriate option and click on "Submit". A confirmation box will be displayed. Click "OK" to confirm else "CANCEL" to modify your vote. During the voting period, Members can login any number of times till they have voted on the resolution.

ix. Corporate/Institutional Members (corporate/FIs/FIIs/Trust/Mutual Funds/Company(s), etc.,) are additionally required to send scanned certified true copy (PDF Format) of the Board Resolution/ Authority Letter, etc. together with the attested specimen signature(s) of the duly authorized representative(s), to the Scrutinizer at e-mail ID: sree@sreedharancs.com with a copy marked to evoting@karvy.com. The scanned image of the above mentioned documents should be in the naming format "Corporate Name_Event No.".

**B.** In case of Members receiving the Notice by post:

1. Please use the User ID and initial password as provided above.

2. Please follow all steps from Sr. No. (i) to (ix) as mentioned in (A) above, to cast your vote.

**C.** In case of any query pertaining to e-voting, please visit Help & FAQs section of Karvy e-voting website.

**D.** Once the vote on the resolution is cast by a shareholder, the shareholder shall not be allowed to change it subsequently. Further, the shareholders who have cast their vote electronically shall not be allowed to vote again at the AGM.

**E.** Mr. V. Sreedharan (FCS), Partner, V. Sreedharan & Associates, Practicing Company Secretary has been appointed as Scrutinizer for conducting the e-voting process in accordance with law. In case if he is unable to attend the meeting and carry out the scrutiny, Mr. Pradeep B. Kulkarni or Ms. Devika Sathyanarayana, Partners of the same firm are appointed as the Scrutinizers. The Scrutinizer's decision on the validity of e-voting shall be final. The e-mail ID of the Scrutinizer is sree@sreedharancs.com.

**F.** The Scrutinizer shall, on the date of the AGM, unblock the votes in the presence of at least two witnesses not in the employment of the Company and make a Scrutinizer's report of the votes cast in favour or against, if any, and submit it to the Chairman.

**G.** The result of voting will be announced by the Chairman of the AGM within 48 hours of conclusion of the AGM and the resolution will be deemed to have been passed on the date of the AGM subject to receipt of the requisite number of votes in favour of the resolution.

**H.** The result of the voting along with the Scrutinizer's Report will be communicated to the stock exchanges and will also be hosted on the website of the Company www.hcgel.com and on Karvy's website (https://evoting.karvy.com) within 48 hours of conclusion of the AGM.

**I.** The voting rights for the shares are one vote per equity share, registered in the name of the shareholders / beneficial owners as on September 19, 2019. Shareholders holding shares either in physical form or dematerialized form may cast their vote electronically.

**J.** Shareholders / proxies may also vote at the venue of the meeting physically by using the ballot papers that will be provided at the venue. Shareholders / proxies who have cast their votes through e-voting will not be allowed to cast their votes physically at the venue of the AGM.

**K.** In case of any grievances connected with the voting by electronic means, shareholders are requested to contact Mr. Ganesh Chandra Patro, Sr. Manager, Karvy Fintech Private Limited, Karvy Selenium, Tower B, Plot No. 31 & 32, Financial District, Gachibowli, Hyderabad - 500 032, E-mail : einward.ris@karvy.com, Phone : 040-67161526.

**L.** Members who have acquired shares after the despatch of the Notice and before the Cut-off date may obtain the user ID by approaching Mr. Ganesh Chandra Patro, Sr. Manager, Karvy Fintech Private Limited, Karvy Selenium, Tower B, Plot No. 31 & 32, Financial District, Gachibowli, Hyderabad - 500 032, E-mail: einward.ris@karvy.com, Phone: 040-67161526, for issuance of the user ID and password for exercising their right to vote by electronic means.

**By order of the Board**

Sd/-
**Sunu Manuel**
Company Secretary

Date: August 08, 2019
Place: Bengaluru

# HealthCare Global Enterprises Limited

**CIN:** L15200KA1998PLC023489

**Registered Office:** HCG Towers, No. 8, P Kalinga Rao Road, Sampangi Rama Nagar, Bengaluru 560 027, Karnataka, India

**Corporate Office:** No. 3, Ground Floor, Tower Block, Unity Buildings Complex, Mission Road, Bengaluru – 560027, Karnataka, India **Website:** www.hcgel.com **E-mail:** investors@hcgoncology.com **Telephone:** +91-80-4020 6000

# ATTENDANCE SLIP

**21st Annual General Meeting**

26th day of September 2019

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

| Name and address of shareholder/ Proxy | DP id & Client id No./Registered Folio No. | No. of shares held |
|---|---|---|
| | | |

I hereby record my/our presence at the 21st Annual General Meeting of the Company on Thursday, September 26, 2019 at The Chancery Pavilion, No. 135, Residency Road, Shanthala Nagar, Ashok Nagar, Bengaluru – 560025 at 3.00 (P.M).

| If shareholder, please sign here | If proxy, please sign here |
|---|---|
| | |

Shareholders/Proxies are requested to fill up the attendance slip and hand it over at the venue.

# HealthCare Global Enterprises Limited

**CIN:** L15200KA1998PLC023489

**Registered Office:** HCG Towers, No. 8, P Kalinga Rao Road, Sampangi Rama Nagar, Bengaluru 560 027, Karnataka, India

**Corporate Office:** No. 3, Ground Floor, Tower Block, Unity Buildings Complex, Mission Road, Bengaluru – 560027, Karnataka, India **Website:** www.hcgel.com **E-mail:** investors@hcgoncology.com **Telephone:** +91-80-4020 6000

## FORM OF PROXY

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the Member :

Registered Address :

E-mail id :

DP id - Client id/ :

Folio No :

I/We, being the holder (s) of ................................................ shares of the above named company, hereby appoint:

1. Name..........................................................................................................................................

   Address...................................................................................................................

   Email id..........................................................Signature.......................................................................

   or failing him

2. Name..........................................................................................................................................

   Address...................................................................................................................

   Email id..........................................................Signature.......................................................................

   or failing him

3. Name..........................................................................................................................................

   Address...................................................................................................................

   Email id..........................................................Signature.......................................................................

   or failing him

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 21st Annual General Meeting of the Company, to be held on Thursday, September 26, 2019 at The Chancery Pavilion, No. 135, Residency Road, Shanthala Nagar, Ashok Nagar, Bengaluru – 560025 at 3.00 (P.M) and at any adjournment thereof in respect of such resolutions as are indicated below:

| Sl. No. | Agenda | Number of Shares held | For | Against |
|---|---|---|---|---|
| **Ordinary Business** | | | | |
| 1 | To adopt Financial Statements of the Company (including audited consolidated financial statements) for the year ended March 31, 2019, together with the Reports of the Board of Directors and the Auditors thereon | | | |
| 2 | To re-appoint Mr Gangadhara Ganapati, Director (DIN: 00489200), who retires by rotation, and being eligible offers himself for reappointment. | | | |
| **Special Business** | | | | |
| 3 | To re-appoint Dr. B. S. Ajaikumar (DIN: 00713779) as Whole-time Director & Chief Executive Officer of the Company, for a period of 4 years w.e.f. July 01, 2019. | | | |
| 4 | To approve increase in remuneration of Ms. Anjali Ajaikumar, VP – Strategy and Quality, relative of Dr. B. S. Ajaikumar, Whole-time Director & CEO | | | |
| 5 | To ratify the remuneration payable to Cost Auditors for the financial year 2018-19 and 2019-20 | | | |

This is optional. Please put a tick mark (✓) in the appropriate column against the resolutions indicated in the box. If a Member leaves the "For" or "Against" column blank against any or all the Resolutions, the proxy will be entitled to vote in the manner he/she thinks appropriate. If a Member wishes to abstain from voting on a particular resolution, he/she should write "Abstain" across the boxes against the Resolution.

Signed this .......... day of .......... 2019

Affix Revenue Stamp

Signature of Shareholder ..............................

Signature of Proxy holder(s) ..............................

1. The Proxy to be effective should be deposited at the Registered office of the company not less than FORTY-EIGHT HOURS before the commencement of the Meeting. A Proxy need not be a Member of the Company.
2. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote of the other joint holders. Seniority shall be determined by the order in which the names stand in the Register of Members.
2. A member may vote either for or against each resolution.

# HealthCare Global Enterprises Limited

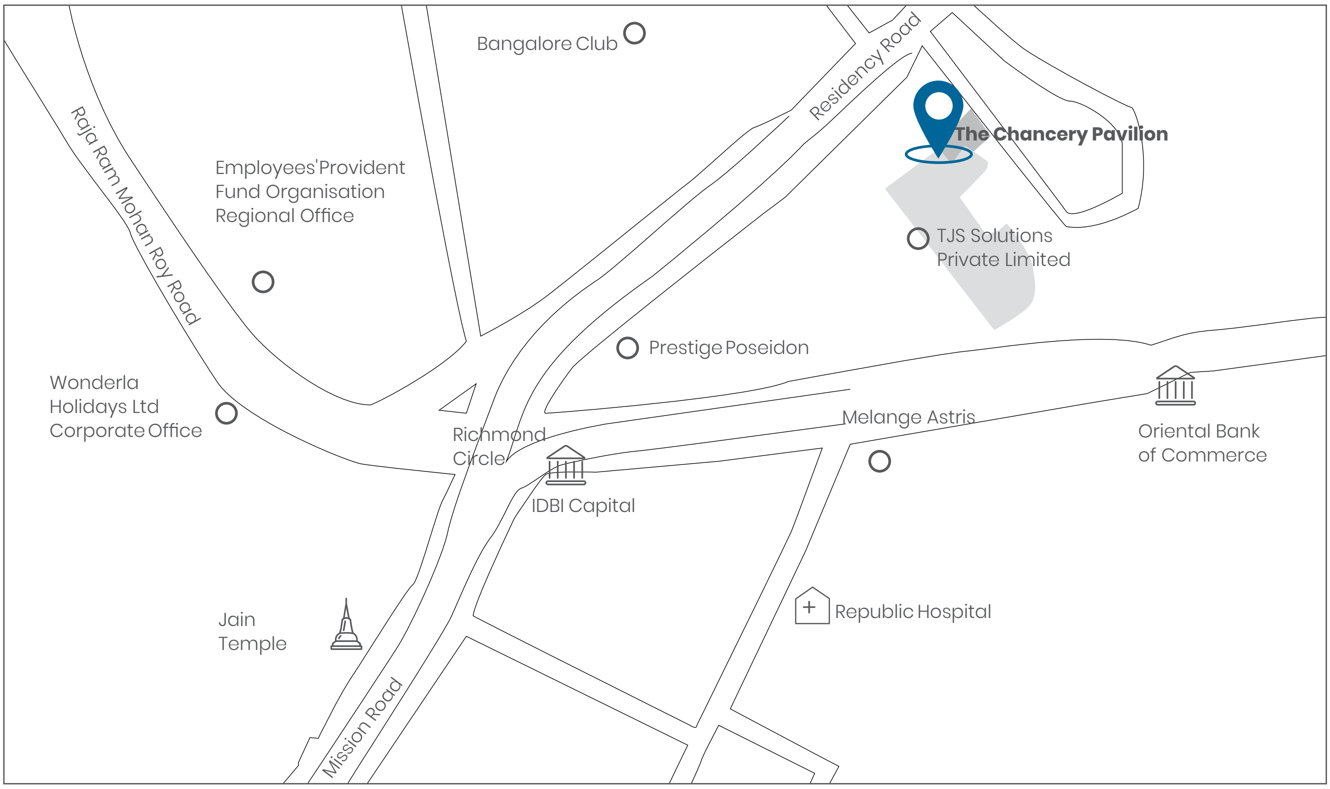
**CIN:** L15200KA1998PLC023489

**Registered Office:** HCG Towers, No. 8, P Kalinga Rao Road, Sampangi Rama Nagar, Bengaluru 560 027, Karnataka, India

**Corporate Office:** No. 3, Ground Floor, Tower Block, Unity Buildings Complex, Mission Road, Bengaluru – 560027, Karnataka, India **Website:** www.hcgel.com **E-mail:** investors@hcgoncology.com
**Telephone:** +91-80-4020 6000

## ROUTE MAP – AGM VENUE

The Chancery Pavilion, No. 135, Residency Road, Shanthala Nagar, Ashok Nagar, Bengaluru – 560025.



adding life to years

# HealthCare Global Enterprises Limited
# Annual Report 2018-19

# About the Report

**The Annual Report provides a holisitic overview of HCG's philosophy and approach to creating true value over long-term for its stakeholders, patients, employees, investors and society at large.** This report marks a new milestone in HCG's corporate reporting. It is our first Integrated Annual Report adopting the structure as described in the Integrated Reporting framework<IR> as defined by the International Integrated Reporting Council (IIRC). With this report, we have embarked on a journey of sharing our value-creation philosophy.

This report contains an overview of HCG and key developments in 2018-19, with respect to the strategy, value creation and our performance, plans and ambitions for the future, how we delivered on our strategy and how we engage with our stakeholders.

## Reporting Scope and Period

The Annual Report focuses information on business operations of HCG Enterprises Ltd's India operations only, aptly disclosed through six capitals as defined by International Integrated Reporting Council (IIRC). All the six capitals cover information on a consolidated basis. The Annual Report considers the primary reporting period as April 01, 2018 to March 31, 2019. However, some sections of the report represent facts and figures of previous years, of our multispecialty and fertility operations, as well as our associate companies including HCG Africa and Strand, to provide a comprehensive view to the readers – and especially anyone whose success is dependent on HCG, such as our patients, employees, investors and other stakeholders.

## Reporting Framework

The report follows the International <IR> Framework as developed by IIRC (www.integratedreporting.org) and should be read in conjunction with the financial statements included herein and the notes thereto. The financial and statutory data presented is in accordance with the requirements of the Companies Act, 2013 (including the rules made thereunder), Indian Accounting Standards, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the applicable laws.

The report is divided into six capitals with adoption of integrated reporting framework as laid out by the International Integrated Reporting Council (IIRC), followed by Board report and financial statements.

**Financial Capital**

Capital available, deployed and returns generated by HCG Enterprises Ltd.

**Intellectual Capital & Manufactured Capital**

Business model, systems and processes, brands, data and our hospital infrastructure and medical equipment

**Human Capital**

Our team of professionals including clinical specialists, paramedical, nursing, management and administrative staff

**Social and Relationship Capital**

Strategic partnerships, joint-ventures, networks and social contributions

**Natural Capital**

Our responsibility towards preserving earth's resources

## Assurance

To ensure the integrity of facts and information, the Board of Directors and management have reviewed the Annual Report and have carried out the independent assurance on sustainability disclosures presented in the report. The statutory auditors, KPMG India Limited have provided assurance on the financial statements and the 'Independent Auditor's Report' has been duly incorporated as a part of this report.

## Forward looking statement

Some information in this report may contain forward-looking statements which include statements regarding Company's expected financial position and results of operations, business plans and prospects etc. and are generally identified by forward-looking words such as "believe," "plan," "anticipate," "continue," "estimate," "expect," "may," "will" or other similar words. Forward looking statements are dependent on assumptions or basis underlying such statements. We have chosen these assumptions or basis in good faith, and we believe that they are reasonable in all material respects. However, we caution that actual results, performances or achievements could differ materially from those expressed or implied in such forward-looking statements. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

## Stakeholder Feedback

We welcome and appreciate any constructive input and feedback from stakeholders with regard to the content of this report.

- Email: investors@hcgoncology.com
- Mail: HealthCare Global Enterprises Ltd., #3 Tower Wing, Unity Buildings Complex, Mission Road, Bangalore 560027, India
- Website: https://hcgel.com/

Annual Report 2018-19

The cover design highlights the magnitude of cancer, as a major health problem affecting the world, while HCG continues relentlessly delivering hope to thousands of patients. Having set a strong footprint in India, HCG's quality of care, outcomes delivered through efficiencies and innovations are being recognised globally as well. This report marks a new chapter in HCG's care with facts and figures that illustrates HCG's promise of '**adding life to years**'.

Visit our website to view this report online
www.hcgel.com

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# HCG at a Glance

As the reality of oncology incidence and prevalence, a formidable and growing threat to health and life, stand at one end of the spectrum, the innovations of science and technology in the hands of specialists stands at the other end to counter it. HCG was founded with the ethos to provide highest quality oncology outcomes through multi-disciplinary specialist teams and state-of-the-art infrastructure and technology, and a vision to bring this impact to millions, across metros and small towns in India, Africa and emerging markets, while ensuring an enterprise with robust financial stability and performance over the long-term.

As a patient oriented and compassionate healthcare provider, HCG has been a pioneer in setting-up dedicated cancer hospitals since 1989 and a torchbearer of hopes for thousands of cancer patients and their families since then. Our growth is a testament of the huge need (and opportunity) to consistently deliver good quality cancer treatment and outcomes in a market with abundance in diversity and, in effect, challenges. This is also the vision, experience and track record with which, we have made strategic investments in:

- Underserved Oncology markets like Africa
- Technology and Data driven precision medicine platform like Strand Lifesciences
- Reproductive medicine opportunity through Milann Fertility business

Anchored by this challenging and impactful agenda, in one of the most complicated disease and market landscapes, HCG stands empowered by a bold and inspiring advocacy from all its stakeholders, and has emerged as the author behind thousands of stories of hope, blossoming in spite of multiple adversities. Leveraging the capabilities of the various faculties that today form our core, we can inarguably establish our emergence as a strong, successful and responsible entity to address the growing cancer burden within the society.

# Vision

Adding life to years by redefining healthcare through global innovation

# Mission

To be an acclaimed healthcare institution in pursuit of medical excellence through value-based medicine

# Values

### Quality

Enabling patients to achieve better lives

### Integrity

We are honest, forthright and are responsible corporate citizens

### Collaboration

Limitless possibilities of collaborative energy and teamwork

### Innovation

Innovative ways to ensure better medical outcomes

### Leadership

We strive to be the best at what we do, both as a company and as individuals

## We are one of the largest private comprehensive cancer care providers in India, with a nation-wide network. Healthcare Global Enterprise Limited (HCG), is solely dedicated to addressing unmet patient needs by delivering highest quality of care and add life to years.

Since our inception, our comprehensive cancer care facilities are equipped to provide best-in-class treatment for all kinds of cancers. Our care units comprise of specialist oncologist teams, expert physicians and trained nurses that investigate, diagnose, and provide treatments for all types of cancers using evidence based protocols and global technologies. Our business model is structured to provide specialty focused healthcare services under an institutional brand, with presence in metros and Tier 2/3 towns of India.

Over the years, we have created a multispecialty business in select geographies, have diversified into providing fertility treatment and also created a precision medicine platform that is aligned to our strategic business model of creating value for our stakeholders. Milann – is among the country's leading brand for providing fertility treatment in India. HCG Hospitals operate multi-specialty hospitals with tertiary care covering multiple critical care treatments. Strand Life Sciences specializes in proprietary analytical tools and clinical research and focuses on routine to high-end tests across oncology and rare disease domains through its network of laboratories.

**1989**

1st private dedicated hospital offering comprehensive oncology services

**₹ 9,787 million**

Operating Revenues for the financial year ended 31st March 2019

**One of the Largest**

Private Provider of cancer care in India

**One of the Leading**

Brands in IVF in India

**One of the Leading**

Precision Medicine platforms in India

HCG Cancer center Borivali, Mumbai

## HCG

**Pioneer**
In field of oncology focused on quality and outcomes with Pan-India presence

**300+**
Oncologists associated with us as on 31st March 2019

**21**
Comprehensive cancer care centers

**3**
Freestanding diagnostic centers

**1**
Day care chemotherapy center

**27**
Linear Accelerators

**15**
PET-CT Scanners

**55**
Operation theaters

## Milann

**Pioneer**
In field of reproductive medicine in India

**10,000+**
Couples treated till March 2019

**8**
Fertility centers across India

**38**
IVF specialists

**9**
Embryologists

**2,000+**
IVF Cycles in FY19

**4**
FNB seats (IVF Fellowship programs) -National Board of Examinations under the Ministry of Health and Family Welfare, Government of India

## Strand

**Pioneer**
In field of Bioinformatics, molecular testing and precision diagnostics

**32+**
Ph.D scientists

**24,000+**
Published citations

**20**
High quality laboratories across India

**20+**
Actively managed clinical trials

**3**
CAP accredited laboratories

**~60**
Sample Collection Centers

**~700**
Employees

**>1,000,000**
Specialized tests performed in 2019, with nearly 4,000 speciality genomic tests performed in 2019

# HCG at a Glance (continued)

## Operational Highlights

**Beds**

| | |
|---|---|
| FY19 | 1,872 |
| FY18 | 1,569 |
| FY17 | 1,364 |

**Average Occupancy rate**

| | |
|---|---|
| FY19 | 43.7% |
| FY18 | 44.5% |
| FY17 | 46.9% |

**ALOS days**

| | |
|---|---|
| FY19 | 2.25 |
| FY18 | 2.39 |
| FY17 | 2.86 |

**New Patient Registration across our cancer centers**

| | |
|---|---|
| FY19 | 72,110 |
| FY18 | 55,332 |
| FY17 | 41,599 |

₹ **9,143 million**

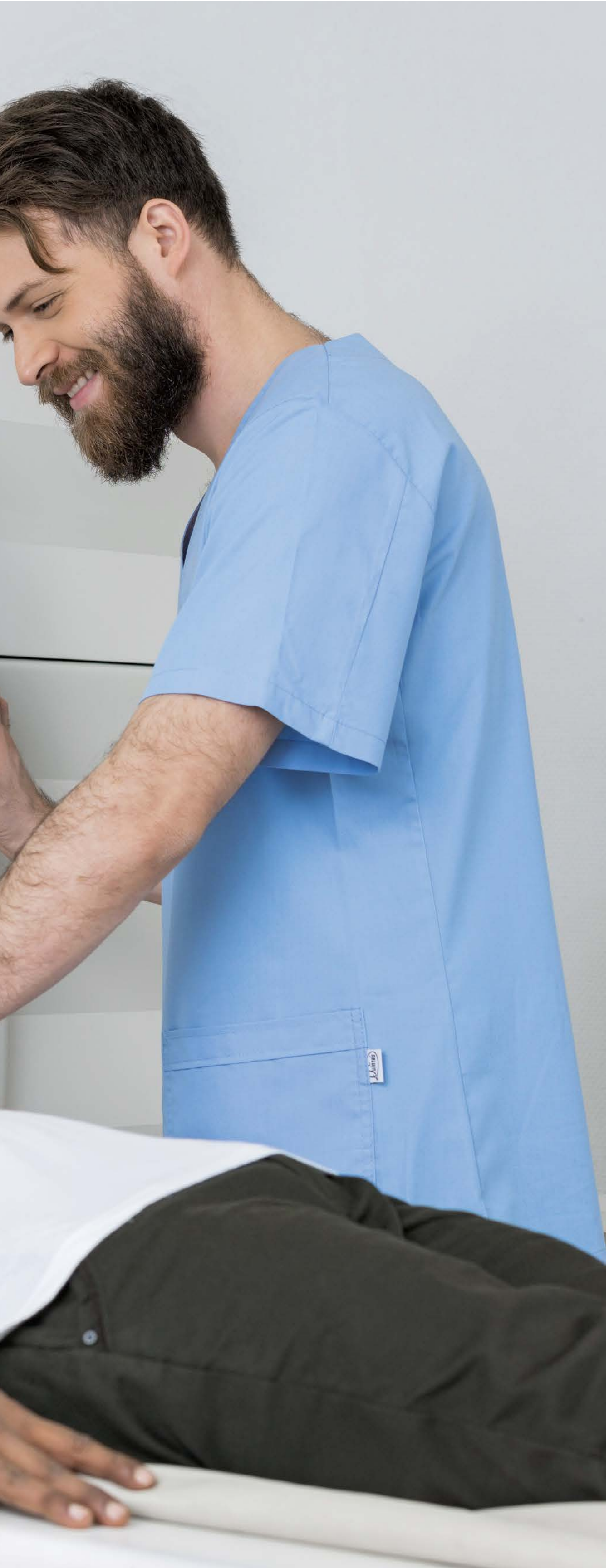
**Revenue from HCG Centers in FY19** (against ₹ 7368 Mn in FY18)

**24**

**Total Centres in FY19**
(against 22 in FY18)

₹ **31,423**

**ARPOB in FY19**
(against ₹ 30, 832 in FY18)



## Growth Journey

HCG adding life to years

**1989**

1st cancer center in the HCG network was set up

**2006**

Operated 3 cancer centers; began expansion of the HCG network

**2011**

Awarded Oncology Leader of the Year by Frost & Sullivan

milann The Fertility Specialists

**2013**

Entered into fertility business through the acquisition of 50.1% in BACC Healthcare Pvt. Ltd.

strand New Generation Healthcare

**2018**

**1.** Entered Africa in partnership with CDC

**2.** Created Precision diagnostic platform through combination of Triesta with Strand

**Today**

Largest scaled specialized healthcare player with oncology, fertility and precision medicine leadership

adding life to years

# Hope

For cancer patients


milann
THE FERTILITY CENTER
Joy
For infertile couples


strand
New Generation Healthcare
Knowledge
through diagnostics,
technology and research

# Business Review

HCG has grown to be a focused healthcare provider and has developed leading brands that offer spectrum of services across their specialities and have received recognition in India and globally for our quality and outcomes that covers multiple regions across India.

**HCG**
The Specialist in Cancer Care

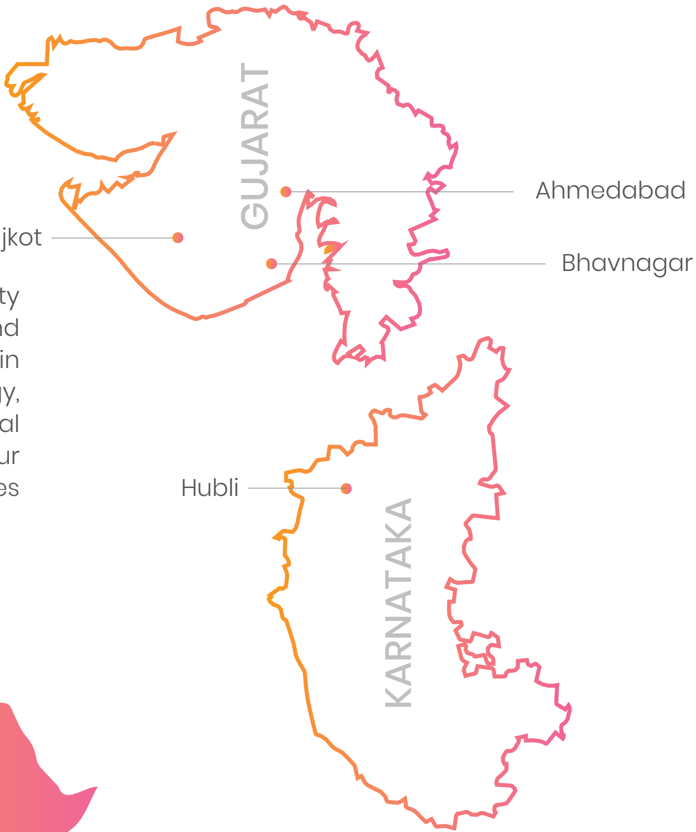
This business segment is one of the largest private cancer care providers in India providing diagnosis and treatment services through nuclear medicine, radiation therapy, medical oncology and surgical oncology among others. We provide the expertise and state-of-the-art technologies required for accurate diagnosis and treatment, through dedicated and comprehensive centers. Our team of specialists consists of industry leading radiation, medical and surgical oncologists, nuclear medicine doctors, radiologists, pathologists and other experts in the field.

**Milann**
The Reproductive medicine Specialist

Through this business, we provide comprehensive reproductive medicine services such as assisted reproduction, gynecological endoscopy and fertility preservation. We have been ranked no. 1 fertility care provider in India and recognised as a premier training and academics institution offering programmes for fertility specialists and embryologists.

**Strand**
The Precision medicine Specialist

Strand is a Global Life Sciences Research and Clinical Diagnostics company providing precision medicine solutions. We are the leading provider of bio-informatics, research services and specialised clinical diagnostics offering comprehensive menu of tests with network of labs across India. Our team of specialist consists of Pathologists, Geneticists, Computer Scientists, Life Scientists and PhDs from the best institutions worldwide.




## HCG Multispecialty hospitals

Under this segment, we operate 4 multi-speciality hospitals in Ahmedabad, Bhavnagar, Rajkot and Hubli. We provide comprehensive patient care in key specialties including cardiology, neurology, orthopedics, gastroenterology, urology, internal medicine and pulmonary and critical care. Our hospitals are equipped with cutting-edge technologies to provide best-in-class medical care.

### HCG Africa

As an extension to our India business, we have opened a cancer care treatment centre in Africa.

To ensure the best clinical outcomes and maintain continuity of care for medical tourism patients, we have successfully established advanced treatment options in the region through Cancer Care Kenya (CCK) in Nairobi and have made high quality cancer care accessible to patients across Africa.

# Chairman's Message

**Dr. B. S. Ajaikumar**
Chairman & CEO

"In the past 18 months, we have launched 7 comprehensive cancer facilities across the country, providing access and quality of care to thousands of patients, while securing a base for strong continued growth

**Dear Shareholders,**

I am pleased to present to you HCG's annual report for fiscal 2018-19, for the first time based on integrated reporting framework as defined by the principles of IIRC. With this report we embark on a journey of reporting that we believe is a transparent communication framework, encompassing qualitative and quantitative information.

**Financial Overview**

We recorded net revenues of ₹ 9,787 million in FY19, registering a growth of 17.87% as compared to ₹ 8,307 million in FY18. Our operating EBITDA grew by 5.4% to ₹ 1,252 million in FY19 as compared to ₹ 1,188 million in FY18. Our operating EBITDA margin stood at 12.8% in the year under review, falling by 170 bps as compared to previous year due to expansions and new centers launches leading to dilution of our margins.

In our ongoing pursuit to build a scaled business and presence, we witnessed a strong double-digit growth in revenue and an increasing share across Maharashtra, Gujarat and entered Rajasthan. Our HCG centres contributed ₹ 9,143 million in total revenues, a growth of 19.7% over previous year and continue their strong momentum, while Milann centres contributed ₹ 644 million, a negative growth of 3.8% over previous year owing to some challenges faced in the business, where we are showing signs of recovery already.

## Cancer – a life threatening disease

It calls for serious commitment today to address the rise in cancer disease across the globe. While there are 9.6 million people who die from cancer every year, the alarming fact is more than 70% of the deaths occur in middle and low income countries. Although there is a growing awareness and precautions for preventing the disease, the availability of good quality care and affordability still remains a challenge in emerging countries, especially India. Every year India reports more than a million new cancer cases, while several resulting in mortality due to biological, technological and other factors.

## Operational Performance

Our journey over the past three years since listing has seen sustained growth in terms of operational performance. The new patients registrations at our cancer care centres, more than double since 2015-16. This shows the growing trust by patients in our brand promise of focus on oncology, technology and expertise to deliver outcomes. We continue to grow our capacity taking our beds count to 1,872 beds. We are now focused on consolidation with substantial footprint and improving business performance.

We strengthened our presence in Gujarat region with launch of oncology in Bhavnagar and new multispeciality center in Rajkot, with a strong year-on-year growth and improved financial performance. Our newly opened centre in Rajkot has been acknowledged by the patients for quality care with use of ultra –modern technologies. We extended our presence in eastern India, with commencement of out-patient services in Kolkata. We also scaled up our offerings with introduction of new cancer care diagnosis across Jaipur.

In the past 18 months, we have nearly opened 7 new cancer care hospitals across the country reaching out to more people in metros and Tier-I & Tier-II cities. We had intended to expand our presence to address the impact of increasing cancer diseases and establish a comprehensive network as a leader. With more than ₹ 7,083 million of capex invested in last three years, we are determined to generate returns from these over the coming years while delivering outcomes matching global benchmarks.

## Our People

One of the most critical elements of our business model is our people. Across our operations, our team of 5879 includes 305 doctors including oncologists, radiologists, pathologists and specialists and 1798 nurses contribute to our capabilities and to our business sustenance. We continue to invest heavily in training of doctors, nurses and other staff. During the year, we rolled out specific initiatives aimed at improving the culture, engagements, leadership and overall development of our people. We strive to create a team of professionals that is focused on delivering our brand promise of “adding life to years”.

## Investing for sustainable growth

We have witnessed major changes in the healthcare industry over the years. Currently, with rising cancer incidence, we are focused on emerging as a comprehensive, consistent and trusted oncology brand in India. Our investments in modern technologies and equipment are fundamental drivers and differentiators of our business model.

We believe that our strategy of widening our footprint in parts of India, aligns to our business goals of enabling access, quality and accurate diagnosis and treatment for a larger part of community. Cancer treatments continues to evolve with new diagnostic and care methodologies being developed. At HCG, we invest in R&D and innovation to build capabilities as a pioneer in cancer treatment with focus of addressing unmet patient needs.

## Looking ahead

The progress we have made so far highlights the soundness of the investments and the potential for scale with long-term sustainability. Going forward, we will continue to focus on return on investments made over last few years and consolidation of our market presence. This in turn would help us build a healthcare company that delivers long-term value for all our stakeholders.

The success of the past years can be ascribed to a true team effort by all our healthcare professionals and employees under the guidance of the management and a committed and capable board. I extend my gratitude to clinicians who have guided the management team to lead the employees and take the company ahead. On behalf of the Board, I would like to thank you, our shareholders, for your continued support. We look forward to many more years of providing quality care to our patients and keep adding life to years!

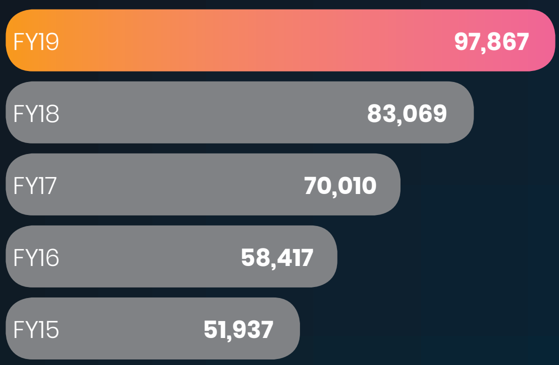
**Regards,**

**Dr. B. S. Ajaikumar**

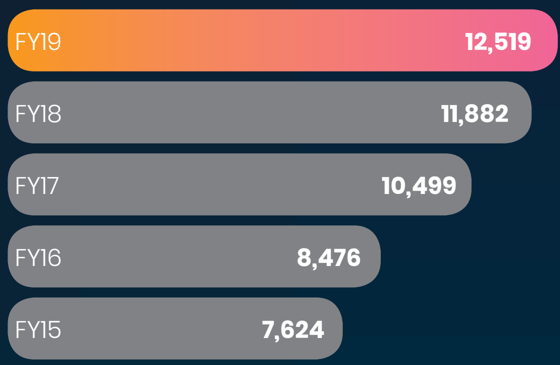
# Financial Overview

## - Consolidated Basis

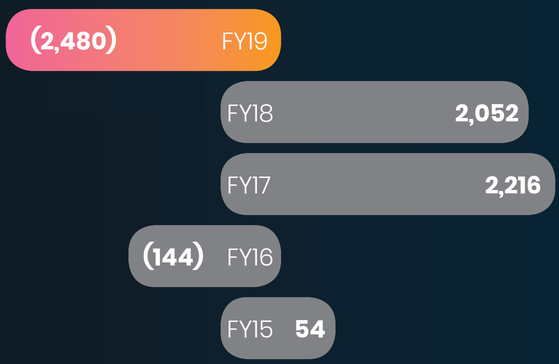
### Revenue from Operations (₹ in lakhs)



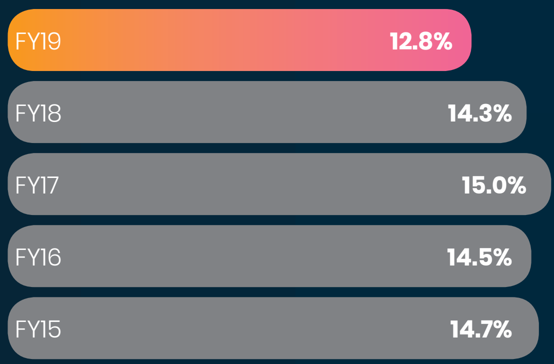

### Operating EBITDA (₹ in lakhs)



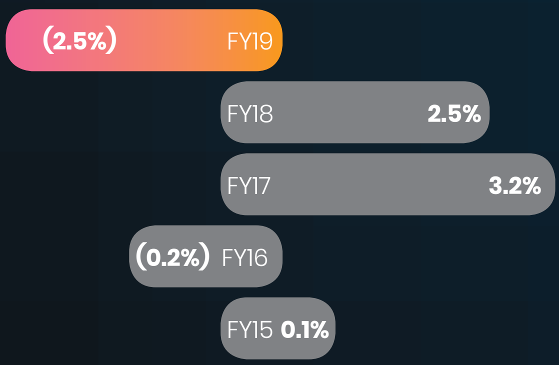

### PAT (₹ in lakhs)



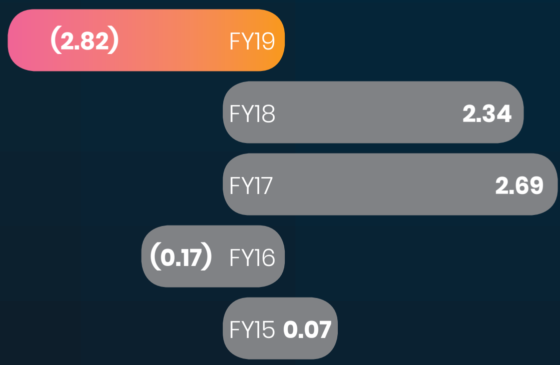

### Operating EBITDA Margin (in %)




### PAT Margin (in %)




### Earnings per share (in ₹)



## Cash from operations (₹ in lakhs)

| | |
|---|---|
| FY19 | 10,135 |
| FY18 | 9,359 |
| FY17 | 7,386 |
| FY16 | 6,370 |
| FY15 | 5,965 |

## Debt Equity ratio (in times)

| | |
|---|---|
| FY19 | 1.1 |
| FY18 | 0.8 |
| FY17 | 0.7 |
| FY16 | 0.7 |
| FY15 | 1.2 |

# Industry Trends

**The oncology sector continues to be dynamic, especially in India due to rising incidence of cancer driven by increased awareness, diagnosis, genetic and lifestyle factors. Few of the trends that will continue to influence the sector going forward are:**

## 1

### Changing demographics

**Trend:**

The needs of the patients are evolving with changing demographics including ageing population, which tend to live longer despite of complex issues, and rising consumption of tobacco, alcohol and processed food. These all factors have led to change in service and care approach in the industry

**Relevance to us:**

Rising incidence of cancer, demand for quality care, accurate treatment of complex issues is expected to increase with these factors. Our team of specialist are always at the forefront to battle against cancer for several people.

## 2

### Cost of care

**Trend:**

Patients, across the globe, are demanding quality care at a cost effective price. However, the cost of delivering high quality care continues to increase and so does the technology improvements, outcomes and efficiencies for healthcare providers who have achieved scale and are thus able to provide quality care at a competitive price.

**Relevance to us:**

In order to remain competitive in tough markets, we leverage our economies to scale which includes optimal utilization of equipment, centralized drugs and consumables formulary and favorable economic terms of purchase and financing medical equipment. This enables us to provide affordable care without compromising on the quality.

## 3

### Evolving technological landscape

**Trend:**

New treatment, new technologies and Artificial Intelligence (AI) is changing how we diagnose and deliver care. Patients are increasingly expecting on-demand services from healthcare providers and adopting usage of technology for consultations, medical records, diagnosis and treatments.

**Relevance to us:**

With the dynamic changes in technologies, we continue to leverage our technological competencies to increase efficiencies and transform cancer care delivery, patient monitoring through e-ICUs, tele-radiology, tele-pathology and auxiliary services, with a focus on enhancing clinical quality to serve our patients better.

4

## Growing Consumerism

**Trend:**

Incidence of Cancer, especially in India, has been increasing due to poor immune conditions, genetic pre-disposition and hormonal conditions, changes in lifestyle and food habits. At the same time, increasing number of patients expect high-quality care which is easily accessible. Patients do their own research, take multiple opinions and even contact multiple doctors and patients before taking treatment decisions

**Relevance to us:**

With the growth in number of new patients registered, our brand is gaining recognition for being at forefront in oncology by providing patient-centric care with a focus on delivering value medicine. For strengthening our brand attributes, we undertake series of initiatives to measure patient satisfaction and drive the ecosystem to treat each patient as an own family member with their cure as our highest priority.

5

## Timely and Accurate Treatment

**Trend:**

With rise in digital technology to constantly track and monitor health, with awareness about cancer, patients now seek timely and quality treatment including being connected with insurance companies, doctors and hospitals on real-time basis.

**Relevance to us:**

To boost early detection, we have been conducting various programs including screening camps to spread awareness on symptoms and best practices, and recommend accurate treatment of cancer. We are actively looking to use new-age technologies, data analytics to detect risk and disease earlier and maintain engagement with patients inside and outside hospitals through digital tools.

## Cancer Statistics and Facts in India[1]

**~17.13 lakhs**

New cancer patients estimated to register in 2020

**48.75%**

Increase in cancer cases between 1990 and 2016

**14**

Types of cancers can be caused due to consumption of Tobacco

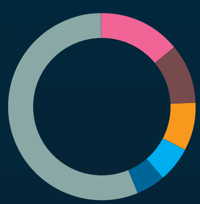
**Breast cancer**

The most common cancer in India

**Early Detection**

Can significantly reduce the death rate from these cancers

**Number of new cases in 2018, both sexes, all ages**



- Cervix Uteri 96922 (8.4%)
- Lung 67795 (5.9%)
- Breast 162468 (14%)
- Stomach 57394 (5%)
- Lip, oral cavity 119992 (10.4%)
- Other Cancers 652723 (56.4%)

[1]World Health Organization's (WHO) International Agency for Research on Cancer and Research report by Lancet

# Our Strategy for Responsible Growth

HCG is committed to deliver clinical excellence with principles of responsibility and sustainability at the core, while driving value creation for stakeholders over the long-term. With our scale, people and passion, we have a track record of transforming lives of patients and their families through our unique value-medicine driven business model, which focuses on rationalizing cost of delivering care, while ensuring no compromise on quality and outcomes, thus creating deep social impact across the masses. Our strategies are well-designed to respond to changes in the macro-environment, mitigate the risks and capitalize the opportunities while meeting stakeholder's expectations.

## Focus

Building on our domain expertise and strengths in oncology and address the gaps in the marketplace, including lack of:

- Trained Oncologists
- Cancer Infrastructure
- Comprehensive Services
- Proper Diagnosis
- Adoption of New Technologies
- Specialists working as a Team
- Oncology focused Nursing, Critical Care
- Operational and administrative services

| Strategic objective | Progress in FY19 |
| --- | --- |
| **Quality**<br>Deliver best-in class quality care to patients through clinical excellence and value medicine model | • Patient treatment through innovative and first-of-its-kind technology platforms<br>• AUM – VOICE BOX an innovative device to aid the problem of throat cancer patients continues to improve lives<br>• Trigeminal Neuralgia Award received for treatment establishes Guinness world record |
| **Sustainability**<br>Effectively engage with our stakeholders to ensure achievement of short and long-term organizational goals and sustainability. | • **16.7%** 5-year CAGR growth in revenue<br>• Continued expansion through real-estate light business model<br>• **26.8%** 5-year CAGR growth in operating EBITDA |

## Accelerate

Transition into the largest provider of cancer in India, leading fertility care provider and expanding presence in international market. We focus on increasing presence, penetration and market share and strengthen our other businesses including Milann and Strand

| Strategic objective | Progress in FY19 |
|---|---|
| **Growth**<br>Continue to expand and grow our India operations, penetrate existing regions and enter new regions, coupled with growing existing / mature centers | • **1** existing centers completed expansions<br>• **1** New region entered (Jaipur) |
| **Execution**<br>Robust identification and planning for new center opportunities based on evaluation criteria, launching centers within expected timelines and ensuring performance as per plan | • **3** new centres launched in FY19<br>• **303** bed capacity increased during the year |

## Evolve

Leverage our unique business model to develop long-term strategies and institutional ecosystem to strengthen existing operations and be prepared for dynamic evolutions and innovations with respect to oncology and healthcare

| Strategic objective | Progress in FY19 |
|---|---|
| **Efficiency**<br>Deliver care through efficient, optimal utilisation of processes, centralisation, information and technology, research, innovation and other resources. | • Ongoing centralisation of key functions:<br>• Pharmacy<br>• IT<br>• HR<br>• Quality |
| **Futuristic**<br>Investment in technology, capabilities and relevant strategic areas | • Upgraded IT infrastructure to private-cloud computing system<br>• Installing centralised EMR system seamlessly integrated with RIS/ PACS, bio-repository, HIS and ERP |

# Our Value Creation Model

## Resources

### Financial Capital

Comprehensive cancer centers require capital investments towards installing latest technology and equipment. HCG has followed asset-light investment model by leasing real-estate for the hospitals. We procure high value medical equipment through vendor finance arrangement which allows us to match capex and cash flows with maturity of new hospitals

### Manufacturing Capital

One of the largest private providers of cancer care in India with a substantial footprint and presence in metros having large addressable population and Tier-II & Tier-III towns with huge underserved need for oncology. We own, develop and operate comprehensive cancer centers offering state-of-the-art technology for diagnosis and treatment.

### Human Capital

Our talented experts and domain specialists are competent to address critical and complex medical cases and provide high-quality outcomes. Our Clinical and Management team comprises of experienced professionals having high competency and skillsets, entrepreneurial mindset as well as enthusiasm and passion towards objectives of the organization and creating meaningful social impact.

### Intellectual Capital

Strong clinical and operating processes, systems, protocols focused on oncology for delivering high quality care, efficiently, developed over decades of experience, as an institution with brand recognition and reputation. Support for research activities, participation in clinical trials, engagement with global leaders and ability to utilize latest technologies contributes towards company being able to drive, adopt innovations in the complex and dynamic oncology field.

### Social and Relationship Capital

Healthy relationship with key stakeholders, regularly interacting with employees, partners, patients, suppliers, shareholders, governments etc., towards long-term sustainability.

Positively impacting lives of patients and families by taking high-quality care closer to under-penetrated regions. We are committed to ensuring a high standard of ethics, social responsibility, accountability, cooperation and transparency with all the stakeholders.

### Natural Capital

Committed responsibility towards environment with increasing efficient energy use across all centres and constantly strive to reduce consumption of water and carbon emission with the growth in our network.

## Inputs

**₹ 5,916 million**
Equity share capital

**₹ 3,761 million**
Long-term borrowings

**₹ 1,481 million**
Equipment / Capex funded in form of vendor finance

**₹ 2,115 million**
CAPEX for FY19

**21**
Comprehensive cancer care centres

**1,872**
Cumulative Bed Capacity
(*includes multispeciality beds)

**8**
States of presence

**27**
No. of LINACs
(for radiation treatment)

**15**
No of PET CTs
(for staging and planning)

**8**
hospitals with Ethics committees

**5,879**
Total number of employees

**205**
Resident Doctors

**1,798**
Nurses

**20**
Courses offered

**1,96,402**
Hours of training and development

**3+**
Decades of focus on oncology domain in India

**Significant**
Focus and investments in academics and R&D

**Multi-disciplinary**
Tumor boards across hospitals, at core of clinical excellence

**9,871**
Shareholders as on 31st March 2019

**6**
Joint Ventures / business partners hips

**state-of-the-art**
Technology under one roof

**Renewable**
Energy consumption enhanced as compared to conventional energy resources

**Waste**
Recycling and reuse methods aggressively scaled up to reduce impact on environment

Please Turn to see

Our Value Creation Model (continued)

## How we generate Value

### Key Differentiators

We leverage our key differentiators to create value

**Strategic**

- Continuously reviewing our strategies
- Prudent capital allocation and management
- Disciplined management structure
- Talent development and retention
- Less-capex intensive business model

**Financial**

- Focus on cash generation and healthy RoCE
- Ability to identify, execute and integrate greenfield / brownfield expansions

**Operational**

- Strong, empowered management team
- State-of-the-art technology
- Best practices in governance and compliance
- Robust risk management framework
- Quality healthcare services
- Improve operational efficiencies

### Our offering

HCG's main focus is providing cancer care. Our comprehensive cancer centres provide all the expertise backed by technology required for diagnosis and treatment of cancer. We believe in adding life to years to patients across the globe.

### Delivering Value

HCG strives to deliver enhanced value to :

**Patients**

Through superior clinical performance and safe clinical environment and through providing best-in-class patient experience in an integrated manner.

**Shareholders**

Through growth in shareholder returns with retention of funds for expansion and future sustainability.

## Outcomes

### Shareholder Value

With focus on disciplined cost management and improving efficiency, we are able to deliver strong track record of growth in revenue and EBITDA.

### Quality Healthcare Services

We have seen an increase in inpatient admission, benefitting from superior clinical performance along with accurate diagnosis and treatment. Our team of skilled staff and supporting doctors enables us to abide by our motto of providing quality life and services to our patients.

### Clarity and Shared Vision with Teamwork

Motivated Promoters, Senior Management, Board members and employees working as a team, have helped create a future-ready entity.

### Highly Skilled Workforce

Continued investments in training and development of staff has created highly-trained teams and a strong talent pipeline. Integrated talent-driven strategies are deployed to ensure attraction and retention of specialized skills.

### Brand Value

Our integrated quality service and experience team has enabled us to position "HCG" as a strong and focused oncology brand as perceived by our patients and stakeholders.

### Returning Value to Stakeholders

Profit is a by-product for HCGEL. Our main focus is financial and social sustainability with upliftment of the society in which we operate. Through our operations we create value for all our stakeholders including patients, investors, suppliers, government and the society at large.

### Green Initiatives

We have started a sustainable initiative with an objective of minimizing our impact on the environment.

## Outputs

**₹ 9,787 million**
Revenue from operations [Growth of **17.8%** YoY]

**₹ 1,252 million**
EBITDA [Growth of **5.4%** YoY]

**₹ 1,644 million**
Pre-corporate EBITDA of existing oncology [Growth of **15.4%** YoY]

**USD 5.7 mn**
Revenue generated through international patients

**1.1 times**
Net Debt to Equity ratio

**3**
New centres added in FY19

**19.31%**
Increase in beds over last year

**43.7%**
Average occupancy rate

**2.25 days**
Average Length of Stay (ALOS) [Improvement by **14 bps** YoY]

**₹ 31,423/ day**
Average Revenue per Occupied Bed (ARPOB) [Growth by **1.9%** YoY]

**Zero**
Incidents including fatal accidents reported during the year under review

**196,402 hours**
Training provided

**105**
Students registered for various courses

**40**
Publications were published in FY19

**13**
Clinical trials conducted by Milann

**25+**
Research publications by Milann in journals of international repute

**28**
Clinical trials conducted across network

**87.4%**
Average Outpatient Satisfaction ratio* in 2018

**86.5%**
Average Inpatient Satisfaction ratio* in 2018

**3,500+**
Patients helped through HCG foundation since inception

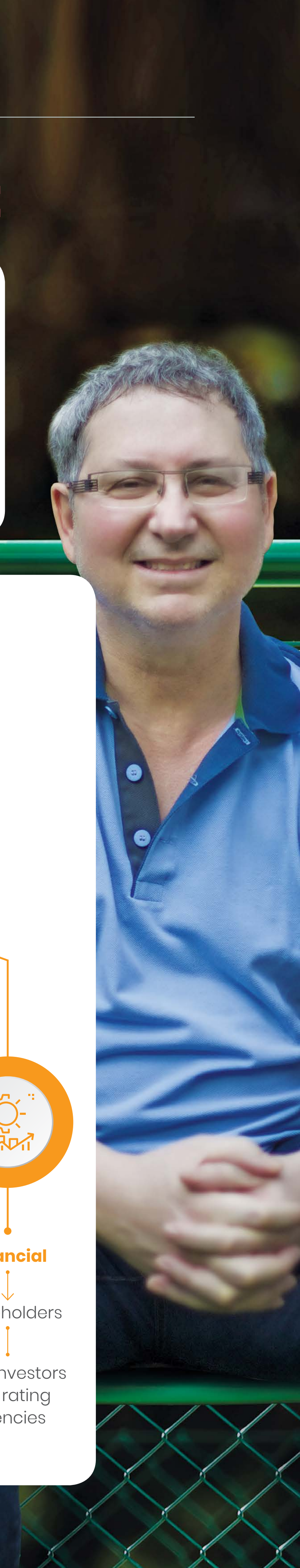
**50**
Tobacco farmers were assisted in growing alternative crops

**Reduction**
In use of paper by using electronic mediums

**Solar rooftop**
Installed in Nashik

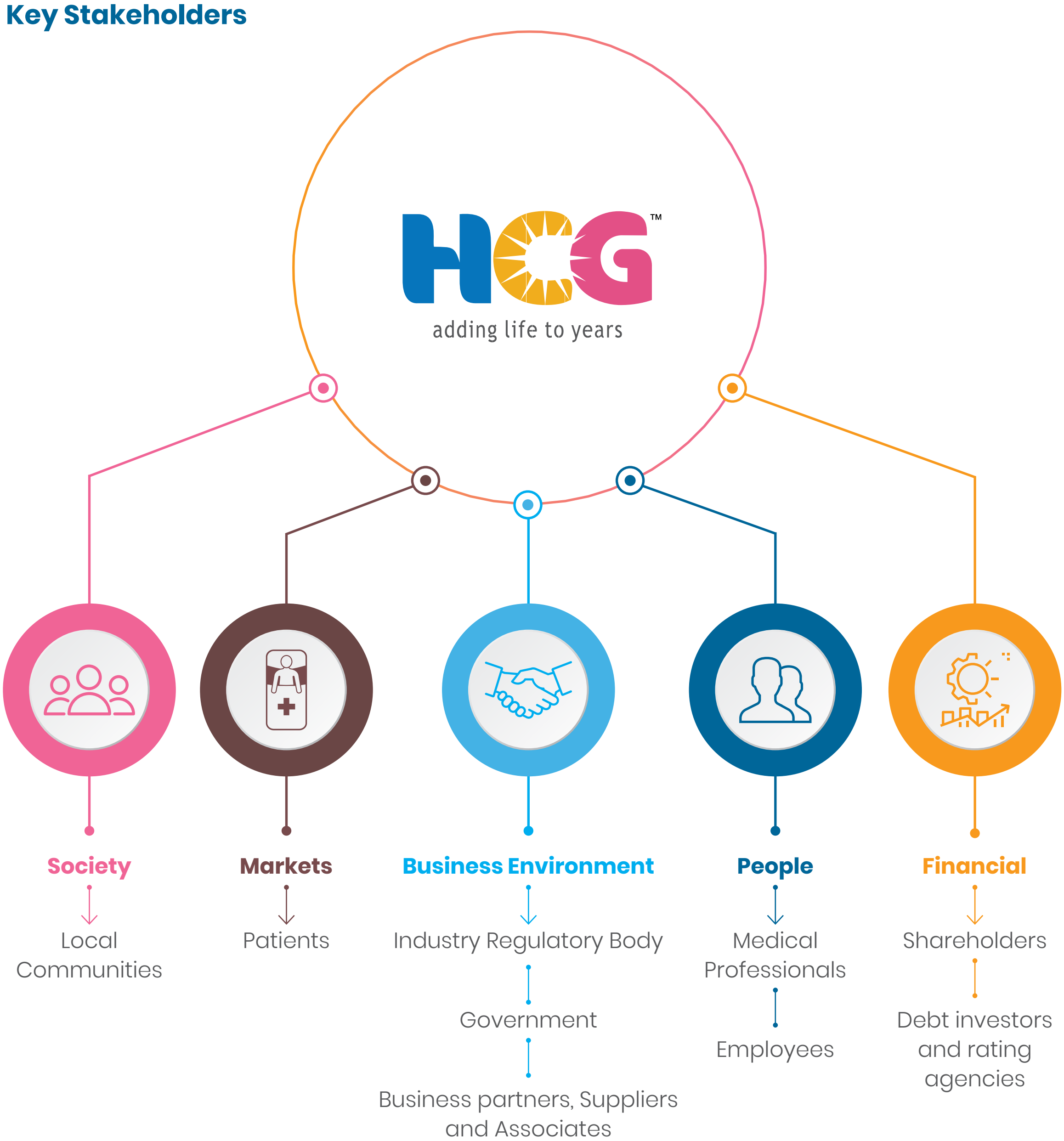
*Patient satisfaction surveys conducted at Bengaluru center of excellence

# Stakeholder Engagement



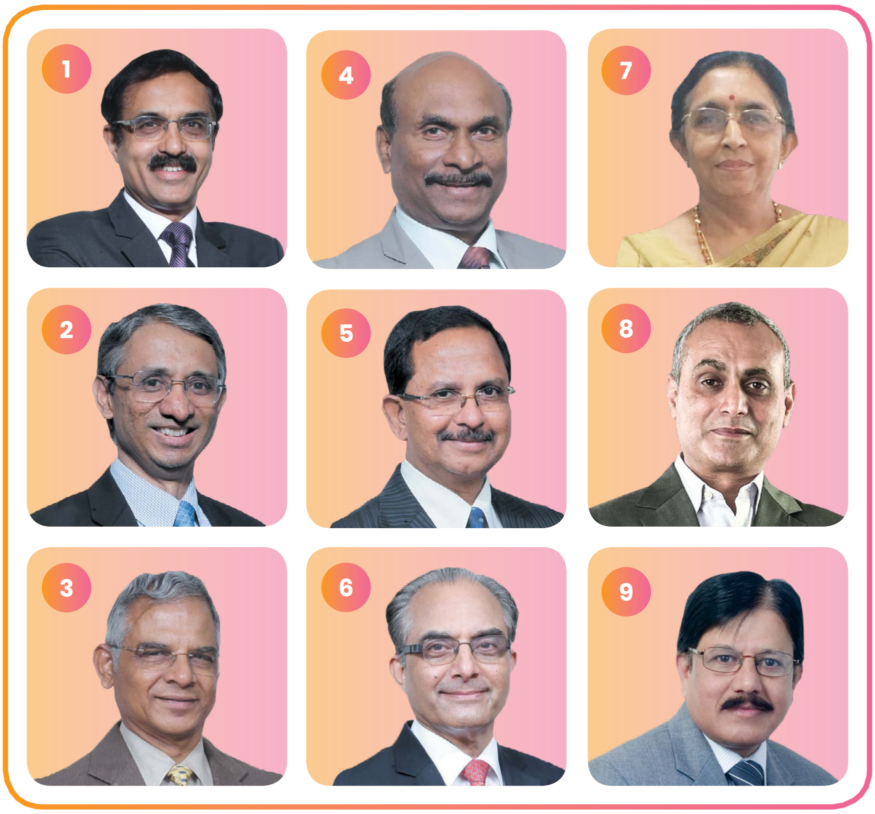
We constantly strive to improve our relationship with all stakeholders, as we believe it is a way of ensuring sustainable business growth. To create value, it is vital to understand their expectations and needs. It is our constant endeavour to interact with them on a regular basis.

## Key Stakeholders



| Stakeholders | Expectations | Our Philosophy |
|---|---|---|
| **Local Communities** | • Uplifting the society at a large<br>• Environment friendly practices | • Ensuring we invest responsibly in community health<br>• Continually striving to be a responsible corporate citizen |
| **Patients** | • Quality and reputation of doctors, specialists and nurses<br>• Cost of care<br>• Clinical High-end technology | • Leveraging our expertise in oncology to provide quality, patient-centred care and related medical services to a wide spectrum of patients<br>• Operating with a level of process quality, maintaining hygiene and outcome efficiency<br>• Analysis gap between patient care and expectation and taking corrective actions. |
| **Industry Regulatory Body** | • Compliance with industry norms<br>• Participating in various industry forums and meets | • Supporting industry wide initiatives and proactively participating in industry meets<br>• Healthy exchange of ideas and initiatives for mutual benefit of the industry<br>• Responsible utilization of resources and fair trade practices |
| **Government** | • Compliance with the laws and regulations of the land<br>• Contributing towards upliftment of the economy<br>• Generating employment | • Ensuring timely filing of returns and payment of taxes<br>• Creating employment opportunities for local communities<br>• Functioning in an ethical and transparent way<br>• Timely receipt of payments, tax refunds and credits<br>• Monitoring regulatory changes |
| **Business partners, Suppliers and Associates** | • Fair trade practices<br>• Timely payment | • Fair and reasonable utilization of resources<br>• Creating and maintaining long-standing relationships<br>• Interacting regularly during the course of business |
| **Medical professionals** | • Clinical efficiency<br>• Quality of facilities<br>• Technologies adoption | • Working closely with local doctors and specialists and building strong relationship<br>• Ethical practices ensuring long-term partnerships with medical professionals and technology providers |
| **Employees** | • Occupational Health and Safety<br>• Remuneration<br>• Performance evaluation | • Continuous focus on employee wellness and development<br>• Providing career development opportunities<br>• Focusing on fair and transparent remuneration |
| **Shareholders, Investors and rating agencies** | • Growth in valuation<br>• Timely dissemination of material information and communication<br>• Dividends | • Focusing on delivering operational and financial growth<br>• Invest in maintaining healthy relationships<br>• Constantly delivering return on investment<br>• Timely servicing and repayment of debts |

# Profile of Board of Directors




1

**Dr. B. S. Ajaikumar** is the Chairman and Chief Executive Officer of our Company. He has been a Director of our Company since March 7, 2000. He was re-appointed as the Chief Executive Officer with effect from July 1, 2015. He holds a Bachelor's Degree in Medicine and Surgery from St. John's Medical College, Bengaluru, India. He completed his Residency in Oncology from the University of Virginia Hospital, Charlottesville and his Residency in Radiotherapy from the University of Texas System Cancer Centre, MD Anderson Hospital and Tumour Institute, Texas, United States of America. He has been awarded the Ernst and Young Entrepreneur of the Year Award for the start-up category in healthcare and the B. C. Roy Award by the Indian Science Monitor. He has also been awarded the CII Regional Emerging Entrepreneurs Award for the contribution made by our company in the field of healthcare.

2

**Gangadhara Ganapati** is a Non-Executive Director of our Company. He has been a Director of our Company since December 21, 2005. He holds a Bachelor's Degree in Mechanical Engineering from the Indian Institute of Technology, Madras, and a Post Graduate Diploma in Management from the Indian Institute of Management, Ahmedabad. He also holds a Master's Degree in Business Administration from the Wharton School, University of Pennsylvania. In the past, he has worked as the Managing Director of Adamas India Pharmaceuticals Private Limited, and as Vice President, Corporate Development of NeuroMolecular Pharmaceuticals, Inc. He founded Triesta Sciences, Inc. and served as its Chief Executive Officer from 2002 until 2006. He served in the Tata Administrative Service at Tata Industries Limited from 1990 to 1994.

3

**Sampath Thattai Ramesh** is a Non-Executive, Independent Director of our Company. He has been a Director of our Company since May 29, 2015. He has also been awarded a Doctor of Letters in Management from the University of Tumkur. He is a retired civil servant who served in the Karnataka Police Department and the Government of India. He was the former Director General and Inspector General of Police, Karnataka. He has also been the Chairman of the National Road Safety Committee on Enforcement. He has received the President's Police Medal for Meritorious Service in 1995 and the President's Police Medal for Distinguished Service in 2007.

4

**Suresh Chandra Senapaty** is a Non-Executive, Independent Director of our Company. He has been a Director of our Company since May 29, 2015. He holds a Bachelor's Degree in Commerce from Utkal University and is a member of the Institute of Chartered Accountants of India. He has held several positions at Wipro Limited including that of the Chief Financial Officer. He has also been a Director of Wipro Corporation, Wipro GE Healthcare and Wipro Enterprises Limited.

5

**Shanker Annaswamy** is a Non-Executive, Independent Director of our Company. He has been a

Director of our Company since February 25, 2015. He holds a Bachelor's Degree in Electronics and Communication Engineering from Madras University and a Diploma in Management from the All India Management Association, New Delhi. He is experienced in the field of business management. In the past he has been the Managing Director of IBM India Private Limited, and the Regional General Manager of IBM in India/South Asia. He has also been the President and Chief Executive officer of GE Medical Systems, South Asia and the Managing Director of Wipro-GE Medical Systems. He was an elected member of NASSCOM's Executive Council in the past and he has held the position of the Chairman of the National Committee of IP Owners (Confederation of Indian Industry) in 2010 and co-chaired the Confederation of Indian Industry's National Innovation Mission in 2007 In 2009, Business Week magazine listed him as one of India's 50 Most Powerful People. In October 2011, Mr. Annaswamy received a leadership award at the Forbes India Leadership Awards.

6

**Sudhakar Rao** is a Non-Executive, Independent Director of our Company. He has been a Director of our Company since February 25, 2015. He holds a Master's Degree in Arts from the Delhi University and a Master's Degree in Public Administration from the Kennedy School of Government, Harvard University. He is a retired Indian Administrative Service Officer and he has held several posts in the government including the post of the Chief Secretary to the Government of Karnataka. He has previously been a Director on the boards of Indian Oil Corporation Limited and BSE Limited. He has been awarded the Kannada Rajyotsava Award by the Government of Karnataka.

7

**Bhushani Kumar** is a Non-Executive, Independent Director of our Company. She has been a Director of our Company since May 29, 2015. She holds a Bachelor's Degree in Science from the University of Mysore, a Bachelor's Degree in Law from Bangalore University and a Master's Degree in Law from Bangalore University. She is presently the Secretary at Women's Peace League, Basavanagudi, Bengaluru.

8

**Dr. Amit Varma** is a Non-Executive Director of our Company. He has over 25 years of private equity, strategic & operational leadership and board level experience in healthcare organizations across USA, Asia and Australia. He is the co-founder and Managing Partner of Quadria Capital, one of Asia's largest healthcare private equity firms, with assets under management exceeding USD 1.5 billion and focused on investing in the healthcare sector across South and Southeast Asia. Dr. Varma is also the sponsor of Healthquad, a healthcare focused Venture Capital firm investing in technology backed companies in India, and spearheaded India Build Out Fund, a USD 100 million Healthcare and Education focused domestic Private Equity Fund. He has co-led the deployment of RHC Principal, a USD 700 million principal pool of capital across various healthcare sub sectors in Asia. He is a renowned Critical Care Medicine Physician and continues to practice as a critical care physician on a part-time basis. Previously, he was associated with Fortis Healthcare, Narayan Hrudayalaya and Manipal Heart Foundation. He has also served as an adjunct professor at the University of Pittsburgh and the Cleveland Clinic. He has completed his M.B.B.S., M.D. from the University of Delhi, India, and super-specialty medicine training from the University of New York and University of Pittsburgh, USA. He had attended MBA courses at the University of Chicago, USA.

9

**Dr. B. S. Ramesh** is an Executive Director of our Company. He is one of the promoters of the Company. He has completed his MBBS from Bangalore University, holds a degree of Doctor of Medicine (Radio Therapy), a post graduate diploma in Radio Diagnosis from Bangalore University and a Post Graduate Diploma in Medical Law and Ethics from the National Law School of India University, Bengaluru. He is experienced in the field of radiation oncology. He has worked as a consultant in the department of radio therapy at Sri Devaraj Urs Academy of Higher Education and Research as a professor of Radio Therapy at the MS Ramaiah Medical College, Bengaluru. He was the chairman of the Indian College of Radiation Oncology between 2010 and 2012 and the president of the Association of Radiation Oncologists of India between 2012 and 2014. He was also the secretary of the Bangalore branch of the Indian Medical Association between 1980 and 1981. He was awarded the IMA Community Service Award for Individuals by the Indian Medical Association in 2012. He is presently a Director on the boards of some of the subsidiaries of the Company.

# Medical Milestones

- Asia's first bloodless Bone Marrow Transplant was performed by our experts.
- India's first Computer Assisted Tumour Navigation Surgery (CATS) was brought in by us.
- First hospital in India to introduce Flattening Free Filter (FFF) mode technology for treatment.
- First in Asia to have treated a patient with 3D radio-guided surgery – Surgic Eye.
- Introduced biological reconstruction to treat bone cancer in India.
- Cyberheart – First hospital in India to remove a tumour in the left ventricle of the heart through CyberKnife.

- First hospital in India to introduce high precision, Trans-Oral Laser Surgery (TOLS), endoscopically.
- Among the largest number of Breast Conservation Surgeries conducted in India.
- First in India to introduce Hyperthermia as a form of treatment.
- First hospital in India to introduce TomoTherapy H®.
- First in the world to perform the quickest Radio Surgery to treat Trigeminal Neuralgia ("The Suicide Disease").

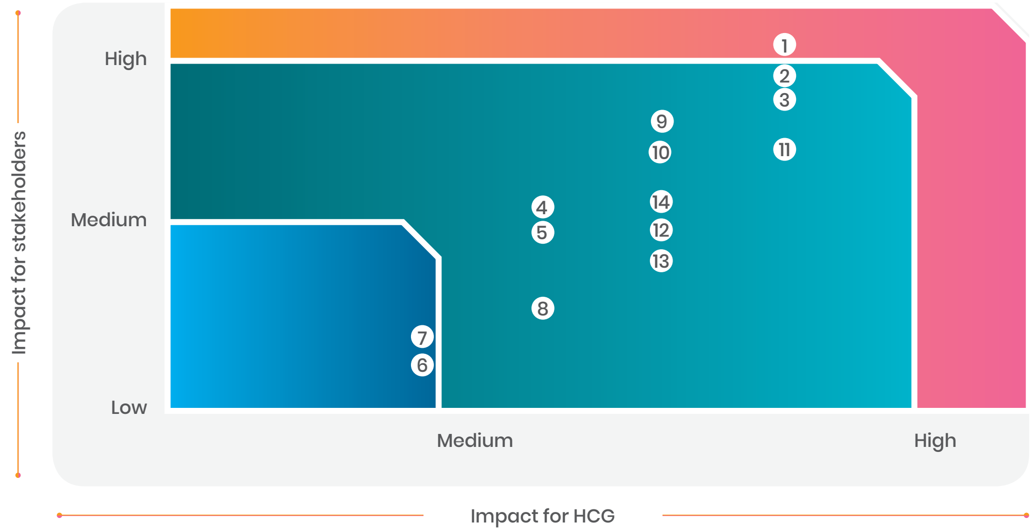
# Materiality Assessment

At HCG, materiality assessment involves identification of important issues for sustainability management. The factors identified are based on sustainability context, materiality, completeness and stakeholder inclusiveness. The process involves selecting material issues and prioritizing issues that address stakeholders with a high impact in our organisational's goals and objectives. A thorough review and record of the impact is planned to be carried out on an ongoing basis, to ensure business sustainability and value-creation for long-term.

**Identification of material issues through an in-depth analysis**

**Prioritise the issues**

**Review, assess and record the impact**




| Stakeholders | Tasks |
|---|---|
| Patients | 1. Improving patient care and cure |
| | 2. Use modern technologies and processes |
| | 3. Ensuring availability of services |
| Government | 4. Strengthen corporate governance, compliance and risk management |
| | 5. Anti-fraud and whistle blower policy |
| Employees | 6. Promote gender diversitiy and employee engagement |
| | 7. Provide career growth opportunities |
| | 8. Ensure safety and health |
| | 9. Make contiuous learning a prerogative |
| Suppliers | 10. Sustainable supply chain |
| | 11. Ensure consistent quality of all materials |
| Shareholders | 12. Sustained financial returns |
| Society | 13. Ensure sustainable community development |
| | 14. Resource optimisation and waste recycling |

# Integrated Strategy for Value Creation

Financial Capital

Manufactured Capital

Intellectual Capital

Human Capital

Social & Relationship Capital

Natural Capital

# Financial Capital

We leverage our equity and retained earnings to expand and develop our business through organic growth. Our earnings and profits enable us to deliver on our strategic objectives while creating value for our stakeholders.

## Key financial Inputs

| | Equity Share Capital (₹ in lakhs) | Net Debt (₹ in lakhs) | CAPEX (₹ in lakhs) |
|---|---|---|---|
| FY19 | 59,164 | 61,004 | 21,153 |
| FY18 | 57,902 | 41,659 | 28,732 |

## Outcomes achieved

**Revenue from Operations**
(₹ in lakhs)

97,867
FY19

17.81%
YoY growth

83,069
FY18

**PAT**
(₹ in lakhs)

(2,480)
FY19

2,052
FY18

**Operating EBITDA**
(₹ in lakhs)

12,519
FY19

5.37%
YoY growth

11,882
FY18

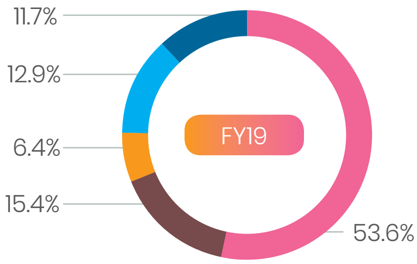
**EBITDA Margin**
(in %)

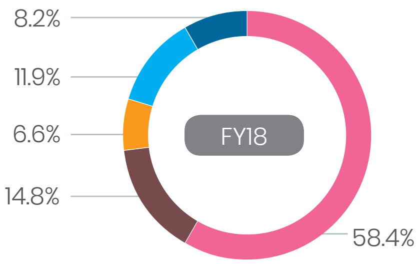
12.8
FY19

(151)bps
YoY growth

14.3
FY18

**Payor Mix**
(in %)




- Cash
- Govt. (BPL Schemes)
- CGHS/ECHS
- TPA/Insurance
- Corporate/Hospitals

**Revenue Mix**
(₹ in lakhs)

**New Centers**

21,380
FY19

46.62%
YoY growth

14,582
FY18

**Existing Centers**

76,486
FY19

11.68%
YoY growth

68,487
FY18

Note: All the figures are on Standalone basis

# Financial Capital (continued)

**EBITDA from Existing Centers**
(₹ in lakhs)

**13,924**
FY19

**9%**
YoY growth

**12,781**
FY18

**EBITDA margin from Existing Centers**
(in %)

**18.2**
FY19

**18.7**
FY18

## 4.5%

**Share of Revenue from International Business in FY19 representing growth of 70 bps over previous year**

Note: All the figures are on standalone basis

## How we achieved our outcomes

The year ended 31st March 2019 has been a year of strong growth in top line with each division recording sustained growth in revenue. The growth in revenue was supported by increase in occupancy rate, increment in realization per procedure, ramp-up of new centre and continued growth of existing ones. With focus on improving patient experience and providing quality care, we invested significantly in state-of-the-art technologies and opened new centers in new region to ensure quality cancer care is easily accessible to patients across India.

## Strategies for a sustainable future

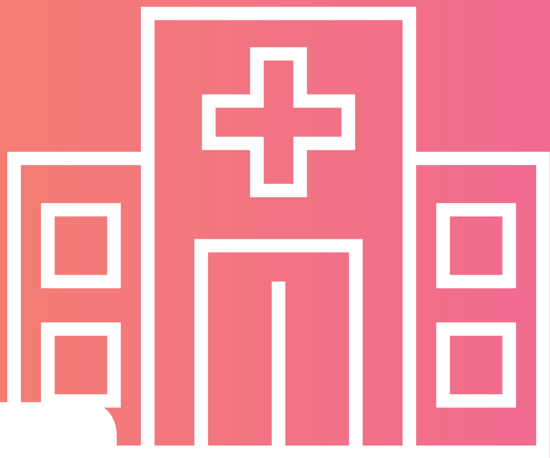
Given progress made in building capacities, streamlining our operations and creating patient-centric business model, we are now poised for growth. We have a clear strategy built on revenue growth through geographical expansion in domestic and international market and strengthening our strategic partnerships with stakeholders. We also aim to improve profitability through lean management structures, economies of scale, adopting new technologies and innovating new treatment methods to improve our operational efficiencies. As part of completion of our expansion plan, we will be investing to develop two more centers as we enter **consolidation phase**.

## Targets for a sustainable tomorrow

Our long-term financial objective is to build growing, sustainable and cash generative business which consistently provides return on capital employed. We strive to achieve the following financial objectives:

- Healthy growth in revenue from operations along with increase in share from international operations
- Maintain robust EBITDA and PAT margin
- Strong cash flow generation maintaining operating cash flow and supporting capital expenditure requirements
- Deliver enhanced results to shareholders with growth in EPS
- Efficiently manage our debt sources, costs and servicing
- Generate healthy capital returns in form of ROCE and ROE

# Manufactured Capital



Our strategy is to drive sustainable growth by creating the highest possible patient care in our areas of services. We have strong focus on delivering clinical and operational excellence by further exploiting our inherent strengths and paving our way in advancing our leadership position mainly through organic growth.

### Our Comprehensive facilities and offerings, focused on oncology

Diagnosis

Medical Oncology

Radiation Oncology

Surgical Oncology

Bone Marrow Transplant

Patient Care

Robotic Surgery

Liver Transplant

## Our presence

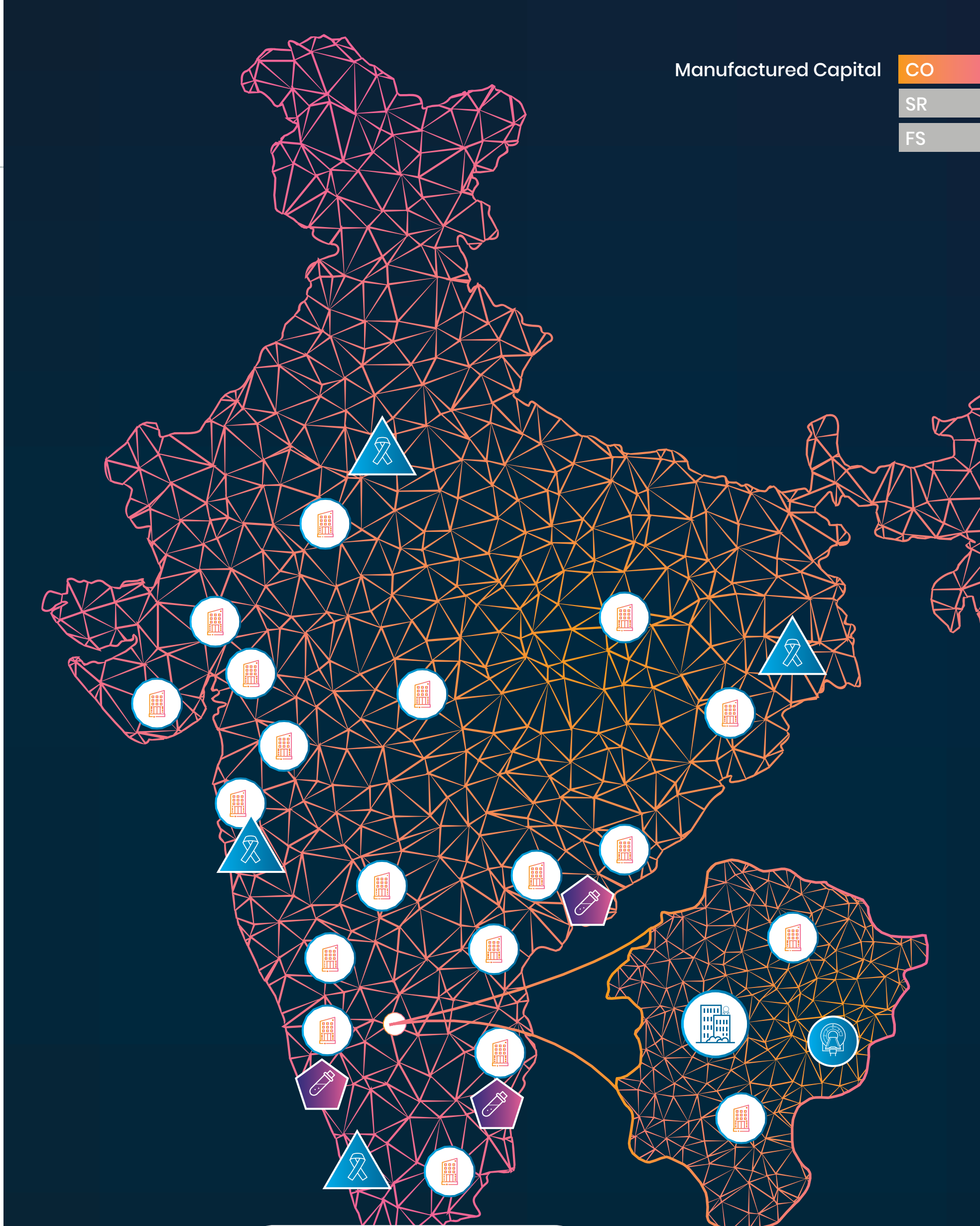
### Domestic

HCG's cancer care hospitals are spread across the country providing quality cancer care to patients. We continue to invest in and serve different markets by expanding our geographical footprints across India, especially in tier I & II cities, as we aim to make quality cancer care facility available to millions of people.

| Location | Centres | Operational beds* |
|---|---|---|
| Karnataka | 7 | 632 beds |
| Gujarat | 5 | 447 beds |
| Maharashtra | 3 | 336 beds |
| Andhra Pradesh | 3 | 177 beds |
| Odisha | 1 | 116 beds |
| Tamil Nadu | 2 | 70 beds |
| Jharkhand | 1 | 49 beds |
| Rajasthan | 1 | 45 beds |

* includes multi-specialty beds

**7** New facilities launched in the past 18 months



**Network of Existing and Under Development Cancer Care centers**

**Center of Excellence (CoE)[1]**
Kalinga Rao Road and Double Road, Bengaluru

**Comprehensive Cancer centre[2]**
Jaipur, Ahmedabad, Baroda, Bhavnagar, Nasik, Mumbai, Gulbarga, Hubli, Shimoga, Tiruchi, Chennai, Ongole, Vijaywada, Vishakhapatnam, Nagpur, Cuttak, Ranchi, Bengaluru.

**Freestanding Diagnostic centre[2]**
Mangalore, Chennai, Ongole.

**Day Care Chemotherapy centre**
Bengaluru.

**Cancer centre Under Development**
NCR, Kolkata, South Mumbai, Kochi

[1]Includes 2 centres, KR & DR; [2]As on 31st March 2019, includes centre in Kenya, Bhavnagar multispeciality also includes comprehensive cancer services hence included in CCC count

HCG
adding life to years

# Manufactured Capital (continued)

## International

We have ramped up our operations into international markets. In Africa, we have partnered with Commonwealth Development Corporation (CDC) to form HCG Africa and ensure accessible cancer care centres in sub-Saharan Africa region. This is a strategic extension to the medical value travel business we receive from Africa to our centers in India, primarily in Bangalore, Mumbai and Ahmedabad. This also provides us access and presence to a large underserved market with huge potential for future growth.

**4.5%**

**Share of total company revenues generated through medical value travel of international patients to HCG centers**

## Key Performance Indicators

### Average Occupancy Rate

| | Average Occupancy Rate |
| --- | --- |
| FY19 | 43.7% |
| FY18 | 44.5% |
| FY17 | 46.9% |

### Average length of stay

| | Average length of stay |
| --- | --- |
| FY19 | 2.25 days |
| FY18 | 2.39 days |
| FY17 | 2.86 days |

### Number of Centres

| | Number of Centres |
| --- | --- |
| FY19 | 24 |
| FY18 | 22 |
| FY17 | 20 |

### Total Operating Bed

| | Total Operating Bed |
| --- | --- |
| FY19 | 1,872 |
| FY18 | 1,569 |
| FY17 | 1,364 |

## Pioneers of advanced technology

Driven to excel in quality care, we use next generation technology to provide comprehensive cancer care to people across the globe. In recent years, key advancement in understanding oncology is leading to fundamental changes in how we research on diseases and the diagnosis thereon. This has led to increase in development of innovative methods of treating complex diseases and providing quality care.

We have been pioneers in commercialization of high-end technologies with respect to oncology in India. Our application of ground-breaking technology has enabled us to emerge as one of the leading cancer care hospital in India. Across our network, we adopt technology-centric approach to accurately diagnose and treat our patients. Over the past few years,

we have adopted advanced technologies including:

- **To detect appropriate course of treatment and stage of cancer, we adopt molecular pathology and molecular imaging**
    - **PET CTs as gold standard for treatment planning**
- **To minimise side effects and improve the outcome of treatments, we utilise targeted nuclear medicine therapies as well as advanced radiation treatments**
- **To ensure accurate tumor targeting and improved healthy tissue preservation, we utilise advanced Linear accelerator based technologies**
    - **Cyberknife for radiosurgery procedures**
    - **TrueBeam STX**
    - **1st Elekta Versa HD Radiation Machine equipped with Agility™ for high-speed, high precision beam**
- **To operate sensitive organs and sites through minimally invasive techniques, we offer DaVinci robots for oncology surgeries**

Adoption of these technologies has enabled us to provide surgical, radiation, medical oncology and diagnostic facilities all under one roof. It also enables us to ensure that the clinical services provided across our network are efficient, effective, appropriate, evidence-based and affordable.

# Intellectual Capital

Our Intellectual Capital comprises of quality care and standards, clinical excellence, knowledge and capabilities of the institution we have built over the past decades attributable to the growing trust and recognition of our HCG brand.

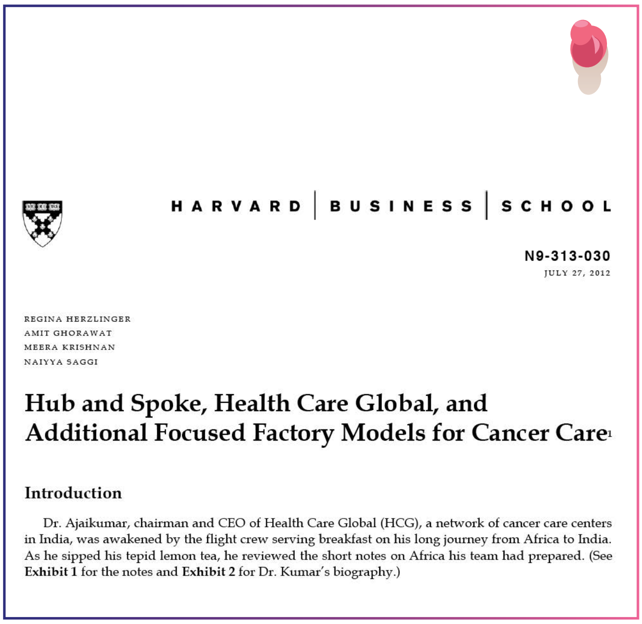
## Competitive strengths

- Leadership and scale in oncology under 'HCG' brand
- Comprehensive cancer facilities under one roof
- Accurate diagnostics and treatment by leveraging state-of-the-art technology
- Strong clinical teams and long-term partnerships
- Hybrid-presence model to reach out to maximum number of Patients

# Unique Business Model

To deliver world-class, affordable and accessible care to thousands of people in India, and given the long-term duration of care and treatment requirement for a cancer patient, HCG designed a unique focused model (refer figure 1) to bring latest technology and quality of care to tier 2/3 towns, supported by centralized hubs in form of advanced treatments, clinical talent, systems and protocols and operational and clinical efficiencies, while generating financial returns on investments. Under this model, we have established centers in urban cities, several of which, are centers of excellence for research, development and advanced clinical care, equipped with latest and superior technologies for treatment, but also penetrated several regions with substantial presence and network of centers located in sub-urban and smaller cities and towns. Thus we have successfully created highest quality of care matching global standards, but also created 'last-mile' access to this care for patients. The scale up of the model has grown over the years with implementation of modern technologies like telemedicine and teleradiology, enabling remote delivery and quality assurance across the network, digital pathology, where specialists can evaluate samples remotely, generate reports and discuss the findings with clinicians and patients in different geographies, to name a few. Through this model, HCG has not only created centers that provide comprehensive oncology services encompassing radiation, medical and surgical oncology, advanced diagnosis, research and innovation on a pan-India basis, but also brought about a positive change in the ecosystem through awareness, education, early detection, higher quality care and outcomes, leading to overall social and economic development of the regions. This unique business model of ours was recognized by Harvard Business School in 2012 and is currently being studied in several business schools across the globe.


HBR.ORG
Harvard Business Review
NOVEMBER 2013
REPRINT R1311K
THE GLOBE
Delivering World-Class Health Care, Affordably
Innovative hospitals in India are pointing the way.
*by Vijay Govindarajan and Ravi Ramamurti*


HARVARD | BUSINESS | SCHOOL
N9-313-030
JULY 27, 2012
REGINA HERZLINGER
AMIT GHORAWAT
MEERA KRISHNAN
NAIYYA SAGGI

**Hub and Spoke, Health Care Global, and Additional Focused Factory Models for Cancer Care**[1]

**Introduction**

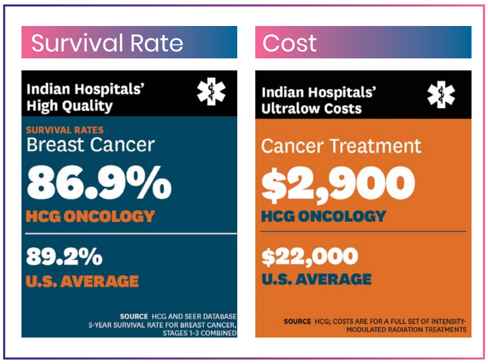
Dr. Ajaikumar, chairman and CEO of Health Care Global (HCG), a network of cancer care centers in India, was awakened by the flight crew serving breakfast on his long journey from Africa to India. As he sipped his tepid lemon tea, he reviewed the short notes on Africa his team had prepared. (See **Exhibit 1** for the notes and **Exhibit 2** for Dr. Kumar's biography.)

# Intellectual Capital (continued)

**This model provides various benefits to the patients , the company and society at large, including:**

- Creation of oncology infrastructure in under-penetrated regions of the country
- Access to oncology treatment for patients without inconvenience of travel or relocation to other cities
- Ancillary cost reduction and ability to use such savings for treatment, given long-term nature of care in cancer
- Maintaining continuity of care, reduction in drop-outs, even in late/advance stage cancers leading to better quality of life / outcomes
- Promoting socio-economic development and innovation in local communities

**Also, "Govindarajan et. al. .Harvard Business Review, November 2012, "Delivering World Class Health Care Affordably, Innovative hospitals in India are pointing the way" has highlighted HCG's leadership in delivering world-class outcomes, matching the best of hospitals in U.S., but at a fraction of the cost. This is a testament of HCG's core strength in delivering superior outcomes and operational efficiency of its business model.**




## Quality care

The quality care we provide our patients is aligned to our mission and helps differentiate HCG as a preferred cancer care provider. Since our inception, we are passionate about providing highest quality care and strive to improve every day.

Our focus on quality is the key to providing effective medical care with a patient-centric approach. We undertake various initiatives to improve our quality which includes:

- Tender care program to enhance the skills and competencies of our nurses
- Nurse Navigator to reduce patient dropouts and SPOC in the continuum of care
- Maintenance of Electronic Medical records to improve documentation and ensure centralized and faster outcome computations

We measure a wide range of parameters to measure the quality of our delivery. Some indicators are standardized across the industry while some are benchmarked by us to enhance our services. We have established 120 quality indicators, some of which include:

- Incidence of medication errors (Medication errors per patient days) per 1000 patients
- Number of Variations observed in mock drill
- OT utilization rate
- Nurse patient ratio for wards and ICU
- Inpatient satisfaction Index
- Waiting time for services including outpatient consultation, diagnostics, radiation CT scan
- Time taken for discharge
- Mortality rate

These parameters are monitored across our network. It helps us to understand our current position and enables us to take corrective actions to further improve our outcomes. We constantly benchmark our practices to ensure patient safety and care, and identify opportunities to improve our healthcare services and facilities.

Our facilities are accredited by NABH, an exhaustive healthcare standard for hospitals and healthcare providers. This accreditation is an evidence of quality care provided by HCG to our patients across the globe.

**6**

Centres are NABH Accredited

**3**

Centres are NABH Certified

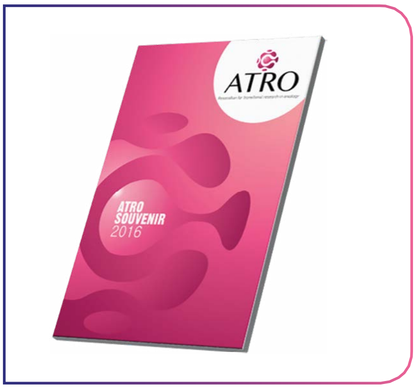
## Clinical Excellence

We take pride in our history and culture of building an organisation that is trusted for delivering clinical excellence for complex medical diagnosis. Our main objective is to ensure optimal achievable clinical outcomes while meeting the needs, values and preferences of every patient.

Some of the key initiatives taken during the year by Clinical excellence department to streamline clinical workflows, pathways, documentation standards and clinical outcomes across our network includes:

### ATRO 2018

We conducted the third conference of Association for Transitional research in Oncology (ATRO 2018). In this conference data of cases of Head and Neck (n=3137), Ca Cervix (n=1823) and Breast (n=2955) treated between 2013-2015 across our network were analysed (break-up shown in figure 1). The rationale behind the same was to review the outcomes such as disease-free survival and overall Survival, apart from mapping local recurrence rates and disease progression. A recurrence audit was conducted across all sites to understand the factors leading to local recurrence. Several factors including aggressiveness of the disease, incomplete treatment, outside surgeries were some of the common factors predicting local recurrence.




## Clinical Pathways

Clinical pathways for management of Head and Neck, Cervix and Breast were finalized. Audits for compliance were undertaken across all centers and corrective action were initiated for any deficiencies.

## Chemotherapy Treatment protocols

Department of clinical excellence together with clinical pharmacology has developed a uniform set of treatment protocols for HCG OIS EMR. With a click of a button, doctors can now prescribe chemotherapy regimen.

## Clinical Audit

We initiated uniform clinical audits across HCG centers and started the extravasation audit in medical oncology and nursing departments. A total of 28 clinical audits were done across centers. The audits were undertaken to enhance patient care, clinical outcomes and safety.

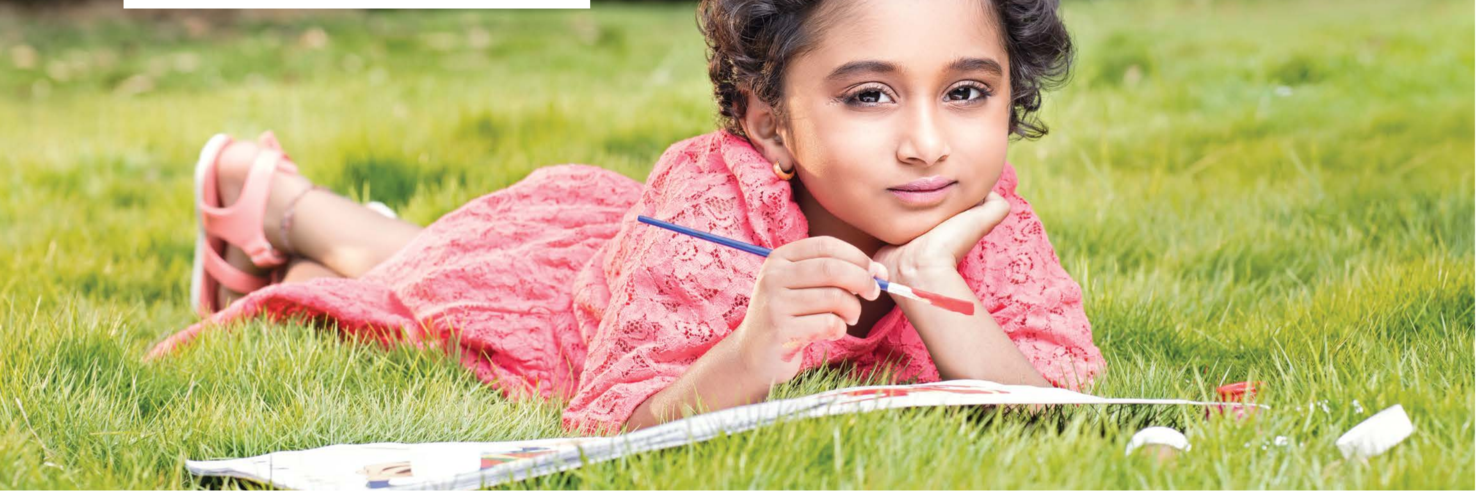


**Figure 1: Cancer Registry**

**1. Gujarat**

- Breast, n=488
- Cervix, n=70
- HNCC, n=769

**2. Karnataka**

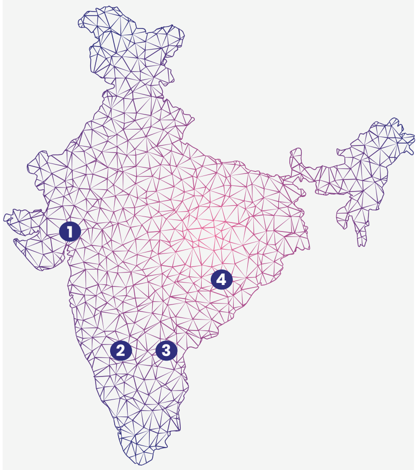
- Breast, n=2029
- Cervix, n=1143
- HNCC, n=1458

**3. AP & Chennai**

- Breast, n=363
- Cervix, n=594
- HNCC, n=613

**4. Orissa**

- Breast, n=75
- Cervix, n=16
- HNCC, n=297




## Cross Audit

We initiated Cross Audits across our centers wherein senior experts from one center undertakes structured audit of their specialty in another center. We have conducted 18 cross audits across surgical, medical and radiation oncology departments. The outcomes of the audit are discussed by the core committee and improvement plan are initiated for the center where deficiency was found.

## Mortality Audit

We initiated Centralised Mortality audits across all facilities. Summaries of all cases of mortality in HCG hospitals were sent for review to HCG core team in Bangalore. Cases were tested and selected for discussion based on several clinical parameters. The initiatives included implementation of 5 E-ICU and strengthening the Infection control practices across all with focus on preemptive steps to improve chances of survival and institution of clinical care pathways.

## Investigator Initiated trials

Several investigator initiated trials were conducted in the following areas:

1. Genomics: Mutations and treatment response and outcomes
2. Radiation response & Radio sensitivity using Radiomics and radiogenomics
3. Whole exome sequencing to identify novel targets in head and neck cancers
4. Oral microbiome in oral cancers
5. Immunotherapy: PDL1 inhibitors, T cell activation, Dendritic cell therapy
6. Radiopharmaceuticals: Use of novel radio phamaceuticals for theranostics
7. Yoga: Multi-institutional funded studies on Yoga for chemobrain
8. Psycho-oncology: Studies on distress and cognitive function

During the year, two grants were awarded by Ministry of AYUSH and DST for study on role of yoga in chemobrain and fMRI correlates of chemobrain. Several investigators from HCG were invited to give oral presentations at Harvard University, ASTRO meeting, ESMO meeting, Society for Integrative Oncology and other International Association meetings. Overall there were 40 publications being published by researchers in conference proceedings. Several of Young HCG researchers got travel awards and fellowships.

## EMR

As a part of digital transformation, we initiated DISHA-Oncology Information System (DISHA-OIS) in MARCH 2019 at our flagship Center of Excellence in Bangalore. Through this platform, we strive to optimize, digitize and automate our clinical workflows, thereby, enhancing clinical care through use of digital data. We are in the process to further integrate the system with Radiology Information System (RIS), Lab Information Systems (LIS) to bring in end to end integration of workflows through the patient lifecycle and improved efficiency.

**40**

Publications published in FY19

**28**

Clinical Audits conducted in FY19

**18**

Cross Audit conducted in FY19

## Innovation@HCG

Life of a Laryngectomy person is marked by many problems including no voice box, breathing through a trachea-stoma, absence of Nasal breathing, unable to smell and altered taste & swallow. In order to aid their problems, we at HCG , supporting our in-house doctor/inventor, introduced AUM – VOICE BOX. It is an innovative device made of silicone, helping people to regain their voice at a fractional cost.

# Human Capital

**As we continue to grow, we stay focused on building strong inclusive culture that encourages our people to be at their best. Our people remain passionate advocates of 'adding life to years' for our patients to deliver incalculable long-term value.**

Working at HCG means having an engaging and learning experience. We strive to build a workforce that delivers enhanced care to patients, going above and beyond to give their best. Our inclusive and diversifed work culture creates an environment wherein everyone learns, contributes and grows. We proudly call our employees "HCGians" that consists of expert oncologists, cadre of well-trained nurses and administrative professionals.

At HCG, employees are provided with opportunities to enhance their skills and adapt to changing medical landscape. As our endeavour to fight against cancer, we strive to create an inclusive work environment that motivates, respects and encourages teamwork within our employees.

## A team of specialists

Our human capital consists of experts from various fields with expertise to address critical and complex cancer cases across our network. We work together to ensure accurate diagnosis and treatment is provided to our patients along with consideration for rehabilitation, coupled with shorter hospital stays. Our expert panel consists of medical oncologists, surgical oncologists, radiation oncologists, onco-pathologists, onco-radiologists, immuno-therapists, nuclear medicine experts, onco-psychologists, nutritionists and physiotherapists among others.

**A team of specialists**

**5879**
Employees across HCG

**305**
Doctors including oncologists, radiologists, pathologists and specialists.

**1183**
Paramedical Staff

**2288**
Support staff

**1798**
Nurses

## Diverse and inclusive workforce

Our people are most important for helping us meet our organisational goals. As we work towards building a diverse talent pool, their retention is critical to our long-term sustainability. We encourage inclusiveness and collaboration of ideas that thrive on diversity of our people. Our work policies and framework are designed to make our people valued and able to fulfil their potential, regardless of age, gender, ethnicity or disability.

A strong gender-balanced workforce at HCG comprises of women across multiple functions and roles. During the year, we stepped up our recruitments for hiring women employees that are in line with our strategies on how we empower our women workforce at workplace.

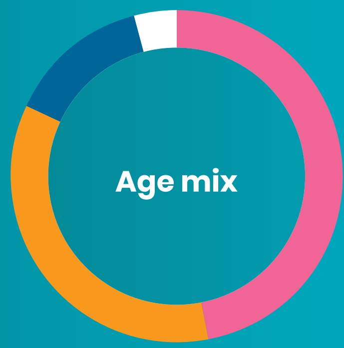
**47:53**

**Gender Diversity ratio**
(Women : Men)

**33.03 years**
Average age of Employees

**11**
Specially abled employees

### % of total Employees




| | |
|---|---|
| Between 18 to 30 years | **47%** |
| Between 30 to 40 years | **35%** |
| Between 40 to 50 years | **14%** |
| Above 50 | **4%** |

## Occupation health and safety

At HCG, along with patient's care, we ensure health and safety of all our employees across our operations. Our key objective is to ensure safety at all levels with compliance with legislative requirements and industry standards. All our employees receive comprehensive training for work place health and safety. In daily course of operation, our staff is exposed to specific risk, including exposure to UV and ionizing radiation, and chemical and biological factor. As a result, we focus on providing them with the right conditions and protection to perform their job. During the year, we updated our safety initiatives and shared BCP (Business continuity plan) with all the units to update as per their unit requirement.

**2865.5**
Hours of health and safety training conducted

**2575**
Employees participated in health and safety training

**ZERO**
Incidents including fatal accidents reported during the year under review

# Human Capital (continued)

## Training and development

In order to provide quality treatments to patients, it is vital for us to rapidly evolve with the changes in the business environment and introduce new technologies to attain medical excellence. Our training plans are drawn up to ensure that our employees can meet the evolving needs of Cancer care treatment, adapt to new technologies and meet patient's expectations. A judicious mix of all possible methods benchmarked with international standards are used in our training programmes.

Apart from internal training, we also partnered with some of the leading institutions to provide dedicated training across specific fields to our team. This included fire and safety training with IISM, leveraging benefits of MS office with Microsoft and ICW training with a team of external lawyers. These training programmes are reviewed on a regular basis to ensure they help our team adapt to changing business environment and stay relevant to their specific work profile.

### Training hours

| | |
|---|---|
| FY19 | 196402 |
| FY18 | 120235 |
| FY17 | 45382 |

### Oncology focused nurse training

At HCG, we have developed a unique model, 'Tender Care programme', to enhance the skill of our nurses through grading, training and fellowship. Through this programme we provide a range of training that develops cognitive, affective, and psychomotor domain of each and every individual nurses at the HCG family. Apart from these training, on a weekly basis we connect our nurses with experts across HCG network through video / Skype conferencing call where they can interact with the experts and clear their doubts relating to nursing protocols.

**NURSING TRAINING AND DEVELOPMENT PROGRAM**

Nurses at HCG have a platform for skill improvement and professional growth

**Mandatory Training – Annual**

- Nursing Induction Basic Life Support
- Advanced Cardiac Life Support
- Pediatric Advanced Life Support
- Patient Safety
- Fire Safety
- Infection Control
- Medication Safety

**Certificate Program**

- Infection Control Nursing Program
- Peripherally Inserted Central Catheter Training Program
- Stoma Care Nursing Program
- Infusion Therapy Training
- Oncology Nursing Training
- Train the Trainer Program

**Tender Care Outline**

- COMPETENCY ASSESSMENT/GRADING EXAM
  - Fellowship in Medical Oncology
  - Fellowship in Head & Neck
  - Fellowship in Bone Marrow Transplant
  - Fellowship in Critical Care
- NURSING FELLOWSHIP PROGRAM
- NURSING LEADERSHIP PROGRAM
- NURSE NAVIGATOR PROGRAM

**School of Nursing**

- Post Basic Diploma in Oncology Nursing (INC)
- Critical Care Nursing Program (IDCCN)

**Virtual Training Program**

- Case study presentation
- Scientific Sessions and presentation Program (IDCCN)

Regional, State, National Level Nursing Workshops and Conferences

### Leaders for Tomorrow

HCG invests significantly in developing leaders for better tomorrow. We have two main leadership programme: the Rising Star to retain internal top talents, which focuses on encouraging employees to take up higher job responsibility or position based on criteria and process, and HCG leadership program, which provides enterprise-wide platform to drive projects of strategic importance under the mentorship of Senior Leaders.

Our leadership programmes continues to be key differentiator and hugely successful in retaining top talents as well as attracting new talents to HCG. Through our initiative we ensure that our employees are willing and able to emerge as leaders having the agility necessary to adapt to change.

## Career growth opportunity

We continuously invest in employees through their career lifecycle to ensure they are engaged and motivated to perform their roles. We provide competitive rewards and benefits that are clearly linked to performance and offer opportunities for further career development. We identify talents and give equal opportunities to grow and develop their careers at HCG through initiatives like HCG Leadership Program, Internal Job Rotations and Lateral Shifts

## Employee engagement

At HCG, we believe highly engaged employees deliver results, whether it is clinical staff or support service staff. Our various employee engagement initiatives enable us to build a constructive work culture that drives our employees. These workshops and programmes include:

- **Newsletter - HCGian:** A quarterly newsletter created by the employees and for the employees, covering unit-specific news and updates. The newsletter covers the organization updates and events with articles giving insights about employee achievements.
- **Learning Saturday:** Every month an organized training and employee engagement session is conducted on Saturday at the corporate office. The employees get an opportunity to connect with Leaders and department experts, gaining deep insights and knowledge on multiple topics.
- **Family engagement program:** Every year, a family day is organised wherein all the employees have the opportunity to bring their children to work. The day is packed with activities, fun and learning with our extended family.
- **World Environment Day celebrations:** Protecting and saving the environment has always been a key priority at HCG. As a result, on the occasion of World environment day, our employees undertake several initiatives to conserve the environment.
- **World Cancer Day:** Being at the forefront of fighting against cancer disease, at HCG we commemorated world cancer day with great significance. We conduct activities and mock drills to promote the prevention and care methods of the disease.
- **World Tobacco Day:** One of the many causes for cancer is consumption of tobacco. On World Tobacco Day, employees across our network conduct awareness programs on streets and various corporate offices to highlight the ill-effects of tobacco consumption.

We even conduct employee engagement survey to track the engagement and experience of the entire workforce, giving us insights to their attitude and mindset.

**Process of taking feedback:**


**81%**

Employee engagement score (as per ESS November 2018) with 63% employee participation

## Academics @ HCG

At HCG, we believe that learning is a never-ending process and is vital in maintaining the quality of care and high-level of excellence with continuous learning. Through our academic facilities, we aim to create home-grown professionals and strengthen our clinical excellence. Across the HCG network, we conduct medical education programs, weekly tumour board discussions and teaching programs, leading to HCG certified specialty degrees that are university and national board recognised.

**105**
Students registered for various courses in FY19

**20**
Courses offered in various segments of Oncology

1. **DNB Medical Oncology**
2. **DNB Radiation Oncology**
3. **DNB Surgical Oncology**
4. **DNB Onco Pathology**
5. **B.Sc. Medical Lab Technology**
6. **B.Sc. Radiotherapy Technology**
7. **B.Sc. Operation Theatre Technology**
8. **Fellowship in Onco Pharmacology**
9. **Fellowship in Radiosurgery**
10. **Fellowship in Pediatric Hematology Oncology**
11. **Fellowship in Interventional Radiology**
12. **Fellowship in HPB & Liver Transplantation**
13. **Fellowship in Hematology & BMT**
14. **Fellowship in Onco Anaesthesia**
15. **Fellowship in Orthopaedics**
16. **Fellowship in Gynaecology Oncology**
17. **Fellowship in Onco Radiology**
18. **Fellowship in Uro Oncology & Robotic Surgery**
19. **Fellowship in Advanced Techniques in Radiation Oncology**
20. **Fellowship in Head & Neck Surgical Oncology**

## Academics @ Milann:

4 FNB seats (IVF Fellowship programs) -National Board of Examinations under the Ministry of Health and Family Welfare, Government of India

- Post-doctoral fellowship program in reproductive medicine (Affiliated with National Board of Examinations, Rajiv Gandhi University of Health Sciences)
- Post-doctoral fellowship programs in Maternal Fetal Medicine

# Social & Relationship Capital

**At HCG, we believe it is our responsibility to serve mutual interests, and maintain healthy relationship with all our stakeholders to sustain our business growth. Through these partnerships and our core belief, we strive to create sustained value for our patients, business partners and society in which we operate.**

## Patients

We offer our patients technologically advanced diagnosis and interventional oncology services with comprehensive cancer management. Along with an expert team of oncology specialists, HCG centers are well equipped as we constantly invest in linear accelerators and treatment planning software to provide accurate and effective treatment for a wide range of cancers.

By providing quality care and services, we ensure patient loyalty and satisfaction and drive organic growth. We believe innovation is the key to meet patient's satisfaction. This includes finding new ways of addressing patient needs and going that extra mile consistently.

We strive to build a patient-centric and innovation driven business model that brings better health and brighter future for people. To achieve the same, we have established a platform wherein we take feedback from our patients to gain better insights into their experience, improve patient engagement, and recover any gap in service quality. Other key processes to measure quality of care and resultant outcomes includes MRD & Quality review, patient experience calculator, Mortality review and Tumour Boards.

To further increase patient comfort, we launched 'HCG Home Health'. Through this division we provide quality services, including Nursing Care, Nursing Attendants, EICU, ICU setup, Pharmacy Delivery and Sample collections for multiple Diagnostics services, at patient's home. As of now, we provide this services through centres in Bangalore and in Ahmedabad. We are also in process to expand this service across all our centres.

With the vision of emerging as the lead cancer care provider, we constantly monitor our customer needs and adapt to changes in technological environment in order to provide comprehensive quality care to patients. We develop strategies and implement practices that enables us to create positive impact on patients, who are at the center of everything we do.

## 87.4%

Average Outpatient Satisfaction ratio* in recent year

## Reducing

Average Length of Stay (ALOS) for patients through technology and efficiency

## Optimisation

of treatment cost, while maximising quality of care and outcomes

## 86.5%

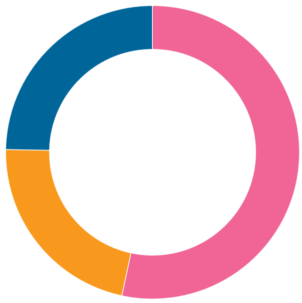
Average Inpatient Satisfaction ratio* in recent year

*Patient satisfaction surveys conducted at Bengaluru center of excellence

## Increasing

trust in brand HCG among domestic and international patients

**Payor mix in FY19**



| | |
|---|---|
| Cash | **53.6%** |
| Govt. | **21.7%** |
| Corporate/Insurance | **24.7%** |

# Social & Relationship Capital (continued)

## Consumer Awareness Campaign

At HCG, we conduct several cancer care awareness campaigns about the benefits of early detection of cancer its timely diagnosis. The awareness programs are organized across the country through screening camps, awareness talks, action-oriented activities, media outreach articles, free health-check and social media channels.


Home > Cities > Bengaluru

### Karnataka: Plan to ban smoking in bars goes up in smoke, courtesy BBMP apathy

*Three months after the high-powered committee for tobacco control wrote to the BBMP to ban smoking zones, the civic body is still dragging its feet to implement it.*

Published: 26th May 2018 02:29 AM | Last Updated: 26th May 2018 04:25 AM

Oncologist Dr Vishal Rao U S addressing an event in the city on Friday | Express

By Suraksha P

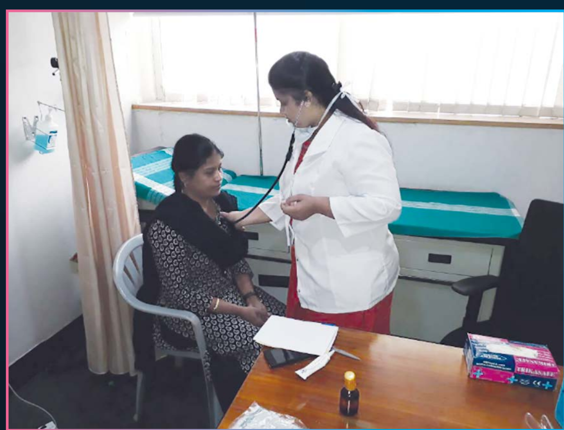
Express News Service

BENGALURU: Three months after the high-powered committee for tobacco control (HPCTC) wrote to the Bruhat Bengaluru Mahanagara Palike (BBMP) to ban smoking zones in restaurants, cafes, bars and pubs, and nearly two decades after The Karnataka Prohibition of Smoking and Protection of Health of Non-Smokers Act (KPSPHNSA), 2001, the civic body is still dragging its feet to implement it.

The letter was written after NR Markhandeya, Deputy Director (Fire Prevention), Karnataka fire and emergency services wrote to the HPCTC that hotels, bars and restaurants have highly combustible material and smokers cause fire hazards in these buildings. In the interest of public safety, these areas should be declared non-smoking areas, he wrote.

Cigarettes and other tobacco products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act (COTPA) says that all public places should be smoke free. Section 3 of KPSPHNSA also prohibits smoking in public areas.

Dr Vishal Rao U S, noted oncologist and member of HPCTC, government of Karnataka, said,

## Investors

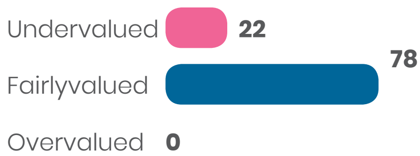
Through our operations, we strive to maximise shareholder returns, maintain strong corporate governance and improve the level of transparency along with proactively and timely communication. We scrupulously adhere to a strict code of transparency in our relationships with investors. Information about our activities and performance, financial and non-financial, as well as strategies and future plans are made available to the investors to the maximum extent possible. We communicate with them on an ongoing basis through media announcement and investor presentations about all the relevant information. The investor relations department actively engages with investor community and provides access to management and facilities as well as addresses any queries and concerns in a timely manner. The company is under coverage of 10 research analysts on the sell-side, including domestic and global research and brokerage houses, who analyse the business, publish reports and also engage with company and investor community, while maintaining transparency and ethical codes of conduct.

**2**

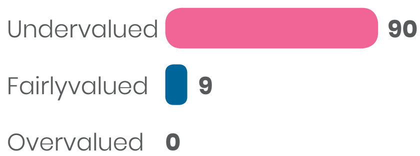
Anonymous perception studies conducted by third party across investor community

### Response by participants on HCG's Valuation Potential
(in %)

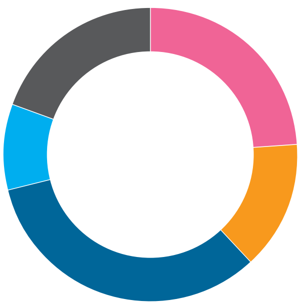
### 2017 Investor perception study




### 2018 Investor perception study




### Shareholder Mix



| | |
|---|---|
| Promoter group | **24.1%** |
| MFs | **14.1%** |
| FII | **33.1%** |
| Others | **9.5%** |
| Public | **19.2** |

## Business partners

Our business partners consists of technology vendors, pharmaceutical companies, suppliers, TPAs and insurance companies, specialist physicians, and hospitals infrastructure providers who enable us to serve our patients better. We seek to build a long-lasting mutually beneficial relationship with our business partners based on trust and transparency. To empower local communities in which we operate, we undertake partnerships with local specialists and surgeons to create value for a larger patient community. At HCG, we believe that this will enable us to achieve our long-term goals.

Given the nature of our business, we select our business partners on the basis of their expertise, reputation, ethics and values. This is to ensure highest quality care and treatment for our patients across our network. In our daily course of business, we ensure regular interaction with them on various topics to ensure responsible growth and alignment of objectives for shared success.

### Technology vendors

ACCURAY Elekta PHILIPS SIEMENS varian


1

| | |
|---|---|
| Location: | Cuttack |
| Partners (Business): | Dr. K.S. Panda, through Panda Medicals Pvt. Ltd.<br>*Surgical oncologist* |
| Nature of Partnership: | Free for services and rent paid to our partner. |

2

| | |
|---|---|
| Location: | Chennai |
| Partners (Business): | Sri Kavery Medical Care Ltd.<br>*Multispeciality Hospital* |
| Nature of Partnership: | Revenue Share |

3

| | |
|---|---|
| Location: | Bangalore |
| Partners (Business): | M. S. Ramaiah Hospital, through Gokula Education Foundation<br>*Educational Institute and Multi-speciality Hospital* |
| Nature of Partnership: | Revenue Share |

4

| | |
|---|---|
| Location: | Hubli |
| Partners (Business): | NMR Medical Institute Pvt. Ltd.<br>*Freestanding Diagnostics centre* |
| Nature of Partnership: | Revenue Share |

5

| | |
|---|---|
| Location: | Nasik |
| Partners (Business): | Dr. Raj Nagarkar<br>*Surgical Oncologist* |
| Nature of Partnership: | Joint Venture |

6

| | |
|---|---|
| Location: | Ahmedabad |
| Partners (Business): | Astha Oncology Private Ltd.<br>*Group of Surgical Oncologists* |
| Nature of Partnership: | Joint venture |

## Government

One of our key stakeholders, government has a significant impact on our business in several ways right from originating laws and regulations to issuing licenses to operate. We are committed to maintaining highest ethical standards and corporate governance practices. Thereby, we ensure all the regulatory requirements are complied with in timely manner. We put significant efforts to maintain transparency with all our stakeholders at all levels of our organisation.

Along with regulatory requirement, we even participate in various government initiatives aimed at improving the quality of life of the people. During the year under review, we had participated in state and central government schemes focused on providing health care services to the economically backward section of the society. Therefore, this also makes government an important customer segment for us, predominantly in non-metro regions of our operations. We actively engage with government bodies towards monitoring conduct and operations of these schemes.

## Industry Regulatory Bodies

HCG engages in constructive dialogues with industry regulatory bodies and associates on issues of legitimate interest of the group. At Industry level, we participate in many industry forums and associations. We collaborate with these associations and forums to set industry standards and benchmarks with best global practises. Through our regular interaction with these associations and forums, we ensure long-term viability of the industry by participating in policy development and thereby securing a sustainable future.

## Media

The PR team at HCG maintains healthy relationship with press and media partners to ensure visibility of our oncology related activities. Our strategy is to target the right media channels with an organized approach on press engagement to ensure maximum outreach. Through our initiatives we have been able to touch thousands of lives across various regions, age group, gender and cancer conditions. We have even established a one-of-its-kind online platform - www.selfv.in, for cancer survivors to celebrate the indomitable spirit of overcoming cancer. Survivors of cancer upload their story of conquest over cancer and embracing their present way of life, celebrating every moment. This initiative has had a positive impact on patients suffering from cancer giving them hope from fighting cancer and break the stigma attached to the disease.



## Social Capital

# Helping tobacco farmers grow alternative crops

India is the second largest consumer of tobacco in the world accounting for almost half of all oral cancers and the highest burden of tuberculosis globally. With this trend, it is estimated that tobacco will cause ~13% of total deaths by 2020 in India. India is also the third largest producer of tobacco in the world, with Karnataka, Andhra Pradesh, Gujarat and UP accounting for almost 80% of the total production.

In order to address this issue, we at HCG initiated to work towards the cause of the problem i.e. tobacco cultivation. Our Antardhwani, HCG's independent non-partisan think tank, is all set to launch the country's first-of-its-kind alternative farming project starting June-July 2019 in Mysore/Hunsur region. The project will involve a select group of tobacco farmers who will be assisted to grow primarily sandalwood besides other seasonal vegetables and fruits in their agricultural land.

**50**
Famers including growers of FCV (Flue Cured Virginia) tobacco

**50 acres**
Cumulative land covered by the project

**₹ 150**
Cost of 1 kg FCV tobacco

**₹ 3000 – 6000**
Cost of 1 kg sandalwood

### Sanjeevani - Cancer Diagnostic Mobile Clinic

Aiming at overcoming the hurdle of transportation that comes in the way of medical checkup, HCG, in association with Infosys Foundation, launched a mobile cancer project in 2014; Staffed with a doctor, nurse and paramedical staff (around five in all), the clinic is equipped with mammography, x-ray system, ultrasound system, pathology and lab. The mobile cancer clinic is deployed in Gulbarga to cater to districts in north Karnataka, the clinic is a boon to people in the remote areas. The mobile clinic creates accessibility to advanced cancer screening and early diagnosis. It is a fully sufficient bus with advanced technology which helps in creating awareness by disseminating information about cancer through a television fitted inside the mobile clinic with provision to beam images onto a screen outside.

The incidence of head and neck cancer and cervical cancer is high in rural areas. With early diagnosis one can find better approach to cancer treatment. The goal of the mobile bus clinic was to leverage pre-existing infrastructure in the local communities to continue educate and provide diagnosis with detection in rural communities.

**Technology, and heart @ HCG: Secured future of a 14 year child, Madhumitha**

In March 2017, during a compulsory routine health check-up at Madhumitha's school, she told the doctor her discomfort in reading words written on the board. In the preliminary diagnoses, doctors doubting some severe health issues informed the teacher that she needs to get a couple of scans done. The reports revealed a growth in the optic nerve, which was diagnosed as Cancer. The growth being cancerous, it should be removed and the area needs to be treated to prevent further growth of the cancerous cells. Therefore, the doctors had referred Madhumitha to HCG hospital in Bangalore for treatment through cyberknife which is one of the few technologies capable of treating such complex cases. Madhumitha's parents were not in a financial position to afford cyberknife treatment cost, which was close to ₹ 300k. The dilemma was that cyberknife treatment was critical given complexity of the case. HCG stepped in to provide monetary support for Madhumita's treatment. She completed her treatment in the year 2018 and resumed her school, to give wings to her dreams.

**Calamity strikes, Crowdfunding revives: Extended support to Ratnakumari**

Ratnakumari, 43-year-old, residing in Kammagundahalli, is a mother to three children. Her husband Mastamiah, the sole bread earner in the family, worked as a helper in transporting iron rods. Ratnakumari and Mastamiah's son was studying in 12th standard while both their daughters were disabled.

In 2016, Ratna got diagnosed with breast cancer. Another family member's illness added to the woes of Mastamiah. Despite financial challenges, he got the surgery done. Later the rains made them homeless as the roof of the house collapsed. A little respite came when a friend offered them a place to stay. Burdened to take care of the entire family, he could not afford to miss even a single day as it puts the whole household in jeopardy. The medical expenses for his daughters itself cost around ₹ 300/- for five days.

When HCG came across the case, we helped Ratnakumari get surgery and radiation, by providing financial support. But Mastamiah was unable to afford follow-up care and medication for Ratna. HCG with the help of Milaap crowdfunding, raised money for her further treatment. She has now completed her treatment and has good health. She visits the hospital for regular check-ups. Recently, a wheelchair was donated for the disabled daughter as replacement for her damaged wheelchair.

# Adding 'life to years'

A forthcoming study conducted by SEO Amsterdam Economics, commissioned by International Finance Corporation (IFC), an affiliate of World Bank, evaluates the socio-economic development impact of HCG. The accompanying 'Theory of Change' illustrates how HCG has made meaningful impact towards health outcomes through improvements in access, quality of care, and health sector standards; while also adding economic value by directly and indirectly supporting jobs creation.

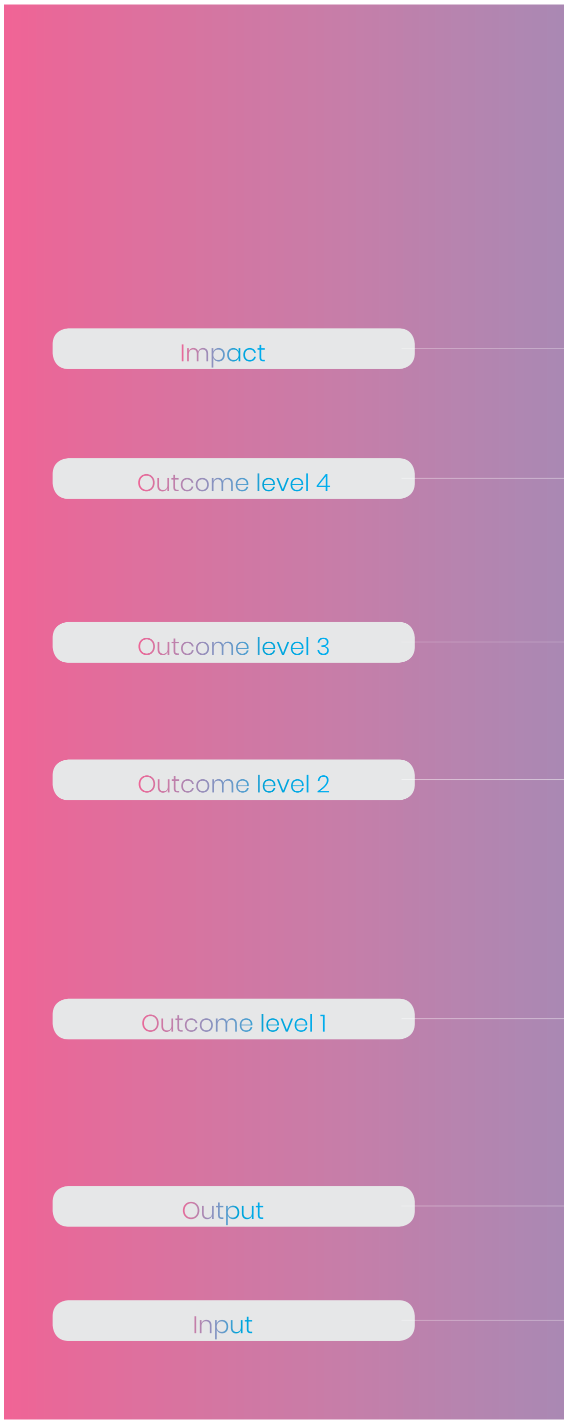
According to the study, the quality indicators collected by HCG suggest that experienced quality of care is high at HCG. This was reflected in an average outpatient satisfaction ratio* of 87.4% and an average inpatient satisfaction ratio* of 86.5% during 2018. This ratio is higher than some global comparators, for example the United Kingdom National Health Services hospitals.

At the level of patients' health, the available evidence suggests that HCG has made an important contribution towards improving the quantity and quality of health outcomes.

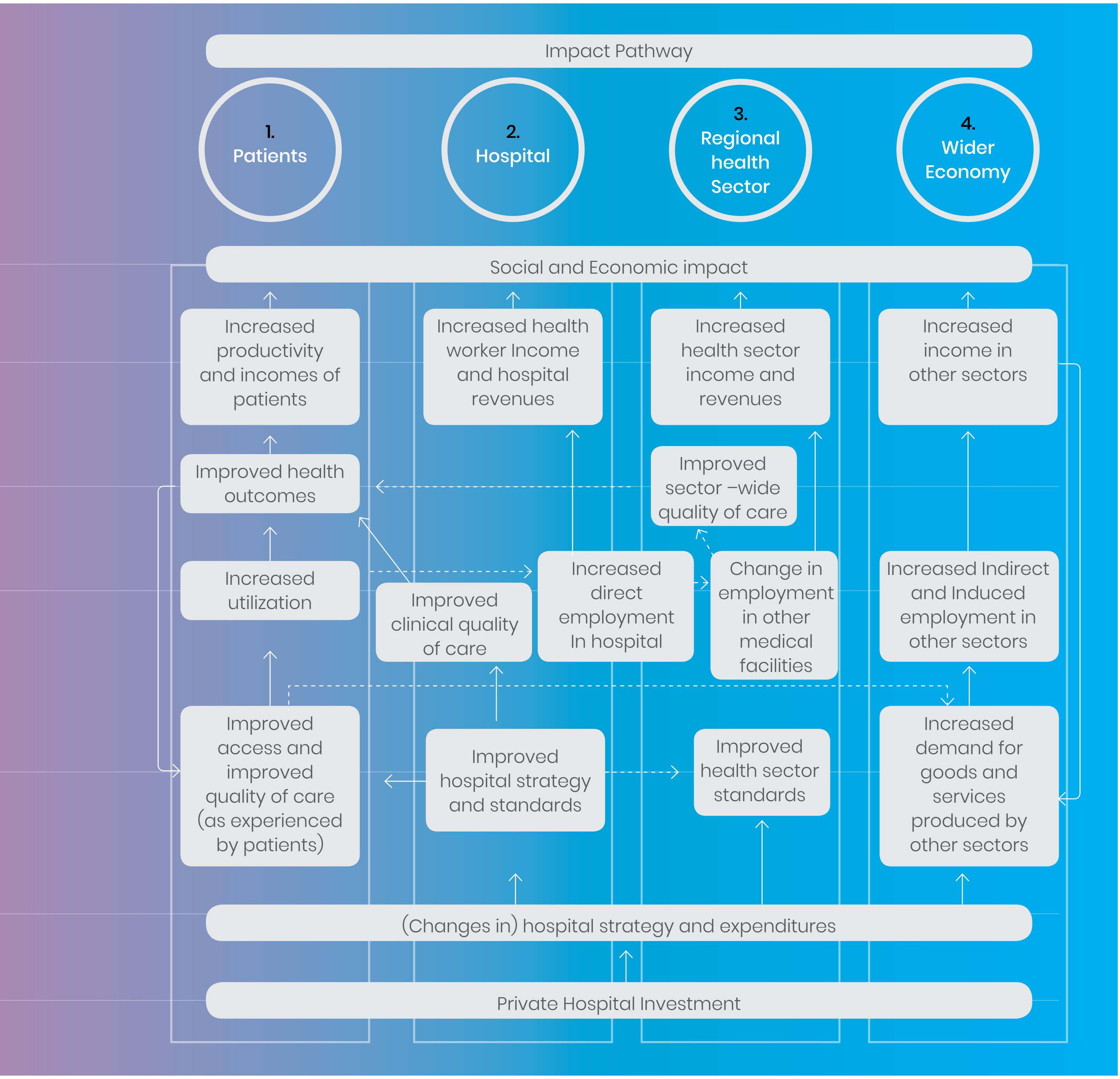
At the level of health sector, it is creating an impact with improved access to oncology care (including via hub-and-spoke model), improving quality of cancer care and setting new standards in clinical care through its state-of-the-art technology investments and quality system.

At the level of wider economy, HCG contributes to provide employment directly and indirectly in multiple sectors and regions across our network of operations. With this it is creating an overall positive impact on job creation, not only increasing labour demand but also increasing labor supply.

*Patient satisfaction surveys are conducted only for Bengaluru center of excellence



## Theory of change and impact



# Natural Capital

At HCG, we believe that it is our responsibility to contribute towards preserving the environment in which we operate. Our main areas of impact include efficient utilization of resources, electricity consumption and water, and disposal of hazardous and non-hazardous waste. Thereby, we are committed to achieve efficient energy consumption across our network and strive to reduce our water consumption and carbon emission.

## Energy usage and emission

Our approach to efficient energy consumption includes monitoring, recording, benchmarking and setting a threshold limit of energy consumption across all our facilities.

We strive to keep our consumption within the prescribed limits. Hence, we regularly maintain a record of energy consumption indicators, including stack emissions from diesel generator (DG) and other air emission sources, at our Centres as per defined processes and the same is reviewed by our management. To further reduce our energy footprints, we are in process of switching completely to LEDs and reduce usage of paper across the organization.

Moreover, we have installed solar roof top panels at Nashik and are in process at various other locations, towards our endeavour to increase usage of renewable energy sources.

**1**

Solar rooftop panel installed in Nashik centre

**75 KVA**

Capacity of solar rooftop at Nashik centre

## Water Stewardship

Our sustainable business approach reinforces our commitment to reduce our water consumption across our facilities. We constantly look for alternative ways to use water more efficiently while reducing our consumption. Apart from reducing consumption, we are in the process of installing water meters at discharge for STPs. This will enable us to monitor the quality of water discharge and re-use for other utilities.

## Waste Management, reuse and recycling

Another area wherein HCG is proactively working is by managing, reusing and recycling various hazardous and non-hazardous waste generated. We manage the waste generation and disposal of various types including Bio-medical waste, DG-set oil waste and general waste. The table below summarise the quantity, method of handling and disposal of these wastes.

| Hazardous and Non-hazardous Waste Type | Annual Quantity and Units | Method of Storage and Handling | Method of Recycling, Reuse or Disposal |
|---|---|---|---|
| Bio Medical Waste | **2,64,000 kgs per year** | As per Bio Medical Waste Handling Rules, 2016 and Govt of India and State Pollution Control Board | Through the State Pollution Control Board authorised Common Bio Medical Waste Treatment Facility as per the Bio Medical Waste Handling Rules, 2016 |
| DG Set Oil Waste | **~660 litres per year** | As per provisions of the Hazardous Waste (Management and Transboundary Movement ) Rules. | Through the State Pollution Control Board authorised vendor under the Hazardous Waste (Management and Transboundary Movement ) Rules |
| General Waste | **5,95,000 kgs per year** | Stored in a secured area and cleared regularly as per local municipality rules. | Handed over to Local Municipalities. |

## Adoption of technology

We adopted usage of iPads for our board and strategy meetings in order to reduce excessive usage of paper and printing supplies and the resultant wastage of resources. In FY19, all board meetings were pre-dominantly conducted through use of electronic mediums and minimal paper usage.

# Director's Report

Dear Members,

Your Directors are pleased to present the Twenty First Annual Report of your Company together with the Audited Standalone and Consolidated Financial Statements and the Auditors' Report thereon for the financial year ended March 31, 2019.

## 1. Financial Highlights:

The highlights of Standalone and Consolidated financial results of your Company and its subsidiaries are as follows:

₹ in Mn.

| **Consolidated** | **2018-19** | **2017-18** |
|---|---|---|
| Income from operations including Government grants | 9,786.7 | 8,306.9 |
| Total Expenditure excluding Depreciation, Interest cost, tax and exceptional items | 8,534.8 | 7,118.7 |
| Profit before other income including Government grants, Depreciation, Interest cost, tax and exceptional items | 1,251.9 | 1,188.2 |
| Other income | 74.1 | 128.0 |
| Depreciation, Finance Charges and exceptional items | 1,549.9 | 1,030.4 |
| Share of (loss) of equity accounted investees | (109.8) | (14.0) |
| Profit before tax | (333.8) | 271.8 |
| Profit / (Loss) after tax attributable to the owner's of the Company | (248.0) | 205.2 |
| **Standalone** | | |
| Income from operations including Government grants | 6,414.3 | 5,868.7 |
| Total Expenditure excluding Depreciation, Interest cost, tax and exceptional items | 5,464.3 | 4,981.4 |
| Profit before other income including Government grants, Depreciation, Interest cost, tax and exceptional items | 950.0 | 887.3 |
| Other income | 125.5 | 159.3 |
| Depreciation, Finance Charges and exceptional items | 949.8 | 677.8 |
| Profit/(Loss) before tax | 125.7 | 368.8 |
| Profit/(Loss) after tax | 72.5 | 248.9 |

## 2. Performance Overview:

### Consolidated Operations:

The consolidated income from operations including Government grants for FY 2018 - 19 was ₹9,786.7 million as compared to ₹8,306.9 million in the previous fiscal year, reflecting a growth of 17.8%. EBITDA in FY 2018- 19 was ₹1,251.9 million as compared to ₹1,188.2 million in FY 2017-18, reflecting a year-on-year increase of 5.36%. EBITDA margin for the year was 12.8% as compared to 14.3% in FY 2017-18, reflecting a decrease of 1.5% primarily due to incremental losses incurred by new centres. Profit (loss) after tax (owner's share) in the current fiscal year was ₹(248.0) million as compared to ₹205.2 million in FY 2017-18 mainly on account of higher Finance cost and depreciation for setting up of new centers and loss on account of foreign currency translation.

The revenue growth was driven by 19.7% growth from HCG Centres (including the multi-specialty hospitals) while Revenue from Milann centres de-grew by 3.8%. HCG Centres constituted 93.4% of the consolidated revenues for the Company and the remaining 6.6% of the consolidated revenue was contributed by Milann Centres.

**Standalone Operations:**

The Company ended the year FY 2018-19 with income from operations (including Government grants) of ₹6,414.3 million as compared to ₹5,868.7 million for the previous financial year, reflecting an increase of 9.3%. Our EBITDA before exceptional items for FY 2018-19 was ₹950.0 million with EBITDA margin of 14.8%.

## 3. Business and Strategy:

### 3.1 Business:

The Company is a provider of speciality healthcare in India focused on cancer and fertility. Under the "HCG" brand, we operate the largest cancer care network in India in terms of the total number of private cancer treatment centres licensed by the AERB as of May 31, 2015 (Government of India, Atomic Energy Regulatory Board).

In our HCG network, our specialist physicians adopt a technology-focused approach to diagnosis and treatment. For instance, we use advanced technologies, including molecular pathology and molecular imaging for accurate diagnosis and staging of cancer, which enable us to decide upon the appropriate course of treatment for each patient. We also utilise targeted nuclear medicine therapies as well as advanced radiation treatments to minimise side effects and improve the outcome of treatments. By ensuring that we adopt these diagnostic and treatment technologies throughout our HCG network, we are able to provide consistent quality of care to all patients.

Given the large number of patient cases treated across our HCG network, we believe that we are able to efficiently utilise our equipment, technologies and human resources, thereby deriving economies of scale. We believe that our business model is scalable and when combined with efficient utilisation of resources, it enables us to operate within a competitive cost structure.

As a group, we continue to deliver the highest standards of clinical outcomes across all our centres. Our standardised clinical protocols for diagnosis and treatment of cancer patients have allowed us to manage the large volume of patient cases across our HCG network with successful clinical outcomes. Mapping our own clinical outcomes and constantly evolving HCG treatment guidelines has paved way for standardization of clinical pathways and improvement in the functioning of the clinical departments. We believe that we are able to attract and retain highly skilled specialist physicians due to our reputation for clinical excellence, our technology-focused approach, the exposure and experience we provide in relation to clinical best practices and the training programmes we offer for their ongoing development. We believe that the abilities and expertise of our team of specialist physicians differentiate us relative to our competitors.

We also provide fertility treatment under our "Milann" brand. Our Milann fertility centres provide comprehensive reproductive medicine services, including assisted reproduction, gynaecological endoscopy and fertility preservation; and follow a multidisciplinary and technology-focused approach to diagnosis and treatment. Our Milann network also operates on a model similar to our HCG network, wherein the various Milann fertility centres aim to provide medical services following established protocols with a focus on quality medical care across diagnosis and treatment.

As of March 31, 2019, our HCG network consisted of 21 comprehensive cancer centres, including our centre of excellence in Bengaluru, 3 freestanding diagnostic centres and 1 day care chemotherapy centre across India and 1 centre in Africa. Each of our comprehensive cancer centres offers, at a single location, comprehensive cancer diagnosis and treatment services (including radiation, medical oncology and surgical treatments). Our freestanding diagnostic centres and our day care chemotherapy centres offer diagnosis and medical oncology services, respectively. The details of our existing comprehensive cancer centres as on the date of this report and their facilities and service offerings, including those under development forms part of the Management Discussion and Analysis Report.

### 3.2 Strategy:

a) **Expand the reach of our cancer care network in India:**

We plan to expand our network in India by establishing new cancer centres across India and by expanding the capacity and service offering of the existing HCG cancer centres. We carry out a competitive assessment of the markets in which HCG plans to expand the network, based on a number of factors, including the estimated incidence of cancer in the primary and secondary catchment population, the number of comprehensive cancer centres, if any, in the catchment; the average distance patients have to travel to avail of such comprehensive cancer care; affordability of healthcare generally and cancer care in particular; and the available third party payer options, whether corporate, government or private insurance. HCG will continue to expand its network through green field projects, partnership arrangements and acquisitions; and that the past experiences will aid the Management in identifying potential opportunities in the future and assist HCG in integrating new cancer centres into the existing HCG network. We believe that our planned network will cater to the increasing unmet demand for cancer care in India.

### b) Strengthen our HCG brand to reach more cancer patients

We believe that our HCG brand distinguishes us from our competitors. As we establish new comprehensive cancer centres across India, we plan to invest in building our brand, enhancing our market presence, brand image and visibility. We intend to strengthen our patient support groups comprising cancer survivors to further spread awareness of cancer screening and to educate patients regarding cancer treatment options and their relative outcomes and benefits. Through these initiatives, we seek to further strengthen our brand and our commitment to the community, cancer patients and their families.

### c) Expand our cancer care network overseas

We believe that despite the growing incidence of cancer, there is a shortage of cancer centres in many countries in Africa. As a result, patients suffering from cancer often travel outside the region at a significant cost for availing quality cancer care, including to our comprehensive cancer centres in India. In the past, we have experienced an increase in the number of patients travelling from Africa and other regions to our centre of excellence in Bengaluru, as well as to our other comprehensive cancer centres in India for cancer treatment. We believe that this growing demand presents us with an opportunity to establish a network of speciality cancer centres in Africa. In addition, we periodically and selectively evaluate partnering opportunities in countries in the Middle East and South and Southeast Asia.

### d) Upgrade and strengthen our information technology infrastructure

We are in the process of significantly upgrading our information technology infrastructure in order to enhance the quality of care delivered to patients and to further enhance our clinical best practices and research capabilities. Our planned information technology infrastructure will be based on a private cloud-computing system and will encompass a centralised EMR system seamlessly integrated with various other centralised systems including HIS and ERP system. We believe that the implementation of these information systems will maximise efficiencies through the greater integration of our network and help us fine tune protocols through knowledge sharing and collaboration. Further, we believe that these initiatives will enhance our ability to conduct longitudinal research studies (which are long-term observational research studies), and associate clinical outcomes with mutation and other genomic findings in cancer patient tissues maintained at our biorepository. We believe that this will position us as a partner of choice for cancer researchers and academia.

### e) Expand our Milann network of fertility centres across India and strengthen Milann brand

We believe that in expanding our Milann network, we are well-positioned to leverage HCG's successful track record of growing through partnerships with specialist physicians and hospitals, as well as our relationship base within the medical community.

We intend to invest in building our Milann brand through targeted media campaigns focusing on building patient awareness of fertility treatment primarily through patient testimonials and socially relevant messages. We also intend to undertake community outreach programmes, strengthen our patient support groups and undertake other awareness building activities among corporate entities. In addition, we intend to undertake various direct consumer marketing activities, including advertising in print, television, outdoor and digital media.

## 4. Management Discussion and Analysis Report

In terms of Regulation 34 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "SEBI LODR Regulations"), the Management Discussion and Analysis Report (MD&A) on the Company's financial and operational performance, industry trends, business outlook and Initiatives and other material changes with respect to the Company and its subsidiaries, wherever applicable, are presented in separate section which forms part of the Annual Report. The MD&A Report provides a consolidated perspective of economic, social and environmental aspects material to its strategy and its ability to create and sustain value to your Company's key stakeholders.

## 5. Transfer to Reserves and Surplus/ Retained Earnings

The adjustments made to the reserves and surplus/retained earnings are available in the Statement of Changes in Equity, which forms part of the Financial Statements.

## 6. Dividend

The Company continues to look at growth prospects through new investment opportunities. Considering that consolidation is taking place in the Healthcare Industry in India, it presents us with more challenges in terms of growth and it is imperative that the Company looks at available options for organic as well as in-organic growth. Achieving a consistent sustainable growth over the next few years and consolidating Company's position competitively would be a key objective.

Keeping in view the growth strategy of the Company, the Board of Directors of your Company have decided to plough back the profits and thus do not recommended any dividend for the financial year under review.

In terms of Regulation 43A of the SEBI LODR Regulations, the Company has adopted Dividend Distribution Policy setting out the parameters and circumstances that will be taken into account by the Board in determining the distribution of Dividend to the Shareholders and/or retaining profits earned by the Company. The said policy is hosted on the website of the Company at https://hcgel.com/policies-and-guidelines/.

## 7. Transfer of unpaid and unclaimed amount to IEPF

Pursuant to the provisions of Section 124(5) of the Companies Act, 2013, dividend and refund of share application money due for refund which remains unpaid or unclaimed for a period of seven years from the date of its transfer to unpaid dividend/ unclaimed account is required to be transferred by the Company to Investor Education and Protection Fund (IEPF), established by the Central Government under the provisions of Section 125 of the Companies Act, 2013. During the year, no amount was due for transfer to IEPF.

## 8. Consolidated financial statements

In accordance with the Companies (Indian Accounting Standards), Rules, 2015 of the Companies Act, 2013, the Company has started following the Indian Accounting Standards (Ind AS) for preparation of its financial statements from April 1, 2016.

## 9. Subsidiaries, Associates and Joint Ventures

We, along with our Subsidiaries and Associates, provide speciality healthcare focused on cancer, fertility, clinical diagnostics and research.

As on March 31, 2019, the Subsidiaries, Associates and Joint Venture Companies of the Company are as under:

| Sl. No. | Name of the entity | Country of Incorporation | Primary business activity for which it was formed | % of ownership held by the Company as at March 31, 2019 |
|---|---|---|---|---|
| 1 | HCG Medi-Surge Hospitals Private Limited | India | Cancer Care | 74.00% |
| 2 | Malnad Hospital & Institute of Oncology Private Limited | India | Cancer Care | 70.25% |
| 3 | HealthCare Global Senthil Multi Specialty Hospitals Private Limited | India | Cancer Care | 100.00% |
| 4 | Niruja Product Development And Healthcare Research Private Limited (name changed with effect from November 10, 2016 from MIMS HCG Oncology Private Limited) | India | Research and Development | 100.00% |

| Sl. No. | Name of the entity | Country of Incorporation | Primary business activity for which it was formed | % of ownership held by the Company as at March 31, 2019 |
|---|---|---|---|---|
| 5 | BACC Health Care Private Limited (Refer Note 46 to the Consolidated Financial Statements) | India | Fertility | 50.10% |
| 6 | HealthCare Diwan Chand Imaging LLP | India | Radiology/ Imaging | 75.00% |
| 7 | APEX HCG Oncology Hospitals LLP (along with the Shareholding of Niruja Product Devlopment and Healthcare Research Private Limited) | India | Cancer Care | 100.00% |
| 8 | HCG NCHRI Oncology LLP | India | Cancer Care | 76.00% |
| 9 | HCG Oncology LLP | India | Cancer Care | 74.00% |
| 10 | HCG EKO Oncology LLP | India | Cancer Care | 50.50% |
| 11 | HCG Manavata Oncology LLP | India | Cancer Care | 51.00% |
| 12 | HCG (Mauritius) Pvt. Ltd. | Mauritius | Health Care Services | 100.00% |
| 13 | Healthcare Global (Africa) Pvt. Ltd. (Subsidiary of HCG (Mauritius) Pvt Ltd.) | Mauritius | Health Care Services | 76.73% |
| 14 | HealthCare Global (Uganda) Private Limited (Wholly Owned Subsidiary of Healthcare Global (Africa) Pvt. Ltd) | Uganda | Cancer Care | 76.73% |
| 15 | HealthCare Global (Kenya) Private Limited (Wholly Owned Subsidiary of Healthcare Global (Africa) Pvt. Ltd) | Kenya | Cancer Care | 76.73% |
| 16 | HealthCare Global (Tanzania) Private Limited (Wholly Owned Subsidiary of Healthcare Global (Africa) Pvt. Ltd) | Tanzania | Cancer Care | 76.73% |
| 17 | HCG SUN Hospitals LLP | India | Health Care Services (Multi- Specialty) | 74.00% |
| 18 | Cancer Care Kenya Limited (Subsidiary of HealthCare Global (Kenya) Private Limited) | Kenya | Cancer Care | 59.47% |
| 19 | Strand Life Sciences Private Limited (Shareholding on fully diluted basis) | India | Clinical Diagnostics, Bioinformatics & Clinical Research | 38.2% |

Effective from August 01, 2018, Apex Criticare LLP, the minority partner holding 49.9% of Apex HCG Oncology Hospitals LLP, Borivali (Apex HCG LLP) has retired from Apex HCG LLP, and have ceased to be a partner of Apex HCG LLP. Consequent to the retirement/exit of Apex Criticare LLP, Niruja Product Development and Healthcare Research Private Limited, a wholly owned subsidiary of the Company ("Niruja") has been admitted as the other partner in Apex HCG LLP; and as on date HCG and Niruja are the partners of Apex HCG LLP, with a capital contribution in the ratio of 99.9% and 0.1%, respectively.

As on the date of the Report, none of the subsidiary companies other than HCG Medi-Surge Hospitals Private Limited is a Material Subsidiary, within the meaning of Material Subsidiary as defined under the SEBI LODR Regulations, as amended from time to time.

During the year, the Company along with Strand Life Sciences Private Limited have made an application to the Registrar of Companies, Karnataka, for striking off the name of Strand-Triesta Cancer Genomics LLP, ("Strand Triesta LLP"), as Strand Triesta LLP had been inoperative since its incorporation. The capital contribution of the

Company proposed to be made in respect of Strand Triesta LLP was 30% of the total contribution. There were no new subsidiaries, associates incorporated during the Financial Year.

During the year, the Board of Directors reviewed the affairs of the subsidiaries. Pursuant to the provisions of Section 129(3) of the Companies Act, 2013, a statement containing the salient features of the Financial Statements of the Company's Subsidiaries and Associates in Form AOC-1, that forms part of this Report is attached as Annexure 5. Pursuant to Section 129 of the Companies Act, 2013, the Consolidated Financial Statements of the Company, prepared in accordance with the relevant Accounting Standards specified under Section 133 of the Companies Act, 2013 read with the Rules made thereunder, forms part of this Annual Report.

Further, pursuant to the provisions of Section 136 (1) of the Companies Act, 2013:

a) The Annual Report of the Company, containing therein its standalone and consolidated financial statements, is placed on the website of the Company, being https://hcgel.com/investors.

b) The audited financial statements of subsidiary companies together with related information and other reports of each of the subsidiary companies have also been placed on the website of the Company at https://hcgel.com/investors.

## 10. Public deposits

Your Company has not accepted any deposits from public in terms of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014; and as such, no amount on account of principal or interest on public deposits was outstanding as on the date of the balance sheet.

## 11. Particulars of loans, guarantees or investments under Section 186 of the Companies Act, 2013

Pursuant to Section 186 of the Companies Act, 2013 and Schedule V of SEBI LODR Regulations, disclosure on particulars relating to Loans/advances given, guarantees provided and investments made are provided as part of the financial statements.

## 12. Related party transactions

In line with the requirements of the Companies Act, 2013 and SEBI LODR Regulations, your Company has formulated a Policy on Related Party Transactions. This Policy intends to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and Related Parties.

All Related Party Transactions are placed before the Audit Committee for review and approval. Prior omnibus approval is obtained for Related Party Transactions on yearly basis for transactions which are of repetitive nature and / or entered in the ordinary course of business and are at arm's length. All Related Party Transactions entered during the year were in ordinary course of the business and at arm's length basis. No Material Related Party Transactions, i.e. transactions exceeding 10% of the annual consolidated turnover as per the last audited financial statements, were entered into by your Company during the year.

A statement giving details of all related party transactions, entered pursuant to the omnibus approval so granted, is placed before the Audit Committee for their review, on a quarterly basis. The policy on Related Party Transactions has been hosted on the Company's website https://hcgel.com/policies-and-guidelines/ in terms of the SEBI LODR Regulations relating to Corporate Governance.

Disclosures as required under Section 134(3)(h) read with Rule 8(2) of the Companies (Accounts) Rules, 2014, are given in Form AOC 2 as specified under Companies Act, 2013, which is annexed herewith as **Annexure 6** and forms part of the report.

Pursuant to Regulation 23(9) of the SEBI LODR Regulations, your Company has filed half yearly report on Related Party Transactions with the Stock Exchanges, for the year ended March 31, 2019.

## 13. Initial Public Offer

During the year 2015-16, the Company had completed its Initial Public Offering of 29,800,000 equity shares of ₹10 each, comprising of Fresh Issue of 11,600,000 equity shares and Offer for Sale of 18,200,000 equity shares at a premium of ₹208 per equity share. The total issue size was ₹6496.4 million. The shares got listed on the National Stock Exchange of India Limited and BSE Limited on March 30, 2016.

The proceeds of the initial public offer are fully utilized during the year for the following purposes:

1. Purchase of medical equipment
2. Investment in IT software, services and hardware

3. Pre-payment of debt; and
4. General Corporate Purposes

The Company has not deviated on the utilization of the proceeds of the IPO.

## 14. Share capital

a) Authorized Share Capital: As on the date of this report, the authorized share capital of the Company is ₹1,320,000,000 consisting of 132,000,000 equity shares of ₹10 each.

b) Issued, Subscribed and Paid-up Share Capital: The Issued, Subscribed and Paid-up Share Capital of the Company has been increased from ₹869,044,730 consisting of 86,904,473 equity shares of ₹10 each to ₹879,190,330 consisting of 87,919,033 equity shares of ₹10 each during the year.

The increase in the Issued, Subscribed and Paid-up Share Capital was on account of allotment of shares as under:

| Name of allottee | No. of shares allotted | Issue price (₹) | Date of allotment |
|---|---|---|---|
| Employees (On exercise of ESOP) | 30,750 | 10 | 07-02-2019 |
| | 32,940 | 10 | 09-11-2018 |
| | 16,370 | 10 | 22-05-2018 |
| Preferential allotment of Equity shares to Dr. M Gopichand | 934,500 | 10 | 09-04-2018 |

## 15. Number of meetings of the Board

The Board met five times during the financial year 2018-19 viz., on, May 22, 2018, July 12, 2018 August 09, 2018, November 09, 2018, and February 07, 2019. The maximum interval between any two meetings did not exceed 120 days.

Detailed information regarding the meetings of the Board and meetings of the Committees of the Board is included in the report on Corporate Governance which forms a part of Directors' Report.

## 16. Declaration by Independent Directors

The Company has received necessary declaration from each Independent Director, in accordance with Section 149(7) of the Companies Act, 2013, that he/she met the criteria of independence as laid out in sub-section (6) of Section 149 of the Companies Act, 2013 and the Regulation 16(1)(B) of the SEBI LODR Regulations. The Company has received and taken on record, the necessary declaration from each of the independent directors under Section 149 of the Companies Act, 2013 that they meet with the criteria of their independence.

## 17. Extract of Annual Return

The extract of the Annual Return of your Company as on March 31, 2019 as provided under sub-section (3) of Section 92 of the Companies Act, 2013 and Rule 12 of the Companies (Management and Administration) Rules, 2014 is annexed in the Form MGT 9 is annexed herewith as Annexure 1. Additionally, your Company has also placed a copy of Annual Return on its website at https://hcgel.com/investors.

## 18. Director's Responsibility Statement

Pursuant to Section 134 (3) (C) and 134 (5) of the Companies Act, 2013, the Board of Directors of the Company hereby state and confirm that:

a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;

c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) the Directors have prepared the annual accounts on a going concern basis;

e) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.

f) The Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and such systems are adequate and operating effectively.

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the internal, statutory and secretarial auditors, including audit of internal financial controls over financial reporting by the statutory auditors, and the reviews performed by management and the relevant Board Committees, the Board is of the opinion that the Company's internal financial controls were adequate and effective during FY 2018-19.

## 19. Appointment of Directors

During the year under review, there were no changes in the constitution of the Board of Directors of the Company.

## 20. Reappointment of Directors

As per the provisions of the Companies Act, 2013, Mr. Gangadhara Ganapati, Non-Independent Non-Executive Director of the Company is retiring by rotation at the forthcoming Annual General Meeting, and being eligible has offered himself for reappointment.

## 21. Key Managerial personnel

Pursuant to the provisions of Section 203 of the Companies Act, 2013, the Key Managerial Personnels (KMPs) of the Company are:

a) Dr. B. S. Ajaikumar – Chairman & CEO

b) Mr. Srinivasa V Raghavan – Chief Financial Officer

c) Ms. Sunu Manuel – Company Secretary

During the year, Mr. Yogesh Patel has resigned as Chief Financial Officer of the Company w.e.f August 12, 2018; and Mr. Srinivasa V. Raghavan was appointed as Chief Financial Officer of the Company w.e.f. July 27, 2018.

## 22. Board of Directors and Committees of the Board and their constitution

Your Company's Board of Directors comprises of Executive Directors, Non-Executive Directors and Independent Directors. The Composition of the Board along with relevant information pertaining to Directors are detailed in the Corporate Governance Report which forms a part of this Report.

The Board has formed the following five Committees:

1. Audit and Risk Management Committee
2. Nomination and Remuneration Committee
3. Stakeholders' Relationship Committee
4. Corporate Social Responsibility Committee and
5. Strategy Committee.

Keeping in view the requirements of the Companies Act, 2013 and SEBI LODR Regulations, as amended from time to time, the Board reviews the Terms of Reference of these Committees and the nomination of Board Members to various Committees. The recommendations, if any, of these Committees are submitted to the Board for approval.

### (a) Audit and Risk Management Committee

Pursuant to the requirements of Section 177 of the Companies Act, 2013 and Rule 6 of the Companies (Meetings of Board and its Powers), Rules 2014, the Company has an Audit and Risk Management Committee and the composition of the committee is as under:

1. Mr. Suresh Chandra Senapaty, Chairman
2. Dr. Sudhakar Rao
3. Mr. Shanker Annaswamy

The Audit committee was reconstituted and renamed as the "Audit and Risk Management

Committee" by a meeting of the Board of Directors held on May 29, 2015.

**(b) Nomination and Remuneration Committee**

Pursuant to the requirements of Section 178 of the Companies Act, 2013 and Rule 6 of the Companies (Meetings of Board and its Powers), Rules 2014, the Board of Directors have reconstituted the Nomination and Remuneration Committee.

The members of the Nomination and Remuneration Committee are:

1. Mr. Shanker Annaswamy, Chairman
2. Dr. Sampath Thattai Ramesh
3. Mr. Gangadhara Ganapati

**(c) Stakeholders' Relationship Committee**

The Stakeholders' Relationship Committee was constituted by our Board of Directors at their meeting held on May 29, 2015. The scope and function of the Stakeholders' Relationship Committee is in accordance with Section 178 of the Companies Act, 2013.

The members of the Stakeholders' Relationship Committee are:

1. Mr. Gangadhara Ganapati, Chairman
2. Dr. B. S. Ajaikumar
3. Ms. Bhushani Kumar

Ms. Bhushani Kumar was admitted as member of Stakeholders' Relationship Committee on February 07, 2019.

**(d) Corporate Social Responsibility Committee**

The Corporate Social Responsibility Committee was constituted by our Board of Directors at their meeting held on May 29, 2015. The terms of reference of the Corporate Social Responsibility Committee of our Company are as per Section 135 of the Companies Act, 2013 and the applicable rules thereunder.

The members of the Corporate Social Responsibility Committee are:

1. Dr. Sudhakar Rao, Chairman
2. Dr. Sampath Thattai Ramesh
3. Ms. Bhushani Kumar
4. Dr. B. S. Ajai Kumar

**(e) Strategy Committee**

The Committee was constituted by our Board of Directors at their Meeting held on May 26, 2016 with the scope of reviewing strategic initiatives; and for having an ooversight of the strategic direction of the Company.

The members of the Committee are:

1. Dr. B. S. Ajaikumar, Chairman
2. Mr. Gangadhara Ganapati
3. Mr. Suresh Chandra Senapaty
4. Mr. Shanker Annaswamy
5. Dr. Amit Varma

Details of terms of reference of the Committees, attendance at meetings of the Committees are provided in the Corporate Governance report. The Company Secretary acts as the Secretary of all the Committees of the Board.

## 23. Board Evaluation

In terms of the requirement of the Companies Act, 2013 and the SEBI LODR Regulations, an annual performance evaluation of the Board was undertaken. The Board evaluation framework has been designed in compliance with the requirements under the Companies Act, 2013 and the SEBI LODR Regulations, and in consonance with Guidance Note on Board Evaluation issued by SEBI in January 2019. The Board evaluation was conducted through questionnaire having qualitative parameters and feedback based on rating.

Evaluation of the Board was based on criteria such as composition and role of the Board, Board communication and relationships, functioning of Board Committees, review of performance and compensation to Executive Directors, succession planning, strategic planning, etc.

Evaluation of Directors was based on criteria such as participation and contribution in Board and Committee meetings, representation of shareholder interest and enhancing shareholder value, experience and expertise to provide feedback and guidance to top management on business strategy, governance and risk, understanding of the organization's strategy, risk and environment, etc. The process also covered separate evaluation of Chairperson of the Board, Executive Directors, Non-Executive Directors and Independent Directors.

Evaluation of Committees was based on criteria such as adequate independence of each Committee, frequency of meetings and time allocated for discussions at meetings, functioning of Board Committees and effectiveness of its advice/recommendation to the Board, etc.

The Board had, during the year, opportunities to interact and make an assessment of its functioning as a collective body. In addition, there were opportunities for Committees to interact, for Independent Directors to interact amongst themselves and for each Independent Director to interact with the Chairman. The Board found that, there was considerable value and richness in such discussions and deliberations.

The Board Evaluation discussion was focused around how to make the Board and its Committees more effective as a collective body in the context of the business and the external environment in which the Company functions. From time to time during the year, the Board was appraised of the business issues and the related opportunities and risks. The Board discussed various aspects of the functioning of the Board and its Committees such as structure, composition, meetings, functions and interaction with Management and what needs to be done to further improve the effectiveness of the Board's functioning.

Additionally, during the evaluation discussion, the Board also focused on the contribution being made by the Board as a whole, through its Committees and discussions on a one on one basis with the Chairman.

The process of Board Evaluation was led by the Chairman of the Nomination and Remuneration Committee. The overall assessment of the Board was that it was functioning as a cohesive body including the Committees of the Board that were functioning well with periodic reporting by the Committees to the Board on the work done and progress made during the period. The Board acknowledged the efforts and contributions made by the Chairperson, Executive and Non- Executive Directors and Independent Directors towards the Company's performance.

The Board also noted that the actions identified in the past evaluation had been acted upon. Subsequent to the evaluation done in the financial year 2018-19, given the changing external environment, some areas have been identified for the Board to engage itself with and these will be acted upon.

## 24. Risk Management

Pursuant to Regulation 21 of SEBI LODR Regulations, your Company has developed and rolled out a comprehensive Enterprise Risk Management Policy. The policy aims at elimination or reduction of risk exposures through identification and analysis of various types of risks and facilitating timely action for taking risk mitigation measures. The Risk Management and Steering Committee (RMSC) reviews the Company's portfolio of risks and considers it against the Company's risk appetite and recommends changes to the Risk Management technique and / or associated frameworks, processes and practices of the Company. The enterprise risk management process of the Company is progressing satisfactorily, but the entire process is yet to reach a level of maturity. RMSC also advises and guides the Company for making the process more robust and to achieve prudent balance between risk and reward in both ongoing and new business activities. The Audit and Risk Management Committee periodically reviews the risk management process.

For further details on the enterprise wide risk management framework, refer to Management and Discussion Analysis Report forming part of the Annual Report.

## 25. Corporate Social Responsibility

Your Company has been taking initiatives under Corporate Social Responsibility (CSR) for society at large, well before it has been prescribed thorough the Companies Act, 2013; and over the years, had been pursuing as a part of its corporate philosophy, an unwritten CSR policy voluntarily which goes much beyond mere philanthropic gestures and integrates interest, welfare and aspirations of the community with those of the Company itself and create an environment of partnership for inclusive development.

As per the provisions of Section 135 of the Companies Act, 2013, the Company has well defined policy on CSR which covers the activities as prescribed under Schedule VII of the Companies Act 2013. The CSR Policy is available on the website of the Company at https://hcgel.com/policies-and-guidelines/.

During the year, the Board of Directors of the Company, at the recommendation of the Corporate Social Responsibility Committee, have agreed to support certain projects/activities of

International Human Development and Upliftment Academy ("IHDUA" or "the Trust"), a trust based in Mysore, which includes providing support for rural school programme, vocational training to provide partial/full-time employment and health education to rural community.

Annual Report on Corporate Social Responsibility is annexed herewith as **Annexure 7**.

## 26. Internal Audit:

Your Company has continued its engagement with M/s. Ernst & Young LLP, Chartered Accountants, to conduct internal audit across the organization. We have also strengthened the in-house internal audit team to supplement and support the efforts of M/s. Ernst & Young LLP.

## 27. Internal Financial Control system and their adequacy

The Management has laid down internal financial controls to be followed by the Company. We have adopted policies and procedures for ensuring the orderly and efficient conduct of the business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial disclosures.

The internal control system commensurate with the nature of business, size and complexity of operations and has been designed to provide reasonable assurance on the achievement of objectives in effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. In furtherance to this, your Company has instituted an online compliance management system within the organization to monitor compliances and provide update to senior management and Board on a periodic basis. The Audit and Risk Management Committee and the Board periodically monitor status of compliances with applicable laws.

As part of the Corporate Governance Report, CEO/CFO certification is provided, for assurance on the existence of effective internal control systems and procedures in the Company.

The internal control framework is supplemented with an internal audit program that provides an independent view of the efficacy and effectiveness of the process and control environment and supports a continuous improvement program. The internal audit program is managed by an Internal Audit function; and the Audit and Risk Management Committee of the Board oversees the Internal Audit function.

The scope and authority of the Internal Audit Function is derived from the Audit Committee Charter approved by the Audit and Risk Management Committee of the Board. The Internal Audit function develops an internal audit plan to assess control design and operating effectiveness, as per the risk assessment methodology. The Internal Audit function provides assurance to the Board and management that a system of internal control is designed and deployed to manage key business risks and is operating effectively.

## 28. Vigil Mechanism for Directors and employees

Section 177(9) and (10) of the Companies Act, 2013, mandates every listed company to establish a Vigil mechanism for its directors and employees which shall function as a channel for receiving and redressing their complaints. The Vigil Mechanism provides for (a) adequate safeguards against victimization of persons who use the Vigil Mechanism; and (b) direct access to the Chairperson of the Audit Committee of the Board of Directors of the Company in appropriate or exceptional cases.

Under this policy, we have adopted a vigil mechanism which would encourage our directors, employees and all other stakeholders to report their genuine concern of any conduct that results in violation of the ethical behaviour, or to report any act, if not conducted in a fair, transparent manner thereby compromising professionalism, honesty and integrity (on an anonymous basis, if stakeholders so desire). Likewise, under this policy, we have prohibited discrimination, retaliation or harassment of any kind against any employees who, based on the employee's reasonable belief that such conduct or practice have occurred or are occurring, reports that information or participates in the said investigation. No individual in the Company has been denied access to the Audit and Risk Management Committee or its Chairman. This policy of the Company was amended to align with the requirements under Regulation 9A of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.

This meets the requirement under Section 177(9) and (10) of the Companies Act, 2013 and Regulation 22 of SEBI (LODR) Regulations.

Mechanism followed under the process is appropriately communicated within the Company across all levels and has been displayed on the Company's intranet and website at https://hcgel.com/policies-and-guidelines/. The Audit and Risk Management Committee periodically reviews the functioning of this mechanism.

## 29. Code for Prevention of Insider Trading:

On December 31, 2018, Securities and Exchange Board of India amended the Prohibition of Insider Trading Regulations, 2015, prescribing various new requirements with effect from April 1, 2019. In line with the amendments, your Company has adopted an amended Code of Conduct to regulate, monitor and report trading by Designated Persons and their Immediate Relatives under the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015. This Code of Conduct also includes code of practices and procedures for fair disclosure of unpublished price sensitive information which has been made available on the Company's website at https://hcgel.com/investors.

## 30. Company's Policy on Appointment and Remuneration of Directors:

The Nomination & Remuneration Committee has framed a policy for selection and appointment of Directors including determining qualifications and independence of a Director, Key Managerial Personnel (KMP), senior management personnel and their remuneration as part of its charter and other matters provided under Section 178(3) of the Companies Act, 2013.

The Policy of the Company on the Director's appointment and remuneration, including criteria for determining qualifications, positive attributes, independence of a director and other matters, as required under sub-section (3) of section 178 of the Companies Act, 2013, is available on our website https://hcgel.com/policies-and-guidelines/. We affirm that the remuneration paid to Directors is as per the terms laid out in the nomination and remuneration policy of the Company.

## 31. Particulars of employees

The information required in terms of Section 197 (12) of the Companies Act, 2013, read with Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial personnel) Rules, 2014 for the year ended March 31, 2019 is provided as Annexure 4 to this Report.

A statement containing, inter alia, names of top ten employees and employees if employed throughout the financial year and in receipt of remuneration of ₹10.2 million or more, employees employed for part of the year and in receipt of ₹0.85 million per month or more, pursuant to Rule 5 (2) and 5 (3) the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is also provided in **Annexure 4** to this report.

## 32. Significant and Material orders

During the period under report, there have been no material or significant orders passed by the Regulators/Courts which would have an impact on the going concern status and operations of the Company in future.

## 33. Statutory Auditors

Under Section 139 of the Indian Companies Act, 2013 and Rules made thereunder, it is mandatory to rotate the Statutory Auditors on completion of the maximum term permitted under the said section.

The shareholders at the 19th Annual General Meeting of the Company have approved the appointment of M/s. B S R & Co. LLP (Firm Registration No. 101248W/W-100022) as Statutory Auditors for a term of 5 years commencing from the conclusion of the Annual General Meeting of the Company held on August 10, 2017, till the conclusion of the Annual General Meeting to be held in the year 2022.

Vide notification dated May 7, 2018 issued by Ministry of Corporate Affairs, the requirement of seeking ratification of appointment of statutory auditors by members at each AGM has been done away with. Accordingly, no such item has been considered in notice of the 21st AGM.

## 34. Auditors' Report

There are no qualifications, reservations or adverse remarks made by M/s B S R & Co. LLP, Statutory Auditors, in their report for the financial year ended March 31, 2019; and hence, do not call for any further comments under Section 134 of the Companies Act, 2013.

Pursuant to provisions of Section 143(12) of the Companies Act, 2013, the Statutory Auditors have not reported any incident of fraud to the Audit and Risk Management Committee during the year under review.

## 35. Material changes and commitments, if any, affecting the financial position of the Company occurred between the end of the financial year to which these financial statements relate and the date of the report:

There are no other material changes affecting the financial position of the Company between the end of the financial year to which this financial statements relate and the date of the report.

There has been no change in the nature of business of the Company during the last financial year.

## 36. Secretarial Audit

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, your Company has appointed Mr. V Sreedharan, Partner, M/s V Sreedharan & Associates, a firm of Company Secretaries in Practice to undertake the Secretarial Audit of the Company for the financial year ended March, 31, 2019. The said Report of the Secretarial Audit in Form MR 3 is annexed herewith as **Annexure 2** and forms part of the report.

There are no qualifications, reservations or adverse remarks made by the Secretarial Auditor of the Company, in their Secretarial Audit Report, except with regard to the Cost Audit Report, for not having obtained within 180 days as required under Rule 6 (5) of the Companies (Cost Records And Audit) Rules, 2014; and for not disclosing the names of the top ten employees of the Company in the Annual Report of the financial year 2017-18 in terms of remuneration drawn as required under Rule 5 (2) & (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

On the observations/remarks contained in the Secretarial Auditors' Report, our response is as under:

a) with regard to the Cost Audit Report, for not having obtained the same within 180 days as required under Rule 6 (5) of the Companies (Cost Records And Audit) Rules, 2014, we would like to state that, in view of the change in cost segmentation for FY 2017- 2018 and considering the time taken for deriving the merged financial statements and the cost statements on account of the merger of HCG Pinnacle Oncology Private Limited, (a subsidiary of the Company) with the Company, the cost statements could not be placed before the Board within 180 days from the financial year end. The Company has subsequently obtained the Cost Audit Report and the same was approved by the Board of Directors on the 09th November 2018 and the same was filed with the Registrar of Companies, Karnataka. The Company has also made a compounding application in this regard.

b) With regard to not disclosing the names of the top ten employees of the Company in the Annual Report of the financial year 2017-18, in terms of remuneration drawn as required under Rule 5 (2) & (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, we would like to state that, considering the first proviso to Section 136(1) of the Companies Act, 2013, the Annual Report, excluding the aforesaid information, was sent to the members of the Company and others entitled thereto. The said information was available for inspection at the Registered Office of the Company.

The Institute of Company Secretaries of India had revised the Secretarial Standards on Meetings of the Board of Directors (SS-1) and Secretarial Standards on General Meetings (SS-2) with effect from 1st October 2017. The Company has devised proper systems to ensure compliance with its provisions and is in compliance with the same.

## 37. Cost Records and Cost Auditor

The Company maintains cost records as specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013.

Pursuant to Section 148 of the Companies Act, 2013 read with The Companies (Cost Records and Audit) Amendment Rules, 2014, your Directors, on the recommendation of the Audit and Risk Management Committee, had appointed M/s. M. Thimmarayaswamy & Co., Cost Accountants to audit the cost records of the Company for the Financial Year 2018-19. M/s. M. Thimmarayaswamy & Co., Cost Accountants have resigned as cost auditor of the Company on 22nd March 2019.

The Board, on the recommendation of the Audit and Risk Management Committee has appointed M/s. Rao, Murthy & Associates (Firm Registration No. 00065), Costs Accountants as the cost auditors of the Company for FY 2018-19 to fill the vacancy caused by resignation of M/s. M. Thimmarayaswamy & Co., Cost Accountants; and have also approved the appointment of M/s.

Rao, Murthy & Associates as the Cost Auditor of the Company for FY 2019-20, at a remuneration of ₹1,75,000 (Rupees One Lakh Seventy-Five Thousand Only) (exclusive of taxes and re-imbursement of actual out-of-pocket expenses, if any, in connection with the cost audit).

The Board of Directors of the Company proposes the ratification of remuneration of M/s. Rao, Murthy & Associates, Cost Accountants as the Cost Auditor of the Company, for FY 2019-20 at the ensuing Annual General Meeting.

Cost Audit Report for the financial year ended 31st March 2018 has been filed with the Registrar of Companies.

## 38. Particulars regarding Conservation of energy, Technology absorption and Foreign exchange earnings and outgo as per Section 134(3)(m) of the Companies Act, 2013.

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 is detailed in **Annexure 8**.

## 39. Prevention of Sexual Harassment Policy

The Company has in place a Prevention of Sexual Harassment policy in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013. An Internal Complaints Committee has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy.

During the year 2018-2019, three complaints were received at a group level and the same were investigated, out of which two were resolved as per the provisions of the Act. One complaint was pending as on the date of this report.

In order to build awareness in this area, the Company has been conducting programmes in the organization on a continuous basis.

## 40. Green initiative

As a green initiative in corporate governance, Ministry of Corporate affairs have permitted companies to send electronic copies of Annual Report, notices, etc., to the e-mail IDs of shareholders. We are accordingly arranging to send soft copies of these documents to the e-mail IDs of shareholders available with us.

In case any of the shareholders would like to receive physical copies of these documents, the same shall be forwarded on request to the Company by post or an e-mail.

We are also in the process of starting a sustainability initiative with the aim of being carbon neutral and minimize our impact on the environment. Sustainability practices will be implemented and tracked diligently to ensure that we comply with the goals we set for ourselves.

## 41. Employee Stock Option Schemes

As required under Securities and Exchange Board of India (Share Based Employee Benefits) Regulation 2014, the applicable disclosures as on March 31, 2019 are annexed to this Report as **Annexure 3.**

Pursuant to regulation 12(1) of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulation 2014, the Company has obtained the approval of the members at the Annual General Meeting held on September 29, 2016, for ratifying Employee Stock Option Scheme of the Company (HCG ESOS 2014), the pre-IPO plan. HCG ESOS 2014 is in compliance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulation 2014 and there have been no material changes to the plan during the financial year. Disclosures on various plans, details of options granted, shares allotted upon exercise, etc. as required under the Employee Benefits Regulations read with Securities and Exchange Board of India circular no. CIR/CFD/POLICY CELL/2/2015 dated June 16, 2015 are available on the Company's website at https://www.hcgel.com/investors/. No employee was issued stock options during the year equal to or exceeding 1% of the issued capital of the Company at the time of grant.

The Nomination and Remuneration Committee of the board evaluates the performance and other criteria of employees and approves the grant of options based on the recommendation of the Management. These options vest with employees over a specified period subject to fulfilment of certain conditions. Upon vesting, employees are eligible to apply and secure allotment of Company's shares at a price determined on the date of grant of options.

The stock compensation cost is computed under fair value method and accounted in line with graded vesting of options over the total vesting period of four years. For the year ended March 31, 2019, the Company has recorded stock compensation expense of ₹30,559,323 (2018: ₹27,093,288).

For further details on the Scheme refer **Annexure 3** of the Director's report.

## 42. Corporate Governance

The Company is committed to observe good corporate governance practices. The report on Corporate Governance for the financial year ended March 31, 2019, as per regulation 34(3) read with Schedule V of the SEBI LODR Regulation including Certificate from CEO and CFO as per Regulation 17 of SEBI LODR Regulations, forms integral part of this Report.

Further, a certificate from Mr. V Sreedharan, Partner, M/s V Sreedharan & Associates, a firm of Company Secretaries in Practice confirming the compliance with the conditions of Corporate Governance as stipulated by Regulation 34 (3) of SEBI LODR Regulations, 2015 is attached to this report.

## 43. Declaration on Code of Conduct

The Company has adopted the Code of Conduct for all its Senior Management Personnel and Directors and the same is affirmed by all the Board Members and Senior Management Personnel as required under Regulation 34 read with Part D of Schedule V of the SEBI LODR Regulations. A declaration signed by Dr. B. S. Ajaikumar, Chairman & CEO of the Company affirming the compliance with the Code of Conduct of the Company for the financial year 2018-19 has been annexed as part of this Report.

## 44. Acknowledgements and Appreciations

We stay committed to partnering for value creation and take this opportunity to thank one and all who have participated in our journey this far. Your Directors desire to place on record, its sincere appreciation to all employees at all levels, who with sustained dedicated effort and hard work, enabled the Company to deliver a good all-round performance. Your Directors also wish to place on record their appreciation and acknowledge with gratitude the support and co-operation extended by the vendors, business associates, consultants, bankers, regulatory and government authorities, shareholders and investors at large and look forward to their continued support. We also take this opportunity to express sincere thanks to the medical fraternity and patients for their continued co-operation, patronage and trust reposed in the Company and its healthcare services.

For and on behalf of the Board of Directors

**Dr. B. S. Ajaikumar**
Chairman

Date: May 23, 2019
Place: Bengaluru

# DECLARATION ON CODE OF CONDUCT

To,
The Members of
**HealthCare Global Enterprises Limited.**

I, Dr. B. S. Ajaikumar, Chairman & CEO of the Company declare that all the Members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct for the financial year ended 31st March 2019.

For and on behalf of the Board of Directors

**Dr. B. S. Ajaikumar**
Chairman & CEO

Date: May 23, 2019
Place: Bengaluru

# ANNEXURE 1

## FORM NO. MGT - 9

## EXTRACT OF ANNUAL RETURN

As on the financial year ended on 31.03.2019

Pursuant to Section 92 (3) of the Companies Act, 2013 and
Rule 12(1) of the Companies (Management & Administration) Rules, 2014.

## I. REGISTRATION & OTHER DETAILS:

| | | |
|---|---|---|
| 1. | CIN | L15200KA1998PLC023489 |
| 2. | Registration Date | 12th March 1998 |
| 3. | Name of the Company | HealthCare Global Enterprises Limited |
| 4. | Category/Sub-category of the Company | Public Company/Limited by shares, Indian Non-Government company |
| 5. | Address of the Registered office & contact details | HCG Tower, No.8, P. Kalinga Rao Road, Sampangi Rama Nagar,<br>Bengaluru, Karnataka, India – 560027<br>Telephone: +91-80-4660 7700<br>Email id: sunumanuel@hcgoncology.com |
| 6. | Whether listed company | Yes |
| 7. | Name, Address & contact details of the Registrar & Transfer Agent, if any. | Karvy Fintech Private Limited<br>Karvy Selenium, Tower B, Plot 31-32, Gachibowli,<br>Financial District, Nanakramguda, Hyderabad 500 032,<br>Telangana, Tel: +91 40 6716 1526<br>Fax: +91 40 2300 1153, E-mail: einward.ris@karvy.com |

## II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY (All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

| Sl. No. | Name and Description of main products / services | NIC Code of the Product/service | % to total turnover of the company (standalone basis) |
|---|---|---|---|
| 1 | Hospital activities | 86100 | 87.29 |
| 2 | Retail sale of pharmaceuticals, medical and orthopaedic goods and toilet articles | 47721 | 10.97 |

## III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES –

| Sl. No. | Name and address of the Company | CIN/GLN | Holding/ Subsidiary/ Associate | % of shares held* | Applicable Section |
|---|---|---|---|---|---|
| 1 | Healthcare Global Senthil Multi-Specialty Hospitals Private Limited, No. 536, Perundurai Road, Erode - 638 011, Tamil Nadu | U85110TZ2005PTC011740 | Subsidiary | 100.00% | Section 2(87) |
| 2 | Niruja Product Development and Healthcare Research Private Limited, (Formerly known as MIMS HCG Oncology Private Limited), HCG Tower, No. 8, P Kalinga Rao Road, Sampangi Rama Nagar, Bengaluru - 560 027 Karnataka | U73100KA2007PTC044658 | Subsidiary | 100.00% | Section 2(87) |
| 3 | Malnad Hospital & Institute of Oncology Private Limited, No. 600/601, Irwin Road, Mysore - 570 001, Karnataka | U85110KA1997PTC022149 | Subsidiary | 70.25% | Section 2(87) |
| 4 | HCG Medi-Surge Hospitals Private Limited, No. 1, Maharashtra Society, Mithakhali Cross Road, Ellisbridge, Ahmedabad - 380 006, Gujarat | U85110GJ2000PTC037474 | Subsidiary | 74.00% | Section 2(87) |
| 5 | BACC Health Care Private Limited, No. 7, East Park Road, Basement, Kumara Park East, Bengaluru - 560 001, Karnataka (Refer Note 46 to the Consolidated Financial Statements) | U74140KA2002PTC030098 | Subsidiary | 50.10% | Section 2(87) |
| 6 | Apex HCG Oncology Hospitals LLP, Vaishali Heights, Wing "A", Chandawarkar Road, Borivali West, Mumbai 400 092, Maharashtra (alongwith the shareholding of Niruja Product Development and Healthcare Research Private Limited) | AAB- 5593 | Subsidiary | 100.00% | Section 2(87) |
| 7 | Healthcare Diwan Chand Imaging LLP, HCG Tower, No. 8, P Kalinga Rao Road, Sampangi Rama Nagar, Bengaluru - 560 027, Karnataka | AAA-0280 | Subsidiary | 75.00% | Section 2(87) |
| 8 | HCG NCHRI Oncology LLP, HCG Tower, No. 8, P Kalinga Rao Road, Sampangi Rama Nagar, Bengaluru - 560 027, Karnataka | AAA-6655 | Subsidiary | 76.00% | Section 2(87) |
| 9 | HCG Oncology LLP, No. 1, Maharashtra Society, Near Mithakhali Six Road, Ellisbridge, Ahmedabad - 380 006, Gujarat. | AAC-9917 | Subsidiary | 74.00% | Section 2(87) |
| 10 | HCG EKO Oncology LLP, HCG Tower, No. 8, P Kalinga Rao Road, Sampangi Rama Nagar, Bengaluru - 560 027, Karnataka | AAD-9508 | Subsidiary | 50.50% | Section 2(87) |
| 11 | HCG Manavata Oncology LLP, HCG Tower, No. 8, P Kalinga Rao Road, Sampangi Rama Nagar, Bengaluru - 560 027, Karnataka | AAH-1208 | Subsidiary | 51.00% | Section 2(87) |
| 12 | HCG SUN Hospitals LLP, HCG Tower, No. 8, P Kalinga Rao Road, Sampangi Rama Nagar, Bengaluru - 560 027, Karnataka | AAK-6700 | Subsidiary | 74.00% | Section 2(87) |
| 13 | HCG (Mauritius) PVT. LTD., St. Louis Business Centre, CNR Desroches & St Louis Streets, Port Louis, Mauritius | N/A | Subsidiary | 100.00% | Section 2(87) |

| Sl. No. | Name and address of the Company | CIN/GLN | Holding/ Subsidiary/ Associate | % of shares held* | Applicable Section |
|---|---|---|---|---|---|
| 14 | Healthcare Global (Africa) Pvt. Ltd., St Louis Business Centre, CNR Desroches & St Louis Streets, Port Louis, Mauritius | N/A | Subsidiary | 76.73% | Section 2(87) |
| 15 | HealthCare Global (Uganda) Private Limited, Suite 13, 3rd Floor, Plot 2, Bombo Road City Apartments, PO Box 31176, Kampala, Uganda | N/A | Subsidiary | 76.73% | Section 2(87) |
| 16 | HealthCare Global (Tanzania) Private Limited, Regency Medical Centre, Alykhan Road, Upanga, PO Box 2029, Daar es Salaam, Tanzania | N/A | Subsidiary | 76.73% | Section 2(87) |
| 17 | HealthCare Global (Kenya) Private Limited, Jadala Place, Ngong Lane, Near Prestige Plaza, Post Office Box 6493-00200, Nairobi, Kenya | N/A | Subsidiary | 76.73% | Section 2(87) |
| 18 | Cancer Care Kenya Limited, P. O. Box 39173 – 00623, Nairobi, Kenya | N/A | Subsidiary | 59.49% | Section 2(87) |
| 19 | Strand Life Sciences Private Limited, 5th Floor, Kirloskar Business Park, Bellary Road, Hebbal, Bengaluru, Karnataka – 560024 (Shareholding on fully diluted basis) | U85199KA2000PTC027913 | Associate | 38.2% | Section 2(6) |

*Representing aggregate % of the and/or by its subsidiaries

## IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

### (i) Category-wise Share Holding

| Code | Category | Number of shares held at the beginning of the year | | | | Number of shares held at the end of the year | | | | % of change during the year |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Demat | Physical | Total number of shares | % of total shares | Demat | Physical | Total number of shares | % of total shares | |
| **(A)** | **Promoter and Promoter Group** | | | | | | | | | |
| **1** | **Indian** | | | | | | | | | |
| (a) | Individuals/ Hindu Undivided Family | 2,08,94,662 | - | 2,08,94,662 | 24.04 | 2,11,94,832 | - | 2,11,94,832 | 24.11 | 0.07 |
| (b) | Central Government | - | - | - | - | - | - | - | - | - |
| (c) | State Government(s) | - | - | - | - | - | - | - | - | - |
| (d) | Bodies Corporate | - | - | - | - | - | - | - | - | - |
| (e) | Financial Institutions/ Banks | - | - | - | - | - | - | - | - | - |
| (f) | Any Other (specify) | - | - | - | - | - | - | - | - | - |
| | **Sub-Total (A)(1)** | **2,08,94,662** | **-** | **2,08,94,662** | **24.04** | **2,11,94,832** | **-** | **2,11,94,832** | **24.11** | **0.07** |
| **2** | **Foreign** | | | | | | | | | |
| (a) | NRIs- Individuals | - | - | - | - | - | - | - | - | - |
| (b) | Other- Individuals | - | - | - | - | - | - | - | - | - |
| (c) | Bodies Corporate | - | - | - | - | - | - | - | - | - |
| (d) | Banks/FI | - | - | - | - | - | - | - | - | - |
| (e) | Any Other (specify) | - | - | - | - | - | - | - | - | - |
| | **Sub-Total (A)(2)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| | **Total (A)= (A)(1)+(A)(2)** | **2,08,94,662** | **-** | **2,08,94,662** | **24.04** | **2,11,94,832** | **-** | **2,11,94,832** | **24.11** | **0.07** |

| Code | Category | Number of shares held at the beginning of the year | | | | Number of shares held at the end of the year | | | | % of change during the year |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Demat | Physical | Total number of shares | % of total shares | Demat | Physical | Total number of shares | % of total shares | |
| **(B)** | **Public shareholding** | | | | | | | | | |
| **1** | **Institutions** | | | | | | | | | |
| (a) | Mutual Funds | 1,02,40,627 | - | 1,02,40,627 | 11.78 | 1,24,25,093 | - | 1,24,25,093 | 14.13 | 2.35 |
| (b) | Banks/Financial Institutions | 8,064 | - | 8,064 | 0.01 | 3,868 | - | 3,868 | 0.00 | 0.01 |
| (c) | Central Government | - | - | - | - | - | - | - | - | - |
| (d) | State Government(s) | - | - | - | - | - | - | - | - | - |
| (e) | Venture Capital Funds | - | - | - | - | - | - | - | - | - |
| (f) | Insurance Companies | - | - | - | - | - | - | - | - | - |
| (g) | Foreign Institutional Investors | 3,09,14,622 | - | 3,09,14,622 | 35.57 | 2,90,86,569 | - | 2,90,86,569 | 33.08 | (2.49) |
| (h) | Foreign Venture Capital Investors | - | - | - | - | - | - | - | - | |
| (i) | Others (Specify) | - | - | - | - | - | - | - | - | |
| | Alternate Investment Funds | 11,66,667 | - | 11,66,667 | 1.34 | 13,11,667 | - | 13,11,667 | 1.49 | 0.15 |
| | **Sub-Total (B)(1)** | **4,23,29,980** | **-** | **4,23,29,980** | **48.70** | **4,28,27,197** | **-** | **4,28,27,197** | **48.71** | **0.01** |
| **2** | **Non-institutions** | | | | | | | | | |
| **(a)** | **Bodies Corporate** | - | - | - | - | - | - | - | - | |
| (i) | Indian | 30,00,155 | - | 30,00,155 | 3.45 | 28,95,547 | - | 28,95,547 | 3.29 | (0.16) |
| (ii) | Overseas | 83,20,805 | - | 83,20,805 | 9.57 | 83,20,805 | - | 83,20,805 | 9.46 | (0.11) |
| **(b)** | **Individuals** | | | | | | | | | |
| (i) | Individual shareholders holding nominal share capital up to ₹1 Lakh. | 20,64,097 | 2,47,603 | 23,11,700 | 2.66 | 20,19,301 | 1,63,301 | 21,82,602 | 2.48 | (0.18) |
| (ii) | Individual shareholders holding nominal share capital in excess of ₹1 Lakh. | 48,13,701 | 11,60,823 | 59,74,524 | 6.87 | 58,36,069 | 6,36,983 | 64,73,052 | 7.36 | 0.49 |
| (d) | Others (Specify) | | | | | | | | | |
| (i) | Trusts | 23,06,917 | - | 23,06,917 | 2.65 | 23,06,917 | - | 23,06,917 | 2.62 | (0.03) |
| (ii) | Non-Resident Indians | 3,65,107 | 4,35,795 | 8,00,902 | 0.92 | 2,89,078 | 1,96,045 | 4,85,123 | 0.55 | (0.37) |
| (iii) | NRI Non-Repatriation | 9,23,257 | - | 9,23,257 | 1.06 | 11,66,135 | - | 11,66,135 | 1.33 | 0.26 |
| (iv) | Clearing Members | 9,916 | - | 9,916 | 0.01 | 66,823 | - | 66,823 | 0.08 | 0.07 |
| (v) | NBFCs Registered with RBI | 31,655 | - | 31,655 | 0.04 | - | - | - | - | (0.04) |
| | **Sub-Total (B)(2)** | **2,18,35,610** | **18,44,221** | **2,36,79,831** | **27.25** | **2,29,00,675** | **9,96,329** | **2,38,97,004** | **27.18** | **(0.06)** |
| | **Total Public Shareholding (B)= (B)(1)+(B)(2)** | **6,41,65,590** | **18,44,221** | **6,60,09,811** | **75.95** | **6,57,27,872** | **9,96,329** | **6,67,24,201** | **75.89** | **(0.04)** |
| **(C)** | **Shares held by Custodians for GDR and ADRs** | - | - | - | - | - | - | - | - | - |
| | **GRAND TOTAL (A)+(B)+(C)** | **8,50,60,252** | **18,44,221** | **8,69,04,473** | **100.00** | **8,69,22,704** | **9,96,329** | **8,79,19,033** | **100** | |

### (ii) Shareholding of Promoter and Promoter Group*

| Sl. No | Shareholder's Name | Shareholding at the beginning of the year | | | Shareholding at the end of the year | | | % change in shareholding during the year |
|---|---|---|---|---|---|---|---|---|
| | | No. of shares | % of total shares of the Company | % of Shares Pledged / encumbered to total shares | No. of shares | % of total shares of the Company | % of Shares Pledged / encumbered to total shares | |
| 1 | Dr. B.S. Ajaikumar | 1,76,42,739 | 20.30 | - | 1,76,73,346 | 20.10 | - | (0.20) |
| 2 | Dr. Ganesh Nayak | 2,87,307 | 0.33 | - | 2,80,307 | 0.32 | - | (0.01) |
| 3 | Dr. B.S. Ramesh | 2,62,356 | 0.30 | - | 2,62,356 | 0.30 | - | 0.00 |
| 4 | Dr. K.S. Gopinath | 4,05,059 | 0.47 | - | 4,05,059 | 0.46 | - | (0.01) |
| 5 | Dr. M. Gopichand | 8,66,760 | 1.00 | - | 18,01,260 | 2.05 | - | 1.05 |
| 6 | Dr. B. Amar Kumar # | 6,57,657 | 0.76 | - | 0 | 0 | - | (0.76) |
| 7 | Bhagya A. Ajaikumar | 1,795 | 0.00 | - | 1,795 | 0.00 | - | - |
| 8 | Aagnika Ajaikumar | 3,27,258 | 0.38 | - | 3,27,258 | 0.37 | - | 0.00 |
| 9 | Asmitha Ajaikumar | 3,27,259 | 0.38 | - | 3,27,259 | 0.37 | - | 0.00 |
| 10 | Prakash Nayak | 57,937 | 0.07 | - | 57,937 | 0.07 | - | 0.00 |
| 11 | Pradeep Nayak | 30,000 | 0.03 | - | 30,000 | 0.03 | - | 0.00 |
| 12 | Dr. Venkatesh Sudha | 22,582 | 0.03 | - | 22,582 | 0.03 | - | 0.00 |
| 13 | Adarsh Ramesh | 2,486 | 0.00 | - | 2,486 | 0.00 | - | 0.00 |
| 14 | Dr. Srinivas K. Gopinath | 2,187 | 0.00 | - | 2,187 | 0.00 | - | 0.00 |
| 15 | Leela Rajanna | 1,280 | 0.00 | - | 0 | 0.00 | - | - |
| 16 | Anjali Ajaikumar Rossi @ | 0 | 0.00 | | 1,000 | 0.00 | - | 0.00 |
| | **Total** | **2,08,94,662** | **24.04** | **-** | **2,11,94,832** | **24.11** | **-** | **0.07** |

* In the above table, the shareholding of Promoter Group to the extent of 7,72,504 shares (14,30,441 shares during the previous year) is shown as shareholding of Promoters.

\# Dr. B. Amarkumar has ceased to be a member of Promoter Group during the year. The Company has obtained requisite approvals from the shareholders and the Stock Exchanges in this regard.

@ As a member of Promoter Group, has acquired 1,000 shares during the year in the open market. Accordingly, she has been added as a member of the promoter group, holding shares in the Company.

### (iii) Change in Promoters' Shareholding (please specify, if there is no change)

| Sl. No | Date of Acquisition/ (Transfer) | Particulars | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---|---|---|---|---|---|---|
| | | | No. of shares | % of total shares of the company | No. of shares | % of total shares of the company |
| 1 | Dr. B. S. Ajaikumar | At the beginning of the year | 1,76,42,739 | 20.3 | | |
| | | Acquired during the year through market purchase | | | 30,607 | 0.04 |
| | | At the end of the year | | | 1,76,73,346 | 20.10 |
| 2 | Dr. Ganesh Nayak | At the beginning of the year | 2,87,307 | 0.33 | | |
| | | At the end of the year (no change) | | | 2,80,307 | 0.32 |
| 3 | Dr. B.S. Ramesh | At the beginning of the year | 2,62,356 | 0.30 | | |
| | | At the end of the year (no change) | | | 2,62,356 | 0.30 |
| 4 | Dr. K. S. Gopinath | At the beginning of the year | 4,05,059 | 0.47 | | |
| | | At the end of the year (no change) | | | 4,05,059 | 0.46 |
| 5 | Dr. M. Gopichand | At the beginning of the year | 8,66,760 | 1.00 | | |
| | | Acquired during the year through preferential allotment | | | 9,34,500 | 1.06 |
| | | At the end of the year | | | 18,01,260 | 2.05 |

### iv) Shareholding Pattern of top ten Shareholders: (Other than Directors, Promoters and Holders of GDRs and ADRs):

| Sl. No | Name of the shareholder | Shareholding at the beginning of the year | | Cumulative shareholding during the year | |
|---|---|---|---|---|---|
| | | Number of shares | % of total shares of the Company | Number of shares | % of total shares of the Company |
| 1 | V-Sciences Investments Pte Ltd | | | | |
| | At the beginning of the year | 83,20,805 | 9.57 | | |
| | No change during the year | - | - | - | - |
| | At the end of the year | | | 83,20,805 | 9.46 |
| 2 | Franklin India Smaller Companies Fund | | | | |
| | At the beginning of the year | 37,89,094 | 4.36 | | |
| | Sale on 25.05.2018 | 7,67,197 | 0.88 | 30,21,897 | 3.48 |
| | Sale on 01.06.2018 | 42,000 | 0.05 | 29,79,897 | 3.43 |
| | At the end of the year | | | 29,79,897 | 3.43 |
| 3 | BUENA VISTA ASIAN OPPORTUNITIES MASTER FUND LTD | | | | |
| | At the beginning of the year | 33,59,168 | 3.92 | | |
| | Purchase on 27.07.2018 | 3,74,613 | 0.33 | 37,33,781 | 4.25 |
| | Purchase on 03.08.2018 | 3,00,000 | 0.34 | 40,33,781 | 4.59 |
| | Purchase on 17.08.2018 | 4,17,387 | 0.48 | 44,51,168 | 5.07 |
| | Purchase on 14.12.2018 | 8,00,000 | 0.91 | 52,51,168 | 5.98 |
| | At the end of the year | | | 52,51,168 | 5.97 |
| 4 | Sundaram Mutual Fund A/C | | | | |
| | At the beginning of the year | 45,51,524 | 5.24 | | |
| | Sale on 13.04.2018 | 50,871 | 0.24 | 45,00,653 | 5.18 |
| | Sale on 18.05.2018 | 3,400 | 0.01 | 44,97,253 | 5.17 |
| | Sale on 03.08.2018 | 3,51,437 | 0.45 | 41,45,816 | 4.72 |
| | Sale on 10.08.2018 | 6,128 | 0.01 | 41,39,688 | 4.71 |
| | Sale on 17.08.2018 | 4,26,291 | 0.48 | 37,13,397 | 4.23 |
| | Sale on 31.08.2018 | 13,144 | 0.02 | 37,00,253 | 4.21 |
| | Purchase on 12.10.2018 | 1,591 | 0.00 | 37,01,844 | 4.21 |
| | Purchase on 19.10.2018 | 1,500 | 0.01 | 37,03,344 | 4.22 |
| | Purchase on 26.10.2018 | 5,374 | 0.00 | 37,08,718 | 4.22 |
| | Purchase on 02.11.2018 | 1,535 | 0.00 | 37,10,253 | 4.22 |
| | Sale on 16.11.2018 | 1,848 | 0.00 | 37,08,405 | 4.22 |
| | Purchase on 07.12.2018 | 2,36,830 | 0.27 | 39,45,235 | 4.49 |
| | Purchase on 14.12.2018 | 1,12,462 | 0.13 | 40,57,697 | 4.62 |
| | Purchase on 21.12.2018 | 6,98,860 | 0.79 | 47,56,557 | 5.41 |
| | Purchase on 28.12.2018 | 19,00,000 | 2.17 | 66,56,557 | 7.58 |
| | At the end of the year | | | 66,56,557 | 7.57 |

| Sl. No | Name of the shareholder | Shareholding at the beginning of the year | | Cumulative shareholding during the year | |
|---|---|---|---|---|---|
| | | Number of shares | % of total shares of the Company | Number of shares | % of total shares of the Company |
| 5 | International Finance Corporation | | | | |
| | At the beginning of the year | 43,58,705 | 5.02 | | |
| | No change during the year | - | - | - | - |
| | At the end of the year | | | 43,58,705 | 4.96 |
| 6 | HDFC Standard Life Insurance Company Limited | | | | |
| | At the beginning of the year | 25,73,686 | 2.96 | | |
| | Sale on 06.04.2018 | 19,763 | 0.02 | 25,53,923 | 2.94 |
| | Sale on 13.04.2018 | 3,592 | 0.01 | 25,50,331 | 2.93 |
| | Sale on 27.04.2018 | 53,201 | 0 | 24,97,130 | 2.87 |
| | Sale on 04.05.2018 | 47,510 | 0.05 | 24,49,620 | 2.82 |
| | Sale on 11.05.2018 | 25,788 | 0.03 | 24,23,832 | 2.79 |
| | Sale on 18.05.2018 | 15,478 | 0.02 | 24,08,354 | 2.77 |
| | Sale on 01.06.2018 | 16,310 | 0.02 | 23,92,044 | 2.75 |
| | Sale on 15.06.2018 | 15,421 | 0.02 | 23,76,623 | 2.73 |
| | Sale on 29.06.2018 | 1,77,684 | 0.23 | 21,98,939 | 2.5 |
| | Sale on 20.07.2018 | 5,348 | 0 | 21,93,591 | 2.5 |
| | Purchase on 27.07.2018 | 16,669 | 0.02 | 22,10,260 | 2.52 |
| | Purchase on 17.08.2018 | 14,352 | 0.01 | 22,24,612 | 2.53 |
| | Sale on 31.08.2018 | 5,159 | 0 | 22,19,453 | 2.53 |
| | Sale on 28.09.2018 | 2,013 | 0.01 | 22,17,440 | 2.52 |
| | Purchase on 05.10.2018 | 5,381 | 0.01 | 22,22,821 | 2.53 |
| | Sale on 26.10.2018 | 32,457 | 0.04 | 21,90,364 | 2.49 |
| | Sale on 02.11.2018 | 34,825 | 0.04 | 21,55,539 | 2.45 |
| | Sale on 16.11.2018 | 8,789 | 0.01 | 21,46,750 | 2.44 |
| | Purchase on 23.11.2018 | 2,348 | 0.01 | 21,49,098 | 2.45 |
| | Purchase on 30.11.2018 | 22 | 0 | 21,49,120 | 2.45 |
| | Purchase on 07.12.2018 | 61,682 | 0.07 | 22,10,802 | 2.52 |
| | Purchase on 28.12.2018 | 2,28,000 | 0.26 | 24,38,802 | 2.78 |
| | Purchase on 01.02.2019 | 7,885 | 0 | 24,46,687 | 2.78 |
| | Purchase on 15.02.2019 | 2,505 | 0.01 | 24,49,192 | 2.79 |
| | Sale on 22.02.2019 | 3,433 | 0.01 | 24,45,759 | 2.78 |
| | Purchase on 01.03.2019 | 1,494 | 0.01 | 24,47,253 | 2.78 |
| | Purchase on 29.03.2019 | 75,000 | 0.09 | 25,22,253 | 2.87 |
| | At the end of the year | | | 25,22,253 | 2.87 |
| 7 | FIRST STATE INDIAN SUBCONTINENT FUND | | | | |
| | At the beginning of the year | 30,80,890 | 3.54 | | |
| | Purchase on 24.08.2018 | 2,947 | 0 | 30,83,837 | 3.51 |
| | Purchase on 31.08.2018 | 43,146 | 0.5 | 31,26,983 | 3.56 |
| | At the end of the year | | | 31,26,983 | 3.56 |

| Sl. No | Name of the shareholder | Shareholding at the beginning of the year | | Cumulative shareholding during the year | |
|---|---|---|---|---|---|
| | | Number of shares | % of total shares of the Company | Number of shares | % of total shares of the Company |
| 8 | THE PABRAI INVESTMENT FUND II, LP | | | | |
| | At the beginning of the year | 25,83,831 | 2.97 | | |
| | Purchase on 01.06.2018 | 14,400 | 0.02 | 25,98,231 | 2.99 |
| | Sale on 30.11.2018 | 4,36,896 | 0.53 | 21,61,335 | 2.46 |
| | Sale on 07.12.2018 | 12,38,335 | 1.41 | 9,23,000 | 1.05 |
| | Sale on 28.12.2018 | 9,23,000 | 1.05 | 0 | 0 |
| | At the end of the year | | | 0 | 0 |
| 9 | THE SCOTTISH ORIENTAL SMALLER COMPANIES TRUSTPLC | | | | |
| | At the beginning of the year | 24,68,892 | 2.84 | | |
| | At the end of the year | | | 24,68,892 | 2.81 |
| 10 | NN (L) GLOBAL EQUITY IMPACT OPPORTUNITIES | | | | |
| | At the beginning of the year | 16,72,667 | 1.92 | | |
| | Purchase on 06.04.2018 | 6,044 | 0.01 | 16,78,711 | 1.93 |
| | Purchase on 13.04.2018 | 36,519 | 0.04 | 17,15,230 | 1.97 |
| | Purchase on 27.04.2018 | 221 | 0 | 17,15,451 | 1.97 |
| | Purchase on 18.05.2018 | 14,357 | 0.02 | 17,29,808 | 1.99 |
| | Purchase on 25.05.2018 | 294 | 0 | 17,30,102 | 1.99 |
| | Purchase on 01.06.2018 | 19,898 | 0.02 | 17,50,000 | 2.01 |
| | Purchase on 15.06.2018 | 12,374 | 0.02 | 17,62,374 | 2.03 |
| | Purchase on 22.06.2018 | 45,955 | 0.03 | 18,08,329 | 2.06 |
| | Purchase on 29.06.2018 | 4,22,505 | 0.48 | 22,30,834 | 2.54 |
| | Purchase on 06.07.2018 | 19,166 | 0.02 | 22,50,000 | 2.56 |
| | Purchase on 03.08.2018 | 3,890 | 0.01 | 22,53,890 | 2.57 |
| | Purchase on 10.08.2018 | 46,110 | 0.05 | 23,00,000 | 2.62 |
| | Purchase on 31.08.2018 | 60,089 | 0.07 | 23,60,089 | 2.69 |
| | Purchase on 07.09.2018 | 16,817 | 0.02 | 23,76,906 | 2.71 |
| | Purchase on 14.09.2018 | 23,094 | 0.02 | 24,00,000 | 2.73 |
| | Purchase on 05.10.2018 | 89,534 | 0.1 | 24,89,534 | 2.83 |
| | Purchase on 12.10.2018 | 15,790 | 0.02 | 25,05,324 | 2.85 |
| | Purchase on 19.10.2018 | 1,155 | 0 | 25,06,479 | 2.85 |
| | Purchase on 26.10.2018 | 1,26,164 | 0.15 | 26,32,643 | 3.00 |
| | Purchase on 02.11.2018 | 26,752 | 0.03 | 26,59,395 | 3.03 |
| | Purchase on 09.11.2018 | 6,904 | 0 | 26,66,299 | 3.03 |
| | Purchase on 16.11.2018 | 10,190 | 0.02 | 26,76,489 | 3.05 |
| | Purchase on 23.11.2018 | 7,862 | 0.01 | 26,84,351 | 3.06 |
| | Purchase on 30.11.2018 | 2,15,649 | 0.24 | 29,00,000 | 3.30 |
| | Purchase on 18.01.2019 | 1,00,000 | 0.11 | 30,00,000 | 3.41 |
| | At the end of the year | | | 30,00,000 | 3.41 |

### v) Shareholding of Directors and Key Managerial Personnel:

| Sl. No | Date of Acquisition/ (Transfer) | Particulars | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---|---|---|---|---|---|---|
| | | | No. of shares | % of total shares of the company | No. of shares | % of total shares of the company |
| 1 | Dr. B.S Ajaikumar - Director | At the beginning of the year | 1,76,42,739 | 20.30 | | |
| | | At the end of the year | | | 1,76,73,346 | 20.10 |
| 2 | Gangadhara Ganapati - Director | At the beginning of the year | 23,06,170 | 2.65 | | |
| | | At the end of the year | | | 17,16,170 | 1.94 |
| 3 | Sunu Manuel - KMP | At the beginning of the year | 17,550 | 0.02 | | |
| | | At the end of the year | | | 27,550 | 0.03 |
| 4 | Dr. B S. Ramesh – Director | At the beginning of the year | 2,62,356 | 0.30 | | |
| | | At the end of the year | | | 2,62,356 | 0.30 |
| 5 | S. T. Ramesh – Director | At the beginning of the year | 455 | 0 | | |
| | | At the end of the year | | | 455 | 0 |

### V) Indebtedness - Indebtedness of the Company including interest outstanding/accrued but not due for payment.

Amount in ₹

| Particulars | Secured Loans excluding deposits | Unsecured Loans | Deposit | Total Indebtedness |
|---|---|---|---|---|
| Indebtedness at the beginning of the financial year | | | | |
| i) Principal Amount | 1,65,58,07,416 | 97,90,51,360 | - | 2,63,48,58,776 |
| ii) Interest due but not paid | - | - | - | - |
| iii) Interest accrued but not due | 6,70,87,028 | 5,44,17,261 | - | 12,15,04,288 |
| **Total (i+ii+iii)** | **1,72,28,94,444** | **1,03,34,68,621** | **-** | **2,75,63,63,064** |
| Change in Indebtedness during the financial year | | | | |
| * Addition | 2,52,42,31,103 | 59,30,71,059 | - | 3,11,73,02,162 |
| * Reduction | 1,33,46,34,805 | 18,20,31,453 | - | 1,51,66,66,258 |
| **Net Change** | | | | |
| Indebtedness at the end of the financial year | | | | |
| i) Principal Amount | 2,84,91,98,677 | 1,37,16,96,999 | - | 4,22,08,95,676 |
| ii) Interest due but not paid | - | - | - | - |
| iii) Interest accrued but not due | 6,32,92,065 | 7,28,11,227 | - | 13,61,03,292 |
| **Total (i+ii+iii)** | **2,91,24,90,742** | **1,44,45,08,226** | **-** | **4,35,69,98,968** |

## VI. Remuneration of Directors and Key Managerial Personnel

### A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

Amount in ₹

| Sl. No | Particulars of Remuneration | Name of MD/WTD/ Manager | | Total Amount |
|---|---|---|---|---|
| | | Dr. B. S. Ajaikumar Chairman & CEO | Dr. B. S. Ramesh Executive Director | |
| 1 | Gross salary | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 2,80,70,537* | 72,76,885 | 3,53,47,422 |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | Nil | Nil | Nil |
| | (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961 | Nil | Nil | Nil |
| 2 | Stock Option | Nil | Nil | Nil |
| 3 | Sweat Equity | Nil | Nil | Nil |
| 4 | Commission | | | |
| | - as % of profit | Nil | Nil | Nil |
| | - others, specify… | Nil | Nil | Nil |
| 5 | Others, please specify | Nil | Nil | Nil |
| | **Total (A)** | **2,80,70,537** | **72,76,885** | **3,53,47,422** |
| | Ceiling as per the Act | | | **^2,45,41,579** |

* Remuneration of Dr. B. S. Ajaikumar is including variable pay.

^ The Company has secured necessary approvals for payment of managerial remuneration in case of absence or inadequacy of Profits in terms of Section 197 read with Schedule V to the Companies Act, 2013.

### B. Remuneration to other directors

Amount in ₹

| Sl. No | Particulars of Remuneration | Names of Directors | | | | | Total Amount |
|---|---|---|---|---|---|---|---|
| | **Independent Directors** | **Dr. Sudhakar Rao** | **Shanker Annaswamy** | **Suresh C. Senapaty** | **Dr. Sampath T. Ramesh** | **Bhushani Kumar** | |
| | Fee for attending board/ committee meeting * | 7,25,000 | 9,75,000 | 10,25,000 | 7,75,000 | 3,00,000 | |
| | Commission | Nil | Nil | Nil | Nil | Nil | |
| | Others, please specify | Nil | Nil | Nil | Nil | Nil | |
| | **Total (1)** | **7,25,000** | **9,75,000** | **10,25,000** | **7,75,000** | **3,00,000** | **38,00,000** |
| | **Other Non-Executive Directors** | **Gangadhara Ganapathi** | **Dr. Amit Varma** | | | | |
| | Fee for attending board/ committee meetings | Nil | Nil | | | | |
| | Commission | Nil | Nil | | | | |
| | Others | Nil | Nil | | | | |
| | **Total (2)** | **Nil** | **Nil** | | | | **Nil** |
| | **Total (B)=(1+2)** | **Nil** | **Nil** | | | | **38,00,000** |
| | **Total Managerial Remuneration** | | | | | | **3,53,47,422** |
| | Overall Ceiling as per the Act | | | | | | **^2,45,41,579** |

* Excluding tax (GST)

## C. Remuneration to key managerial personnel other than MD/Manager/WTD

Amount in ₹

| Sl. No | Particulars of Remuneration | Key Managerial Personnel | | | | Total |
|---|---|---|---|---|---|---|
| | | #CEO | CS^ | CFO Yogesh Patel* | CFO Srinivasa V Raghavan* | |
| 1 | Gross salary | | | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | - | 36,78,189 | 55,69,086 | 64,45,205 | 1,56,92,480 |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961^ | - | 16,53,750 | 7,49,625 | Nil | 24,03,375 |
| | (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961 | - | Nil | Nil | Nil | Nil |
| 2 | Stock Option | - | Nil | Nil | Nil | Nil |
| 3 | Sweat Equity | - | Nil | Nil | Nil | Nil |
| 4 | Commission | - | Nil | Nil | Nil | Nil |
| | - as % of profit | - | Nil | Nil | Nil | Nil |
| | - others, specify... | - | Nil | Nil | Nil | Nil |
| 5 | Others, please specify | - | Nil | Nil | Nil | Nil |
| | **Total (A)** | **-** | **53,31,939** | **63,18,711** | **64,45,205** | **1,80,95,855** |

# In the above table, remuneration paid to Dr. B. S. Ajaikumar, Chairman & CEO is not included, as the same has already been included in remuneration paid to Whole-time Director under (A) above.

* During the year under report, Mr. Yogesh Patel has resigned as CFO, effective from August 12, 2018. Hence the remuneration details of Mr Yogesh Patel pertains to the period from April 01, 2018 to August 11, 2018. Mr. Srinivasa V. Raghavan has joined as CFO the Company w.e.f July 27, 2018. The details of remuneration disclosed above pertains to the period from July 27, 2018 till March 31, 2019.

^ Perquisite value on account of exercise of ESOPs during FY 2018-19.

## VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: NIL

| Type | Section of the Companies Act | Brief Description | Details of Penalty / Punishment/ Compounding fees imposed | Authority [RD / NCLT/ COURT] | Appeal made, if any (give details) |
|---|---|---|---|---|---|
| **A. COMPANY** | | | | | |
| Penalty | | | | | |
| Punishment | | | NIL | | |
| Compounding | | | | | |
| **B. DIRECTORS** | | | | | |
| Penalty | | | | | |
| Punishment | | | NIL | | |
| Compounding | | | | | |
| **C. OTHER OFFICERS IN DEFAULT** | | | | | |
| Penalty | | | | | |
| Punishment | | | NIL | | |
| Compounding | | | | | |

For and on behalf of the Board of Directors

**Dr. B. S. Ajaikumar**
Chairman & CEO

Date: May 23, 2019
Place: Bengaluru

# ANNEXURE 2

## Form No. MR-3

## SECRETARIAL AUDIT REPORT

For The Financial Year Ended: March 31, 2019

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
**Healthcare Global Enterprises Limited,**

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Healthcare Global Enterprises Limited** (hereinafter called the company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on our verification of the Company's Books, Papers, Minute Books, Forms and Returns filed and other Records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the company has, during the financial year ended on March 31, 2019 (the audit period) complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company during the audit period according to the provisions of:

i) The Companies Act, 2013 (the Act) and the rules made thereunder;

ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment and Overseas Direct Investment. There were no External Commercial Borrowings during the period under review;

v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (SEBI ICDR Regulations), up to September 10, 2018 and SEBI ICDR Regulations, 2018 w.e.f September 11, 2018;

d. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.

e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (Not Applicable to the Company during the Audit Period);

f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (Not Applicable to the Company during the Audit Period);

h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (SEBI Buyback of Securities Regulations) up to September 10, 2018 and SEBI Buyback of Securities Regulations, 2018 w.e.f

September 11, 2018; (Not Applicable to the Company during the Audit Period); and

i. Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [SEBI (LODR) Regulations, 2015]

vi) Other Laws Applicable Specifically to the Company namely:

(a) Drugs and Cosmetics Act, 1940 and the rules thereunder

(b) Pharmacy Act, 1948

(c) Atomic Energy Act, 1962 ("Atomic Energy Act") and Atomic Energy (Radiation Protection) Rules, 2004 ("Atomic Energy Rules")

(d) Radiation Protection Rules, 1971 ("Radiation Rules")

(e) Radiation Surveillance Procedures for Medical Application of Radiation, 1989 ("Radiation Surveillance Procedures")

(f) The Safety Code for Medical Diagnostic X-Ray Equipment and Installations, 2001 ("X-Ray Safety Code")

(g) Pharmacy Act, 1948 ("Pharmacy Act")

(h) Drugs (Prices Control) Order, 2013 ("DPCO") )

(i) The Clinical Establishments (Registration and Regulation), Act, 2010

(j) Narcotic Drugs and Psychotropic Substances Act, 1985 ("Narcotic Act")

(k) Pre-Conception and Pre-Natal Diagnostic Techniques (Prohibition of Sex Selection) Act, 1994 ("PNDT Act") and the rules thereunder.

(l) Medical Termination of Pregnancy Act, 1971 ("MTP Act") and the rules and regulations thereunder.

(m) Transplantation of Human Organs Act, 1994 ("Transplantation of Organs Act")

(n) Explosives Act, 1884 ("Explosives Act")

(o) Indian Boilers Act, 1923 ("Boilers Act")

(p) Ethical Guidelines for Biomedical Research on Human Participants, 2006 ("ICMR Guidelines")

(q) Legal Metrology Act, 2009 ("Legal Metrology Act") and rules thereunder

(r) Indian Medical Council Act, 1956 ("IMCA")

(s) Indian Medical Degree Act, 1916 ("IMDA")

(t) Indian Medical Council (Professional Conduct, Etiquette and Ethics) Regulations, 2002

(u) Indian Nursing Council Act, 1947

(v) Bio-Medical Waste Management Rules, 2016 ("BMW Rules")

(w) Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016 ("Hazardous Waste Rules")

(x) Batteries (Management and Handling) Rules, 2001 ("Batteries Rules")

(y) E-waste (Management) Rules, 2016 ("E-waste Rules")

(z) Poisons Act, 1919 and the Karnataka Poison Rules, 1966

(aa) Static and Mobiles Pressure Vessels (Unfired) Rules, 1981

We have also examined the compliance with the applicable clauses of the following:

a. Secretarial Standards issued by the Institute of Company Secretaries of India on Meetings of the Board of Directors and General Meeting.

b. Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above except for the following observations:

1. ***The Company provided the required data and information including the cost statements to the Cost Auditor only around the end of specified time limit (i.e. within 180 days from the closure of the financial year) as required under Rule 6 (5) of the Companies (Cost Records And Audit) Rules, 2014. Hence, the Cost Auditor could not provide his Cost Audit Report within the aforesaid period.***

2. ***The company had not disclosed the names of the top ten employees of the company in the Annual Report of the financial year 2017-18 in terms of remuneration drawn as required under Rule 5 (2) & (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.***

We have not examined compliance with applicable Financial Laws, like Direct and Indirect Tax Laws, since the same have been subject to review by statutory financial audit and other designated professionals.

## We Further Report That:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The change in the composition of the Board of Directors that took place during the period under review was carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance except with respect to those agenda items which the company deemed to be unpublished price sensitive information (UPSI), and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions of the Board were unanimous, and no dissenting views have been recorded.

We further report that based on the review of the compliance mechanism adopted by the company of providing adequate presentations by the concerned departments' heads at the Board Meetings, regarding compliance with the applicable laws and its adherence, there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period, there was no event / action having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines etc.,.

For V. SREEDHARAN & ASSOCIATES

**(V. Sreedharan)**

| | |
|---|---|
| Place: Bengaluru | Partner |
| Date: May 20, 2019 | FCS: 2347; C.P. No: 833 |

# ANNEXURE 3

## a) Employee share option plan of the Company

### (i) ESOP 2010

In the extraordinary general meeting held on 25 August, 2010, the shareholders had approved the issue of 1,800,000 options under the Scheme titled "Employee Stock Option Scheme 2010 (ESOP 2010). The ESOP 2010 allows the issue of options to employees of the Company and its subsidiaries. Each option comprises one underlying equity share.

As per the Scheme, the Nomination and Remuneration committee grants the options to the employees deemed eligible. The exercise price of each option shall be at a price not less than the face value per share. The option holders may exercise those options vested based on passage of time commencing from the expiry of 4 years from the date of grant and those vested based on performance immediately after vesting, within the expiry of 10 years from the date of grant.

On 16 June, 2010, the Company granted options under said scheme for eligible personnel. In the extraordinary general meeting held on 31 March, 2015, the shareholders approved for accelerated vesting of options outstanding as at 31 March, 2015. Accordingly, all the options outstanding were vested in the hands of option holders as at 31 March, 2015. Further, the remaining options available for grant under ESOP 2010 were transferred to ESOP 2014 scheme.

### (ii) ESOP 2014

Pursuant to the shareholders' approval in the extraordinary general meeting held on 28 March, 2014 and 25 August, 2010, the Board of Directors formulated the Scheme titled "Employee Stock Option Scheme 2014" (ESOP 2014). The ESOP 2014 allows the issue of options to employees of the Company and its subsidiaries. Each option comprises one underlying equity share.

As per the Scheme, the Nomination and Remuneration Committee grants the options to the employees deemed eligible. The Exercise Price shall be a price that is not less than the face value per share per option. Options Granted under ESOP 2014 would vest not less than one year and not more than five years from the date of Grant of such Options. Vesting of Options would be a function of continued employment with the Company (passage of time) and achievement of performance criteria as specified by the Nomination and Remuneration Committee as communicated at the time of grant of options. The option holders may exercise those options vested within a period as specified which may range upto 10 years from the date of grant.

Employee stock options will be settled by delivery of shares. There will be no lock-in period in respect of the Shares, which may be issued/ allotted on Exercise of the Options Granted pursuant to this Scheme.

## b) (i) The details of fair market value and the exercise price is as given below:

| Particulars | ESOP 2010 | ESOP 2014 | ESOP 2014 | ESOP 2014 |
|---|---|---|---|---|
| Date of grant | 16-Jun-10 | 24-Jun-14 | 10-Nov-16 | 10-Nov-16 |
| Fair market value of option at grant date (₹) | 23.10 | 73.34 | 232.48 | 156.93 |
| Fair market value of share at grant date (₹) | 29.18 | 78.95 | 240.15 | 240.15 |
| Exercise price (₹) | 10.00 | 10.00 | 10.00 | 110.68 |
| No. of options | 12,94,800 | 1,10,100 | 1,65,400 | 30,000 |

| Particulars | ESOP 2014 | ESOP 2014 | ESOP 2014 | ESOP 2014 |
|---|---|---|---|---|
| Date of grant | 01-Apr-17 | 01-Apr-17 | 11-Aug-17 | 06-Nov-17 |
| Fair market value of option at grant date (₹) | 221.80 | 120.08 | 261.61 | 269.27 |
| Fair market value of share at grant date (₹) | 229.45 | 229.45 | 269.35 | 276.95 |
| Exercise price (₹) | 10.00 | 150.00 | 10.00 | 10.00 |
| No. of options | 25,000 | 35,000 | 1,01,000 | 53,000 |

| Particulars | ESOP 2014 | ESOP 2014 | ESOP 2014 |
|---|---|---|---|
| Date of grant | 22-May-18 | 09-Nov-18 | 07-Feb-19 |
| Fair market value of option at grant date (₹) | 298.55 | 220.74 | 181.62 |
| Fair market value of share at grant date (₹) | 306.81 | 231.85 | 187.00 |
| Exercise price (₹) | 10.00 | 10.00 | 10.00 |
| No. of options | 55,000 | 25,000 | 47,000 |

**(ii) The assumptions used in this model for calculating fair value of the ESOP granted during the current year and previous year are as below:**

| Assumptions | Grant Date: 01 April 2017 (ESOP 2014) | | | |
|---|---|---|---|---|
| | **Vest 1<br>1 Apr 2018** | **Vest 2<br>1 Apr 2019** | **Vest 3<br>1 Apr 2020** | **Vest 4<br>1 Apr 2021** |
| **Variables** | **10%** | **20%** | **30%** | **40%** |
| Risk free interest rate | 6.46% | 6.57% | 6.76% | 6.86% |
| Expected life (years) | 2.00 | 3.00 | 4.00 | 5.00 |
| Expected annual volatility of shares | 27.46% | 28.94% | 30.36% | 29.83% |
| Expected dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |

| Assumptions | Grant Date: 11 August 2017 (ESOP 2014) | | | |
|---|---|---|---|---|
| | **Vest 1<br>11 Aug 2018** | **Vest 2<br>11 Aug 2019** | **Vest 3<br>11 Aug 2020** | **Vest 4<br>11 Aug 2021** |
| **Variables** | **10%** | **20%** | **30%** | **40%** |
| Risk free interest rate | 6.35% | 6.38% | 6.43% | 6.50% |
| Expected life (years) | 2.00 | 3.00 | 4.00 | 5.00 |
| Expected annual volatility of shares | 24.74% | 27.98% | 28.28% | 29.68% |
| Expected dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |

| Assumptions | Grant Date: 06 November 2017 (ESOP 2014) | | | |
|---|---|---|---|---|
| | Vest 1<br>06 Nov 2018 | Vest 2<br>06 Nov 2019 | Vest 3<br>06 Nov 2020 | Vest 4<br>06 Nov 2021 |
| **Variables** | **10%** | **20%** | **30%** | **40%** |
| Risk free interest rate | 6.30% | 6.48% | 6.64% | 6.78% |
| Expected life (years) | 2.00 | 3.00 | 4.00 | 5.00 |
| Expected annual volatility of shares | 24.04% | 27.42% | 27.47% | 29.42% |
| Expected dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |

| Assumptions | Grant Date: 22 May 2018 (ESOP 2014) | | | |
|---|---|---|---|---|
| | Vest 1<br>22 May 2019 | Vest 2<br>22 May 2020 | Vest 3<br>22 May 2021 | Vest 4<br>22 May 2022 |
| **Variables** | **10%** | **20%** | **30%** | **40%** |
| Risk free interest rate | 7.30% | 7.61% | 7.80% | 7.91% |
| Expected life (years) | 2.00 | 3.00 | 4.00 | 5.00 |
| Expected annual volatility of shares | 25.05% | 26.08% | 28.40% | 29.08% |
| Expected dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |

| Assumptions | Grant Date: 09 November 2018 (ESOP 2014) | | | |
|---|---|---|---|---|
| | Vest 1<br>09 Nov 2019 | Vest 2<br>09 Nov 2020 | Vest 3<br>09 Nov 2021 | Vest 4<br>09 Nov 2022 |
| **Variables** | **10%** | **20%** | **30%** | **40%** |
| Risk free interest rate | 7.29% | 7.44% | 7.55% | 7.64% |
| Expected life (years) | 2.00 | 3.00 | 4.00 | 5.00 |
| Expected annual volatility of shares | 29.52% | 27.82% | 29.24% | 28.92% |
| Expected dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |

| Assumptions | Grant Date: 07 February 2019 (ESOP 2014) | | | |
|---|---|---|---|---|
| | Vest 1<br>07 Feb 2020 | Vest 2<br>07 Feb 2021 | Vest 3<br>07 Feb 2022 | Vest 4<br>07 Feb 2023 |
| **Variables** | **10%** | **20%** | **30%** | **40%** |
| Risk free interest rate | 6.89% | 7.04% | 7.16% | 7.26% |
| Expected life (years) | 2.00 | 3.00 | 4.00 | 5.00 |
| Expected annual volatility of shares | 29.97% | 27.83% | 29.07% | 29.26% |
| Expected dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |

The Company has used Black Scholes Option Pricing model for valuation of options.

## c) Employee stock options details as on the Balance Sheet date are as follows:

| Particulars | Year ended 31 March 2019 | | Year ended 31 March 2018 | |
|---|---|---|---|---|
| | Options (Numbers) | Weighted average exercise price per option (₹) | Options (Numbers) | Weighted average exercise price per option (₹) |
| Option outstanding at the beginning of the year: | | | | |
| - ESOP 2010 | 10,127 | 10.00 | 10,127 | 10.00 |
| - ESOP 2014 | 4,71,670 | 20.17 | 22,020 | 10.00 |
| Granted during the year: | | | | |
| - ESOP 2010 | - | - | - | - |
| - ESOP 2014 | 1,27,000 | 10.00 | 2,14,000 | 32.90 |
| Forfeited during the year: | | | | |
| - ESOP 2010 | - | - | - | - |
| - ESOP 2014 | - | - | - | - |
| Exercised during the year: | | | | |
| - ESOP 2010 | 2,300 | 10.00 | - | - |
| - ESOP 2014 | 77,760 | 10.00 | 24,820 | 10.00 |
| Lapsed during the year: | | | | |
| - ESOP 2010 | - | - | - | - |
| - ESOP 2014 | - | - | - | - |
| Options outstanding at the end of the year: | | | | |
| - ESOP 2010 | 7,827 | 10.00 | 10,127 | 10.00 |
| - ESOP 2014 | 5,20,910 | 25.20 | 4,71,670 | 20.17 |
| Options exercisable at the end of the year: | | | | |
| - ESOP 2010 | 7,827 | 10.00 | 10,127 | 10.00 |
| - ESOP 2014 | 64,530 | 31.64 | 37,770 | 18.00 |

* Options available for grant under ESOP 2014 Scheme are 2,334,306 (previous year 2,461,306).

The weighted average share price at the date of exercise for share options exercised during the year ended 31 March 2019 is ₹228.49 (previous year ₹318.65).

The options outstanding at the end of the reporting period has exercise price in the range of ₹10 to ₹150 (Previous year ₹10 to ₹150) and weighted average remaining contractual life of 8.10 years (Previous year 7.54 years).

**d)** For details of expense recognised in statement of profit and loss please refer note 25 and for details of movement in share options outstanding account refer note 15.2 of Financial statements.

**e)** Fully diluted EPS pursuant to issue of Equity Shares on exercise of options in accordance with the relevant accounting standard

Amount in ₹

| Year ended 31-Mar-19 | Year ended 31-Mar-18 | Year ended 31-Mar-17 | Year ended 31-Mar-16 |
|---|---|---|---|
| 0.82 | 2.89 | 2.38 | (0.39) |

**f)** Variation in terms of options

| Year ended 31-Mar-19 | Year ended 31-Mar-18 | Year ended 31-Mar-17 |
|---|---|---|
| None | None | None |

| | | | | |
|---|---|---|---|---|
| g) | Where the Company has calculated the employee compensation cost using the intrinsic value of stock options, difference, if any, between employee compensation cost calculated according using the intrinsic value of stock options and the employee compensation cost calculated on the basis of fair value of stock options | The Company follows the Fair Value (Black-Scholes Option Pricing Model) of the stock options for calculating employee compensation cost. | | |
| h) | Impact on profit and EPS of the last three years if the accounting policies prescribed in the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 had been followed | **For Financial Year 2019:**<br>The total accounting charge taken on account of ESOP 2010 and 2014 is ₹30,559,323.<br><br>**For Financial Year 2018:**<br>The total accounting charge taken on account of ESOP 2010 and 2014 is ₹2,70,93,288.<br><br>**For Financial Year 2017:**<br>The total accounting charge taken on account of ESOP 2010 and 2014 is ₹94,50,182. | | |
| i) | Money realized by exercise of options (INR), if scheme is implemented directly by the Company | **2018-19:** ₹8,00,600<br>**2017-18:** ₹2,48,200<br>**2016-17:** ₹6,92,95,000 | | |
| j) | Loan repaid by the Trust during the year from exercise price received | Not Applicable | | |
| k) | Employee wise details of options granted during the year | | | |
| | a) Senior Management Personnel: | **Employee Name** | **Designation** | **No. of Employee Stock Options Granted** |
| | | Ananth S. Kittur | Director – Projects | 10,000 |
| | | Arun Goyal | President – Triesta & CIO | 20,000 |

| | | | |
|---|---|---|---|
| | **Employee Name** | **Designation** | **No. of Employee Stock Options Granted** |
| | V Srinivasa Raghavan | Chief Financial Officer | 25,000 |
| a) Other than Senior Management Personnel: | 72,000 Stock Options | | |
| Employees who have received a grant in any one year of options amounting to 5% or more of options granted during that year. | Nil | | |
| Employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital of the company at the time of grant. | Nil | | |

# ANNEXURE 4

## Information pursuant to Section 197 (12) of the Companies Act, 2013, read with sub rules (1), (2) and (3) of Rule 5 of the Companies (Appointment and Remuneration of Managerial personnel) Rules, 2014 in respect of employees of the Company is detailed as under:

(a) Comparison and ratio of the remuneration of each director to the median remuneration of the employees of the Company for the Financial Year 2018-19

| Name of the Director | Designation | Remuneration for FY 2017-18 (₹ in Mn.) | Remuneration for FY 2018-19 (₹ in Mn.) | % increase in Remuneration | Median Remuneration of employees (₹ in Mn.) | Ratio Remuneration of employees |
|---|---|---|---|---|---|---|
| Dr. B. S. Ajaikumar | Chairman & CEO | 25.45 | 28.07 ^ | 11.87% | 0.20 | 138.91:1 |
| Dr. B. S. Ramesh | Executive Director | Nil | 7.28 | Not applicable | 0.20 | 36.38:1! |
| Dr. Sudhakar Rao | Independent Director | 0.85 | 0.725 | Nil # | NA | NA |
| Shanker Annaswamy | Independent Director | 1.5 | 0.975 | Nil # | NA | NA |
| Suresh C. Senapaty | Independent Director | 1.5 | 1.025 | Nil # | NA | NA |
| Dr. Sampath T. Ramesh | Independent Director | 0.85 | 0.775 | Nil # | NA | NA |
| Bhushani Kumar | Independent Director | 0.60 | 0.30 | Nil # | NA | NA |

^ Remuneration of Dr. B. S. Ajaikumar is including variable pay.

* Sitting fee paid to independent Directors is excluding tax (GST)

! Remuneration of Dr. B. S. Ramesh, Executive Director, is for the period from May 22, 2018 to March 31, 2019.

# There is no increase in the sitting fees paid to independent Directors for attending the Board and Committee meetings. However, the changes in sitting fees during FY 2018-19 vis a vis FY 2017-18 are on account of number of meetings held and attended by them.

@ Gangadhara Ganapati and Dr. Amit Varma, Non-Executive and Non-Independent Directors do not draw any remuneration/fees from the Company.

(b) The percentage increase in remuneration of Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, during the financial year 2018-19

| Name of KMP | Designation | Remuneration for FY 2017-18 (₹ in Mn.) | Remuneration for FY 2018-19 (₹ in Mn.) | % increase in Remuneration |
|---|---|---|---|---|
| @ Mr. Yogesh Patel | Chief Financial Officer | 10.51 | 5.57 ! | NA |
| @ Mr. Srinivasa V. Raghavan | Chief Financial Officer | Nil | 6.44 | NA |
| # Ms. Sunu Manuel | Company Secretary | 3.57 | 3.68 ^ | NIL |

@ During the year under report, Mr. Yogesh Patel has resigned as CFO, effective from August 12, 2018. Hence the remuneration of Mr Yogesh Patel disclosed above pertains to the period from April 01, 2018 to August 11, 2018. Mr. Srinivasa V. Raghavan has joined as CFO the Company w.e.f July 27, 2018. The details of remuneration disclosed above pertain to the period from July 27, 2018 till March 31, 2019.

# With respect to remuneration of the Company Secretary, there has been no increase in remuneration for FY 2018-19. However, the difference in remuneration drawn for the year 2017-18 and 2018-19 was on account of an increment provided for FY 2017-18, where the increased remuneration was reflective only for a part of the financial year 2017-018, whereas the remuneration for FY 2018-19, the same is captured for the full year.

! Perquisite value amounting to Rs. 7,49,625 accrued on the exercise of ESOP vested and exercised is not included in the remuneration for FY 2018-19.

^ Perquisite value amounting to Rs. 16,53,750 accrued on the exercise of ESOP vested and exercised is not included in the remuneration for FY 2018-19.

(c) The percentage increase in the median remuneration of employees during the financial year 2018-19 is 6.75%;

(d) The number of permanent employees on the rolls of Company as of March 31, 2019 was 3430;

(e) Average percentile increase already made in the salaries of employees of the Company other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and any exceptional circumstances for increase in the managerial remuneration

| Particulars | For the Financial Year 2018-19 |
|---|---|
| (A) Average percentile increase already made in the salaries of employees other than the managerial personnel | 5.50% |
| (B) Percentile increase in the managerial remuneration | 11.87% |
| Comparison of (A) and (B) | Percentile increase of B is greater than that of A |
| Justification | The difference in the percentile increase in A and B is due to the change in the performance appraisal process undertaken in the organisation during this financial year. In the past the organisation followed 2 cycles where employees were divided between the 2 appraisal cycles. We have now moved all employees to one appraisal cycle. The above percentage of 5.5% is reflective of only some of the employees. |
| Any exceptional circumstances for increase in the managerial remuneration | None |

(f) Affirmation that the remuneration is as per the Remuneration Policy of the Company.

It is hereby confirmed that the remuneration is as per the Remuneration Policy of the Company.

(g) Statement pursuant to Rule 5(2) and 5(3) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

| Sl. No. | Name of the Employee | Designation | Qualification | Previous employment | Date of joining | Age (in Years) | Experience (in Years) | Remuneration (Amount in ₹) | No and % of Equity Shares held in the Company | Relationship with Directors |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Dr. B. S. Ajaikumar | Chairman & Chief Executive Officer | MBBS., MD | Not applicable | 07/03/2000 @ | 67 | 40 | 2,80,70,537 * | 1,76,73,346 & 20.10% | None |
| 2 | Yogesh Patel | Chief Financial Officer | Chartered Accountant | Ernst & Young | 06/10/2016 | 45 | 21 | 55,69,086 # ^ | 2,500 & 0.00% | None |
| 3 | Srinivasa Raghavan V | Chief Financial Officer | Chartered Accountant and Cost Accountant | CSC Technologies India Private Limited | 27/07/2018 | 54 | 30 | 64,45,205 # | Nil | None |
| 4 | Dr. Rani Akhil Bhat | Consultant-Gynaecological Oncology | MBBS, MS (OBG), MRCOG, Fellowship (Gynaecological Oncology) | BGS Global Hospitals | 01/08/2017 | 45 | 23 | 69,33,400 ^ | 3,200 & 0.00% | None |
| 5 | Dr. Naveen Nagar | Vice President-Medical Services | MBBS, DLO,MHA | Nepean Hospital | 01/04/2013 | 48 | 22 | 67,88,966 ^ | 27,794 & 0.03% | None |
| 6 | Dr Ramesh S Bilimagga | Executive Director | MBBS, DRM, MD, DMRD, PGDMLE, FICS | M S Ramaiah Medical College | 22/05/2018 | 68 | 34 | 72,76,885 | 2,62,356 & 0.30% | None |
| 7 | S B Pathmanaban | Regional Director | MSc(Applied Psychology) | SRM Institute for Medical Science | 05/05/2016 | 49 | 27 | 72,31,605 ^ | 4,610 & 0.01% | None |
| 8 | V Jayachandran | Consultant-Project Management | BA, Dip. Civil Engineering | Facilities and Building Solutions | 20/06/2007 | 40 | 18 | 75,51,030 | 14,500 & 0.02% | None |
| 9 | Dr Bharat Gadhavi | Regional Director | MBBS.,MS (Gen. Surgery) | Sterling Hospital | 15/01/2008 | 55 | 26 | 58,51,662 | 44,535 & 0.05% | None |
| 10 | Ananth S. Kittur | Director-Projects | Chartered Accountant | Wipro GE Healthcare | 16/05/2015 | 46 | 22 | 1,04,42,173 | 68,200 & 0.08% | None |
| 11 | Dinesh Madhavan | Director-HealthCare Services | B. Com, MBA, LLB | Wockhardt Hospitals Limited | 14/09/2009 | 46 | 24 | 1,43,12,885 | 79,914 & 0.09% | None |

* Remuneration of Dr. B. S. Ajaikumar is including variable pay.

@ Dr. B. S. Ajaikumar was appointed as Director on March 07, 2000 and was appointed as Whole-time Director designated as CEO with effect from July 14, 2006.

# During the year under report, Mr. Yogesh Patel has resigned as CFO, effective from August 12, 2018. Hence the remuneration details of Mr Yogesh Patel pertain to the period from April 01, 2018 to August 11, 2018. Mr. Srinivasa V. Raghavan has joined as CFO the Company w.e.f July 27, 2018. The details of remuneration disclosed above pertain to the period from July 27, 2019 till March 31, 2019.

^ Perquisite values accrued on the exercise of ESOP vested and exercised are not included in the remuneration for FY 2018-19 in the above disclosure.

# ANNEXURE 5

## FORM AOC 1

Statement pursuant to first proviso to Sub-Section (3) of Section 129 read with Rule 5 of Companies (Accounts) Rules, 2014

Statement containing salient features of the financial statements of subsidiaries/associate companies/joint ventures

### Part A - Subsidiaries

(₹ in Million)

| Name of the subsidiary | Financial year ended | Reporting Currency | % of shareholding | Share capital | Reserve & surplus | Total assets | Total liabilities (excluding share capital and reserve & surplus) | Investments | Turnover | Profit / (Loss) before taxation | Provision for taxation | Profit / (Loss) after taxation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| BACC Healthcare Private Limited | 31-03-2019 | INR | 100% | 0.94 | 378.60 | 527.91 | 148.37 | - | 643.61 | (22.18) | (4.57) | (17.61) |
| HCG Medi-Surge Hospitals Private Limited | 31-03-2019 | INR | 74.00% | 55.69 | 192.55 | 951.08 | 702.84 | - | 1,114.32 | 53.29 | 16.19 | 37.10 |
| Malnad Hospital & Institute of Oncology Private Limited | 31-03-2019 | INR | 70.25% | 9.50 | 9.07 | 45.06 | 26.49 | - | 58.90 | 10.33 | 2.49 | 7.84 |
| Niruja Product Development and Healthcare Research Private Limited | 31-03-2019 | INR | 100% | 0.50 | (46.76) | 224.63 | 270.89 | 224.15 | 0.00 | (27.42) | 0.00 | (27.42) |
| HealthCare Global Senthil Multi-Specialty Hospitals Private Limited | 31-03-2019 | INR | 100% | 9.30 | (38.75) | 1.04 | 30.49 | - | 0.00 | (0.08) | 0.00 | (0.08) |
| HealthCare Diwan Chand Imaging LLP | 31-03-2019 | INR | 75.00% | 32.72 | (8.20) | 32.16 | 7.64 | - | 4.90 | 1.01 | 0.31 | 0.70 |
| HCG Oncology LLP | 31-03-2019 | INR | 74.00% | 113.43 | (110.19) | 559.72 | 556.48 | - | 427.79 | (38.63) | (0.03) | (38.60) |
| HCG (Mauritius) Pvt Ltd | 31-03-2019 | INR | 100.00% | 248.43 | 11.67 | 261.39 | 1.29 | 261.00 | - | (0.54) | - | (0.00) |
| | | USD | 100.00% | 3.58 | 0.17 | 3.77 | 0.02 | 3.77 | - | (0.00) | - | (0.00) |
| APEX HCG Oncology Hospitals LLP | 31-03-2019 | INR | 100.00% | 740.47 | (136.81) | 1,109.84 | 506.18 | - | 270.23 | (189.28) | (52.17) | (137.11) |
| HCG NCHRI Oncology LLP | 31-03-2019 | INR | 76.00% | 286.88 | (134.75) | 597.00 | 444.87 | - | 154.05 | (120.86) | (24.55) | (96.31) |
| HCG Manavata Oncology LLP | 31-03-2019 | INR | 51.00% | 537.02 | 151.23 | 1,390.49 | 702.24 | - | 788.63 | 56.73 | 19.99 | 36.74 |
| HCG EKO Oncology LLP | 31-03-2019 | INR | 50.50% | 144.00 | 6.81 | 483.92 | 333.11 | - | 13.98 | (1.93) | (0.60) | (1.33) |
| HCG SUN Hospitals LLP | 31-03-2019 | INR | 74.00% | 141.98 | (46.66) | 371.47 | 276.15 | - | 83.53 | (66.74) | (20.98) | (45.76) |
| As on 31.03.2019: 1 US$ = ₹69.322 | | | | | | | | | | | | |

Revenue number is only considered revenue from operations

## Part B - Associates and Joint venture

(₹ in Million)

| S. No. | Name of associate/ joint venture | Last audited balance sheet date | Date on which the associate or joint venture was associated or acquired | No of shares held by the Company in Associate/ Joint venture on year end | Amount of investment in Associate/ Joint venture | Extent of holding (%) | Description of how there is significant influence | Reason why associate/ joint venture is not consolidated | Net worth attributable to shareholding as per latest audited balance sheet | Profit or (loss) for the year | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | Considered in consolidation | Not considered in consolidation |
| 1 | Strand Life Sciences Private Limited | 31 March 2018 | 07 February 2018 | 9,225,684 equity shares and 101,193 compulsorily convertible preference shares | 245.33 | 38.20% | More than 20% shareholding | Joint control | 147.33 | (74.71) | (143.90) |
| 2 | HealthCare Global (Africa) Private Limited * | 31-Mar-19 | Jul-17 | 160,659 ordinary shares and 115,820 preferrred A shares | 261.00 | 76.73% | More than 20% shareholding | No control | 303.99 | (8.83) | (2.61) |
| 3 | HealthCare Global (Uganda) Private Limited # | 31-Mar-19 | Jul-17 | 72,500 ordinary shares | 3.02 | 76.73% | More than 20% shareholding | No control | 1.31 | (0.26) | (0.08) |
| 4 | HealthCare Global (Kenya) Private Limited # | 31-Mar-19 | Jul-17 | 553,554 ordinary shares | 384.31 | 76.73% | More than 20% shareholding | No control | (47.09) | (25.09) | (7.96) |
| 5 | HealthCare Global (Tanzania) Private Limited # | 31-Mar-19 | Jul-17 | 18,000 ordinary shares | 0.08 | 76.73% | More than 20% shareholding | No control | (0.10) | (0.47) | (0.14) |
| 6 | Cancer Care Kenya Limited @ | 31-Mar-19 | Jul-17 | 4,768,547 ordinary shares | 318.32 | 59.47% | More than 20% shareholding | No control | 127.39 | (0.92) | (0.63) |

* HealthCare Global (Africa) Private Limited became an Associate of HCG (Mauritius) Private Limited with effect from 01 July 2017.

# HealthCare Global (Uganda) Private Limited, HealthCare Global (Kenya) Private Limited and HealthCare Global (Tanzania) Private Limited are wholly owned subsidiaries of HealthCare Global (Africa) Private Limited and accordingly all these companies would become an Associate of the ultimate parent company.

@ Cancer Care Kenya Limited is a subsidiary of HealthCare Global (Kenya) Private Limited and was acquired on 01 July 2017.

for and on behalf of the Board of Directors of
HealthCare Global Enterprises Limited

**Dr. B.S. Ajaikumar**
Chairman and CEO
DIN: 00713779

**Dr. Ramesh B.S.**
Director
DIN: 00518434

**Srinivasa Raghavan**
Chief Financial Officer

**Sunu Manuel**
Company Secretary

Place : Bengaluru
Date : 23 May 2019

Place : Bengaluru
Date : 23 May 2019

# ANNEXURE 6

## FORM AOC 2

(Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8 (2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of Contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

1. **Details of contracts or arrangements or transactions not at arm's length basis :**

   There are no contracts/arrangements/transactions which are not at arm's length basis.

2. **Details of contracts or arrangements or transactions at arm's length basis :**

| Name of related party | Nature of relationship | Nature of contracts/ arrangements/ transactions | Duration of the Contracts/ arrangements/ transactions | *Salient terms of the Contracts or arrangements or transactions including the Value (₹ in million) if any | Date of approval by the Board, if any | Amount paid as advances, if any |
|---|---|---|---|---|---|---|
| Malnad Hospital and Institute of Oncology Private Limited | Subsidiary Company/ Common Director | Sale of goods | Ongoing arrangements | 11.46 | Not applicable | NIL |
| HCG Medi-surge Hospitals Private Limited | Subsidiary Company/ Common Director | | | 93.50 | | |
| Sada Sarada Tumor & Research Institute | Company with Common Director | | | 46.79 | | |
| HCG Oncology LLP | LLP/ Subsidiary | | | 31.12 | | |
| HCG NCHRI Oncology LLP | LLP/Subsidiary | | | 28.90 | | |
| Apex HCG Oncology Hospitals LLP | LLP/Subsidiary | | | 18.97 | | |
| HCG EKO Oncology LLP | LLP/Subsidiary | | | 2.07 | | |
| HCG SUN Hospitals LLP | LLP/Subsidiary | | | 8.64 | | |
| JSS Bharath Charitable Trust | Trust/Director of the Company is a trustee | Providing of services | Ongoing arrangements | 12.22 | | |
| HCG Foundation | Trust/Director of the Company is a trustee | | | 4.58 | | |
| HCG Medi-surge Hospitals Private Limited | Subsidiary Company/ Common Director | | | 9.99 | | |
| BACC Healthcare Private Limited | Subsidiary Company/ Common Director | | | 0.02 | | |
| Sada Sarada Tumor & Research Institute | Company with common Director | | | 6.16 | | |
| Sada Sarada Tumor & Research Institute | Company with common Director | Rent expenses | Ongoing arrangements | 0.60 | | |
| Strand Life Sciences Private Limited | Company with common Director/ Associate | Lab charges | Ongoing arrangements | 210.34 | | |

| Name of related party | Nature of relationship | Nature of contracts/ arrangements/ transactions | Duration of the Contracts/ arrangements/ transactions | *Salient terms of the Contracts or arrangements or transactions including the Value (₹ in million) if any | Date of approval by the Board, if any | Amount paid as advances, if any |
|---|---|---|---|---|---|---|
| HealthCare DiwanChand Imaging LLP | LLP/Director is a partner | Revenue Share expenses | Ongoing arrangements | 4.90 | Not applicable | NIL |
| HCG Medi-surge Hospitals Private Limited | Subsidiary Company/ Common Director | Corporate Guarantee Commission Income | Ongoing arrangements | 15.15 | | |
| HCG Oncology LLP | LLP/Subsidiary | | | 7.69 | | |
| HCG NCHRI Oncology LLP | LLP/Subsidiary | | | 1.22 | | |
| HCG Manavata Oncology LLP | LLP/Subsidiary | | | 0.97 | | |
| BACC Healthcare Private Limited | Subsidiary Company/ Common Director | | | 0.29 | | |
| Apex HCG Oncology Hospitals LLP | LLP/Subsidiary | | | 1.89 | | |
| HCG EKO Oncology LLP | LLP/Subsidiary | | | 1.50 | | |
| HCG SUN Hospitals LLP | LLP/Subsidiary | | | 2.43 | | |
| Dr. B.S. Ajaikumar | Director | Remuneration | **4 years as Chairman & CEO, effective from July 01, 2015 | 28.07 | | |
| Ms. Anjali Ajaikumar | Relative of a Director | | None. Employment Contract | 5.02 | | |
| Dr. B.S.Ramesh | Director | | 2 years as Executive Director effective from May 22, 2018 | 7.28 | | |

"* All the transactions are in the ordinary course of business and at arm's length basis. These are as per agreed terms with the parties and in line with the Related Party policy of the Company and approvals received from the Audit and Risk Management Committee.

** Dr. B.S.Ajaikumar, subject to the approval of the shareholders of the Company has been reappointed as Whole-time Director & CEO for a period of 4 years effective from July 01, 2019.

By order of the Board of Directors

For HealthCare Global Enterprises Limited

**Dr. B.S. Ajaikumar**
Chairman and CEO

**Dr. Ramesh B.S.**
Director

**Srinivasa Raghavan**
Chief Financial Officer

**Sunu Manuel**
Company Secretary

Place : Bengaluru
Date : 23 May 2019

# ANNEXURE 7

## ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

(As prescribed under Section 135 of the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules, 2014)

### 1. Brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken.

The CSR activities of HCG are guided by its Corporate Social Responsibility (CSR) Policy which has been formulated and adopted by HCG in compliance with the provisions of Section 135 of the Companies Act, 2013 and is hosted on the Company's website https://hcgel.com/investors.

The main objective of HCG's CSR Policy is to lay down guidelines for HCG and its subsidiary companies to make CSR a key business process for sustainable development of the Society. It aims at staying committed for ensuring socio-economic development of the community through different participatory and need- based initiatives in the best interest of the poor and deprived sections of the society, so as to help them to become self-reliant and build a better tomorrow for themselves. This in turn would lead to sustainable growth of the enterprises they are engaged with, the society and the country at large.

In alignment with the above, HCG, through the CSR Activities, will conduct and initiate programmes focusing on areas covered in the Policy so as to promote sustained growth for the society and community, in fulfilment of its role as a socially responsible corporate.

HCG's CSR activities, amongst others, will focus on:

- **Hunger, Poverty, Malnutrition and Health:** Eradicating extreme hunger, poverty and malnutrition, promoting preventive healthcare and sanitation and making available safe drinking water.
- **Education:** Promoting education, including special education and employment-enhancing vocational skills especially among children, women, elderly and the differently-abled and livelihood enhancement projects; monetary contributions to academic institutions for establishing endowment funds, chairs, laboratories, etc., with the objective of assisting student in their studies.
- **Gender Equality and Women Empowerment:** Promoting gender equality and empowering women; setting up homes and hostels for women and orphans; setting up of old age homes, day care centres and such other facilities for senior citizens; and adopting measures for reducing inequalities faced by socially and economically backward groups.
- **Environmental Sustainability:** Ensuring environmental sustainability, ecological balance, animal welfare, agro-forestry, conservation of natural resources and maintaining quality of soil, air & water.
- **National Heritage, Art and Culture:** Protecting national heritage, art & culture promoting and developing traditional arts and handicrafts.

### 2. The Composition of the CSR Committee:

As on March 31, 2019, The composition of the CSR Committee is as under:

a) Dr. Sudhakar Rao – Chairman;

b) Dr. B.S. Ajaikumar – Member;

c) Mr. Sampath Thattai Ramesh – Member; and

d) Mrs. Bhushani Kumar – Member

### 3. Average net profit of the company for last three financial years: ₹22,06,85,430.

### 4. Prescribed CSR Expenditure (two per cent of the amount mentioned in item 3 above): ₹44,13,709.

### 5. Details of CSR spent during the financial year:

a) Amount unspent: Out of CSR Expenditure of ₹14,48,324 prescribed for FY 2017-18, the Company has spent ₹12,70,000 during FY 2018-19. The Amount unspent with respect to FY 2017-18 is ₹1,78,324

b) Total amount to be spent for the financial year: The total amount to be spent for the financial year is upto ₹45,92,033. This includes ₹44,13,709 as provided in item 4 above, with respect to FY 2018-19 and ₹1,78,324, being the amount yet to be spent.

c) Manner in which the amount is spent during the financial year is detailed below. During the year, the Board of Directors of the Company, at the recommendation of the Corporate Social Responsibility Committee, have agreed to support certain projects/activities of International Human Development and Upliftment Academy ("IHDUA" or "the Trust"), a trust based in Mysore, which includes providing support for rural school programme, vocational training to provide partial/full-time employment and health education to rural community. The details of the same are as under:

(Amount in ₹)

| Sl. No. | CSR project or activities identified | Sector in which the project is covered | Projects or Programs 1) Local area or other, 2) specify the state and district where the project or programmes are undertaken | Amount Outlay (Budget) Project or Program Wise | Amount spent on the Projects or Programs | Amount spent on projects or programmes Sub-heads: (Direct Expenditure on projects or programmes) | Cumulative expenditure upto the reporting period | Amount spent: Direct or through implementing agency |
|---|---|---|---|---|---|---|---|---|
| 1 | Education, including vocational training for underprivileged in proximate communities | Education and employment enhancing vocational skills | IHDUA, Mysore, Karnataka. | 12,70,000 | 12,70,000 | 12,70,000 | 12,70,000 | Direct |

## 6. CSR Committee Responsibility Statement

We hereby affirm that the CSR Policy, as approved by the Board, has been implemented and the CSR Committee monitors the implementation of CSR projects and activities in compliance with our CSR objectives.

Place: Bengaluru
Date: 23 May 2019

**Dr. Sudhakar Rao**
Chairman – CSR Committee

**Dr. B.S. Ajaikumar**
Chairman & CEO

# ANNEXURE 8

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 is given below:

### A) Conservation of energy:

The operations of your Company are not energy-intensive. However, significant measures are being taken to reduce energy consumption by using energy efficient equipment. The Company has taken initiatives to conserve energy and consume less energy.

The Company has reduced the internal energy consumption through the following:

- Phase out of CFL lamps to LED lights in the utility areas.
- Introduction of timer based operation of Air Handling Units to reduce power, consumption.
- Introduction of micro processing energy saver for AHU Motors, in case of new units.
- Implementation of energy optimization practices in Transformer operation in existing as well as new units.
- VFD installation for AHU motor in a phased manner.
- Introduction of timer control for AHU motors to reduce running hours.
- Phase out of split air conditioner units with chilled water FCU to reduce power consumption and capital cost. Also, for the new units, it is being implemented in the initial stage of the project itself.
- Operation of all Lifts and OT AHUs with VFD panels.
- Installation of solar water heaters in hospitals for hot water requirements
- Design new buildings to match high efficiency standards with respect to consumption of light and other energy resources.

The Company is also contemplating installation of solar panels for lighting requirements across its centres to reduce consumption of energy. Your Company constantly evaluates and invests in new technology to make the infrastructure more energy efficient. As the cost of energy forms a very small portion of the total costs, the financial implications of these measures are not material.

### B) Technology absorption:

HCG has, for long, been at the forefront of the fight against cancer. An area of such intensity requires innovative treatments and methods, and the introduction of industry-changing technologies, for the overall benefit of both the medical expert and the patient. Cancer research is an area that requires more serious work and HCG aims to rise up to that challenge. In all its years of working in this field, HCG has led the march against cancer and set benchmarks in the industry, by introducing many new technologies, highly useful in increasing the accuracy and saving time. Cancer surgery is an important area of medicine and we aim to lead with our strong framework and technology infrastructure.

Some of the best and the world class equipments the Company has for the treatment of cancer are as under:

(i) **Versa HD™:** Versa HD™ is a Versatile, all-in-one system which offers classic radiotherapy to advanced stereotactic precision. Equipped with sophisticated conformal beam-shaping technology and High Dose rate mode delivery, Versa HD™ is designed to provide the precision and speed necessary to deliver advanced stereotactic radiotherapy (SRT) and stereotactic radiosurgery (SRS), techniques that demand the maximum accuracy in tumor targeting and protection of critical structures. Versa HD™ the unique combination of ground-breaking MLC leaf speeds with High Dose Rate mode which means clinicians can, for the first time, explore the full capabilities of high dose rate delivery and take advanced therapies to new levels. The equipment was imported in 2016 and the technology has been fully absorbed.

(ii) **TomoTherapy® H™:** This is one of the most innovative and precise radiation therapy for the first time in India. TomoTherapy is an advanced form of cancer treatment that combines Intensity Modulated Radiation Therapy (IMRT) with the accuracy of Computed Tomography (CT) scanning technology (IGRT- Image Guided Radiotherapy), all in one machine. With this advanced treatment modality, we can modulate powerful radiation beams to treat tumours with precision. Using the built-in CT scanning to confirm the shape and position of the tumour before each treatment, TomoTherapy reduces radiation exposure to healthy tissues and organs thereby minimising the side effects. This technology is very helpful in treating tumours in hard-to-reach sites, tumours that are advanced stage (locally and metastatic) and recurrent tumours which have been previously treated with other radiotherapy techniques. On each treatment day, the scanning technology provides a 3D image of the treatment area, so the radiation beams can be targeted according to the size, shape and location of the tumour(s) on that specific day. Hence there is no chance of missing the target. This minimizes the radiation that reaches the healthy tissues and organs, thereby, reducing the side effects. The TomoTherapy is a radiation therapy which efficiently treats cancer at any site on the body. Designed like a CT scanner, the TomoTherapy uses its integrated imaging to enhance treatment accuracy and a unique beam to improve treatment precision. The TomoTherapy can be used for any case which may need radiation therapy, including those involving large tumors or multiple tumors throughout the body. The TomoTherapy System may be used as the only treatment, or in combination with surgery and/or chemotherapy. The equipment was imported in 2017 and the technology has been fully absorbed.

(iii) **TrueBeam™:** TrueBeam system is the latest in cutting-edge technology in the fight against cancer. Aiding practitioners with its numerous lifesaving tools, this radical system enhances levels of clinical excellence with greater image clarity and pinpoint accuracy. Superior features like one-button image acquisition and full automation of beam delivery makes treatment 50% faster and much more effective. TrueBeam offers improved image quality, millimetre accuracy for increased precision and reduced human errors, thanks to its automated technology. It is highly accurate in tumour detection, has non-toxic elements and offers quicker treatment and delivery. The equipment was imported in 2016 and the technology has been fully absorbed.

(iv) **Skyra 3 Tesla:** This piece of cutting-edge technoloy allows clinicians to get an enhanced diagnosis which aids in deciding an optimal course of treatment and results in better outcomes. The Skyra 3 Tesla MRI incorporates Tim (Total imaging matrix) and Dot (Day optimising throughput) technology. In simple terms, this allows uniquely tailored and optimised scans that can be configured to the patient's condition or a clinical question. It also allows higher spatial and temporal resolution without having to reposition the patient. The Skyra 3T MRI is used in neuro-surgery (surgical planning), tractography, functional MRI and high resolution anatomical data. The Skyra 3T MRI offers high signal to noise ratio which translates into better quality images. It has faster scan times and 3-dimensional data in every body region, for every contrast available. Better exploitation of the magnetic properties of blood and other tissues allows diagnostic imaging of superior quality. For the patients there is no sedation required, there's more space to put claustrophobic patients at ease and motion correction for uncooperative patients. It can accommodate patients with special needs - pain and mobility issues, obesity, respiratory problems etc. The equipment was imported in 2010 and the technology has been fully absorbed.

(v) **CyberKnife:** This is the world's first robotic radiosurgery system that offers the patients a new ray of hope in the treatment of tumours and lesions (previously diagnosed as inoperable or untreatable) anywhere in the body with sub-millimetre accuracy. It is considered to be an innovation in the treatment of cancer. CyberKnife offers a non-invasive alternative to surgery with state-of-the-art, real-time image guidance that precisely targets tumours anywhere in the body with pinpoint accuracy and delivers intense doses of radiation. As CyberKnife removes the need for invasive surgery, it also allows the patient to go home immediately after the treatment. Cyberknife offers several advantages to patients as it treats inoperable tumours, with stereotactic bloodless radiosurgery anywhere in the body. It also has high levels of comfort, as it is a relatively pain-free treatment procedure and requires no anaesthesia. CyberKnife also significantly reduces treatment time as it treats only the affected areas and offers minimal side effects allowing the patient to go back to leading a routine life. The equipment was imported in 2009 and the technology has been fully absorbed.

**(vi) The Da Vinci Surgical System:** Robotic surgery, or robot-assisted surgery, allows doctors to perform many types of complex procedures with more precision, flexibility and control than possible with conventional techniques. Robotic surgery is usually associated with minimally invasive surgery — procedures performed through tiny incisions. It is also, sometimes, used in certain traditional open surgical procedures. The Da Vinci Surgical System enables surgeons to perform delicate and complex operations through a few small incisions. The Da Vinci System consists of several key components, including an ergonomically designed console where the surgeon sits while operating, a patient-side cart where the patient is positioned during surgery, interactive robotic arms, a 3DHD vision system, and proprietary EndoWrist instruments. Da Vinci is powered by robotic technology that allows the surgeon's hand movements to be scaled, filtered and translated into precise movements of the EndoWrist instruments, working inside the patient's body. The advantages are minimal blood loss, minimal pain, minimal scarring, minimal complications, shorter hospital stay and faster recovery and return to normal life. The equipment was imported in 2016 and the technology has been fully absorbed.

The Company has a dedicated team of technically competent personnel who relentlessly work on technology upgradation and development related fields. Your Company also deploys its resources from time to time and imparts necessary training to keep abreast of the continuously changing technology.

## C) Research and Development:

The Research and Development is intellectual property driven accelerated bridge between basic research and clinical implementation through high quality translational research to understand disease pathogenesis, translate such knowledge into improvements in patient care and set new paradigm in personalized medicine era through biospecimen banking. Putting a step forward for comprehensive cancer care, the R&D focusses on high end molecular diagnostics, genomics and other high end technologies and platform to identify and utilize genetic variability in cancer and genetic make-up of the individual to formulate personalized therapeutic approaches that would enable maximum efficacy with a concomitant improvement in patient quality of life.

As a comprehensive cancer hospital dedicated to transforming cancer care, HCG is at the forefront of cancer research, ensuring our patients have access to cutting edge treatments that deliver the best possible outcomes. We are focused on delivering patient-centred care through clinical, academic and research excellence. Medicine is constantly evolving. To ensure we remain at the forefront of the latest approaches to cancer care and treatment, we have dedicated research teams onsite that focus on medical physics, radiation oncology, radiotherapy, medical oncology, as well as an integrated clinical trials department. This provides the opportunity for our patients and team members to get involved in vital research, including the trial of new drugs, devices and other treatment techniques.

Strand Life Sciences Private Limited, associate of HCG offers the following range of services for Pharma, biotech, CRO and diagnostic companies engaged in drug discovery, drug development, biomarker discovery and companion diagnostics development:

- Targeted Gene sequencing
- Exome sequencing services
- Tumor profiling services
- Enriched Clinical trial
- Pharmacogenomics - Enable pharma in drug development
- Biomarker Validation
- Companion diagnostics

Our research is focused on the discovery of clinically relevant gene signatures to bring novel biomarkers of diagnostic, prognostic and predictive value in cancer patients. We also carry out research on areas where an understanding of intracellular signalling mechanisms has the potential to yield breakthrough-targeted therapeutics. R&D team has successfully written Investigator Initiated Research (IIR) projects for extramural grants.

The Company actively publishes research papers, case studies, abstracts in international & national forums like ASCO, AACR and Indian Cancer Congress. Having access to well annotated and high quality clinical samples of various cancer types, Strand is the preferred partner for global pharma companies, academia, diagnostic companies, venture & technology groups for oncology research and clinical projects.

## D) Foreign exchange earnings and outgo:

The details of Foreign Exchange Earnings and Outgo during the year ended March 31, 2019 vis-à-vis during the year ended March 31, 2018 is as under:

| Particulars | For the year ended (₹) | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| Expenditure in Foreign Exchange | | |
| Interest | - | 14,92,871 |
| Travel expenses | 2,00,16,037 | 1,01,00,620 |
| Repairs and maintenance :Machinery | 7,92,949 | - |
| Professional charges | 2,86,04,467 | 2,19,98,301 |
| Business promotion expenses | 13,60,807 | 80,62,107 |
| Rent | 8,25,739 | 18,73,533 |
| Others | 28,68,61,117 | - |
| **Total** | **33,84,61,116** | **4,35,27,432** |
| Imports | | |
| Capital Goods | 13,47,95,388 | 32,32,43,296 |
| Hospital Consumables | 2,95,94,422 | 65,20,552 |
| Earnings in foreign exchange | | |
| Medical service income | 38,04,10,014 | 34,59,35,979 |

# CORPORATE GOVERNANCE REPORT

## I. Company's philosophy on code of governance

We at HealthCare Global Enterprises Limited ("HCG" or "the Company") believe that effective governance is achieved through a culture of transparency and openness between management and the Board of Directors ("Board") and across the stakeholders. This report, while detailing the required governance and regulatory assurances and disclosures, also provides an insight into how governance operates at HCG and how effective governance supports and guides our culture and behaviours.

The Board discharges some of its responsibilities directly and delegates certain other responsibilities to its committees, to assist it in carrying out its function of ensuring independent oversight. The Board also delegates authority for the operational management of the business to the Chairman and CEO for further delegation by him in respect of matters that are necessary for the effective day-to-day running and management of the business.

A report on Corporate Governance, in accordance with Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 **("Listing Regulations")** as applicable is outlined below.

## II. Board of Directors

### A. Composition of Board

Our Board comprises of directors with a broad range of skills, experience, background and perspectives. This mix of skills, knowledge and experience enriches the Board discussion and contributes towards a high performing and effective Board.

Our Board has 5 (five) Independent Non-Executive Directors, 2 (two) Non-Executive Non-Independent Directors and 2 (two) Executive Directors/Whole-time Directors. One of the Executive Directors, Dr. B. S. Ajaikumar is the Chairman of our Board. All 5 Independent Directors are free from any business or other relationship that could materially influence their judgment and satisfy the criteria of independence as defined under the Companies Act, 2013, and the Listing Regulations. The Company has 1 (one) woman Director on the Board, who is an Independent and Non-Executive Director. The profiles of our Directors forms part of the Annual Report.

### B. Information flow to the Board Members

Information is provided to the Board members on a continuous basis for their review, inputs and approval from time to time. More specifically, we present our annual Strategic Plan and Operating Plans of our business to the Board for their review, inputs and approval. Likewise, our quarterly financial statements and annual financial statements are first presented to the Audit and Risk Management Committee for their review and recommendations, and subsequently to the Board for their approval. In addition, specific cases of acquisitions, important managerial decisions, material positive/negative developments and statutory matters are presented to the concerned Committees of the Board and later with the recommendation of the respective Committee to the Board for their approval.

The Chairman of the Board decides the agenda in consultation with other members of the Board for the Board meetings. A detailed agenda and notes thereon are sent to each Director in advance of Board and Committee Meetings. All material information is incorporated in the agenda for facilitating meaningful and focused discussions at the meeting. Where it is not practicable to attach any documents with the agenda, it is tabled before the meeting with specific reference to this effect in the agenda. To enable the Board to discharge its responsibilities effectively, the Board is kept abreast at every meeting on the overall performance of the Company. All the relevant reports are also presented at the Board Meetings. Documents containing unpublished price sensitive information are submitted to the Board and Committee Members, at a shorter notice, as per the general consent taken from the Board, from time to time.

### C. Board Meetings

To enable the Board to use its time most effectively, it maintains a scheduled forward programme of meetings and a rolling agenda. There is sufficient flexibility in the programme for specific items to be added to any particular agenda, to ensure that the Board focuses on the key matters at the appropriate time. The Board also schedules a number of informal sessions and interactions, which allows Board members to discuss areas of the business, strategy and the external environment with members of the management team. Generally, members of the management team and other senior executives are invited on specific agenda items of the meetings to ensure effective interaction with the Board.

Our Board meetings are normally scheduled for a day. The Board met five times during the financial year 2018-19 viz., on May 22, 2018, July 12, 2018, August 09, 2018, November 09, 2018 and February 07, 2019. The gap between two meetings did not exceed 120 days. The necessary quorum was present for all the meetings. In line with Paragraph 4 of Schedule B of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, it is the endeavour of the Company that the gap between the clearance of accounts by Audit Committee and Board meeting is as narrow as possible.

The attendance of the Directors at the Board Meetings for the year ended March 31, 2019 is provided in the below table:

| Sl. No. | Name | Position | Number of Board Meetings attended |
|---|---|---|---|
| 1. | Dr. B. S. Ajaikumar | Chairman | 5 |
| 2. | Mr. Gangadhara Ganapati | Member | 4 |
| 3. | Dr. Sudhakar Rao | Member | 3 |
| 4. | Mr. Shanker Annaswamy | Member | 5 |
| 5. | Mr. Suresh C. Senapaty | Member | 5 |
| 6. | Dr. Sampath T. Ramesh | Member | 5 |
| 7. | Mrs. Bhushani Kumar | Member | 3 |
| 8. | Dr. Ramesh S. Bilimagga | Member | 5 |
| 9. | Dr. Amit Varma | Member | 3 |

There was no change in composition of the Board during the year.

### D. Lead Independent Director

The Board of Directors of the Company has designated Dr. Sudhakar Rao as the Lead Independent Director.

### E. Appointment of Directors

In terms of Section 149 of the Companies Act, 2013, the Independent Directors shall be appointed for not more than two terms of maximum of five years each and shall not be liable to retire by rotation at the Annual General Meeting. The Board of Directors of the Company has adopted the provisions with respect to appointment and tenure of Independent Directors which is consistent with the Companies Act, 2013 and Listing Regulations. At the time of appointment of an Independent Director, the Company issues a formal letter of appointment outlining his/her role, function, duties and responsibilities as a Director. The template of the letter of appointment is available on our website at https://hcgel.com/investors

Details of Directors proposed for re-appointment/appointment at the ensuing Annual General Meeting is provided in the Notice convening the Annual General Meeting.

### F. Policy for Selection and Appointment of Directors and their Remuneration

The Policy of the Company on the Director's appointment and remuneration, including criteria for determining qualifications, positive attributes, independence of a director and other matters, as required under sub-section (3) of section 178 of the Companies Act, 2013, is available on our website https://hcgel.com/investors. We affirm that the remuneration paid to Directors is as per the terms laid out in the nomination and remuneration policy of the Company.

Nomination and Remuneration Committee has adopted a Charter which, inter alia, deals with the manner of selection of Board of Directors and payment of their remuneration. The Policy is accordingly derived from the said Charter.

**G. Criteria of selection of Directors**

Pursuant to Regulation 34(3) read with Schedule V of the Listing Regulations as amended from time to time, the following are the key skills/ expertise/competence that has been identified, so that the Board of Directors comprises of a diverse and multidisciplinary group of professionals with requisite skills/ expertise/competence who can contribute towards providing strategic direction to the Company's management to continue to pursue its vision of providing quality and affordable healthcare whilst upholding the highest standards of Corporate Governance.

| Key Competencies | Brief Description |
|---|---|
| Corporate Governance | Experience in developing and implementing good corporate governance practices, maintaining board and management accountability, managing stakeholders' interests and Company's responsibilities towards customers, employees, suppliers, regulatory bodies and the communities in which it operates. |
| Business/ Management Leadership Experience | Strong management and leadership experience including those in areas of business development, strategic planning, mergers and acquisitions, scientific research and development, senior level government experience and academic background or can demonstrate knowledge or expertise in, sound management and operational business processes and practices in the private or public sector including an understanding of topics such as managing complex projects, leveraging information technology, planning and measuring performance, and allocating resources to achieve outcomes. |
| Personal values | Personal characteristics matching the Company's values, such as integrity, accountability, and high performance standards. |
| Information Technology | Knowledge and experience in the strategic use and governance of information management and information technology with ability to apply technology to the healthcare/hospital sector, emerging areas of technology such as digital, artificial intelligence, cloud and cyber security, intellectual property in information technology domain, and knowledge of technology trends. |
| Functional and managerial Experience | Knowledge and skills in accounting and finance, business judgment, general management practices and processes, crisis response and management, industry knowledge, macro-economic perspectives, human resources, labour laws, international markets, sales and marketing, and risk management. |
| Industry/Sector Knowledge | Experience with or is able to demonstrate knowledge or expertise of healthcare industry including an understanding of particular trends, challenges and opportunities, or unique dynamics within the sector that are relevant to the Company. |
| Diversity | Diversity of thought, experience, knowledge, perspective, gender and culture, varied mix of strategic perspectives, and geographical focus with knowledge and understanding of key geographies. |

Nomination and Remuneration Committee considers the above attributes/criteria, whilst recommending to the Board the candidature for appointment of Directors. These skills/competencies are broad-based, encompassing several areas of expertise/ experience. Each Director of the Company may possess varied combinations of skills/ experience within the described set of parameters and it is not necessary that all the Directors possess all the above skills/ experience listed therein.

In case of appointment of Independent Directors, Nomination and Remuneration Committee shall, apart from considering the skills/competencies, obtain a declaration to that effect, to satisfy itself with regard to the independent nature of the Directors vis-à-vis the Company, so as to enable the Board to discharge its function and duties effectively.

The Nomination and Remuneration Committee shall also ensure that the candidate identified for appointment as a Director is not disqualified for appointment under Section 164 of the Companies Act, 2013, and obtains a declaration in that respect. In case of re-appointment of Independent Directors, the Board shall take into consideration the performance evaluation of the Independent Directors and their engagement level.

**H. Meeting of Independent Directors**

The Company's Independent Directors are required to meet at least once in every Financial Year in compliance with the provisions of the Companies Act, 2013. Such meetings are conducted to enable Independent Directors to discuss the matters pertaining to the Company's affairs and put forth their views. Further, Independent Directors also review the performance of the Non-Independent Directors, Chairperson (after considering the views of Executive and Non-Executive Directors of the Company) and the Board as a whole. During the Financial Year, the Independent Directors met on May 22, 2018 and November 9, 2018.

**I. Familiarization programme of Directors**

All new Directors receive an induction programme to enable them to function effectively as quickly as possible, while building a deep understanding of our business and markets. Each induction typically consists of a combination of meetings with both executive and independent directors, briefings from senior managers across the Company.

Periodic presentations are made at the Board and Committee Meetings, on business and performance updates of the Company, operations review, quarterly and annual results, budgets, review of internal audit reports and action taken reports, statutory compliances, risk management, operations of subsidiaries and business strategy and risks involved. Such presentations and documents provide an opportunity to the Independent Directors to interact with the senior management team of the Company and help them understand the Company's strategy, operations, services, organization structure, finance, human resources, technology, quality and such other areas as may arise from time to time.

Details regarding familiarization programme are available on the Company's website https://hcgel.com/investors.

**J. Remuneration Policy and Criteria of making payments to Directors, Senior Management and Key Managerial Personnel**

The Independent Directors are entitled to receive remuneration by way of sitting fees, reimbursement of expenses for participation in the Board/Committee meetings as detailed hereunder:

a) sitting fees for each meeting of the Board or Committees of the Board attended by him or her, of such sum as may be approved by the Board, within the overall limits prescribed under the Companies Act, 2013.

b) reimbursement of expenses for participation in Board/Committee meetings.

c) Independent Directors are not entitled to participate in the stock option schemes of the Company.

In determining the remuneration of Chairman and CEO, Executive Director, Senior Management Employees and Key Managerial Persons, the Nomination and Remuneration Committee shall ensure / consider the following:

a) the relationship of remuneration with performance benchmark is clear;

b) the remuneration is divided into two components viz. fixed component comprising salaries, perquisites and a variable component comprising performance based variable pay;

c) the balance between fixed and incentive pay reflecting short and long term performance objectives, appropriate to the working of the Company and its goals;

d) the remuneration including annual increment and performance bonus is decided based on the criticality of the roles and responsibilities, the Company's performance vis-à-vis the annual achievement, individuals' performance vis-à-vis KRAs / KPIs, industry benchmark and current compensation trends in the market.

e) Directors forming part of the Promoter and Promoter group shall not be entitled to receive stock options.

The Nomination and Remuneration Committee of the Board recommends to the Board, for payment of remuneration to the Executive Directors. The Board, subject to the approval of the shareholders, approves the payment of remuneration to the Executive Directors. Each of our Executive Directors have signed seperate agreements containing the terms and conditions of employment, including their remuneration. These agreements have varying term ranging from two to four year periods. The agreements cannot be terminated prior to the expiry of the term by either party, except for Cause to the Company or for Cause to the employee. The payment to be made upon termination of services would depend upon the nature of Cause for termination of the agreement.

### K. Details of Remuneration to Directors

The Table below provides the remuneration paid to the Directors for the services rendered by them and the Independent Directors towards the sitting fees for the Board/ Committee meetings attended by them during the financial year 2018-19. No stock options were granted to any of the Independent Directors and Promoter Directors during the year 2018-19. None of the Directors are related to each other.

Details of remuneration paid to Directors during the year 2018-19:

| Name of the Director | Dr. B. S. Ajaikumar | Gangadhara Ganapati | Sudhakar Rao | Shanker Annaswamy | Suresh C. Senapaty | Sampath. T. Ramesh | Bhushani Kumar | Dr. B. S. Ramesh | Dr. Amit Varma |
|---|---|---|---|---|---|---|---|---|---|
| Salary (₹) | 2,80,70,537^ | Nil | Nil | Nil | Nil | Nil | Nil | **72,76,885 | Nil |
| Allowances (₹) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Commission/ Incentives(₹) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Sitting fees (₹)* | Nil | Nil | 7,25,000 | 9,75,000 | 10,25,000 | 7,75,000 | 3,00,000 | Nil | Nil |
| Retirals | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| *Stock options (number of options) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |

* Excluding tax (GST)

**This is for the period commencing from 22 May 2018, being the date of appointment of Dr. B. S. Ramesh as an Executive Director.

^Including variable pay

## L. Key Information pertaining to Directors as on March 31, 2019 is given below:

| Sl. No. | Name of the Director | Category | Date of appointment | Directorship in other Companies* | Chairmanship in Committees of Board of other Companies | Membership in Committees of Board of other Companies* | Attendance at the last AGM held on September 26, 2018 | No. of shares held as on March 31, 2019 | Director Identification Number (DIN) | Other Listed Companies where the Director is appointed as Independent Director^ |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. | Dr. B. S. Ajaikumar | Promoter, Executive Director | 07/03/2000 | 7 | Nil | Nil | Yes | 1,76,73,346 | 00713779 | Nil |
| 2. | Mr. Gangadhara Ganapati | Non- Executive Non-Independent Director | 21/12/2005 | 3 | Nil | Nil | No | 17,06,170 | 00489200 | Nil |
| 3. | Dr. Sudhakar Rao | Independent Director | 25/02/2015 | 5 | 3 | 1 | Yes | Nil | 00267211 | Tata Elxsi Limited |
| 4. | Mr. Shanker Annaswamy | Independent Director | 25/02/2015 | 2 | Nil | 2 | Yes | Nil | 00449634 | IndusInd Bank Limited |
| 5. | Mr. Suresh C. Senapaty | Independent Director | 29/05/2015 | 6 | 2 | Nil | Yes | Nil | 00018711 | Honeywell Automation India Limited |
| 6. | Dr. Sampath. T. Ramesh | Independent Director | 29/05/2015 | Nil | Nil | Nil | Yes | 455 | 03522398 | Nil |
| 7. | Mrs. Bhushani Kumar | Independent Director | 29/05/2015 | Nil | Nil | Nil | Yes | Nil | 07195076 | Nil |
| 8. | Dr. Ramesh S. Bilimagga | Non- Executive Non-Independent Director | 10/11/2016 | 3 | Nil | Nil | Yes | 2,62,356 | 00518434 | Nil |
| 9. | Dr. Amit Varma | Non- Executive Non-Independent Director | 10/11/2016 | 9 | Nil | 1 | No | Nil | 02241746 | Nil |

^ These Directorships are in the capacity as Independent Directors.

* This includes directorship in private and public companies but does not include directorship in foreign companies, Section 8 companies and LLPs where the individual serves as designated partner.

Note 1: None of the Directors are related to each other.

Note 2: Dr. Sudhakar Rao has ceased to be a Director of BSE Institute Limited with effect from 31 March 2019.

None of our Directors are members in more than ten committees and has not acted as Chairman of more than five committees across all companies in which they are Directors. The membership and chairmanship in the Committees as above covers the Audit and Risk Management Committee and Stakeholders Relationship Committees only.

## III. GOVERNANCE BY THE SUB-COMMITTEES OF THE BOARD OF DIRECTORS

Our Board has constituted sub-committees to focus on specific areas and make informed decisions within the authority delegated to each of the Committees. Each Committee of the Board is guided by its charter, which defines the scope, powers and composition of the Committee. All decisions and recommendations of the Committees are placed before the Board for information or approval.

During the financial year, the Board has accepted the recommendations of Committees on matters where such a recommendation is mandatorily required. There have been no instances where such recommendations have not been considered.

We have the following five sub-committees of the Board as at March 31, 2019

A. Audit and Risk Management Committee;

B. Nomination and Remuneration Committee;

C. Stakeholders' Relationship Committee;

D. Corporate Social Responsibility Committee; and

E. Strategy Committee.

### A. Audit and Risk Management Committee

The Audit and Risk Management Committee of the Board reviews, acts on and reports to our Board with respect to various auditing and accounting matters. The scope and function of the Audit and Risk Management Committee is in accordance with Section 177 of the Companies Act, 2013, Regulation 18 of the Listing Regulations and its terms of reference inter-alia, include the following:

(a) reviewing on a regular basis the adequacy of the internal audit function, coverage and frequency of internal audits including the structure of internal audit department.

(b) reviewing and discussing with internal auditors and management on issues / findings arising from the internal audit reports and follow up thereon. This would include reviewing the issues / findings arising from internal investigations into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the same to the Board.

(c) meeting separately with the Internal Auditors, Statutory Auditors and the Management on a quarterly basis.

(d) reviewing and monitoring the Auditor's independence, performance and effectiveness of audit process.

(e) to make necessary recommendations to the Board to engage, disengage and re-engage with Statutory Auditors, pre-approve all audit engagement fees and terms; and pre-approve any non-audit relationship with the Statutory Auditor and the payment to be made for such services.

(f) discussion with Statutory Auditors before the audit commences, on the nature, scope and approach of the audit and to review the performance of the Statutory Auditors.

(g) post-audit discussion with Statutory Auditors to ascertain areas of concern and annually obtaining and reviewing a report by the Statutory Auditor describing material issues, if any, raised by the most recent peer review of the firm, inquiry or investigation, if any, by governmental or professional authorities within the preceding five years in respect of one or more independent audits carried out by the firm, or on steps, if any, taken to deal with any such issues, relationships between the Statutory Auditor and the Company so as to assess the Auditor's independence, etc.

(h) review of the Company's accounting policies, internal accounting controls, internal financial controls and risk management systems and policies and such other matters as the Audit Committee deems appropriate.

(i) overseeing of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are materially correct.

(j) review and discuss the audited financial statements with management and the Statutory Auditors and determine whether they are complete and consistent with the information known to committee members; assess whether the financial statements reflect appropriate accounting principles.

(k) reviewing and examining with management the annual financial statements and the auditors' report thereon before submission to the Board of Directors for approval as required under the Companies Act, 2013, which includes changes in accounting policies and practices and reasons for the same, major accounting entries based on exercise of judgment by management, qualifications in draft audit report, significant adjustments made in the financial statements arising out of audit findings, disclosure of any related party transactions etc.

(l) reviewing with the management, the quarterly financial statements before submission to the Board for approval, including the statement of uses/ application of fund raised through an issue (public issue, rights issue, preferential issue, etc.), and making appropriate recommendations to the Board to take up steps in this matter.

(m) review and approval of a policy on materiality of related party transactions, approval or any subsequent modifications of transactions with related parties, including review on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approvals given, Statement of significant related party transactions, (as defined by the Audit Committee), if any, submitted by the Management.

(n) reviewing the financial statements of unlisted subsidiaries and in particular the investment made by unlisted subsidiaries.

(o) evaluation of internal financial controls, risk management systems and policies including review of cyber-security;

(p) review of utilization of loans, advances and investment by the Company in its subsidiaries exceeding ₹100 crores or 10% of the asset size of the subsidiary, whichever is lower, including existing loans, advances and investments.

(q) matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013

The detailed charter of the Committee is available on our website at https://hcgel.com/investors

As per the Companies Act 2013 and Listing Regulations, the Chairman of the Audit and Risk Management Committee shall be present at the Annual General Meeting. Our Chief Financial Officer and other Corporate Officers make periodic presentations to the Audit and Risk Management Committee on various issues.

All the members of our Audit and Risk Management Committee are Independent Non-Executive Directors. The Chairman of Audit and Risk Management Committee has accounting and financial management related expertise. Statutory Auditors as well as Internal Auditors hold independent meetings with the Audit and Risk Management Committee.

Audit and Risk Management Committee met five times during the year, i.e., May 21, 2018, August 08, 2018, November 08, 2018, February 06, 2019 and March 25, 2019. The composition of the Audit and Risk Management Committee and their attendance at the committee meetings are given in the below table.

| Name | Position | Number of Committee meetings attended |
|---|---|---|
| Mr. Suresh C. Senapaty | Chairman | 5 |
| Dr. Sudhakar Rao | Member | 5 |
| Mr. Shanker Annaswamy | Member | 5 |

## B. Nomination and Remuneration Committee

The scope and function of the Nomination and Remuneration Committee is in accordance with Section 178 of the Companies Act, 2013 and Regulation 19 of the Listing Regulations. The terms of reference of the Nomination and Remuneration Committee inter-alia, include:

a) review annually and approve for the Chief Executive Officer ("CEO") the corporate goals and objectives applicable to the CEO, evaluate at least annually the CEO's performance in light of those goals and objectives, and determine and approve the CEO's (a) annual base salary, (b) annual incentive bonus, including the specific goals and amount, (c) equity consumption, (d) employment agreement, severance arrangements, change in control agreements/ provisions, and (e) any other benefits, compensation or arrangements, based on this evaluation.

b) review annually and approve for the executive directors and the senior management, the (a) annual base salary, (b) annual incentive bonus, including the specific goals and amount, (c) equity compensation, (d) employment agreements, severance arrangements or plans, change in control agreements / provisions, and (e) any other benefits, compensation or arrangements.

c) administer the Company's equity incentive plans, including the review and grant of awards to eligible employees under the plans and the terms and conditions applicable to such awards, subject to the provisions of each plan.

d) recommend to the Board a policy relating to the remuneration of directors, key managerial personnel and other employees. This policy shall be such that the remuneration is reasonable and sufficient to attract, retain and motivate directors, key managerial personnel and senior employees of the quality required to run the company successfully. This policy shall also set out clear relationship between remuneration and performance, including appropriate performance benchmarks and ensure that the remuneration to directors, key managerial personnel and senior employees involves a balance between fixed and incentive pay reflecting short and long-term performance objectives as appropriate for the Company and its goals, should be provided in the policy;

e) formulate the criteria to determine the qualifications, qualities, skills, positive attributes, independence and other expertise required to be a director of the Company and to develop, and recommend to the Board for its approval, criteria to be considered in selecting director(s) (the "Director Criteria");

f) identify (including through head hunter agencies), screen and review candidates qualified to be appointed as executive directors, non-executive directors and independent directors, consistent with Director Criteria (including evaluation of incumbent directors for potential re-nomination), and making recommendations to the Board on candidates for: (i) nomination for election or re-election by the shareholders; and (ii) any Board vacancies that are to be filled by the Board. The nominations Committee may act on its own in identifying potential candidates, inside or outside the Company, or may act upon proposals submitted by the Chairman of the Board. The Committee will review and discuss all documents pertaining to candidates and will conduct evaluation of candidates in accordance with a process that it sees fit and appropriate, passing on the recommendations for the nomination to the Board;

g) review annually, the Board's committee structure and composition and to make recommendations to the Board regarding the appointment of directors to serve as members of each committee and committee chairpersons;

h) the Committee shall work with the Chairman of the Board to develop and recommend to the Board for approval a CEO succession plan (the "Succession Plan"), and shall review the Succession Plan periodically with the CEO, develop and evaluate potential candidates for executive positions and recommend to the Board any changes to, and any candidates for succession under, the Succession Plan;

i) develop, subject to approval by the Board, a process for an annual evaluation of the performance of the Board, the individual directors and board committees in the governance of the Company and to coordinate and oversee this annual evaluation;

j) formulate criteria for evaluation of independent directors and the Board and carry out evaluation of every director's performance.

k) annually review its own performance and present the results of the evaluation to the Board. The Committee shall conduct this evaluation in such manner as it deems appropriate.

l) maintain regular contact with the leadership of the Company, review of data from the employee survey and regular review of the results of the annual leadership evaluation process.

m) identify persons to be appointed to positions of Senior Management in accordance with identified criteria and to recommend to the board their appointment and removal.

n) the Committee shall disclose the criteria for performance evaluation, as laid down by the Nomination and Remuneration Committee, in Company's Annual Report.

o) develop and recommend a policy on Board diversity.

The detailed charter of the Committee is available on our website at https://hcgel.com/investors

Pursuant to the provisions of the Companies Act, 2013 and Regulation 19 of the Listing Regulations, the Board has carried out an annual performance evaluation of its own performance, the Directors individually (including Independent Directors) as well as the evaluation of the working of all the Committees of the Board. Details of methodology adopted for Board evaluation has been provided in the Board's Report.

Nomination and Remuneration Committee of the Board has met four times during the year 2018-19, i.e., May 21, 2018, August 08, 2018, November 08, 2018 and February 06, 2019.

The composition of the Nomination and Remuneration Committee and their attendance at the committee meetings are given in the below table.

| Name | Position | Number of Committee meetings attended |
|---|---|---|
| Mr. Shanker Annaswamy | Chairman | 4 |
| Dr. Sampath T. Ramesh | Member | 4 |
| Mr. Gangadhara Ganapati | Member | 4 |

**C. Stakeholders' Relationship Committee**

This Committee is constituted in compliance with Section 178 of the Companies Act, 2013 and the Listing Regulations as Stakeholders' Relationship Committee.

The terms of reference of the Stakeholders' Relationship Committee inter-alia, include the following:

a) resolve the grievances of the security holders of the Company including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings, etc.;

b) approve issue of duplicate certificates and new certificates on split / consolidation / renewal etc.;

c) approve transfer / transmission, dematerialization and rematerialization of equity shares in a timely manner;

d) monitor and review the performance and service standards of the Registrar and Share Transfer Agent of the Company and provide continuous guidance to improve the service levels for investors;

e) review of cases for refusal of transfer / transmission of shares and debentures;

f) advice, guide and oversee the activities of the internal investor relations department;

g) review movement in shareholdings and ownership structure;

h) review of measures taken for effective exercise of voting rights by the shareholders;

i) review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants / Annual Reports / statutory notices by the shareholders of the company;

j) monitor and review any investor complaints received by the Company or through SEBI, SCORES (SEBI COmplaints REdress System) and ensure its timely and speedy resolution, in consultation with the Company Secretary and Compliance officer and RTA of the Company;

k) perform any other function as required under the (i) Listing Regulations, 2015 (ii)

The Companies Act, 2013 and Rules framed thereunder (iii) the equity listing agreement entered into between the Company and the Stock Exchanges on which its equity shares are listed (iv) by the Board and (v) any other SEBI Regulations or any other applicable law, as amended from time to time;

l) perform and review investor satisfaction surveys;

m) consult with other committees of the Board, if required, while discharging its responsibilities; and

n) monitor and review on an annual basis the Company's performance in dealing with Stakeholder grievances;

The detailed charter of the Committee is available on our website at https://hcgel.com/investors.

Stakeholders' Relationship Committee of the Board has met four times during the year 2018-19, i.e., May 18, 2018, August 06, 2018, November 09, 2018 and February 05, 2019.

The composition of the Stakeholders Relationship Committee and their attendance at the committee meetings are given in the below table.

| Name | Position | Number of Committee meetings attended |
|---|---|---|
| Mr. Gangadhara Ganapati | Chairman | 4 |
| Dr. B. S. Ajaikumar | Member | 4 |
| Mrs. Bhushani Kumar | Member | Nil* |

The Chairman of the Committee, Mr. Gangadhara Ganapati is a non-executive director.

*Mrs Bhushani Kumar, an Independent Director of our Company was appointed as a member of the Stakeholders' Relationship Committee on February 07, 2019.

### Details of Shareholders Complaints

The details of shareholders' complaints received and resolved till March 31, 2019 are as under:

| No. of complaints remaining pending at the beginning of the year | Complaints received during the year | Complaints resolved during the year | No. of complaints remaining pending at the end of the year |
|---|---|---|---|
| Nil | Nil | Nil | Nil |

## D. Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee was constituted by our Board at their meeting held on May 29, 2015. The terms of reference of the Corporate Social Responsibility Committee of our Company are as per Section 135 of the Companies Act, 2013 and the applicable rules thereunder.

The members of the Corporate Social Responsibility Committee and their attendance at the committee meetings are given in the below table:

| Name | Position | Number of Committee meetings attended |
|---|---|---|
| Dr. Sudhakar Rao | Chairman | 3 |
| Dr. B. S. Ajaikumar | Member | 3 |
| Dr. Sampath T. Ramesh | Member | 3 |
| Mrs. Bhushani Kumar | Member | 2 |

The Committee has met thrice during the financial year 2018-19 i.e., on May 18, 2018, August 09, 2018 and November 05, 2018.

## E. Strategy Committee

The Committee was constituted by our Board of Directors at their Meeting held on May 26, 2016 with the scope of reviewing strategic initiatives; and for having an oversight of the strategic direction of the Company.

The Committee shall, at all times, be composed of at least 4 members of the Board; and the Chairperson of the Committee shall be the Chairman and CEO of the Company. The members of the Committee shall be nominated by the Board of Directors with a right to appoint and replace the members from time to time. The Company Secretary shall act as the Secretary of the Committee. CFO shall be an invitee to the Committee Meetings and would provide support to the Committee in terms of financial analysis and planning.

The members of the Committee and their attendance at the committee meetings are given in the below table:

| Name | Position | Number of Committee meetings attended |
|---|---|---|
| Dr. B. S. Ajaikumar | Chairperson | 1 |
| Mr. Gangadhara Ganapati | Member | 1 |
| Mr. Suresh Senapaty | Member | 1 |
| Mr. Shanker Annaswamy | Member | 1 |
| Dr. Amit Varma | Member | 1 |

Primary responsibilities of the Committee, inter alia, are:

a) oversight of the strategic direction of the Company.

b) making recommendations to the Board, related to the organization's mission, vision, strategic initiatives, major programs and services and periodic review of the same.

c) helping management identify critical strategic issues facing the organization, assisting in analysis of alternative strategic options.

d) ensuring management has established an effective strategic planning process, including development of a three to five-year Strategic Plan with measurable goals and time targets.

e) annually reviewing the Company's Strategic Plan and recommending updates as needed based on changes in the market, community needs and other factors.

f) debate and discuss the outside-in-perspective (from a macro economic and technology trends) and see how this could possibly influence our choices as well as potential risks we may have to overcome.

g) evaluate new investment proposals and expansions of existing business and make suitable recommendation to the Board for adoption.

h) discuss thoughts on Mergers and Acquisitions and Strategic alliances and leverage Strategy Committee to suggest ideas and potentially open up sole sourced transactions.

i) development of plans to implement the Company strategy.

j) review of the Company's progress with respect to implementation of its strategy. The Committee will regularly review, discuss, and, where appropriate, make recommendations to management on the Company's vision as well as share with management the Board's expectations for the strategic planning process.

k) delegation of power to the Chairman of the Company to approve investments up to specified limits.

l) examine specific proposals such as acquisition or divestment of companies or similar such proposals requiring the approval of the Board and make appropriate recommendations to the Board.

m) advising and guiding CFO of the organization for developing models for financial analysis of new projects, mergers and acquisitions etc., and for presenting financial information for evaluating investment opportunities.

The Committee has met once during the financial year 2018-19, i.e., on September 24, 2018.

## IV. Governance Through Management process

### A. Code for Prevention of Insider Trading

On December 31, 2018, Securities and Exchange Board of India amended the Prohibition of Insider Trading Regulations, 2015, prescribing various new requirements with effect from April 01, 2019. In line with the amendments, your Company has adopted an amended Code of Conduct to regulate, monitor and report trading by Designated Persons and their Immediate Relatives under the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015. This Code of Conduct also includes code of practices and procedures for fair disclosure of unpublished price sensitive information which has been made available on the Company's website at https://hcgel.com/investors

### B. Disclosure Policy

In line with requirements under Regulation 30 of the Listing Regulations, the Company has framed a policy on disclosure of material events and information as per the Listing Regulations, which is available on our website at https://hcgel.com/investors. The objective of this policy is to have uniform disclosure practices and ensure timely, adequate and accurate disclosure of information on an on-going basis. The Company has constituted a Disclosure Committee consisting of senior officials, which approves all disclosures required to be made by the Company. The Company Secretary acts as Secretary to the Disclosure Committee.

### C. Whistle Blower Policy

The Company has adopted the Whistle Blower Policy which provides for a channel for receiving and redressing complaints from employees and directors. Under this policy, we encourage our employees to report any fraudulent, financial or other information to the stakeholders, any conduct that results in violation of the Company's Code of Business Conduct, to management (on an anonymous basis, if employees so desire). Likewise, under this policy, we have prohibited discrimination, retaliation or harassment of any kind against any employees who, based on the employee's reasonable belief that such conduct or practice have occurred or are occurring, reports that information or participates in the investigation. Mechanism followed under this policy is appropriately communicated within the Company across all levels and has been displayed on the Company's intranet and website at https://hcgel.com/investors. This policy of the Company was amended to align with the requirements under Regulation 9A of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015. This meets the requirement under Section 177(9) and (10) of the Companies Act, 2013 and Regulation 22 of Listing Regulations.

### D. Policy for Preservation of Documents

Pursuant to the requirements under Regulation 9 of the Listing Regulations, the Board has formulated and approved a Document Retention Policy prescribing the manner of retaining the Company's documents and the time period up to which certain documents are to be retained.

### E. Policy for Prevention, Prohibition & Redressal of Sexual Harassment of Women at Workplace

Pursuant to the requirements of Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013, your Company has a policy and framework for employees to report sexual harassment cases at workplace and our process ensures complete anonymity and confidentiality of information. Adequate workshops and awareness programmes against sexual harassment are conducted across the organization. During the year 2018-2019, three complaints were received at a group level and the same were investigated, out of which two resolved as per the provisions of the Act. One complaint was pending as on the date of this report.

## V. Other Disclosures

### A. Disclosure of materially significant related party transactions

All transactions entered into with the related parties as defined under the Companies Act, 2013, during the financial year were in the ordinary course of business and on an arm's length basis. There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the company at large.

In terms of Regulation 23 of the Listing Regulations, the Company has adopted a policy on Related Party Transactions and process for purpose of identification, monitoring and reporting of such transactions. The policy on Related Party Transactions as approved by the Audit Committee and the Board is available on the Company's website at https://hcgel.com/investors.

None of the Directors has any material pecuniary relationships or transactions vis-à-vis the Company, other than the managerial remuneration paid/payable to the Executive Directors and sitting fee paid to the Independent Directors. During the year 2018-19, no transactions of material nature had been entered into by the Company with the Management or their relatives that may have a potential conflict with interest of the Company and the concerned officials have given undertakings to that effect as per the provisions of the Listing Regulations. Register of Contracts or arrangements in which Directors are interested in terms of Section 189 of the Companies Act, 2013 is maintained and particulars of transactions are entered in the Register, wherever applicable.

**B. Details of non-compliance by the Company, penalties, and strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years**

The company listed its shares with National Stock Exchange of India Limited and BSE Limited with effect from March 30, 2016. During the period, the Company has complied with all the requirements of the Stock Exchange or SEBI or any other statutory authority on matters related to Capital Markets, as applicable, since listing on the stock exchanges. The Company has not been imposed with any penalty/fines in respect of non-compliance with regulations by Stock Exchange or SEBI or any statutory authority related to capital markets during the period.

**C. Whistle Blower Policy and affirmation that no personnel have been denied access to the Audit Committee**

The Company has adopted a Whistle Blower Policy which is a channel for receiving and redressing of employees' complaints. No personnel in the Company have been denied access to the Audit and Risk Management Committee or its Chairman.

**D. Policy for determining material subsidiary**

The Company has adopted a policy for determining a material subsidiary, in terms of which a subsidiary shall be considered as Material, if, the income or net worth exceeds ten percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

In terms of the said policy, HCG Medi-Surge Hospitals Limited is considered as a Material Subsidiary with effect from April 01, 2019. Necessary compliances w.r.t. material subsidiaries have been duly carried out.

For the purpose of appointing an Independent Director of the Company on the Board of the material non-listed subsidiary Company, "material subsidiary" shall mean a subsidiary, whose income or net worth exceeds 20% of the consolidated income or net worth of the holding Company in the immediately preceding accounting year.

The policy for determining material subsidiary is available on the Company's website at https://hcgel.com/investors.

**E. Framework to Monitor Subsidiary companies**

All the subsidiary companies of the Company are managed with their Boards having the rights and obligations to manage these companies in the best interest of their stakeholders. The Company nominates its representatives on the Board of subsidiary companies and monitors performance of such companies, inter alia, by reviewing:

a. financial statements, statement containing all significant transactions and arrangements entered into by the unlisted subsidiary companies forming part of the financials.

b. Minutes of the meetings of the board of unlisted subsidiary companies placed before the Company's Board, as per the Companies Act 2013 and Listing Regulations.

**F. Certificate on Compliance with norms of Corporate Governance**

The certificate issued by Mr. V Sreedharan, Partner, V Sreedharan & Associates, Practising Company Secretaries, forms part of this Annual Report and in compliance with corporate governance norms prescribed under the Listing Regulations.

### G. Unclaimed Shares

There are no shares in the DEMAT suspense account or the unclaimed suspense account.

The disclosure as required under Listing Regulations is given below:

i. Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account at the beginning of the year: Nil

ii. Number of shareholders who approached the issuer for transfer of shares from the Unclaimed Suspense Account during the year: Nil

iii. Number of shareholders to whom shares were transferred from the Unclaimed Suspense Account during the year: Nil

iv. Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account at the end of the year: Nil

v. Voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares: NA

### H. Compliance with mandatory requirements and adoption of non-mandatory requirements

Your Company has complied with all mandatory requirements of Listing Regulations with respect to Corporate Governance to the extent applicable to the company. Specifically, your Company confirms compliance with corporate governance requirements specified in Regulation 17 to 27 and clauses (b) to (i) of Sub-Regulation (2) of Regulation 46 of the Listing Regulations.

Your Company has complied with the discretionary requirement of Listing Regulations with respect to the Audit Report since there were no audit qualification/observation on your company's financial statements, during the year under review.

### I. Certificate by Practicing Company Secretary

The Company has received certificate from Mr. Pradeep B Kulkarni, Partner, V Sreedharan & Associates, Practising Company Secretaries, confirming that none of the Directors of the Company have been debarred or disqualified from being appointed or continuing as director of companies by the SEBI/Ministry of Corporate of Affairs or any such authority. The certificate forms part of the Annual Report.

### J. Code of Conduct for the Board Members and Senior Management

The Board of Directors and all Senior Management of the Company have a responsibility to understand and follow the Code of Conduct. They are expected to perform their work with honesty and integrity. The Code reflects general principles to guide employees in making ethical decisions. The Code outlines standards for fair dealing, honesty and integrity, health, safety and environment that need to be maintained for professional conduct. This Code has been displayed on the Company's website https://hcgel.com/investors.

### K. Declaration as required under Regulation 34 (3) and Schedule V of the Listing Regulations

All Directors and Senior Management personnel of the Company have affirmed compliance with the Code of Conduct for the financial year ended March 31, 2019.

Bengaluru
May 23, 2019

**Dr. B. S. Ajaikumar**
Chairman & CEO

# ANNEXURE

# GENERAL SHAREHOLDER INFORMATION

## A. Corporate Identity Number (CIN)

Our Corporate Identity Number (CIN), allotted by Ministry of Corporate Affairs, Government of India is L15200KA1998PLC023489 and our Company Registration Number is 23489.

## B. Annual General Meeting

The Twenty First Annual General Meeting of the company is scheduled to be held as under:

| | | |
|---|---|---|
| The Day, date and time | : | Thursday, the 26 day of September 2019 at 3.00 P.M. |
| Venue | : | The Chancery Pavillion, No. 135,<br>Residency Road, Shanthala Nagar, Ashok Nagar, Bengaluru – 560025 |

**General Body Meetings**

### i. Details of last three Annual General Meetings

| Particulars | Date & Time | Venue | Special Resolutions passed |
|---|---|---|---|
| For the Financial year ended March 31, 2018 - Twentieth AGM | September 26, 2018 at 3.00 p.m. | M. S. Ramaiah Memorial Hospital Auditorium, M. S. Ramaiah Memorial Hospital, MSR Nagar, MSRIT Post, Bengaluru – 560054 | 1. To approve making investments in excess of the limits prescribed under Section 186 of the Companies Act, 2013.<br>2. Appointment of Dr. B. S. Ramesh, Director as an Executive Director of the Company w.e.f. May 22, 2018 for a period of 2 years at a remuneration of ₹87,50,000 per annum.<br>3. Increase in remuneration of Ms. Anjali Ajaikumar, Vice-President – Strategy & Quality, relative of Dr. B. S. Ajaikumar, Whole-time Director, designated as Chairman & CEO.<br>4. Increase in remuneration of Dr. B. S. Ajaikumar, Whole-time Director, designated as Chairman & CEO.<br>5. Approve re-classification of Dr. B. Amarkumar from Promoter Group category to public category |
| For the Financial year ended March 31, 2017 - Nineteenth AGM | August 10, 2017 at 4.00 p.m. | M. S. Ramaiah Memorial Hospital Auditorium, M. S. Ramaiah Memorial Hospital, MSR Nagar, MSRIT Post, Bengaluru – 560054 | 1. Increase in remuneration of Ms. Anjali Ajaikumar, Vice-President – Strategy & Quality, relative of Dr. B. S. Ajaikumar, Whole-time Director, designated as Chairman & CEO.<br>2. To approve borrowings in excess of the limits prescribed under Section 180 (1) (c) of the Companies Act, 2013. |

| Particulars | Date & Time | Venue | Special Resolutions passed |
|---|---|---|---|
| For the Financial year ended March 31, 2016 - Eighteenth AGM | September 29, 2016 at 3.00 p.m. | No. 9/1, P. Kalinga Rao Road, Sampangi Rama Nagar, Bengaluru – 560027, Karnataka, India | 1. Increase in remuneration of Dr. B. S. Ajaikumar, Whole-time Director, designated as Chairman & CEO.<br>2. To permit Foreign Institutional Investors (FIIs), Foreign Portfolio Investors (FPI) and Qualified Foreign Investors (QFI) to acquire and to make investment in the equity shares of the Company<br>3. Issue of further shares to employees under a Scheme of Employees' Stock Option |

### ii. Details of Special Resolutions passed in Extraordinary General Meetings

1) At the Extraordinary General Meeting held on December 1, 2017, the shareholders have passed Resolution with requisite majority as listed below:

   Approve, with or without modification, the Scheme of Amalgamation of HCG Pinnacle Oncology Private Limited with HealthCare Global Enterprises Limited

2) At the Extraordinary General Meeting held on December 22, 2017, the shareholders have passed Special Resolution as listed below:

   Issue of Equity Shares on a Preferential Allotment / Private Placement Basis

3) At the Extraordinary General Meeting held on March 29, 2018, the shareholders have passed Special Resolution as listed below:

   Issue of equity shares to Dr M. Gopichand, one of the Promoters, for consideration other than cash

### iii. Details of Postal Ballot

The Company did not conduct any postal ballots during the last three years.

## C. Means of Communication

### i. Means of Communication with Shareholders / Analysts

We have established procedures to disseminate, in a planned manner, relevant information to our shareholders, analysts, employees and the people at large.

All our news releases and presentations made at investor conferences and to analysts are posted on the Company's website at https://hcgel.com/investors.

Our quarterly results are published in widely circulated newspapers such as The Business Standard (English) and Vijayawani (Kannada).

ii. **Website:** The Company's website contains a separate dedicated section "Investors" where information sought by shareholders is available. The Annual report of the Company, press releases, quarterly reports of the Company apart from the details about the Company, Board of directors and Management, are also available on the website in a user friendly and downloadable form at https://hcgel.com/investors.

iii. **Annual Report:** Annual Report containing audited standalone and consolidated financial statements together with Board's Report, Auditors Report and other important information are circulated to the members entitled thereto.

## D. Financial year of the company

The Financial year of the Company starts from 1st April of every year and ends on 31st March of succeeding year and the current financial year is from 1st April 2018 to 31st March 2019. The company got its securities listed on BSE Limited and National Stock Exchange of India Limited on 30th March 2016.

## E. Dividend

In the absence of distributable profits, the Board of Directors of your Company have not recommended any dividend for the financial year 2018-19.

## F. Unclaimed Dividends

The Company has not declared dividend in the previous years and hence there is no requirement to transfer the unpaid or unclaimed dividend on due date to the Investor Education and Protection Fund administered by the Central Government pursuant to Section 124 and 125 of Companies Act, 2013.

## G. Listing on Stock Exchanges

As on date, the Company's Equity Shares are listed on the following Stock Exchanges

- National Stock Exchange of India Limited (NSE), Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai-400051.
  Website: www.nseindia.com
- BSE Limited, Phiroze Jheejheebhoy Towers, Dalal Street, Fort, Mumbai-400001.
  Website: www.bseindia.com

The Company has paid the Annual Listing Fees to both NSE and BSE and there are no outstanding payments as on date.

## H. International Securities Identification Number (ISIN)

ISIN is an identification number for traded shares. This number needs to be quoted in each transaction relating to the dematerialized equity shares of the Company. Our ISIN number for equity shares of the Company is INE075I01017.

## I. Stock Code

| Equity shares | Stock codes |
|---|---|
| BSE Limited | 539787 |
| National Stock Exchange of India Limited | HCG |

**Distribution of shareholding as on March 31, 2019**

| Category (Shares) | No. of Holders | % To Holders | No. of Shares | % of total Equity |
|---|---|---|---|---|
| 1 – 500 | 8,876 | 88.58 | 9,79,138 | 1.11 |
| 501 - 1000 | 555 | 5.54 | 4,25,617 | 0.48 |
| 1001 - 2000 | 215 | 2.15 | 3,09,284 | 0.35 |
| 2001 - 3000 | 71 | 0.71 | 1,75,394 | 0.20 |
| 3001 - 4000 | 36 | 0.36 | 1,26,491 | 0.14 |
| 4001 - 5000 | 22 | 0.22 | 1,03,643 | 0.12 |
| 5001 - 10000 | 57 | 0.57 | 3,91,134 | 0.45 |
| 10001 and above | 188 | 1.87 | 8,54,08,332 | 97.15 |
| **TOTAL:** | **10,020** | **100.00** | **8,79,19,033** | **100.00** |

## J. Share Price Data

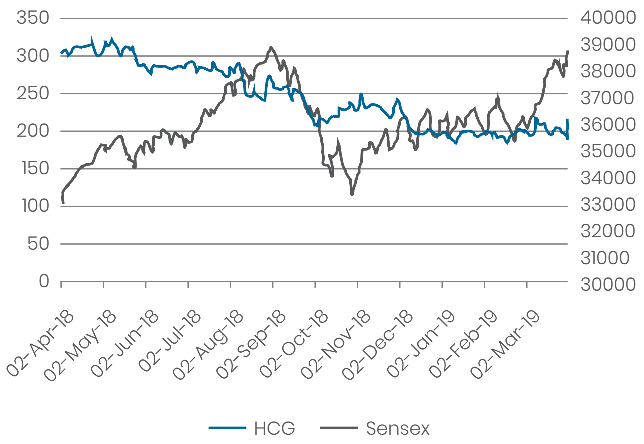
### i. National Stock Exchange of India Limited

| Date | Price of shares | | | | Turnover in (₹ in Lakh) |
|---|---|---|---|---|---|
| | Open (₹) | High (₹) | Low (₹) | Close (₹) | |
| April 2018 | 314.95 | 343.25 | 298.85 | 300.60 | 1,960.72 |
| May 2018 | 303.95 | 336.90 | 278.15 | 284.50 | 3,770.14 |
| June 2018 | 285.05 | 298.90 | 267.15 | 288.45 | 2,517.57 |
| July 2018 | 289.55 | 295.00 | 270.10 | 279.70 | 2,549.75 |
| August 2018 | 280.05 | 289.90 | 232.00 | 255.75 | 3,105.84 |
| September 2018 | 258.25 | 265.30 | 211.20 | 214.65 | 776.43 |
| October 2018 | 214.65 | 242.80 | 199.00 | 228.50 | 1,026.10 |
| November 2018 | 231.20 | 246.00 | 212.30 | 222.20 | 1,559.04 |
| December 2018 | 224.40 | 225.00 | 190.00 | 195.55 | 3,341.61 |
| January 2019 | 199.00 | 204.00 | 181.35 | 199.55 | 1,912.67 |
| February 2019 | 199.05 | 209.25 | 180.00 | 195.40 | 320.87 |
| March 2019 | 196.35 | 204.55 | 176.85 | 220.00 | 1921.35 |

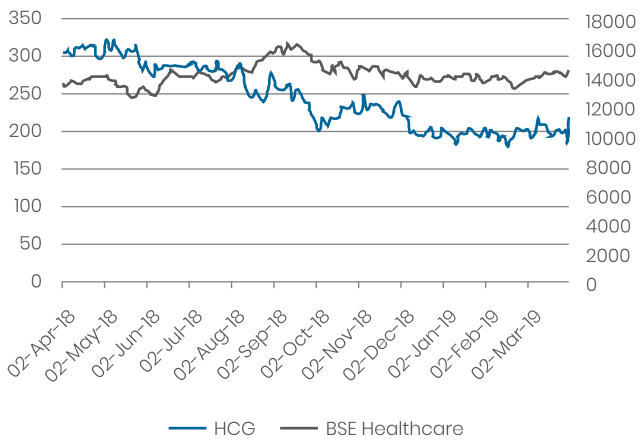
### ii. BSE Limited

| Date | Price of shares | | | | Turnover (₹ in Lakh) |
|---|---|---|---|---|---|
| | Open (₹) | High (₹) | Low (₹) | Close (₹) | |
| April 2018 | 295.05 | 334.95 | 291.10 | 301.15 | 264.11 |
| May 2018 | 302.05 | 335.00 | 280.35 | 284.00 | 1,234.81 |
| June 2018 | 283.85 | 295.40 | 267.40 | 286.10 | 654.65 |
| July 2018 | 289.95 | 294.75 | 268.00 | 281.25 | 28.05 |
| August 2018 | 277.40 | 299.00 | 232.15 | 258.15 | 69.34 |
| September 2018 | 252.75 | 264.00 | 212.80 | 215.95 | 37.22 |
| October 2018 | 214.00 | 249.00 | 200.00 | 226.25 | 362.65 |
| November 2018 | 226.45 | 249.95 | 215.05 | 220.00 | 521.80 |
| December 2018 | 227.65 | 227.65 | 190.00 | 197.35 | 6,308.85 |
| January 2019 | 197.40 | 204.85 | 182.00 | 196.30 | 22.20 |
| February 2019 | 198.70 | 213.50 | 180.00 | 196.85 | 17.23 |
| March 2019 | 195.00 | 229.40 | 178.95 | 215.40 | 84.09 |

**HCG and BSE Sensex share price movement from April 1, 2018 to March 31, 2019:**




**HCG and BSE Healthcare Index share price movement from April 1, 2018 to March 31, 2019:**




## K. Shareholding pattern – Physical Vs DEMAT

The pattern of shareholding in physical as against in DEMAT mode as on March 31, 2019 is as under:

| Sl. No | Description | Cases | Shares | % Equity |
|---|---|---|---|---|
| 1 | PHYSICAL | 141 | 9,96,329 | 1.13 |
| 2 | NSDL | 6,207 | 837,03,809 | 95.21 |
| 3 | CDSL | 3,672 | 32,18,895 | 3.66 |
| | **Total:** | **10,020** | **8,79,19,033** | **100.00** |

Out of total 10,020 shareholders, 141 shareholders hold 9,96,329 shares, aggregating to 1.13% of total shares, in physical mode as on March 31, 2019.

## L. Registrar and Transfer Agents

The Company's Registrar and Share Transfer Agent is M/s. Karvy Fintech Private Limited (name changed from Karvy Computershare Private Limited) for handling the shares held in physical as well as dematerialised mode. The shareholders may address all their correspondence directly to the RTA.

**Address for correspondence**

The address of our Registrar and Share Transfer Agents is given below:

M/s. Karvy Fintech Private Limited
Unit: HealthCare Global Enterprises Limited
Karvy Selenium, Tower B, Plot 31-32, Gachibowli,
Financial District, Nanakramguda
Hyderabad – 500 032
Telangana
Phone: 040-67162222
Fax: 040-23001153

**Contact person name, designation, e-mail id:**
Mr. K. S. Reddy, Asst. General Manager - einward.ris@karvy.com

## M. Share Transfer System and Reconciliation of Share Capital Audit

Share transfer requests for shares held in physical form received by the Company are processed and share certificates are issued/returned within the time stipulated under the Companies Act and the relevant rules/regulations, where the documents provided are in order and complete in all respects.

The Reconciliation of Share Capital Audit as stipulated under Regulation 76 of SEBI (Depositories and Participants) Regulations, 2018 is carried out by a Practicing Company Secretary for every quarter to reconcile the total admitted capital with National Securities Depository Limited and Central Depository Services (India) Limited and total issued and listed capital. The Reconciliation of Share Capital Audit Reports confirms that the total issued/paid up capital is same as the total number of shares in physical form and dematerialized form held with the depositories. The reports for all the quarters have been filed with the stock Exchanges within the time stipulated under Listing Regulations.

## N. Dematerialisation of shares and liquidity

The requests for dematerialization of shares are processed by RTA expeditiously and the confirmation in respect of dematerialization is entered by RTA in the depository system of the respective depositories, by way of electronic entries for dematerialization of shares generally on weekly basis. In case of rejections, the documents are returned under objection to the Depository Participant with a copy to the shareholder and electronic entry for rejection is made by RTA in the Depository System. The rejected requests may be resubmitted with necessary documents, which are processed in the normal course once again.

## O. Web-based Query Redressal System

Members may utilize this facility extended by the Registrar & Transfer Agents for redressal of their queries. Please visit www.karvyfintech.com and click on "investors" option for query registration through free identity registration to log on. Investor can submit the query in the "QUERIES" option provided on the web-site, which would give the grievance registration number. For accessing the status/response to your query, please use the same number at the option "VIEW REPLY" after 24 hours. The investors can continue to put additional queries relating to the case till they are satisfied.

Shareholders can also send their correspondence to the Company with respect to their shares, dividend, request for annual reports and shareholder grievance. The contact details are provided below:

| For Shareholder Grievance Redressal | For Investor Relations |
| --- | --- |
| Ms. Sunu Manuel<br>Company Secretary and Compliance Officer<br>HealthCare Global Enterprises Limited<br>Registered Office: HCG Towers, No. 8, P. Kalinga Rao Road, Sampangi Rama Nagar<br>Bengaluru – 560027<br>**Corporate Office:** No. 3, Tower Block<br>Unity Building Complex, Mission Road<br>Bengaluru – 560027<br>Phone: 080-46607700<br>Fax: 080-46607748<br>e-mail: investors@hcgoncology.com | Mr. Niraj Didwania<br>Head – Investor Relations<br>HealthCare Global Enterprises Limited<br>**Corporate Office:** No. 3, Tower Block<br>Unity Building Complex, Mission Road<br>Bengaluru – 560027<br>Phone: 080-46607700<br>Fax: 080-46607748<br>e-mail: investors@hcgoncology.com |

## P. Credit Ratings

The long-term credit rating of HCG for FY 19 has been maintained at A (-) by ICRA. (associate of Moody's Investor's services) 'A' Rating for Instruments signifies adequate degree of safety regarding timely servicing of financial obligations..

## Q. Details of utilization of funds raised through preferential allotment or qualified institutions placement as specified under Regulation 32 (7A).

During the year 2015-16, the Company had completed its Initial Public Offering of 29,800,000 equity shares of ₹10 each, comprising of Fresh Issue of 11,600,000 equity shares and Offer for Sale of 18,200,000 equity shares at a premium of ₹208 per equity share. The total issue size was ₹64,964.00 Lakh.

The Statement of category wise utilisation of proceeds from the Initial Public Offer is as under:

(₹ in Lakh)

| Category wise utilisation of Net Proceeds | Amount proposed to be utilized | Amount proposed to be utilized after reallocation | Actual utilisation upto 31 March 2019 |
| --- | --- | --- | --- |
| Purchase of medical equipment | 4,220 | 258 | 258 |
| Investment in IT software, services and hardware | 3,019 | 2,981 | 2,981* |
| Pre-payment of debt | 14,704 | 14,704 | 14,704 |
| General Corporate Purposes | 1,977 | 5,977 | 5,977 |
| **Total** | **23,920** | **23,920** | **23,920** |

(i.) ₹3,962 Lakh from purchase of medical equipment and ₹38 Lakh from investment in IT software, services and hardware has been reallocated to General Corporate Purpose usage, as allowed by the 'Objects of the offer' section in the Prospectus of the Company for the Initial Public Offer.

*Includes ₹1,000 Lakh ear-marked for meeting payment commitments with regard to a contract for supply of IT softwares.

The objects of the preferential issue of ₹3,500.00 Lakh as stated in the notice of Extraordinary General Meeting dated November 22, 2017 was for General Corporate Purposes and to fund the expansion plans of the Company.

The proceeds have been fully utilised for the objects for which it was raised.

## R. Total fees for all services paid by the listed entity and its subsidiaries, on a consolidated basis, to the statutory auditor and all entities in the network firm/network entity of which the statutory auditor is a part.

(₹ in Million)

| Payments to Statutory Auditors | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Audit fee including OPE and applicable taxes | 12.8 | 9.4 |
| Others | 1.4 | 1.3 |
| **Total** | **14.2** | **10.8** |

## S. Chairman and Managing Director / CFO Certification

The Chairman and CEO, CFO have issued certificate pursuant to the provisions of Regulation 17 (8) of Listing Regulations certifying that the financial statements do not contain any untrue statement and these statements represent a true and fair view of the Company's affairs. The said certificate is annexed and forms part of the Annual Report.

## T. Hospital units/locations

Your Company, with its subsidiaries provides healthcare services across India and Africa. Details of locations of units are available on our website https://www.hcgoncology.com/our-hospitals.

# Chief Executive Officer (CEO) / Chief Financial Officer (CFO) Certification under Regulation 17 (8) of the SEBI (LODR) Regulations, 2015

The Board of Directors
**HealthCare Global Enterprises Limited**
Bengaluru

Dear Members of the Board,

1. We have reviewed the financial statements and the cash flow statement of HealthCare Global Enterprises Limited for the year ended 31st March, 2019 and to the best of our knowledge and belief:

    a. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

    b. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violate the Company's Code of Conduct.

3. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of Company's internal control systems pertaining to financial reporting. We have not come across any reportable deficiencies in the design or operation of such internal controls.

4. We have indicated to the Auditors and the Audit Committee:

    a. that there are no significant changes in internal control over financial reporting during the year;

    b. that there are no significant changes in accounting policies during the year; and

    c. that there are no instances of significant fraud of which we have become aware.

| | | |
|---|---|---|
| Bengaluru | **Dr. B. S. Ajaikumar** | **Srinivasa V. Raghavan** |
| May 23, 2019 | Chairman & CEO | Chief Financial Officer |

# CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

Corporate Identity No : L15200KA1998PLC023489
Nominal Capital : ₹132 Crores

To
The Members of
**HEALTHCARE GLOBAL ENTERPRISES LIMITED,**

We have examined all the relevant records of HEALTHCARE GLOBAL ENTERPRISES LIMITED for the purpose of certifying compliance of the conditions of the Corporate Governance under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for the financial year ended March 31, 2019. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of certification.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to the procedure and implementation process adopted by the Company for ensuring the compliance of the conditions of the corporate governance.

This certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

In our opinion and to the best of our information and according to the explanations and information furnished to us, we certify that the Company has complied with all the mandatory conditions of Corporate Governance as stipulated in the said Regulations. As regards Discretionary Requirements specified in Part E of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the company has complied with item C.

For V. Sreedharan & Associates
Company Secretaries

**(V. Sreedharan)**
Partner
FCS: 2347; CP No. 833

Bangalore,
May 20, 2019

# Certificate of Non-Disqualification of Directors

[Pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

To,
The Members of
**HEALTHCARE GLOBAL ENTERPRISES LIMITED**
HCG Tower, NO.8, P. Kalinga Rao Road,
Sampangi Rama Nagar, Bangalore - 560027

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of **HEALTHCARE GLOBAL ENTERPRISES LIMITED**, having CIN L15200KA1998PLC023489 and having registered office at HCG Tower, No.8, P. Kalinga Rao Road, Sampangi Rama Nagar, Bangalore - 560027 (hereinafter referred to as 'the Company'), produced before us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Company & its officers, we hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on 31st March, 2019 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India (SEBI) and Ministry of Corporate Affairs (MCA).

## Details of Directors:

| Sl. No. | Name of Director | DIN | Date of appointment in Company |
|---|---|---|---|
| 1. | Mr. Suresh Chandra Senapaty | 00018711 | 29/05/2015 |
| 2. | Mr. Sudhakar Rao | 00267211 | 25/02/2015 |
| 3. | Mr. Shanker Annaswamy | 00449634 | 25/02/2015 |
| 4. | Mr. Gangadhara Ganapati | 00489200 | 21/12/2005 |
| 5. | Mr. Ramesh S Bilimagga | 00518434 | 10/11/2016 |
| 6. | Mr. Basavalinga Ajaikumar Sadasivaiah | 00713779 | 07/03/2000 |
| 7. | Mr. Amit Varma | 02241746 | 10/11/2016 |
| 8. | Mr. Sampath Thattai Ramesh | 03522398 | 29/05/2015 |
| 9. | Ms. Bhushani Kumar | 07195076 | 29/05/2015 |

Ensuring the eligibility for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **V Sreedharan and Associates**

**(Pradeep B Kulkarni)**
Partner
FCS: 7260; C.P No:7835

Bengaluru
May 20, 2019

# Management Discussion and Analysis

The following discussion of our financial performance and results of operations should be read together with the Audited Financial Statements, the notes and significant accounting policies thereto and the reports thereon, on the Financial Statements.

Our Management accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, so that the financial statements reflect in a true and fair manner, the form and substance of transactions, and reasonably present our state of affairs, profits/ loss and cash flows for the year. Investors are also requested to note that this discussion is based on the consolidated financial results of the Company.

## HEALTHCARE MARKET

As of 2018, India ranks 145 among 195 countries on the healthcare access quality index, with the widest disparities within different regions, highlighting the sub-optimal state of personal healthcare access and quality in the country.

Indian healthcare market is expected to rank amongst the top three in terms of incremental growth by 2020. India was the sixth largest market globally in terms of size in 2014. The industry is expected to advance at a CAGR of 22.90 per cent during 2015–2020 and is pegged at USD 110 billion as of 2017. Rising income levels, ageing population, growing health awareness and changing attitude towards preventive healthcare is expected to boost healthcare services demand in future. The low cost of medical services has resulted in a rise in the country's medical tourism, attracting patients from across the world. Moreover, India has emerged as a hub for R&D activities for international players due to its relatively low cost of clinical research. Conducive policies for encouraging FDI, tax benefits, favourable government policies coupled with promising growth prospects have helped the industry attract private equity, venture capitals and foreign players.

Overall, the growth in the Indian healthcare industry will be primarily driven by socio-economic changes such as growing health awareness, increasing per-capita income, increasing penetration of health insurance, increasing instances of lifestyle diseases and an ageing population; technological advancements such as continuing development of mobile technology which will enhance the delivery of healthcare through telemedicine; affordability of healthcare in India, which will attract more patients as the treatment for major surgeries in India costs less than the cost in a developed country; and government policies in India that support the growth in the healthcare industry such as tax reliefs on hospitals in tier II and tier III cities, which will attract healthcare investment in these areas.

The private sector has emerged as a vibrant force in India's healthcare industry, lending it both national and international repute. Large investments by private sector players are likely to contribute significantly to the development of India's hospital industry, which comprises around 80 per cent of the total market. Private sector's share in hospitals and hospital beds is estimated at 74 per cent and 40 per cent, respectively.

A major portion of secondary, tertiary and quaternary healthcare institutions comes from private sector. Large investments by private sector players are likely to contribute significantly to the development of India's hospital industry with the sector poised to grow substantially in the coming years and contribute not only in stimulation economic growth but also to employment, with over 40 million new jobs expected to be generated by 2020.

Globally the investment in healthcare industry has been rising on account of strong secular and demographic forces. The growth of healthcare investments is powered by several immutable long-term trends: an aging global population, a rising incidence of chronic diseases, an expanding demand for quality services and healthcare as a safe haven— that is, an industry with proven resilience to economic turbulence.

Specifically, in India as well, not only are there several dedicated private capital investors deploying substantial capital across services, health-tech and other relevant areas, few public market investors have also created healthcare focused funds to participate in this industry.

Increasingly the Indian market is seeing a trend of consolidation amongst organized healthcare groups to drive geographic presence through combination of greenfield and brownfield expansions, cost efficiencies through economies of scale, address shortage of trained clinical and managerial talent as well as create a platform for implementing technological and patient centric innovations at a larger scale.

Within the emerging trends of investment and consolidation in healthcare, we see a strong focus on category leaders, which is essentially companies that are proven leaders in their segments and are better placed to benefit not only from internal efficiencies and external tailwinds, but also withstand macro or external headwinds. Also, this provides a clear path to increasing earnings through not only organic growth, but also future acquisitions in domestic and international markets based on suitable strategies.

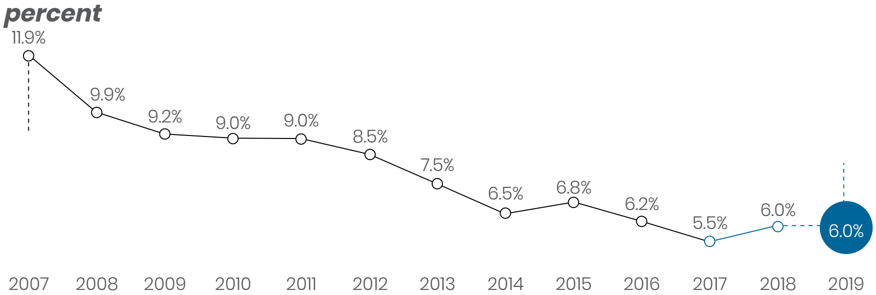
**Recent Government Policies on Indian Healthcare Sector**

The 2018 union budget took a landmark step towards a universal healthcare system making healthcare affordable and accessible to all. It was to include two major initiatives—the creation of health and wellness centres (HWC) and a National Health Protection Scheme (NHPS). The National Health Protection Scheme (NHPS), the world's largest government-funded, aims to cover 10 crore families translating into approximately 50 crores citizens with Rs 5 lac coverage per family for secondary and tertiary care hospitalization. The NHPS aims to double the government spending on healthcare from the existing 1.5% of the GDP to 2.5% by 2025.

Several private hospital groups have not directly participated with the scheme on account of lower realisations, unattractive pricing and government receivables although there is marginal indirect participation in some locations with the existing government schemes being converted to NHPS. We feel the impact of the scheme is currently minimal and will need more time to evaluate the same as the scheme undergoes several changes with respect to price revision and solve other challenges. So far, Gujarat has led the way among the states with increased instances of implementation, accounting for around 26% of the total number of hospital admissions cleared under the scheme. Tamil Nadu, Chhattisgarh, Karnataka and Maharashtra follow.

In March' 2019, the National Pharmaceutical Pricing Authority (NPPA) has capped trade margin on 42 anti-cancer drugs at 30 per cent. Previously, 57 scheduled anti-cancer drugs were under the price control. The authority has invoked the "extraordinary powers" to bring Non-scheduled formulations of 42 drugs under the cap.

***Medical cost trend fell for seven years before stabilizing around 6 percent***




(Source: PwC Health Research Institute medical cost trends 2007–2019)

## ONCOLOGY

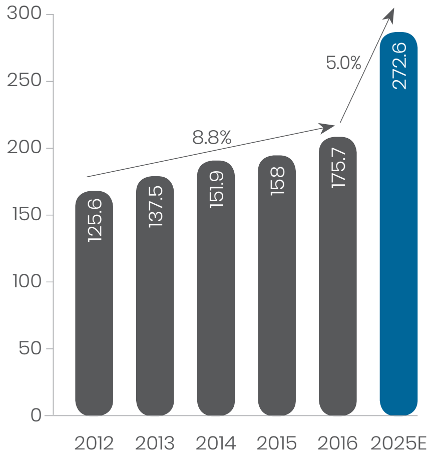
**Global Outlook:**

The global healthcare scenario is witnessing unprecedented epidemiological and demographic changes. These changes are due to the increasing prevalence of disease and rising geriatric population, worldwide. Cancer, a deadly disease, is regarded as one of the primary healthcare and economic burdens, globally. The World Health Organization reports that cancer is the second leading cause of death and about 16% of people die every year due to cancer. Advancing age in addition to exposure to mutagens, chemicals (such as tobacco smoke), ionizing radiation, and hormonal imbalance, among others, is a high-risk factor to cancer.

While cancer continues to be one of the leading causes of morbidity and mortality worldwide, the therapeutic innovation based on improved understanding of disease biology and translational research have also considerably changed the treatment paradigm for many cancers. Approximately 14 million people a year are diagnosed with cancer; and according to WHO the number will increase to 19 million by 2025, 22 million by 2030 and 24 million by 2035. One in five men and one in six women will develop cancer before the age of 75.

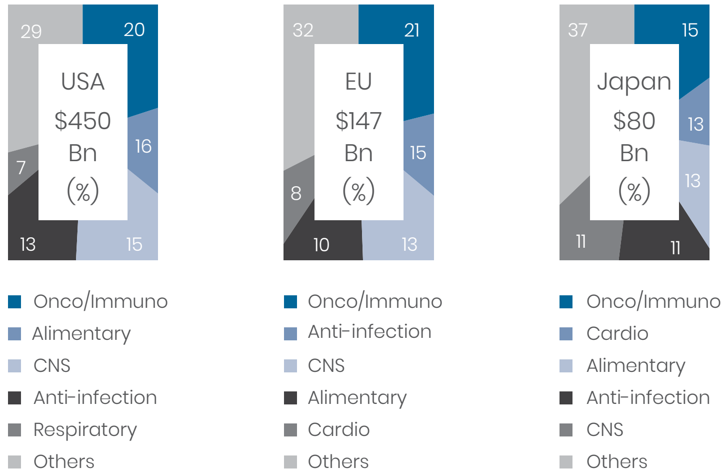
Given to the huge market needs, oncology has become top one treatment area in the developed countries. Based on IMS data, global cancer care treatment market reached USD 175.5 billon in 2016 and is estimated to be ~USD270 billion in 2025, mainly driven by healthy pipelines and higher adoptions of better and more advanced therapies such as targeted therapies, gene therapy and immune-oncology (I/O).

***Global oncology market sales (in US$ Bn.)***




*Source: IMS, Midas, Bernstein analysis*

***Value share among treatment areas***




Source: IMS Midas (presented by Quintiles IMS Bernstein's 21 June Long View Future of
Note: Oncology and Immunology combined in the above charts

Advancements in immuno-and biosimilars for the treatment of cancers. Immense scientific innovation in the field of oncology has resulted in higher regulatory approval rates of cancer treatment drugs used in chemotherapy, radiation therapy, and hormone therapy, among others.

**Advances in Cancer Therapeutics**

Since 2013,

**78 approved therapies**

have been launched, relating to 24 different tumor types.

In 2017, PD-1 and PD-L1 inhibitors were used to treat patients with

**23 different tumor types,**

primarily lung cancer.

**14 new cancer therapeutics**

were launched in 2017.

**All** were targeted therapeutics

**11** received "Breakthrough Therapy" status

Advances in technology and the use of information will be driving forces that affect oncology treatment and costs throughout the next decade.

**Mobile Apps** are being incorporated into clinical trials and used across the patient journey.

**15 Published studies**

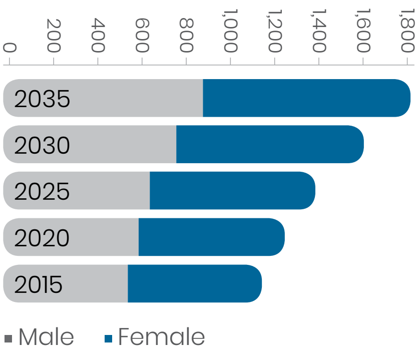
In 2017 found positive impacts of cancer apps across a range of uses

**India Outlook:**

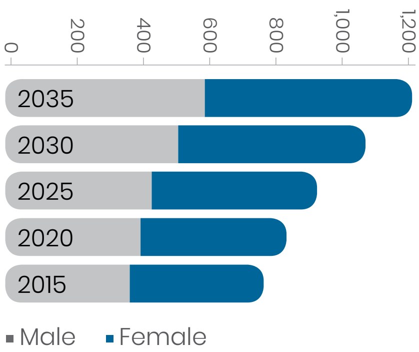
The Indian Council of Medical Research (ICMR) reported in their study that in 2016 the total number of new cancer cases was estimated to be around 14.5 lakh and the figure is likely to reach nearly 17.3 lakh new cases in 2020. The real incidence of cancer in India could be significantly higher than the reported figure, especially if comparisons are drawn with China which has approximately 10% more population but new cancer incidences are 4 times that of India as reported. Data from large randomised screening trials undertaken in India suggest that the real incidence of cancer could be at least 1.5 to 2 times higher than the reported incidence.

With incidence rising at a rapid pace, cancer is ranked as the sixth leading cause of death in India. Of the new cases of cancer projected to have been diagnosed in India each year, breast cancer in women and oral cancer for men, among the top two cancers in terms of both incidence and mortality. The cancer mortality rate in India is high, at 68% of the annual incidence. This ratio indicates that fewer than 30% of Indian patients with cancer survive five years or longer after diagnosis.

***Estimated number of new cancer incidences ('000)***




***Estimated number of cancer deaths ('000)***

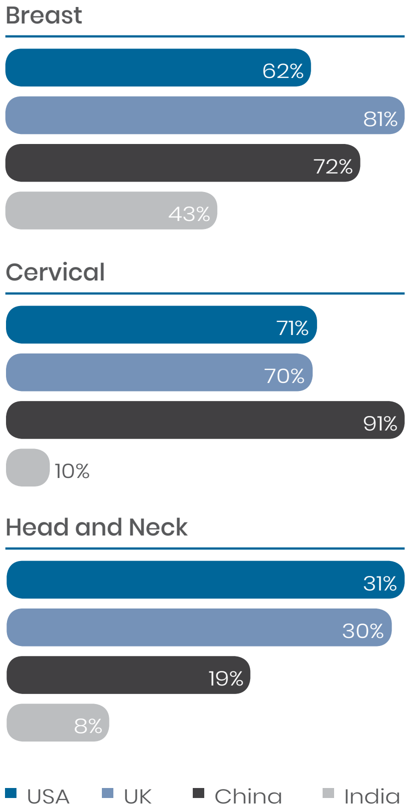



The reported incidence of cancer in India is based on data collected from the cancer registries, which cover less than 10% of the population, resulting in a significant margin of error in estimation. The gap between reported and real cancer incidence can primarily be attributed to under-diagnosis of cancer in India. The under-diagnosis of cancer is represented in the relatively late stage of presentation of cancer cases in India relative to China, the United Kingdom and the United States. Breast cancer as emerged as the most common disease in women with incidence has gone up by 39.1 per cent between 1990 and 2016.

Data collected between 2009 and 2011 show that only 43% of breast cancer cases were diagnosed at early stages (i.e., stage I or stage II) of the disease in India while it is 62% in the United States, 81% in the United Kingdom and 72% in China. While this varies with the type of cancer, the rate of diagnosis in India is generally more delayed compared to other countries. (Source: Call for Action: Expanding cancer care in India dated July 2015, page number 3, published by Ernst & Young)

The following graph sets out the comparison of early stage (i.e., stage I or stage II) cancer diagnosis during the period from 2009 to 2011 in India, and in the United States, the United Kingdom and China during the period from 2009 to 2013, by different cancer types:

***Cancer Diagnosis at Early Stages (Stage I or Stage II)***




(Source: Call for Action: Expanding cancer care in India dated July 2015, page number 14, published by Ernst & Young)

The challenge of high incidence is further compounded by the unfortunate situation of late detection, which has an adverse impact on the cost of care and mortality.

- 5-year survival rate decreases by 2.7 times and 17.2 times for breast and cervical cancer, respectively, in case of detections at stage IV as against stage I
- Treatment cost for late stage cancers is 1.5 to 2 times higher than the cost for early stage cancers

  Lack of awareness of cancer and the lack of participation in screening programs in India are significant contributory factors for the relatively late stage of the disease presentation and consequently low reported cancer incidences in India. Fewer than 1% of women in India aged between 40 and 69 years participated in recommended breast screening mammograms once in 24 months, as compared to 30% in China and 65% in the United States in 2014.

- India has the highest mortality for breast and cervical cancers and second highest for ovarian cancer after China
- The mortality to incidence ratio for key women-specific cancers like breast, cervix, ovarian, which is a key indicator for measuring effectiveness of national cancer control programs, is the worst in India at 60%, when compared to global peers

### Key Drivers of Cancer Incidence

High incidence of cancer in India is attributed to factors such as, poor immune conditions, genetic pre-disposition and hormonal conditions, industrialization, over growth of population, ageing population, lifestyle and food habits. Demographic factors alone are expected to result in an increase in cancer incidences of 100,000 to 350,000 cases a year.

Key Growth Drivers

| | | | | |
|---|---|---|---|---|
| Increasing life expectancy | Growing tobacco consumption | Increasing healthcare awareness | Improve access to diagnosis and treatment facilities | Changing diet/lifestyle habits |

The annual expenditure in India for the diagnosis and treatment of cancer was estimated to be between US$1.7 and US$2.0 billion. Even at for-profit hospitals in India, the cost of cancer care, including treatment with the most advanced technologies (such as PET-CT and LINAC based radiation therapy) is one of the lowest in the world and represents only a fraction of the cost of treatment in the United States and Europe even after adjusting for purchasing power parity. The table below sets out the cost of cancer treatment in India and the United States by service offerings, during 2014 and 2012, respectively:

**Average Cost of Cancer Treatment (Amounts in ₹)**

| Type of treatment | India | United States | United States (purchasing power parity adjusted) |
|---|---|---|---|
| Chemotherapy | 150,000 - 240,000 | 1.3 - 1.8 million | 510,000 - 720,000 |
| Surgery | 60,000 - 100,000 | 1.5 - 1.8 million | 600,000 - 720,000 |
| Radiation Therapy | 60,000 - 100,000 | 1.1 - 1.4 million | 420,000 - 540,000 |

Even though the cost of cancer treatment in India is significantly lower than other countries, high quality cancer care is still inaccessible to a large proportion of the Indian population with patients having to travel outside their towns to avail of cancer treatment.

The profile of cancers in India is also changing, and is becoming similar to that seen in more urbanised and higher income societies. For instance, in 2000, the most prevalent cancers in India were head and neck cancers in men (associated with all forms of tobacco use) and cervical cancer in women (associated with human papillomavirus infection and poor female sanitation). Breast cancer has currently surpassed cervical cancer as the most prevalent cancer in women. The incidence rates of gastrointestinal cancers, which have traditionally been low in India in comparison to developed nations and China, have also shown an increasing trend.

## FERTILITY

An estimated 220 million women in India are of reproductive age (between 20 and 44 years of age) and about 27.5 million couples in this group are estimated to be suffering from infertility. The number of infertile couples in India is expected to increase from 27.5 million in 2015 to between 29 and 32 million by 2020.

The total fertility rate (defined as the average number of children that would be born to a woman if she experiences the current fertility pattern throughout her reproductive span (15 to 49 years)) in India has witnessed a rapid decline over the last few decades, from 3.9 in 1990 to 2.3 in 2013.

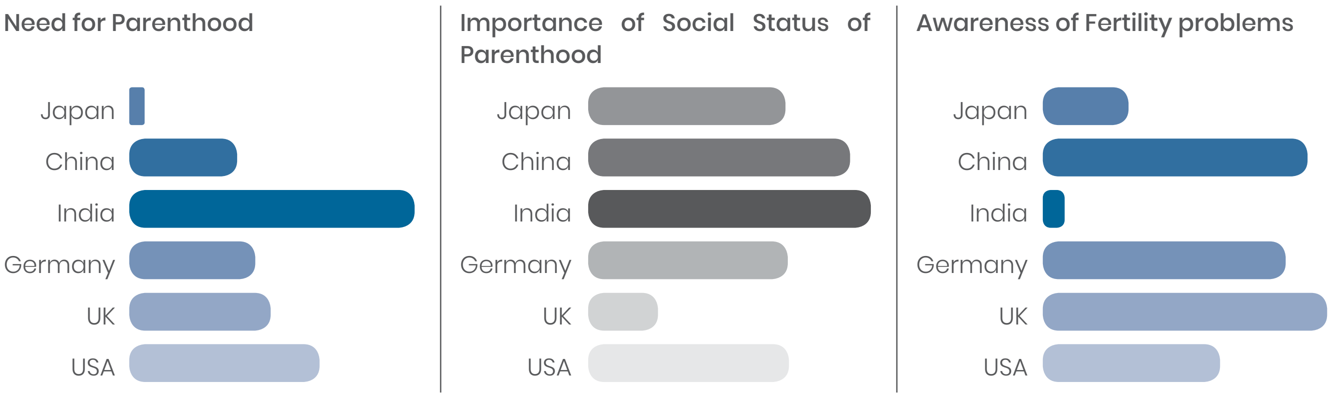
The prevalence of infertility in India has been rising owing to (i) demographic changes with an increase in the number of women of reproductive age; (ii) lifestyle changes; (iii) prevalence of several known clinical factors; and (iv) ethnicity. Awareness of infertility and fertility treatment options in India are among the lowest in the world.

The primary assisted reproduction treatment options for infertility include intrauterine insemination ("IUI") and in-vitro fertilization ("IVF"). The IVF market in India is significantly underpenetrated relative to the potential demand. India recorded 2,786 IVF cycles per million infertile women aged between 20 years and 44 years in 2015, compared to 46,042 IVF cycles in the United States in 2013, and 6,494 IVF cycles in China in 2014.

As of 2015, around 1% of the 27.5 million couples suffering from infertility in India presented for fertility assessment. It is estimated that the potential demand for IVF cycles in Bengaluru, Delhi and Mumbai is nine to twelve times higher than the current actual demand.

The following graph sets out a comparison of (i) the need for parenthood, (ii) the importance of social status associated with parenthood, and (iii) the relative awareness of infertility problems in India, the United States, the United Kingdom, China, Japan and Germany:

***Factors Influencing Infertility Treatment***




The number of IVF cycles performed in India has grown at a compound annual growth rate of 18.1% over the last 10 years. This growth in fertility treatment in India mirrors similar trends witnessed in most developed countries as infertility prevalence has increased.

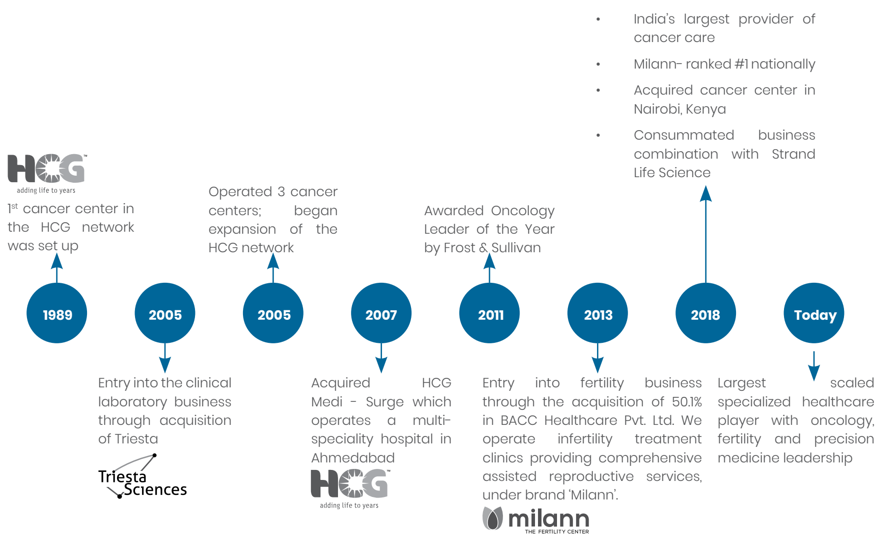
The number of couples presenting for infertility treatment and evaluation in India is expected to increase from 270,000 in 2015 to around 650,000 to 700,000 annually in 2020. The number of IVF cycles performed in India is forecast to increase from 100,000 in 2015 to an estimated 260,000 in 2020.

The fertility treatment market in India is highly fragmented and unregulated. An estimated 75% of the IVF cycles in India are done by about 500 clinics, comprising a few corporate chains and private clinics of leading physicians. There is no requirement to obtain any permission or have any specific qualifications to open infertility or assisted reproductive technology clinics in India. As a result, in the last 20 years, there has been an increase in the number of fertility clinics that use techniques requiring handling of spermatozoa or oocyte outside the body or the use of a surrogate mother. (Source: Call for Action: Expanding IVF treatment India dated July 2015, published by Ernst & Young)

## COMPANY OVERVIEW

HCG is a leading provider of tertiary and quaternary healthcare services focused on cancer and fertility specialties. Under the "HCG" brand, we operate the largest cancer care network in India in terms of the total number of cancer treatment centers licensed by the AERB as of May 31, 2015 (Government of India, Atomic Energy Regulatory Board)

**Evolution of HCG as a Provider of Specialty Healthcare and India's Largest Provider of Cancer Care**



## OUR BUSINESS

### ONCOLOGY:

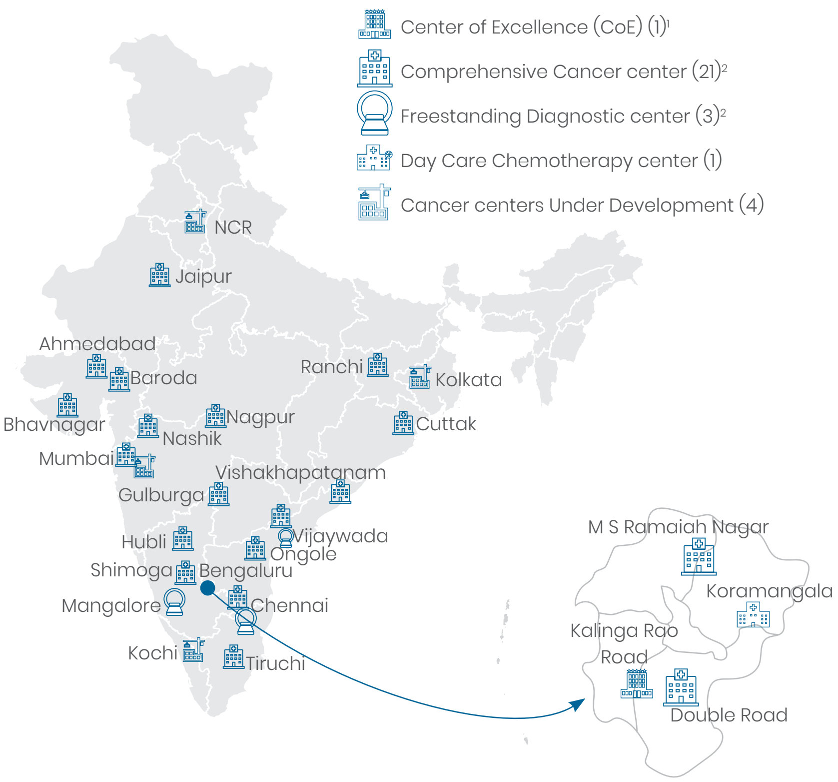
adding life to years

The Company is the largest provider of cancer care in India under the "HCG" brand. It owns and operates comprehensive cancer diagnosis and treatment services (through radiation therapy, medical oncology and surgery).

As of March 31, 2019, our HCG network consisted of 21 comprehensive cancer centers, including our center of excellence in Bengaluru, 3 freestanding diagnostic centers and 1 day care chemotherapy center across India and 1 center in Africa. Each of our comprehensive cancer centers offers, at a single location, comprehensive cancer diagnosis and treatment services (including radiation, medical oncology and surgical treatments). Our freestanding diagnostic centers and our day care chemotherapy center offer diagnosis and medical oncology services, respectively.

**HCG's Cancer Care Network in India**

Network of Existing and Under Development Cancer Care centers




[1] Includes 2 centers, KR & DR; [2] As on 31st March 2019, includes center in Kenya, Bhavnagar multispecialty also includes comprehensive cancer services hence included in CCC count

We follow a multidisciplinary approach to cancer care across our HCG network, wherein specialist physicians from various disciplines collaborate to provide the best course of treatment for each patient. This allows us to share and develop best practices, build clinical expertise and adopt standardised protocols for diagnosis and treatment, thereby improving the quality of our cancer care services. We believe that as a result, we are able to better serve our patients and ensure consistent clinical outcomes.

In our HCG network, our specialist physicians adopt a technology-focused approach to diagnosis and treatment. For instance, we use advanced technologies, including molecular pathology and molecular imaging for accurate diagnosis and staging of cancer, which enable us to decide upon the appropriate course of treatment for each patient. We believe that owing to the relationships we enjoy with such medical technology vendors and pharmaceutical and biotechnology companies and our involvement with them in the areas of research and development, we have been able to introduce in India and adopt across our HCG network the latest advances in technology relatively early. For instance, we were among the first healthcare providers in India to standardise molecular diagnostics technologies, including genomic testing and molecular imaging, including 128 slice PET-CT scans in the diagnosis and staging of cancer, as well as to introduce high intensity flattening filter free mode radiotherapy, stereotactic radiosurgery and robotic radiosurgery, in the treatment of cancer in India. We were also the first healthcare provider in India to perform computer assisted tumour navigation surgery. We believe this gives us a distinct advantage relative to our competitors in delivering high quality and standardised cancer care to our patients. We also utilise targeted nuclear medicine therapies as well as advanced radiation treatments to minimise side effects and improve the outcome of treatments. By ensuring that we adopt these diagnostic and treatment technologies throughout our HCG network, we are able to provide consistent quality of care to all patients.

Given the large number of patient cases treated across our HCG network, we believe that we are able to efficiently utilise our equipment, technologies and human resources, thereby deriving economies of scale. Furthermore, through the adoption of a centralised drug and consumables formulary, we are able to lower the overall cost of drugs and consumables. We believe that our business model is scalable and when combined with efficient utilisation of resources, it enables us to operate within a competitive cost structure.

We believe that our current model of providing speciality healthcare in India can be replicated in other underserved healthcare markets internationally. We have partnered with CDC to establish a network of speciality cancer centres in Africa, similar to our cancer care network in India. Pursuant to this partnership with CDC, we completed acquisition of Cancer Care Kenya, a leading dedicated cancer care center located in Nairobi in July' 2017. We believe that our planned network will cater to the increasing unmet demand for cancer care in Africa due to which, a large number of cancer patients travel outside the region to avail quality cancer care, including to our comprehensive cancer centers in India.

Cancer Care Kenya Limited (CCK) a leading cancer centre in Nairobi, Kenya, which we acquired in FY2018, is ramping up well. CCK started operation in 2010 and is the first private comprehensive cancer centre in the country. CCK treats over a thousand patients annually including over two hundred patients from other African nations. CCK's team includes internationally trained radiation, medical and surgical oncologists, physicists, radiation technicians and oncology nurses. There are over 250,000 new cancer incidences each year in Eastern Africa – resulting in a huge and growing unmet need for advanced cancer care. Thousands of patients travel overseas for treatment, due to the lack of access to advanced cancer care. HCG has been treating patients from Africa in India for several years now, and have been enthused by the positive results and the strong response from the medical community in these countries. To ensure the best clinical outcomes and maintain continuity of care for medical tourism patients, we have successfully established advanced treatment options in the region through CCK and have made high quality cancer care accessible to patients across Africa.

**FERTILITY:**

milann
THE FERTILITY CENTER

Milann is the leading provider of fertility treatment under the brand "Milann". It owns and operates comprehensive reproductive medicine services including assisted reproduction, gynaecological endoscopy and fertility preservation. Milann has been Ranked No. 1 in India and first in the South India region continuously for 3 years in the fertility segment in the Times Health All India Critical Care Hospital Ranking Survey 2018. (Source: All India Critical Care Hospital Ranking Survey 2017, All India Critical Care Hospital Ranking Survey 2017, published on Times Health, Times of India on December 16, 2016)

HCG acquired 50.10% equity interest in BACC Healthcare Pvt Ltd in 2013 which operates fertility centers under the Milann brand. During the year, right to shares for balance 49.90% has been acquired, refer note 46 of the Consolidated Financial Statements. Pursuant to this acquisition, we operate eight Milann fertility centers across Bengaluru, Delhi, Chandigarh and Ahmedabad as on March 31, 2019.

BACC Healthcare Pvt Ltd. is led by a team of qualified and experienced fertility specialists. Its founder, Dr. Kamini Rao has a successful track record of over 25 years of providing fertility treatments. Our Milann fertility centers provide comprehensive reproductive medicine services, including assisted reproduction, gynaecological endoscopy and fertility preservation; and follow a multidisciplinary and technology-focused approach to diagnosis and treatment. Our Milann network also operates on a model similar to our HCG network, wherein the various Milann fertility centers aim to provide medical services following established protocols with a focus on quality medical care across diagnosis and treatment. During Fiscal Years 2019 and 2018, our Milann fertility centers registered 5,688 and 5,083 new patients and performed 2,045 and 2,178 IVF procedures, respectively. Our Milann fertility centers also offer training programmes for fertility specialists and embryologists.

**SPECIALITY DIAGNOSTICS:**

strand

Strand Life Sciences private Limited is an integrated speciality diagnostics company with end to end capabilities in precision medicine through proprietary analytics, clinical research, access to the HCG biorepository, genomic technologies, assay development and validation and a network of laboratories offering a broad menu of tests.

HCG entered into a business transfer agreement, with Strand Life Sciences in January 2018, providing for a business combination of its Triesta Sciences business unit ("Triesta Sciences"), with Strand Life Sciences. Pursuant to the business transfer agreement, the Company has transferred its Triesta unit on slump sale basis for a consideration aggregating to 38.2 % stake in Strand Life Sciences. Strand is a Joint Venture of the Company.

Strand, established in 2000 as a spin-off from the Indian Institute of Science, is one of the pioneers in the bioinformatics space and leader in genomic testing for cancer and inherited diseases in India. Strand has over 200 engineers and scientists and provides cutting-edge diagnostic solutions and its customers include leading global life science and technology companies, research labs, as well as oncologists, paediatric specialists, geneticists and hospitals.

Triesta Sciences, which, prior to the business transfer, operated as the diagnostic unit of the Company and offers a one- stop solution for oncology diagnostics, Genomics (Next Generation sequencing based diagnostics), biomarker and translational research, laboratory services, and clinical research services for several hospitals across India with a focus on innovation, quality and accuracy for better diagnosis and prognosis of Cancer.

Strand is a leader in offering bioinformatics solutions and offers proprietary data analytical engines for research and clinical applications for genomic testing. Strand also provides hospital laboratory management services by way of establishing and operating laboratory within the hospital premises. We also provide clinical reference laboratory services in India with specialization in oncology, rare diseases and reproductive health and its offerings include molecular diagnostic services and genomic testing. Strand central reference laboratory is located in in Bengaluru and is accredited by NABL in India, as well as by CAP for quality assurance of laboratory tests performed. Additionally, Strand offers research and development services to pharmaceutical and biotechnology companies in the areas of clinical trial management and biomarker discovery and validation and is led by a team of specialist oncopathologists, molecular biologists and clinical researchers.

The bioinformatics vertical of Strand covers the entire range of high-throughput data, including Microarrays, Mass Spectrometry, Next-Generation Sequencing, Microscopy etc. and has over ~24,000 citations in research publications for tools built by Strand.

As part of clinical diagnostics, Strand offers precision tests like Rare disease Diagnosis, Inherited Cancer Risk Analysis, Tumor Mutation Analysis for Precision Treatment, Liquid Biopsy Analysis for Precision Treatment, Response Monitoring, and Early Detection of Relapse, in addition to an entire gambit of traditional tests. The Precision Medicine Laboratory is the first NGS CAP Lab in South Asia and scored 100% in Proficiency Testing for both Germline cancer risk and Somatic tumor profiling while other labs, most in the US and Europe, ranged from 85-100%.

The specialised diagnostics market is one of the fastest growing segments within the Indian diagnostic industry and is expected to be over US$ 700 million by 2020. We believe that Strand is well- positioned to leverage the opportunities in bioinformatics, clinical reference laboratory services and research services on account of its strong capabilities and business strengths.

In December 2018, Strand acquired the India medical diagnostics business of Quest Diagnostics, the world's leading provider of diagnostic information services. With this acquisition, Strand gains North India presence and marquee clientele that includes leading hospital chains, corporates and pharmaceutical clients to their portfolio and moves forward towards becoming India's leading specialized diagnostics company with offerings across oncology, genomics, and precision medicine.

**MULTISPECIALITY:**

HCG operates four multi-speciality hospitals, three under "HCG" brand in Ahmedabad,Bhavnagar and recently opened Rajkot, all in the state of Gujarat and one under Operations and Management contract in Hubli in the state of Karnataka.

HCG Multispecialty in Ahmedabad, Bhavnagar and Rajkot are tertiary care hospitals with 118, 39 and 120 beds respectively, as of March 31, 2019. These hospitals provide comprehensive inpatient and outpatient treatments. Their key specialties include cardiology, neurology, orthopedics, gastroenterology, urology, internal medicine and pulmonary and critical care.

Suchirayu Health Care Solutions Limited, in Hubli, managed by us, is a multi-specialty tertiary hospital. With 110 operational beds and capacity to go to 250 beds, the hospital offers state of the art facilities and infrastructure in the region. We also acquired 18% stake in Suchirayu Health Care Solutions as part of our strategy to grow multispecialty business in niche specialties and regions of strategic interest for the Company.

Apart from an extension of Jaipur cancer center, which is co-located and would offer some multispecialty services, we do not forsee any further multispecialty hospitals to be added to our network in the future.

## HOSPITAL NETWORK

### Existing HCG cancer centers in India

As of March 31, 2019, we operate a network of 21 comprehensive cancer centers, three freestanding diagnostic centers and a day care chemotherapy center across eight states in India and 1 center in Nairobi, Kenya. All of these centers are majority owned by us. The following table sets out our existing comprehensive cancer centers as on the date of this report and their facilities and service offerings:

| Location of the comprehensive cancer center | Commencement of Operation (calendar year) | Facilities and Services | | | | |
|---|---|---|---|---|---|---|
| | | Number of Beds[3] | Number of RT- LINACs | Number of Operation theatres[8] | Number of PET- CT scanners | Laboratory |
| **Karnataka Cluster** | | | | | | |
| Bengaluru - Double Road | 1989 | 51 | 1 | 4 | - | Yes[10] |
| Shimoga[1] | 2003 | 60 | 1 | 3 | - | Yes[11] |
| Bengaluru - Kalinga Rao Road[2] | 2006 | 225 | 3[7] | 7 | 2 | Yes[10] |
| Bengaluru - MS Ramaiah Nagar | 2007 | 22 | 1 | 1 | 1 | Yes[11] |
| Hubli | 2008 | 70 | 1 | 2 | 1 | Yes[11] |
| Gulbarga | 2016 | 85 | 1 | 3 | - | Yes |
| **Gujarat Cluster** | | | | | | |
| Ahmedabad[1] | 2012 | 78 | 2 | 4 | - | Yes |
| Baroda[1] | 2016 | 60 | 1 | 3 | 1 | Yes |

| **Location of the comprehensive cancer center** | **Commencement of Operation (calendar year)** | **Facilities and Services** | | | | |
|---|---|---|---|---|---|---|
| | | **Number of Beds[3]** | **Number of RT- LINACs** | **Number of Operation theatres[8]** | **Number of PET- CT scanners** | **Laboratory** |
| **East India Cluster** | | | | | | |
| Ranchi | 2008 | 56 | 1 | 2 | - | Yes |
| Cuttack | 2008 | 116 | 2 | 2 | 1 | Yes |
| **Maharashtra Cluster** | | | | | | |
| Nasik[1] | 2007 | 77[4] | 1 | 39 | 1 | Yes[11] |
| Borivali[1] | 2017 | 69 | 1 | 5 | 1 | Yes |
| Nagpur[1] | 2017 | 115 | 1 | 2 | 1 | Yes |
| **Others** | | | | | | |
| Vijaywada | 2009 | 30[5] | 2 | 4 | - | Yes |
| Chennai | 2012 | 35 | 1 | -[9] | - | Yes[11] |
| Ongole | 2012 | 19[6] | 1 | 2 | - | Yes |
| Tiruchirappalli | 2014 | - | - | - | - | - |
| Vishakapatnam | 2016 | 88 | 1 | - | 1 | Yes[11] |
| Jaipur | 2018 | 45 | 1 | 3 | 1 | Yes |
| Bhavnagar Oncology[2] | 2018 | - | 1 | 3 | - | Yes |
| Nashik Phase II | 2018 | 75 | 1 | 5 | - | Yes |
| Kolkata[1] | 2019 | 80 | 1 | 3 | -[4] | Yes[5] |
| Mumbai – Cooperage | 2019 | 32 | 1 | 2 | 1 | Yes |

**Notes:**

1. Operated through our Subsidiary.
2. Our comprehensive cancer center located at Kalinga Rao Road in Bengaluru is our center of excellence.
3. Number of beds includes ICU beds (as applicable).
4. We utilise the beds, including the ICU beds of our partner.
5. In addition, we have 120 self care beds at our center in Vijaywada.
6. In addition, we have 61 self care beds at our center at Ongole
7. Includes a WBRRS system.
8. Includes major and minor operation theatres. Major operation theatres are used to perform complex surgeries and minor operation theatres are used to perform minor surgical procedures.
9. Surgical services are provided by our partner.
10. Laboratory services are provided by Triesta central reference laboratory (now Strand Life Sciences) .
11. Laboratory services are provided by our partner.

As of March 31, 2019 we also had three freestanding diagnostic centers, of which one is located in Chennai and one each in Mangalore and Vijaywada, respectively. Our freestanding diagnostic centers are equipped with PET-CT scanners and provide radiology and diagnostic services. We established some of these centers under partnership arrangements.

Our hospital in Bhavnagar commenced operations as comprehensive cancer center with launch of radiation services this year. This is one of the only private comprehensive cancer care in the region and provides access to high quality care to a large population who were otherwise travelling long distances for accessing cancer care.

We commenced operations of our cancer center in Jaipur in the financial year 2018-2019. This is one of the 1st private dedicated comprehensive cancer center with state-of-the art medical equipment including LINAC and PET CT and provision for BMT in the future.

Our Nashik center commenced operations of phase 2 with a new building adjoining the original hospital, with advanced Tomotherapy Radiation technology, Bone Marrow transplant facilities and 92 beds. HCG Nashik would be one of the most advanced cancer hospitals in a non-metro city in Maharashtra and arguably across the country.

Also, HCG acquired 49.99% stake from its minority partner in Apex HCG Oncology Hospitals LLP, which operates the 1st private standalone comprehensive cancer center in Mumbai. The center is ramping up well and establishes HCG position as leader among private hospitals in oncology in the Western region.

As on the date of this report, we had commenced outpatient services at Kolkata and South Mumbai hospitals, which will be fully operationalised in the coming year, offering comprehensive cancer care services. These hospitals provide advanced and high-quality care targeting higher-economic segment located in attractive micro-markets within the large metro cities of Kolkata and Mumbai.

As of March 31, 2019, commenced operations of 2 day care chemotherapy centers in Bengaluru. Our day care chemotherapy center provides medical oncology services and carries out other medical services including consultations and minor procedures.

**HCG cancer centers under development in India**

## New Centers

As on the date of this report we had commenced operations at 2 centers in Kolkata and South Mumbai, we were in the process of establishing 2 new comprehensive cancer centers in India, which are under development. We expect these centers to commence operation by end of calendar year 2021 and 2022. All of these under development centers are majority-owned by us.

The table below sets out details of our comprehensive cancer centers under development in India as on the date of this report and their facilities and service offerings:

| Location of the comprehensive cancer center | Facilities and Services | | | | |
|---|---|---|---|---|---|
| | Number of Beds | Number of RT- LINACs | Number of Operation Theatres[3] | Number of PET-CT Scanners | Laboratory |
| Kochi | 100 | 1 | 5 | 1 | Yes |
| Gurgaon | 85 | 1 | 3 | 1 | Yes[5] |

**Milann Centers**

The following table sets out our existing Milann fertility centers as of March 31, 2019 and their facilities and service offerings:

| Location | Year | Number of Beds | IVF | Endoscopy Operation Theatre | Embryology Laboratory | Neonatal ICU |
|---|---|---|---|---|---|---|
| Shivananda Circle, Bengaluru | 1989 | 38 | √ | √ | √ | √ |
| Jayanagar, Bengaluru | 2010 | 26 | √ | √ | √ | √ |
| Indiranagar, Bengaluru | 2012 | 6 | √ | √ | √ | - |
| MSR Nagar, Bengaluru | 2015 | 6 | √ | √ | √ | - |
| Delhi | 2016 | 4 | √ | √ | √ | - |
| Chandigarh | 2016 | 3 | √ | √ | √ | - |
| Ahmedabad | 2018 | 6 | √ | √ | √ | - |
| Whitefield, Bengaluru | 2018 | 6 | √ | - | √ | - |

Milann new center in Ahmedabad, launched in Q4-FY18, commenced operations in FY2019 and Whitefield center was launched to strengthen presence and market share in Bengaluru region. Milann exited Mumbai and Bhuvangiri satellite centers for strategic reasons.

**Risks & Concerns:**

Risks are integral part of any enterprise. Efficient management of business risks is a key factor that determines growth, profitability and at times, even survival. In the last few years, the healthcare industry in India has been witnessing increased consolidation even among the larger players. Further, Government intervention, by way of an active regulatory regime, be it in terms of price control or capping of margins on medicines has been stepped up. State and Central Healthcare coverage schemes are also impacting industry margins. The risks that might impact our business, prospects, financial condition and results of operations, inter-alia includes:

a) Our results of operations in any given period can be influenced by a number of factors, many of which are outside of our control and may be difficult to predict, including political and economic conditions, the timing of opening and the number of new centres, changes in the competitive landscape in which we operate, government policies which may affect the pricing of our medical services, the operation of medical equipments, the licensing and operation of our centres and hospitals and the licensing of our medical staff, delays in executing our growth strategies due to a number of factors, delays in project execution resulting in significant time and cost overruns, delays or failure in receiving government approvals, unavailability of human and capital resources, or any other risks that we may or may not have foreseen etc.

b) The success of our business is dependent on our ability to maintain our relationships with our partners, to identify suitable partners and acquisitions targets and to undertake new partnership arrangements and acquisitions. We may be unable to continue to operate our centres and hospitals if there are any conflicts or disputes with our partners or if our partnership arrangements are not renewed at the end of their respective terms. Dr. Kamini Rao, who holds 49.90% equity interest in BACC Healthcare Private Limited (BACC), has exercised the put option with respect to her shareholding in BACC. While the Company is taking steps to address matters relating to leadership succession and transition in Milann, a non-timely implementation could adversely affect our business, financial condition and results and operations.

c) Our patients include patients who pay for their medical expenses themselves and patients who are beneficiaries of third party payer agreements. If we do not receive payments on time from our payers, our financial condition, cash flows and results of operations may be materially and adversely affected. We make provisions for disallowances and doubtful trade receivables in our financial statements on account of the probability of not being able to collect the amounts billed to third party payers, based on our actual experience of disallowances and collection from each category of payers. Provisions for disallowances reduce our revenue from operations and provisions for doubtful trade receivables increase our expenses and thus reduce our profitability.

d) We face intense competition from other healthcare facilities. If we are unable to compete effectively, our business and results of operations may be materially and adversely affected. Our ability to effectively compete with our competitors is dependent on our ability to achieve high success rates in diagnosis and treatment and reduce risks and side effects in providing cancer care and fertility treatment, enhance the brand image and marketability of our "HCG" and "Milann" brands, increase new patient registrations across our HCG network, attract and retain specialist physicians, physicians and other skilled persons etc.

e) We are highly dependent on our promoters, key clinicians, partners and the members of our senior management team, including some who have been with us since the establishment of the first cancer centre in our HCG network, to manage our current operations and to meet future business challenges. The loss of the services of our senior management or key management personnel, including our senior specialist physicians and physicians, or if we are unable to find a suitable replacement for them, could seriously impair our ability to continue to manage and expand our business.

f) We may not realise the value of our goodwill or other intangible assets. We expect to engage in additional transactions that will result in our recognition of additional goodwill or other intangible assets. We evaluate on a regular basis whether events and circumstances have occurred that indicate that all or a portion of the carrying amount of goodwill or other intangible assets may no longer be recoverable, and is therefore impaired. Under the current accounting rules, any determination that impairment has occurred, would require us to write off the impaired portion of our goodwill or the unamortised portion of our intangible assets, resulting in a charge to our earnings. We have written off goodwill in the past, and any future write-off could have a material adverse effect on our financial condition and results of operations.

g) Currently, our Company conducts a portion of its operations through its subsidiaries. Further, a portion of our Company's assets is held by, and a part of its earnings and cash flows is attributable to, our subsidiaries. If earnings from our subsidiaries were to decline, our Company's earnings and cash flows would be materially and adversely affected. We cannot assure you that our subsidiaries will generate sufficient earnings and cash flows to pay dividends or otherwise distribute sufficient funds to enable our Company to meet its obligations, pay interest and expenses or declare dividends.

h) We rely on the financing arrangements with various banks and financial institutions to bridge the gap between cash flow from operating activities and investing activities (including put options of the partners). We cannot assure that the banks and financial institutions would fund us as per the planned timelines, and this could adversely affect our results of operations and financial condition.

We have revitalised our Risk Management framework with a detailed exercise aimed at a better and updated understanding of all our operational, financial, regulatory and strategic risks. Please refer to the section on Enterprise Risk Management forming part of the Management Discussion and Analysis Report to read more on the Risk Management framework.

## FINANCIAL AND OPERATING HIGHLIGHTS

### Overview of Key Regions

#### Karnataka Cluster

Number of centers in Karnataka remained as 7, with no new center launched or in development for this region. Strong adoption of daVinci technology continues at our center of excellence in Bangalore, with over 247 robotic surgeries completed in the year. The number of beds operated in the Karnataka cluster remained the same at end of FY 19 at 632 as compared to 632 beds in FY 18. Karnataka cluster strategy of focusing on procedure and payer mix enhancement has resulted in Revenues increased from ₹3,247.1 million in FY 18 to ₹3,490.1 million in FY 19. ARPOB increased by 2.0% to ₹34,808/ day on the back of change in payer mix in the current year. With continuing expansion on pan-India basis as well as improving performance in other geographies, share of Karnataka region as a percentage of total revenues for HCG Centers (excluding Fertility) continues to reduce, and was at 38% in FY 19 as compared to 42% in FY 18.

#### Gujarat Cluster

During the year under review, Gujarat cluster had 5 operational centers and operated 447 beds. Rajkot center launched in Q1 FY19, has started to ramp up. The Bhavnagar center which started in May 2015 was expanded to provide radiation treatment and offers comprehensive cancer care services. Baroda center, launched in May 2016, has continued to grow well having achieved break-even last year. While the revenue of the cluster has shown an increase of 20.2% to ₹2,667.9 million, the ARPOB has also improved by 2.1% to ₹35,731 ₹/day when compared to FY18. We continue to strengthen our position in state of Gujarat with share of revenues of HCG Centers from this cluster remaining constant at 29% in FY 19 as in FY 18 and remain positive about this region.

#### Maharashtra Cluster:

We had consolidated the operations with our partner at Nashik center in FY17 and expanded the operations with launch of Phase II with addition of over 92 beds in current fiscal.

Additionally, 2 new comprehensive cancer centers were opened in Maharashtra during FY18, one center in Borivali in Mumbai and another one in Nagpur. While Borivali is operational with 69 beds and capacity for 105 beds, Nagpur center is a 115 bed hospital. Both the centers are ramping up well, with growth in volumes and revenue.

Overall Maharashtra cluster clocked revenue of ₹1,239.2 million during FY19 as against revenue of ₹671.5 million in FY18.

We are on track to launch our new center in Mumbai city located at South Mumbai, in the forthcoming fiscal with addition of 32 beds. Going forward, we would have strength of about 400 operational beds across 4 centers in this region. We continue to strengthen our position in state of Maharashtra with share of revenues of HCG Centers from this cluster increasing from 9% in FY 18 to 14% in FY 19 and remain positive about this region.

### East India Cluster

Currently we have Cuttack and Ranchi as the two mature centers in the East India cluster. These centers have seen good traction and we closed the year with revenues of ₹641.6 million in FY 19 as compared to ₹586.9 million in FY 18 which is an increase of 9.3% over the last fiscal. This was primarily on account of increase in the clinical team and increased business promotion expenses to strengthen our position further in the geography. The expansion at the Cuttack center with addition of new technologies was adopted well with ARPOB improving by 7.4% to ₹15,617. Our new center in Kolkata commenced OPD services in Q4-FY19 and on date of this report had commenced full operations.

### Andhra Pradesh Cluster

During the year under review, Andhra Pradesh cluster had 3 operational centers and operated 177 beds. The Vishakhapatnam center which started in Q1 FY 17 continues to ramp up well. The revenues of the cluster have shown an increase of 35.5% to ₹673.5 million. With positive experience from our long term presence in Vijayawada, we have consolidated the operations with our partner. We continue to strengthen our position in state of Andhra Pradesh, with share of revenues of HCG Centers from this cluster increasing to 7% in FY 19 as compared to 6% in FY 18 and remain positive about this region.

### Milann Centers

During the year, Milann business achieved marginally lower revenues as compared to previous year. Milann centers in Bangalore and Delhi clocked lower revenues, primarily on account of factors related to key consultants at these centers and additionally with launch of new centers in Whitefield and Ahmedabad in the fiscal, the overall profitability of the business was negatively impacted. At the time of this report, Milann had shown improving trends in new registrations, revenues and profitability and continues to be one of the leading IVF brands in India New registrations increased by 11.9% to 5,688. The number of IVF cycles decreased by 6.1% to 2,045 compared to the 2,178 cycles in the last fiscal. Consequently, revenues decreased to ₹643.6 million compared to ₹669.0 million in the last year which was a decrease of 3.8%.

## FINANCIAL PERFORMANCE

The financial statements of HealthCare Global Enterprises Limited and its subsidiaries, joint ventures and associates (collectively referred to as "HCG" or the Company) are prepared in compliance with the Companies (Indian Accounting Standards), Rules, 2015 of the Companies Act, 2013 and Indian Accounting Standards (Ind AS).

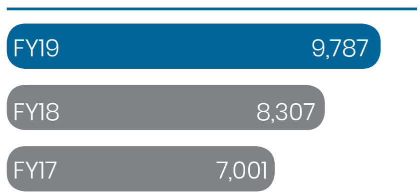
The discussions herein below relate to consolidated statement of profit and loss for the year ended March 31, 2019, consolidated balance sheet as at March 31, 2019 and the consolidated cash flow statement for the year ended March 31, 2019. The consolidated results are more relevant for understanding the performance of HCG.

In accordance with the Companies (Indian Accounting Standards), Rules, 2015 of the Companies Act, 2013, HCG started following the Indian Accounting Standards (Ind AS) for preparation of its financial statements from April 1, 2016.

Significant accounting policies used for the preparation of the financial statements are disclosed in the notes to the consolidated financial statements.

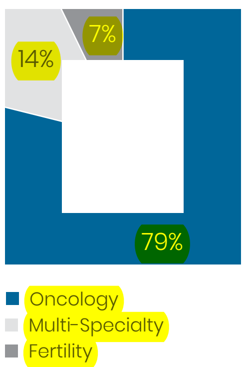
***Key Metrics***

Revenue* (₹ Mn)

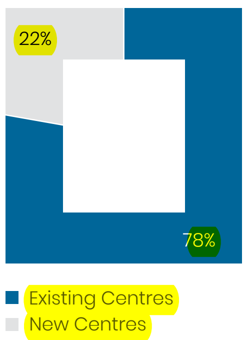


## Revenue break-up for FY19

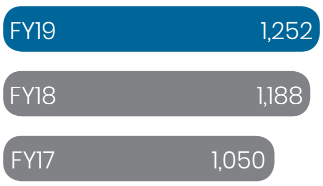
### *By Specialty*



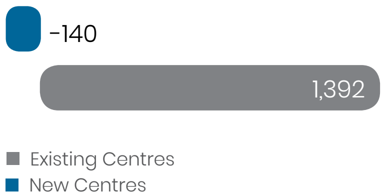

### *By Maturity*



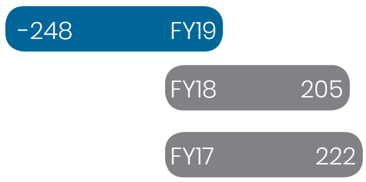

### EBIDTA* (₹ Mn)




### EBITDA* (₹ Mn)




### PAT (₹ Mn)




*including Govt. grant, exluding other income for FY19

| Particulars | For the fiscal year ended March 31, 2019 (In millions) | % of Revenue | Growth over FY18 In % | For the fiscal year ended March 31, 2018 (In millions) | % of Revenue |
|---|---|---|---|---|---|
| **REVENUE** | | | | | |
| **Revenue from operations and other income** | | | | | |
| Income from medical services | 8,865.5 | 89.9 | 18.2% | 7,498.4 | 88.9 |
| Income from sale of medical and non-medical items | 743.3 | 7.5 | 8.6% | 684.1 | 8.1 |
| Other operating revenues including Govt. grants | 177.9 | 1.8 | 43.1% | 124.3 | 1.5 |
| **Revenue including Govt. grants and excluding other income** | **9,786.7** | **99.2** | **17.8%** | **8,306.9** | **98.5** |
| Other Income | 74.1 | 0.8 | (42.1%) | 128.0 | 1.5 |
| **Total Revenue** | **9,860.8** | **100.0** | **16.9%** | **8,434.9** | **100.0** |
| **EXPENSES** | | | | | |
| Purchases of stock-in-trade | 2,214.9 | 22.5 | 12.6% | 1,966.4 | 23.3 |
| (Increase)/ Decrease in stock-of-trade | (28.5) | (0.3) | (58.8%) | (69.3) | (0.8) |
| Employee benefits expenses | 1,845.2 | 18.7 | 17.0% | 1,577.1 | 18.7 |
| Finance costs | 699.1 | 7.1 | 65.1% | 423.5 | 5.0 |
| Depreciaton and Amortisation expense | 850.8 | 8.6 | 19.1% | 714.6 | 8.5 |
| Other expenses | 4,503.2 | 45.7 | 23.6% | 3,644.5 | 43.2 |
| **Total Expenses** | **10,084.7** | **102.3** | **22.1%** | **8,256.8** | **97.9** |

| Particulars | For the fiscal year ended March 31, 201 9 | | Growth over FY18 | For the fiscal year ended March 31, 2018 | |
|---|---|---|---|---|---|
| | (In millions) | % of Revenue | In % | (In millions) | % of Revenue |
| **Profit/ (loss) before tax and exceptional items** | **(223.9)** | **(2.3)** | **(225.8%)** | **178.1** | **2.1** |
| **EXCEPTIONAL ITEMS** | **-** | **-** | **-** | **107.7** | **1.3** |
| **Share of (loss) of equity accounted investees** | **(109.8)** | **(1.1)** | **(883.2)** | **14.0** | **0.2** |
| **Profit/ (loss) before tax** | **(333.7)** | **(3.4)** | **(222.8%)** | **271.8** | **3.2** |
| **TAX EXPENSE** | | | | | |
| (1) Current Tax | (11.0) | (0.1) | (108.1%) | 135.5 | 1.6 |
| (2) Deferred Tax | (14.0) | (0.1) | (57.6%) | (33.1) | (0.4) |
| **Net Tax Expenses** | **(25.0)** | **(0.3)** | **(124.4%)** | **102.4** | **1.2** |
| **Profit/ (loss) after tax before share of profit/ (loss) of minority interest** | **(308.7)** | **(3.1)** | **(282.3%)** | **169.4** | **2.0** |
| Share of profit of minority interest | (60.8) | 0.6 | 69.5% | (35.9) | (0.4) |
| **Net Profit/ (loss) for the period** | **(248.0)** | **(2.5)** | **(220.8%)** | **205.2** | **2.4** |

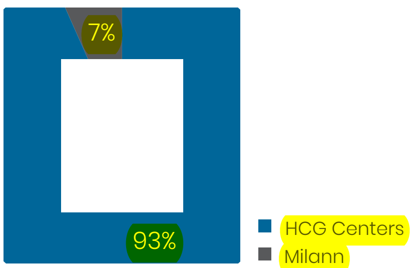
**Revenue**

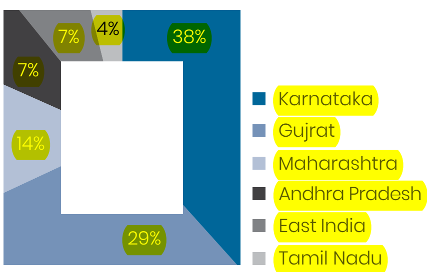
Our total revenue increased by ₹1425.9 million (16.9%) as compared to Fiscal Year 2018 to ₹9,860.8 million in Fiscal Year 2019. This increase was primarily due to an increase in revenue from operations.

## Revenue from operations

The revenue from operations increased by ₹1,479.9 million, or by 17.8%, from ₹8306.9 million in Fiscal Year 2018 to ₹9,786.7 million in Fiscal Year 2019. This was primarily contributed by an increase in ARPOB, revenue from additional facilities in existing centers and from new centers commenced. During the Fiscal Year 2019, our Maharashtra, Gujarat and Karnataka clusters contributed additional revenues of ₹567.4 million, ₹447.5 million and ₹243.5 million respectively compared to Fiscal Year 2018. Our new centers, Baroda, Bhavnagar and Rajkot in Gujarat, Hubli and Gulbarga in Karnataka, Visakhapatnam in Andhra Pradesh, Borivali, Nagpur and South Mumbai in Maharashtra and Kolkata In West Bengal and Jaipur in Rajasthan contributed revenue of ₹2025 million combined. Revenue from our fertility centers was marginally lower at ₹643.6 million during the year

***Revenue Break up including Govt. grants***




## Other operating revenues

Our other operating revenues including Govt. grants was at ₹177.9 million as compared to ₹124.3 million in Fiscal Year 2018. Other operating income primarily consists of Income from Export Revenue and from other operational arrangements and the EPCG Income.

## Other income

Our other income decreased by ₹53.9 million, or by 42.1%, from 128.0 million in Fiscal Year 2018 to ₹74.1 million in Fiscal Year 2019. Other income was higher last year due to interest income received on IT refund and other investments.

**Expenses**

Our total expenses increased by ₹1827.9 million, or by 22.1%, from ₹8256.8 million in Fiscal Year 2018 to ₹10,084.7 million in Fiscal Year 2019. The increase in expenses is in line with the business growth and primarily contributed by increase in employee benefits expenses and other expenses.

## Cost of consumption

Cost of consumption comprises of our expenses related to purchases of stock-in-trade and changes in inventories of stock-in-trade. Cost of consumption related to usage of drugs, medical and non-medical consumable items increased by ₹289.3 million, or by 15.2%, from ₹1897.1 million in Fiscal Year 2018 to ₹2186.4 million in Fiscal Year 2019.

Cost of consumption as a percentage of our total revenue decreased from 22.5% in Fiscal Year 2018 to 22.2% in Fiscal Year 2019. This was primarily due to savings generated on account of centralisation of our procurement functions and our efforts in implementing a centralised formulary of drugs and consumables.

## Employee benefits expense

Our employee benefits expense increased by ₹268.1 million, or by 17.0%, from ₹1577.1 million in Fiscal Year 2018 to ₹1845.2 million in Fiscal Year 2019. This increase was primarily due to additions of new centers - comprehensive cancer centers at Borivali and Nagpur as well as new center being managed by HCG at Suchirayu, Hubli, Kolkata and Jaipur.

## Finance costs

Our finance costs increased by ₹275.6 million, or by 65.1%, from ₹423.5 million in Fiscal Year 2018 to ₹699.1 million in Fiscal Year 2019 primarily on account of increase in loans availed for investments at new centers.

## Depreciation and amortisation expense

Our depreciation and amortisation expense increased by ₹136.3 million, or by 19.1%, from ₹714.6 million in Fiscal Year 2018 to ₹850.9 million in Fiscal Year 2019. This was primarily due to increase in our fixed assets on account of purchase of new equipments, including purchase at new centers.

As a percentage of revenue, this group of expense was at 8.6% in FY2019 as compared to 8.5% in FY2018.

## Other expenses

Our other expenses increased by ₹858.7 million, or by 23.6%, from ₹3644.5 million in Fiscal Year 2018 to ₹4503.2 million in Fiscal Year 2019. This was primarily due to increases in our medical consultancy charges, rent including lease rentals, power, fuel and water charges, housekeeping and security expenses.

Other expenses, as a percentage of revenue, have marginally increased from 43.2% in Fiscal Year 2018 to 45.7% in Fiscal Year 2019. The key expense line items include:

| Description | Fiscal Year 2019 | % of Total Revenue | Fiscal Year 2018 | % of Total Revenue |
|---|---|---|---|---|
| Medical Consultancy Charges | 2,113.8 | 21.4% | 1,742.2 | 20.7% |
| Rent including lease rentals | 563.2 | 5.7% | 422.6 | 5.0% |
| Repairs and Maintenance | 257.4 | 2.6% | 245.8 | 2.9% |
| Power, fuel and water | 288.2 | 2.9% | 228.9 | 2.7% |
| House keeping and security | 236.7 | 2.4% | 204.3 | 2.4% |
| Lab Charges | 371.0 | 3.8% | 169.3 | 2.0% |
| Advertisement, Publicity & Marketing | 121.9 | 1.2% | 100.6 | 1.2% |

Medical consultancy charges increased by ₹371.7 million, or by 21.3%, from ₹1742.2 million in Fiscal Year 2018 to ₹2113.8 million in Fiscal Year 2019 due to opening of new centers and hence growth in number of patients treated.

Our lease rental expenses increased by ₹140.7 million, or by 33.3% from ₹422.6 million in Fiscal Year 2018 to ₹563.2 million in Fiscal Year 2019. This was primarily due to addition of new units as well as increase in rent in existing centers as part of periodic rent escalation.

Our repairs and maintenance expenses increased by ₹11.6 million, or by 4.7%, from ₹245.8 million in Fiscal Year 2018 to ₹257.4 million in Fiscal Year 2019. As a % of revenue, the same was at 2.6% for Fiscal year 2019, when compared to 2.9% in Fiscal year 2018.

Our Power, fuel and water expenses increased by ₹59.3 million, or by 25.9%, from ₹228.9 million in Fiscal Year 2018 to ₹288.2 million in Fiscal Year 2019. This was primarily due to addition of new units at Borivali, Nagpur as well as new center being managed by HCG at Suchirayu, Hubli., Kolkata and Jaipur.

Our Housekeeping and Security expenses increased by ₹32.4 million, or by 15.9%, from ₹204.3 million in Fiscal Year 2018 to ₹236.7 million in Fiscal Year 2019. However, as a % of revenue the same remained stable at 2.4% in Fiscal year 2019 as against 2.4% in Fiscal year 2018.

**Profit/ (Loss) before tax and exceptional items**

Our profit before tax and exceptional items was ₹(223.9) million in Fiscal Year 2019 as compared to a profit before tax amounting to ₹178.1 million in Fiscal Year 2018.

**Exceptional Items**

There was no exceptional gain in Fiscal year 2019. Exceptional gain for the Fiscal year 2018 of ₹107.7 million, was primarily on account of gain arising from change (loss) in control in HCG Africa as well as gain arising from sale of our investment in Kanpur unit wherein HCG had held 51% stake.

**Share of (loss) of equity accounted investees**

Our investments in HealthCare Global Africa Private Limited, held by HCG (Mauritius) Private Limited as well as investment in Strand Life Sciences are accounted under equity method as per Ind AS 28 'Investment in Associates and Joint Ventures' have resulted in loss of ₹109.8 million in the current fiscal year.

**Tax expense**

We recorded net current tax of ₹(11.0) million and deferred tax credit of ₹14.0 million in Fiscal Year 2019 as a result of which net tax liability for FY 19 was ₹(25.0) million. We recorded net current tax of ₹135.5 million and deferred tax credit of ₹33.1 million in Fiscal Year 2018 as a result of which net tax liability for FY 18 was ₹102.4 million.

**Profit/ (Loss) after tax before share of profit/ (loss) of minority interest**

Our profit after tax before share of profit/(loss) of minority interest was ₹(308.7) million in Fiscal Year 2019 as compared to a profit after tax before share of profit/(loss) of minority interest amounting to ₹169.4 million in Fiscal Year 2018.

**Share of profit/ (loss) of minority interest**

Minority's share of loss was ₹60.8 million in Fiscal Year 2019 as compared to a loss of ₹35.9 million in Fiscal Year 2018. This was primarily on account of increased share of loss contributed by new units operationalized during the year where HCG has majority stake.

**Net profit/ (loss) for the year**

As a result of the foregoing, our net profit for the year was ₹(248.0) million in Fiscal Year 2019 as compared to a net profit amounting to ₹205.2 million in Fiscal Year 2018.

**Assets**

The following table sets out the principal components of our assets as at March 31, 2019 and 2018.

In Mn.

| Particulars | As at March 31, 2019 | 2018 |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | 8,515.4 | 7,125.7 |
| Capital work in progress | 1,526.3 | 1,739.7 |
| Goodwill | 1,093.4 | 1,093.4 |
| Other intangible assets | 93.3 | 58.1 |
| Investments in equity accounted investees | 384.4 | 480.5 |
| **Financial assets** | | |
| -Investments | 106.1 | 51.3 |
| -Loans | 367.3 | 98.6 |
| -Other financial assets | 217.5 | 496.0 |
| Deferred tax assets (net) | 268.6 | 231.0 |
| Income tax assets (net) | 553.9 | 211.1 |
| Other non-current assets | 679.7 | 650.4 |
| **Total non-current as-sets** | **13,805.9** | **12,235.7** |
| **Current Assets** | | |
| Inventories | 267.7 | 240.3 |
| **Financial Assets** | | |
| -Trade Receivables | 1,568.9 | 1,284.4 |
| -Cash and cash equivalents | 205.2 | 288.0 |
| -Bank balance other than cash and cash equivalents above | 3.5 | - |
| -Loans | 142.1 | 31.2 |
| -Other financial assets | 242.5 | 140.6 |
| Other current assets | 299.7 | 216.6 |
| **Total current assets** | **2,729.6** | **2,200.9** |
| **Total assets** | **16,535.5** | **14,436.6** |

We had property, plant and equipment amounting to ₹8515.4 million as at March 31, 2019 and ₹7125.7 million as at March 31, 2018. Our property, plant and equipment assets primarily consist of medical equipment, buildings, land, leasehold improvements, furniture and fixtures and vehicles.

Increase in our property, plant and equipment assets is primarily on account of additions to medical equipments, lab and data processing equipments, leasehold improvements, furniture and fittings and office equipments in relation to commencement of operations of our comprehensive cancer centers at Borivalli and Nagpur.

Our Capital Work-in-progress of 1526.3 million as of March 31, 2019 was primarily on account of new projects which are under development that include comprehensive cancer care centers in South Mumbai, Kolkata and Jaipur.

We had goodwill amounting to ₹1,093.4 million as of March 31, 2019 and ₹1,093.4 million as of March 31, 2018. Our goodwill comprises payments made to our partner for securing exclusive rights to operate a center, and pertains to acquisitions of our Milann fertility centers, HCG Medi-Surge and City Cancer Center in Vijayawada.

Our Investments in equity accounted investees primarily consist of investments made in Healthcare Global Africa Private Limited amounting to ₹244.7 million as well as Strand Life Sciences Private Limited amounting to ₹139.7 million

The increase in our other intangible assets from ₹58.11 million as of March 31, 2018 to ₹93.3 million as of March 31, 2019 was primarily on account of software licenses for ERP and Hospital Information Systems (HIS).

We had non-current investments of ₹106.1 million as of March 31, 2019 and ₹51.3 million as of March 31, 2018. We had non-current loans amounting ₹367.3 million primarily on account of Inter Corporate Deposit as of March 31, 2019 and ₹98.6 million as of March 31, 2018.

We had other non-current financial assets of ₹217.5 million as of March 31, 2019 and ₹496.0 million as of March 31, 2018. This primarily comprises of Term Deposits amounting to ₹196.9 million as on March 31, 2019.

Our Deferred Tax Assets increased to ₹268.6 million as of 31 March 2019 from ₹231.0 million as of 31 March 2018. Our income tax assets increased to ₹553.9 million as of 31 March 2019 from ₹211.1 million as of 31 March 2018 which is primarily on account of TDS from our customers pending assessments and refunds in our holding company and our subsidiaries.

We had other non-current assets amounting to ₹679.7 million and ₹650.4 million as at March 31, 2019 and 2018 respectively and the increase is on account of our capital advances by ₹44.8 million, which primarily pertaining to projects under development.

We had outstanding net trade receivables amounting to ₹1,568.9 million and ₹1,284.4 million as at March 31, 2019 and 2018 respectively. We made provisions for doubtful trade receivables amounting to ₹378.8 million and ₹340.1 million as at the end of March 31, 2019 and 2018 respectively. Our trade receivables comprise receivables from government payors, corporate bodies, insurers and patients who pay directly to us.

We had loans amounting to ₹142.1 million as of March 31, 2019 as against ₹31.2 million as of March 31, 2018. The increase in loans was primarily on account of inter corporate deposits of ₹105 million.

We had other current financial assets of ₹242.5 million as of March 31, 2019 as against ₹140.6 million as of March 31, 2018 and other current assets of ₹299.7 million as of March 31, 2019 as against ₹216.6 million as of March 31, 2018. Our other current financial assets primarily comprise of unbilled receivables amounting to ₹159.5 million and Term Deposits amounting to ₹57.0 million, while other current assets consist of advance to vendors amounting to ₹153.3 million, prepaid expenses of ₹60.6 million, and rental advance of ₹37.1 million as on March 31, 2019.

**Labilities and Indebtedness**

### Liabilities

The following table sets forth the principal components of our liabilities as at March 31, 2019 and 2018

In Mn.

| Particulars | As at March 31, 2019 | 2018 |
|---|---|---|
| **Non-current Liabilities:** | | |
| Financial Liabilities | | |
| -Borrowings | 5,169.1 | 3,724.3 |
| -Other financial liabilities | 228.4 | 915.7 |
| Provisions | 56.4 | 51.0 |
| Deferred tax liabilities | 39.7 | 37.7 |
| Other non-current liabilities | 346.8 | 330.1 |
| **Total non-current liabilities** | **5,840.4** | **5,058.8** |
| **Current liabilities** | | |
| Financial liabilities: | | |
| -Borrowings | 499.9 | 17.4 |
| -Trade payables | 1,816.6 | 1,424.7 |
| -Other financial liabilities | 2,760.7 | 1,764.4 |
| Other current liabilities | 322.8 | 285.3 |
| Provisions | 72.8 | 56.0 |

In Mn.

| Particulars | As at March 31, 2019 | 2018 |
|---|---|---|
| Income tax liabilities (net) | 0.3 | 39.8 |
| **Total current liabilities** | **5.473.1** | **3,587.6** |
| **Total liabilities** | **11,313.5** | **8,646.4** |

A significant portion of our liabilities comprise of non-current borrowings. We had non-current borrowings amounting to ₹5169.1 million and ₹3724.3 million as at March 31, 2019 and 2018 respectively.

Our other non-current financial liabilities as at March 31, 2019 was ₹228.4 million from ₹915.7 million as at March 31, 2018. The reduction in non current financial liability was primarily on account of the exercise of Put Option by BACC

Our other non current liabilities primarily comprise of Deferred Government grant 330.8 million as of March 31, 2019

We had outstanding trade payables amounting to ₹1816.6 million and ₹1424.7 million as at March 31, 2019 and 2018 respectively. These primarily comprised payables towards purchase of drugs, consumables, various services including medical consultancy charges, legal and professional fees, housekeeping charges and security charges.

We had other current financial liabilities amounting to ₹2760.7 million and ₹1764.4 million as at March 31, 2019 and 2018 respectively. These primarily comprised current maturities of long-term debts amounting to ₹910.0 million and ₹887.3 million, current liability on written put option of ₹481.8 million and ₹417.7 million; and payable on purchase of fixed assets amounting to ₹319.5 million and ₹217.7 million as at March 31, 2019 and 2018 respectively.

Our other current liabilities amounted to ₹322.8 million and ₹285.3 million as at March 31, 2019 and 2018 respectively. This was primarily comprised of advance from customers amounting to ₹210.3 million and ₹204.4 million and Statutory remittances amounting to ₹73.9 million and ₹60.9 million as at March 31, 2019 and 2018 respectively.

### Indebtedness

In Mn.

| Particulars | As at March 31, 2019 | 2018 |
|---|---|---|
| **Secured Loans** | | |
| -Term loans from banks | 2,405.5 | 2,518.5 |
| -Term loans from other parties | 1,615.9 | 34.3 |
| -Vehicle Loans | 6.3 | 8.0 |
| -Working capital loans | 499.9 | 17.4 |
| **Total secured loans** | **4,527.6** | **2,578.2** |
| **Unsecured loans** | | |
| -Deferred payment liabilities | 1,481.3 | 1,489.3 |
| -Long term maturities of Finance lease obligations | 563.7 | 555.2 |
| -From other parties | 6.4 | 6.4 |
| **Total Unsecured loans** | **2,051.4** | **2,050.9** |
| **Total Borrowings** | **6,580.1** | **4,629.0** |
| **Total Borrowings represented by:** | | |
| Long-term borrowings | 5,169.1 | 3,724.3 |
| Short-term borrowings | 499.9 | 17.4 |
| Current maturities of long-term borrowings (included in other current liabilities) | 910.03 | 887.3 |
| **Total** | **6,580.1** | **4,629.0** |

To fund our working capital and capital expenditure requirements, we have entered into various loans and facility agreements with various financial institutions. As at March 31, 2019, we had ₹6580.0 million of indebtedness outstanding. All of our indebtedness outstanding as at March 31, 2019 was denominated in Indian Rupees except for U.S.$ 22.36 million and Euros 1.56 million in outstanding loans taken from various equipment vendors.

**Summary of cash flow statement:**

In Mn.

| Particulars | For the Fiscal year ended March 31 | |
|---|---|---|
| | 2019 | 2018 |
| Net cash flow generated from/(used in) operating activities | 985.0 | 978.1 |
| Net cash flow generated from/(used in) investing activities | (2,382.0) | (2,817.0) |
| Net cash flow generated from/(used in) financing activities | 835.1 | 1,612.9 |
| Net cash flows generated for the year | (561.8) | (226.0) |

## Cash flow generated from/ (used in) operating activities

For the fiscal year ended March 31 2019, we had Profit (Loss) before tax of ₹(333.7) million and our operating profit before working capital changes was ₹1,334.4 million. Our cash generated from operations after adjusting for changes in working capital was ₹1,355.5 million. This reflected cash inflow on account of an increase in trade and other payable by ₹461.7 million; and cash outflow on account of an increase in trade receivables by ₹327.6 million and an increase in inventories by ₹27.5 million. After adjusting for changes in working capital and a net income tax payment amounting to ₹370.5 million, our net cash flow generated from operating activities was ₹985.0 million for the fiscal year ended in March 31 2019.

## Cash flow generated from/ (used in) investing activities

For the fiscal year ended March 31, 2019, our net cash flow used in investing activities was ₹2,382.0 million. This reflected payments for property, plant and equipment including margin money deposits amounting to ₹1,990.6 million primarily relating to our completed projects like Borivali, Nagpur and our recently completed comprehensive cancer care centers in Nashik Phase II, Jaipur and Kolkata.

## Cash flow generated from/ (used in) financing activities

For the fiscal year ended March 31, 2019, our net cash flow generated from financing activities was ₹835.1 million. This primarily reflected proceeds from borrowings amounting to ₹3,827.4 million, proceeds from minority shareholders in subsidiaries amounting to ₹55.6 million, which were partially offset by repayment of borrowings amounting to ₹2,532.0 million and interest paid amounting to ₹516.8 million.

**Ratio Analysis: Snapshot of 2019 and 2018.**

In Mn.

| Particulars | For the Fiscal year ended March 31 | |
|---|---|---|
| | 2019 | 2018 |
| **Ratio- Leverage** | | |
| Debt/Equity | 1.3 | 0.8 |
| EBITDA/Interest | 1.9 | 3.1 |
| **Ratio Profitability** | | |
| Operating Profit Margin (in %) | 13.4 | 15.6 |
| Net Profit Margin (in %) | (2.5) | 2.4 |
| Return on equity (in %) | (4.7) | 4.3 |
| RoCE (in %) | 6.8 | 8.3 |
| **Ratios Operations** | | |
| Inventory Turnover Ratio | 8.6 | 8.8 |
| Current Ratio | 0.5 | 0.5 |
| **Ratio- Per Share** | | |
| EPS | (2.8) | 2.3 |
| P/E | (76.5) | 122.9 |
| Market Capitalisation/Total Revenue* | 1.9 | 3.0 |

*Based on Closing share price as on 31st March 2019 on BSE

**Notes:**

1. Return on Equity: PAT/Average Shareholder Equity
2. RoCE: EBIT/Average capital Employed
3. Inventory Turnover Ratio: COGS/Average Inventory of FY18 and FY19
4. Current Ratio: Current Assets /Current Liabilities
5. EPS: PAT post Minority Interest/No. of diluted shares outstanding
6. P/E: Closing share price as on March 31, 2019 as on BSE/EPS

**Credit Rating:**

The long-term credit rating of HCG for FY 19 has been maintained at A (-) by ICRA. (associate of Moody's Investor's services) 'A' Rating for Instruments signifies adequate degree of safety regarding timely servicing of financial obligations.

## INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

At HCG, management has the overall responsibility to design, implement and monitor an effective process and control environment that is aligned to the inherent risk profile of the organization. Management is responsible for the identification, evaluation and management of significant risks. The Company has institutionalized a framework to focus on key risks that might impact achievement of business objectives. The framework entails a structured process to identify, assess and monitor the risks and initiate suitable mitigation strategies for effective risk management. The Board monitors exposure to these risks with the assistance of various committees and senior management.

The internal control framework is designed to manage and mitigate the risks faced by the Company. The company has designed and implemented an entity level control framework setting the control philosophy and principles which guide the organization policy and operating process framework.

The organizational role, responsibility and accountability structures with appropriate performance oversight processes are defined and aligned to provide an enabling environment to the business units and functions to operate as per the design control environment. Review and oversight procedures are designed to monitor effective adherence as per design.

The internal control system is commensurate with the nature of business, size and complexity of operations and has been designed to provide reasonable assurance on the achievement of objectives in effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

As a part of overall governance mechanism around financial reporting and as stipulated under the Companies Act, 2013, Internal Controls over Financial Reporting (ICoFR) framework have been institutionalized. The adequacy and operating effectiveness of the internal controls affecting financial reporting is assessed by the management.

The internal control framework is supplemented with an internal audit program that provides an independent view of the efficacy and effectiveness of the process and control environment and supports a continuous improvement program. The internal audit program is managed by an Internal Audit function with direct reporting to the Audit and Risk Management Committee of the Board.

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

The Internal Audit function provides assurance to the Board and management that a system of internal control is designed and deployed to manage key business risks and is operating effectively.

Management provides action plans to address the observations noted from the internal audit reviews and action plans are monitored towards resolution under the supervision and guidance of the Audit and Risk Management Committee.

The Audit and Risk Management Committee reviews the adequacy and effectiveness of the Company's internal control environment and monitors the implementation of internal audit observations.

## ENTERPRISE RISK MANAGEMENT

HCG operates in a business environment that is characterized by increasing competition and market uncertainties. It is exposed to a number of risks in ordinary course of business. This is inevitable, as there can be no entrepreneurial activity without the acceptance of risks and associated profit opportunities.

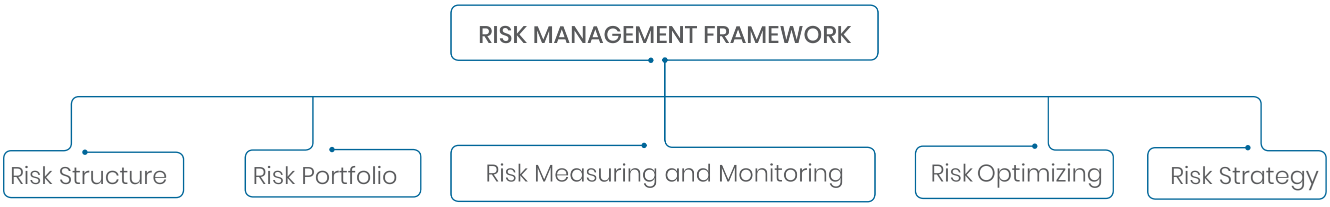
Accordingly, risk management activities at HCG are not aimed at eliminating all risks in their entirety, but rather at helping to identify and assess the risks the company encounters in its daily business. This allows the company to manage the risks in an efficient manner to take informed decisions, to exploit the opportunities available and thereby enhance the value of the company and its stake holders.

**Risk Management Framework:**

The Risk Management framework has been developed and approved by senior management in accordance with the business strategy.

The key elements of the framework include Risk Strategy, Risk Structure, Risk Portfolio, Risk Measuring & Monitoring and Risk Optimizing. The implementation of the framework is supported through criteria for risk assessment and categorization, risk escalation matrix, Risk forms & MIS.

The overall objective of risk management process is to optimize the risk-reward relationship.




## Risk Categorization:

Risk Categorization into different buckets help to prioritize risks, within an entity. It assists management in ensuring that they have captured all categories of organizational risks, not just traditional, financial hazards.

HCG identifies and categorizes risks into:

- Financial Risk
- Reputation Risk
- Regulatory/Legal Risk
- Employee Risk
- Patient/Customer Risk

The Board of Directors considers a number of factors for risk categorization during risk identification and assessment.

## Risk Measuring and Monitoring:

A risk review involves the re-examination of all risks recorded on the risk assessment repository to ensure that the current assessments remain valid and review the progress of risk reduction actions.

Risk Communication and Escalation need to be embedded in the culture of an organization to make it effective. At HCG, the Board of Directors drive the Risk Management Process through its Audit and Risk Management Committee by adopting the following communication and escalation procedure:

Employees continuously identify needs to update / modify the risks and escalate them to their respective Unit / Functional Head.

The respective Unit/ Functional Head or designated personnel collate the identified risks/ modifications and forward the same to the respective Risk Coordinator for collation and escalation to Risk Management Committee. Standard forms for identification/ modification/ deletion of risks are used for this purpose.

The Risk Coordinator collates the risks and forwards the same to the Risk Management Committee on a periodic basis.

The Risk Management and Steering Committee (RMSC) is responsible for reviewing and validating the risks/ modifications for all departments.

The RMSC categorizes and rates the risks (using the risk appetite).

Risk Owners for each risk are identified and approved by RMSC. Risk Owners may be at any level in the organization depending on the nature and categorization (e.g. strategic, operational, compliance or reporting) of the risk.

Designated Risk Coordinator updates the Risk Assessment Repository on the basis of the approvals obtained from the RMSC.

RMC provides half yearly updates to the Chairman & Board of Directors for key risks, their assessment and status of action plans for mitigating these risks.

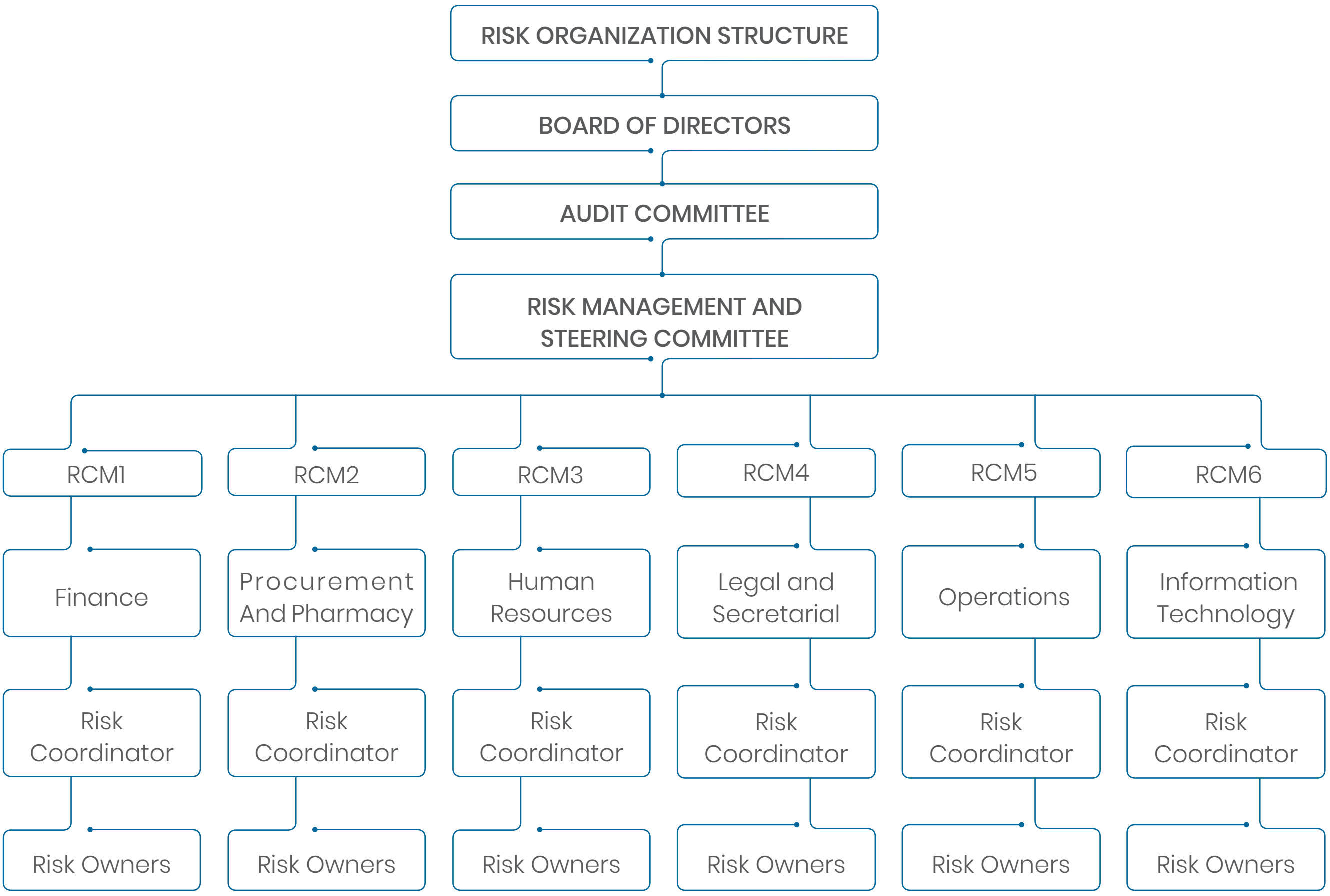
The escalation of key risk information will assist in ensuring that significant risks identified at the line level are available for consideration in the context of the overall operations of the business.

## Risk Management Organization

A robust organizational structure for managing and reporting risks is a prerequisite for an effective risk management process. The organization structure needs to be supported by clearly defined non - overlapping roles and responsibilities which are communicated and understood.

In order to ensure that this policy is followed in letter and spirit, a Risk Management and Steering Committee (RMSC) is constituted comprising of Key personnel nominated from the following departments:

- Operations
- Finance
- Compliance
- Legal
- Procurement & Pharmacy
- IT
- HR




## QUALITY CONTROL AND AUDIT

Monitoring the quality of our patient care is one of our prominent focus. We take action to identify and eliminate the recurrence of any unexpected or adverse incidents. As part of that, we embrace patient feedback, self-examination and peer review. We use these benchmarks to help us deliver high quality patient care in a safe environment and look at ways to continually improve our patient experience.

We review and publish our inpatient services performance against a number of important measures including hygiene, infection rate and patient satisfaction. We use these benchmarks to help us deliver high quality patient care in a safe environment and look at ways to continually improve our patient experience.

We are subject to various internal and external audits, incident reporting and feedback monitoring processes. Internal audits are carried out by members of our staff at each cancer center on a half-yearly basis. Our internal audits are based on standard requirements set out by NABH and may impose corrective and preventive actions, as necessary, for any non-compliance with such requirements.

The quality department of each cancer center reviews all feedback received from patients daily and takes measures to appropriately address such feedback. Incident reports are collected and analysed by the quality departments weekly and appropriate remedial measures are undertaken.

External audits are carried out by NABH at our center of excellence in Bengaluru and at HMS. External audits by NABL and CAP had been carried out at Triesta central reference laboratory. External audits by NABH, NABL and CAP are based on the standards set out by these bodies and are voluntary. The external accrediting bodies also set out certain quality standards, which are monitored by our internal quality departments and a monthly report of quality indicators is presented to our corporate quality team, which oversees the quality functions of our Company. Further, our internal quality teams document the policies and procedures mandated by the accrediting bodies. The accrediting bodies verify these policies and procedures. Our corporate quality team also develops specific quality indicators to monitor clinical outcomes based on documented clinical procedures.

In addition to the above, HCG has also developed case specific clinical protocols for the majority of the oncology cases that we see in the HCG Network. This standardization has helped us in achieving optimum level of care in all units without having to compromise.

Each cancer center also has other committees which are responsible for quality control, such as hospital infection control committees, pharmacy and therapeutics committees, employee grievances committees and ethics committees.

From time to time, AERB also conducts audits at our cancer centers relating to quality assurance of radiation equipment, radiation safety measures taken by our cancer centers, any changes in the representations made by our cancer centers while obtaining the AERB approval and the adequacy of the skills and number of manpower and resources at each cancer center.

We also have a quality management system structured as per the ISO9001:2008 guidelines for quality management systems across our Milann fertility centers. The key quality assurance practices at our Milann fertility centers include standardised treatment and management protocols, service delivery by experts in reproductive medicine, globally accepted medical equipment, regular calibration and maintenance of key equipment, quality control processes such as standardised processes for tests and audits.

Our Milann fertility centers undertake weekly clinical audits aimed at enhancing clinical outcomes, patient safety and care. The clinical audit process reviews and evaluates medical management in line with clinical and scientific best practice standards, clinical success rates, possible causes and courses of action for unsuccessful outcomes, quality metrics for clinical, embryology and laboratory outcomes and policies and action plans for continuous quality improvement.

Employee surveys are carried out twice a year by the human resource departments of each cancer center and the results of such surveys are shared with the quality departments and the management team of each cancer center for remedial measures.

## CLINICAL EXCELLENCE

Clinical excellence is the core premise around which our healthcare operations are structured. Our Group continues to deliver the highest standards of clinical outcomes across all our business verticals. Our standardised clinical protocols for diagnosis and treatment of cancer patients have allowed us to manage the large volume of patient cases across our HCG network with successful clinical outcomes. The five-year survival rate for breast cancer patients at our HCG network is comparable to U.S. benchmarks. (Source: Delivering World-Class Health Care, Affordably, published on Harvard Business Review by Vijay Govindarajan and Ravi Ramamurti, dated November 2013). We believe that we are able to attract and retain highly skilled specialist physicians due to our reputation for clinical excellence, our technology-focused approach, the exposure and experience we provide in relation to clinical best practices and the training programmes we offer for their ongoing development. We believe that the abilities and expertise of our team of specialist physicians differentiate us relative to our competitors.

Department of Clinical excellence at HCG has been instrumental in synergizing the clinical functions at all HCG hospitals. This department under quality and strategy aims to improve the quality of clinical care and usher in uniform standards of care across all HCG centers. This has been facilitated through a systematic change in people, process, and function. Credentialing and privileging have been synergized with the functions and quality indicators of each department thereby ushering a sense of accountability. Identifying training needs and skill development has ensured improvement at the people level. At the process level upgradation of medical record departments, registry, implementation of uniform documentation practices across centers, clinical audits and deficiency monitoring has helped set high standards of clinical practice. Mapping our own clinical outcomes and constantly evolving HCG treatment guidelines has paved way for standardization of clinical pathways and improvement in the functioning of the departments. Research leveraged with genomics has ushered in an era of precision medicine at HCG. Biorepository specimens and the accompanying clinical repository is a treasure trove for novel drug targets and discovery. The department of clinical excellence strives towards an improvement in clinical care and health of the patients transcending beyond oncology. The vision is to make people's lives better than what they had before a cancer diagnosis using caring hands, clinical expertise, and high-end technology.

The Department of Clinical Excellence facilitates:

- Implementation of Uniform documentation standards
- Implementation of Uniform treatment protocols and clinical pathways

- Centralized Cancer registry
- Centralized Clinical repository
- Centralized Biorepository
- R&D activities and Investigator Initiated Trials
- Documentation of outcomes
- Development of clinical audit standards across departments
- Developments of clinical forms

HCG was the host institution to the Second International Cancer Congress (ICC-2017), the largest conglomeration of oncologists in the country. The second chapter of the Indian Cancer Congress (ICC) 2017 at the Clarks Convention Centre in Bengaluru. The aim of the conference, jointly organized by its four major national oncology partners and the Government of Karnataka, was to provide a platform and spread cancer awareness through various initiatives. The theme of the conference was Insight, Innovation, and Integration. The conference also saw active participation from Ministry of AYUSH in launching the National Integrative Cancer program (ICAP). The conference was a scientific treat with around 5000 delegates and several hundred international speakers, discussing and sharing advances in various aspects of cancer Care. The conference saw an active participation from HCG Oncologists in coordinating various specialty symposia and presenting several research publications.

## HUMAN RESOURCES MANAGEMENT – EMPLOYEE RELATIONS AND DEVELOPMENT

The Human Resources (HR) department at HCG is driven by the mission to help HCGians realize their potential – to develop, grow and achieve their purpose, build the right culture and capabilities to enable us to serve our patients and to make HCG the best place to work for passionate, innovative people who want to make a difference.

We believe that we are able to attract and retain highly skilled specialist physicians due to our reputation for clinical excellence, our technology - focused approach, the exposure and experience we provide in relation to clinical best practices and the training programmes we offer for their ongoing development. We believe that the abilities and expertise of our team of specialist physicians differentiate us relative to our competitors. Several of our specialist physicians have received accolades and awards in recognition of their contribution to their respective fields of medicine.

Our senior management team has extensive experience in the management of healthcare businesses. We believe the experience, depth and diversity of our management team, complemented by the clinical expertise and relationship base of our physician Promoters, is a distinct competitive advantage in the complex and rapidly evolving healthcare industry in which we operate.

In order to maintain the quality of care we offer to our patients, our physicians and other medical staff must pursue a rigorous programme of continuing education. We offer a wide range of health education sessions and seminars on-site at our centers and hospitals to our physicians and medical staff, as well as to healthcare professionals outside our network of centers and hospitals. The sessions are led by expert physicians and other healthcare professionals from our network of centers and hospitals, who have first-hand knowledge of the latest clinical developments and research. We believe that these sessions provide an important forum to discuss recent developments to improve patient care and teach our physicians and medical staff new skills. In addition, we believe that they also provide an important opportunity for us to showcase the capabilities of our centers, hospitals and physicians and allow our physicians to grow their referral networks.

We also offer physicians the opportunity to consult with each other on challenging cases and treatments. For example, at our weekly tumour board discussions, we discuss selected complex cases from across our HCG network. This allows knowledge sharing and enables us to develop best practices and protocols which are implemented across our HCG network. We also evaluate the clinical activities of each center and hospital as part of our annual evaluations to ensure that high quality treatments or services are provided to patients.

Furthermore, we have a dedicated learning and development department, which continuously monitors the learning and development activities and ensures that a high quality of service is provided to our patients, thereby improving patient satisfaction. Our learning and development department provides continuing education for quality improvement to our employees. It identifies areas in which training is required, and develops an employee development plan for each employee, pursuant to which employees are provided various skill enhancement trainings.

At our center of excellence in Bengaluru, we offer a Diplomate of National Board medical residency programme for radiation oncology, medical oncology and pathology, in affiliation with the National Board of Examination.

In addition, we offer various certificate medical and nursing courses on oncology, a paramedical course on advanced radiotherapy technology, a laboratory research course and various other medical and non-medical courses for our employees.

Our Milann fertility centers also offer a post-graduate fellowship programme in reproductive medicine services to fertility specialists, in affiliation with the National Board of Examination. Additionally, our Milann fertility centers offer training programmes in IVF for fertility specialists and embryologists. We believe that these education and training programmes are critical capabilities that we have and these enable us to develop an in house trained team of specialist physicians.

## FORWARD LOOKING STATEMENT

Except for the historical information contained herein, statements in this discussion contain contains certain “forward-looking statements”. These forward-looking statements generally can be identified by words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “objective”, “plan”, “project”, “will”, “will continue”, “will pursue” or other words or phrases of similar import. Similarly, statements that describe our Company’s strategies, objectives, plans or goals are also forward-looking statements. These forward looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to, our ability to successfully implement our strategy, future business plans, our growth and expansion in business, the impact of any acquisitions, our financial capabilities, technological implementation and changes, the actual growth in demand for our services, cash flow projections, our exposure to market risks as well as other general risks applicable to the business or industry.

The Company undertakes no obligation to update forward looking statements to reflect events or circumstances after the date thereof. These discussions and analysis should be read in conjunction with the Company’s financial Statements included herein and the notes thereto.

# Standalone Financial Statements

# Independent Auditors' Report

To the Members of

**HealthCare Global Enterprises Limited**

## Report on the Audit of the Standalone Financial Statements

### Opinion

We have audited the standalone financial statements of HealthCare Global Enterprises Limited ("the Company"), which comprise the balance sheet as at 31 March 2019, and the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Standalone Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements 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 opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment testing of goodwill and investments in subsidiaries** | |
| Goodwill and investments are significant items on the balance sheet. With respect to investment in subsidiaries, Management assesses at each reporting date if there is an indication, based on either internal or external sources of information, that investments in subsidiaries may be impaired. Where such indicators exist, management performs impairment testing. For Goodwill, Management performs impairment testing annually.<br><br>In performing such impairment assessments, Management compares the carrying value of each of the identifiable cash generating units ("CGUs") to which goodwill/investments have been allocated with their respective 'value in use' computed based on discounted cash flow method and/or market comparable method to determine if any impairment loss should be recognized. | Our audit procedures on testing for impairment of goodwiil and investments in subsidiaries primarily includes the following:<br><br>• test of design and operating effectiveness of internal controls process relating to impairment testing;<br><br>• evaluated management's identification of CGU's, the carrying value of each CGU and the methodology followed by management for the impairment assessment in compliance with the prevailing accounting standards;<br><br>• evaluated appropriateness of key assumptions included in the future cash flow forecasts used in computing recoverable amount of each CGU, such |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| We focused on this area due to the magnitude of the carrying amounts of these assets and the fact that significant judgments were required by Management (i) to identify whether any impairment indicators existed for any of these assets during the year; and (ii) to compute and determine the appropriate impairment approaches, i.e. fair value less costs of disposal or value in use.<br><br>Refer note 6 and 7 to the standalone financial statements. | as, revenue growth rates, profitability, discount rates etc., with reference to our understanding of their business and historical trends; and<br><br>• re-computation of impairment workings to verify mathematical accuracy and verify the appropriateness of the disclosure in the standalone financial statements. |
| **Property, plant and equipment** | |
| During the current year, the Company has been involved in establishing new units and expansion of existing units at several locations. The Company has incurred significant capital expenditure and Property, plant and equipment (PPE) is a significant item on the balance sheet. Judgment is required in determining timing of capitalization and the nature of costs capitalized.<br><br>Refer note 5 to the standalone financial statements. | Our audit procedures on PPE in response to the identified key audit matter include:<br><br>• test of design and operating effectiveness of internal controls process relating to capitalization of PPE;<br><br>• testing on a sample basis, additions to PPE to verify the existence, nature of costs capitalized with underlying supporting documents/ management certification and classification of PPE;<br><br>• verify on a sample basis, internal management or external expert certification on timing of capitalization; and<br><br>• inquired with management on variances between actual expenditure and the related budgets. |

**Information Other than the Standalone Financial Statements and Auditors' Report Thereon**

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the standalone financial statements and our auditors' report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears 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 that fact. We have nothing to report in this regard.

## Management's Responsibility for the Standalone Financial Statements

The Company's management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors is also responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions 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 the related disclosures in the standalone financial statements 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

   (A) As required by Section 143(3) of the Act, we report that:

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

   b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

   c) The balance sheet, the statement of profit and loss (including other comprehensive income), the statement of changes in equity and the statement of cash flows dealt with by this Report are in agreement with the books of account.

   d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under section 133 of the Act.

   e) On the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act.

   f) With respect to the adequacy of the internal financial controls with reference to standalone financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

   (B) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

   i. The Company has disclosed the impact of pending litigations as at 31 March 2019 on its financial position in its standalone financial statements - Refer Note 31 to the standalone financial statements;

   ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

   iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company;

   iv. The disclosures in the standalone financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March 2019.

   (C) With respect to the matter to be included in the Auditors' Report under section 197(16):

   In our opinion and according to the information and explanations given to us, the remuneration paid by the Company to its directors 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 under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

*For* **B S R & Co. LLP**
*Chartered Accountants*
Firm's Registration No. 101248W/W-100022

**Amit Somani**
*Partner*
Membership No: 060154

Place: Bengaluru
Date: 23 May 2019

# Annexure-A to the Independent Auditor's Report

**of even date on the standalone financial statements of HealthCare Global Enterprises Limited**

With reference to the Annexure A referred to in the Independent Auditor's Report to the members of the Company on the standalone financial statements for the year ended 31 March 2019, we report the following:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of 3 years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, certain fixed assets were physically verified during the year. No material discrepancies were noticed on such verification.

(c) In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company except the following immovable properties:

(₹ in millions)

| Total number of cases | Gross block | Net Block | Remarks, if any |
|---|---|---|---|
| Freehold land -3 cases | 132.08 | 132.08 | |
| Building – 3 cases | 455.61 | 357.42 | The buildings referred to here are on the freehold land referred above. |

(ii) The inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. The discrepancies noticed on verification between the physical stock and the book records were not material.

(iii) The Company has granted loans to two companies and a Limited Liability Partnership ('LLP') covered in the register maintained under section 189 of the Companies Act, 2013 ("the Act").

(a) In our opinion and according to the information and explanations given to us, the terms and conditions on which the loans had been granted to a company and a LLP listed in the Register maintained under Section 189 of the Act are not prejudicial to the Company's interest.

(b) According to the information and explanations given to us, for the loans granted, terms and conditions with respect to repayment of principal and payment of interest are not stipulated. We are therefore unable to make specific comment on the regularity of repayment of principal and payment of interest.

(c) For similar reasons as explained in (iii) (b) above, in relation to these loans, we are unable to make a specific comment on amounts being overdue for more than ninety days. During the earlier years, due to the adverse business performance of a subsidiary company, the outstanding loan was fully provided for.

(iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Act, with respect to the loans given, investments made, guarantees and securities given.

(v) The Company has not accepted any deposits from the public within the meaning the directives issued by the Reserve Bank of India, provisions of Section 73 to 76 of the Act, any other relevant provisions of the Act and the relevant rules framed thereunder.

(vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 148 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of such records.

(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident fund, Employees' State Insurance, Income-tax, Goods and Services tax, duty of Customs, and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Employees' State Insurance, Income-tax, Goods and Services tax, duty of Customs and other material statutory dues were in arrears as at 31 March 2019, for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of income Tax or sales Tax or service Tax or duty of customs or duty of excise or value added tax or goods and service tax which have not been deposited by the Company on account of disputes, except for the following:

| Name of the statute | Nature of the dues | Amount (₹ in million)# | Period to which the amount relates | Forum where dispute is pending |
|---|---|---|---|---|
| Andhra Pradesh Value Added Tax Act, 2005 | Value Added Tax | 2.5 (0.4)* | Financial year 2011-12 to financial year 2014-15 | High Court of Judicature at Hyderabad, for the state of Telangana and the state of Andhra Pradesh |
| The Central Excise Act, 1944 | Excise duty | 15.20 (0.6)* | April 2009 to March 2014 | Central Excise, Customs and Service Tax Appellate Tribunal (CESTAT) |
| The Central Excise Act, 1944 | Excise duty | 13.14 | March 2013 to June 2015 | Commissioner( Appeals) of Central Excise |
| The Karnataka Value Added Tax Act, 2003 | Value Added Tax | 29.80 (8.9)* | Financial year 2013-14 to financial year 2014-15 | Joint Commissioner, Department of Commercial Taxes, Bangalore |
| The Karnataka Tax on Entry of Goods Act, 1979 | Entry Tax | 6.11 (1.38)* | Financial year 2013-14 | Deputy Commissioner of Commercial Taxes, Bangalore |
| The Central Sales Tax Act, 1956 | Value Added Tax | 18.86 (1.38)* | Financial year 2014-15 to financial year 2016-17 | Deputy Commissioner of Commercial Taxes, Bangalore |

*represents amount paid under protest

#the amounts disclosed above includes interest and penalties demanded, wherever applicable.

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to financial institutions and banks. The Company did not have any outstanding loans or borrowings from government and there are no dues to debenture holders during the year.

(ix) According to the information and explanations given to us and based on examination of the records of the Company, the term loans obtained during the year were applied for the purpose for which they were obtained. The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year.

(x) According to the information and explanations given to us, no material fraud on the Company by its officers and employees or fraud by the Company has been noticed or reported during the course of our audit.

(xi) In our opinion and according to the information and explanations given to us and based on examination of the records of the Company, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

(xii) According to the information and explanations given to us, in our opinion, the Company is not a Nidhi Company as prescribed under Section 406 of the Act.

(xiii) According to the information and explanations given to us and based on our examination of the records of the Company, all transactions with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable, and details of such transactions have been disclosed in the standalone financial statements as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has complied with the provisions of Section 42 of the Act in respect of preferential allotment of shares during the year. Further, no amounts have been raised from the preferential allotment of shares during the year as the allotment was the consideration towards business acquisition by the Company.

(xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him.

(xvi) According to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

*for* **B S R & Co. LLP**

*Chartered Accountants*

Firm's Registration No: 101248W/W-100022

**Amit Somani**

*Partner*

Membership No: 060154

Place: Bengaluru
Date: 23 May 2019

# Annexure B to the Independent Auditors' Report

**on the standalone financial statements of HealthCare Global Enterprises Limited for the year ended 31 March 2019**

## Report on the internal financial controls with reference to the aforesaid standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

## Opinion

We have audited the internal financial controls with reference to standalone financial statements of HealthCare Global Enterprises Limited ("the Company") as of 31 March 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to standalone financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls with reference to standalone financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

## Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to standalone financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

## Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to standalone financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to standalone financial statements were established and maintained and whether such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to standalone financial statements and their operating effectiveness. Our audit of internal financial controls with reference to standalone financial statements included obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to standalone financial statements.

## Meaning of Internal Financial controls with Reference to Standalone Financial Statements

A company's internal financial controls with reference to standalone financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of standalone financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to standalone financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of standalone financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the standalone financial statements.

## Inherent Limitations of Internal Financial controls with Reference to Standalone Financial Statements

Because of the inherent limitations of internal financial controls with reference to standalone financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to standalone financial statements to future periods are subject to the risk that the internal financial controls with reference to standalone financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

*for* **B S R & Co. LLP**
*Chartered Accountants*
Firm's Registration No: 101248W/W-100022

**Amit Somani**
*Partner*
Membership No: 060154

Place: Bengaluru
Date: 23 May 2019

# Balance Sheet

(₹ in million)

| Particulars | Note No | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| (a) Property, plant and equipment | 5 | 4,916.37 | 4,390.74 |
| (b) Capital work-in-progress | 5 | 1,041.14 | 791.11 |
| (c) Goodwill | 6 | 484.52 | 484.52 |
| (d) Other intangible assets | 6 | 66.97 | 44.75 |
| (e) Financial assets | | | |
| (i) Investments | 7 | 2,990.36 | 2,188.45 |
| (ii) Loans | 8 | 452.32 | 338.29 |
| (iii) Other financial assets | 9 | 793.20 | 293.47 |
| (f) Deferred tax assets (net) | 30.3 | 31.42 | 91.02 |
| (g) Income tax assets (net) | 30.4 | 464.19 | 174.65 |
| (h) Other non-current assets | 10 | 489.21 | 349.28 |
| **Total non-current assets** | | **11,729.70** | **9,146.28** |
| **Current assets** | | | |
| (a) Inventories | 11 | 163.40 | 171.03 |
| (b) Financial assets | | | |
| (i) Trade receivables | 12 | 1,455.99 | 1,262.13 |
| (ii) Cash and cash equivalents | 13 | 85.40 | 153.11 |
| (iii) Loans | 8 | 128.39 | 29.21 |
| (iv) Other financial assets | 9 | 241.39 | 181.40 |
| (c) Other current assets | 10 | 231.50 | 179.51 |
| **Total current assets** | | **2,306.07** | **1,976.39** |
| **TOTAL ASSETS** | | **14,035.77** | **11,122.67** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| (a) Equity share capital | 14 | 879.19 | 869.04 |
| (b) Share pending issuance | 14.6 | - | 299.75 |
| (c) Other equity | 15 | 5,568.00 | 5,215.61 |
| **Total equity** | | **6,447.19** | **6,384.40** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| (a) Financial liabilities | | | |
| (i) Borrowings | 16 | 3,461.49 | 2,172.43 |
| (ii) Other financial liabilities | 17 | 297.53 | 221.13 |
| (b) Provisions | 19 | 43.90 | 37.29 |
| (c) Other non-current liabilites | 18 | 119.11 | 100.21 |
| **Total non-current liabilities** | | **3,922.03** | **2,531.06** |

# Balance Sheet

(₹ in million)

| Particulars | Note No | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **Current liabilities** | | | |
| (a) Financial liabilities | | | |
| (i) Borrowings | 16 | 499.88 | 17.35 |
| (ii) Trade payables | 20 | | |
| Total outstanding dues of micro enterprises and small enterprises | | 1.39 | - |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | | 1,351.18 | 1,144.24 |
| (iii) Other financial liabilities | 17 | 1,559.18 | 781.27 |
| (b) Other current liabilites | 18 | 194.41 | 212.38 |
| (c) Provisions | 19 | 60.51 | 51.97 |
| **Total current liabilities** | | **3,666.55** | **2,207.21** |
| **TOTAL EQUITY AND LIABILITIES** | | **14,035.77** | **11,122.67** |
| **Significant accounting policies** | 3 | | |

The accompanying notes are an integral part of these standalone financial statements

As per our reports of even date attached

for **B S R & Co. LLP**
*Chartered Accountants*
Firm's registration number: 101248W/W -100022

**Amit Somani**
*Partner*
Membership number: 060154

Place : Bengaluru
Date : 23 May 2019

*for* **and on behalf of the Board of Directors**
HealthCare Global Enterprises Limited

**Dr. B.S. Ajaikumar**
*Chairman and CEO*
DIN: 00713779

**Dr. Ramesh B.S.**
*Director*
DIN: 00518434

**Srinivasa Raghavan**
*Chief Financial Officer*

**Sunu Manuel**
*Company Secretary*

Place : Bengaluru
Date : 23 May 2019

Place : Bengaluru
Date : 23 May 2019

HCG adding life to years

# Statement of Profit and Loss

(₹ in million)

| | Particulars | Note No. | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|---|---|
| **I** | **Income** | | | |
| | Revenue from operations | 21 | 6,404.99 | 5,862.67 |
| | Income from government grants | 22 | 9.26 | 5.99 |
| | Other income | 23 | 125.50 | 159.26 |
| | **Total Income (I)** | | **6,539.75** | **6,027.92** |
| **II** | **Expenses** | | | |
| | Purchases of medical and non-medical items | | 1,525.40 | 1,578.23 |
| | Changes in inventories of medical and non-medical items | 24 | 7.67 | (26.65) |
| | Employee benefits expense | 25 | 1,303.21 | 1,155.84 |
| | Finance costs | 26 | 478.10 | 267.96 |
| | Depreciation and amortisation expense | 27 | 471.72 | 439.20 |
| | Other expenses | 28 | 2,628.00 | 2,273.97 |
| | **Total expenses (II)** | | **6,414.10** | **5,688.55** |
| **III** | **Profit before exceptional items and tax (I- II)** | | **125.65** | **339.37** |
| **IV** | **Exceptional items** | 29 | **-** | **29.35** |
| **V** | **Profit before tax (III+IV)** | | **125.65** | **368.72** |
| **VI** | **Tax expense** | | | |
| | (1) Current tax expenses/(credit) | 30.1 | (28.30) | 86.30 |
| | (2) Deferred tax expenses | 30.1 | 81.50 | 33.52 |
| | **Total tax expense** | | **53.20** | **119.82** |
| **VII** | **Profit for the year (V-VI)** | | **72.45** | **248.90** |
| **VIII** | **Other comprehensive income** | | | |
| | (i) Items that will not be reclassified subsequently to profit or loss | | | |
| | - Remeasurements of the defined benefit plans | | 1.20 | (2.99) |
| | - Income tax effect on (i) above | 30.2 & 30.3 | (0.40) | 1.03 |
| | (ii) Items that will be reclassified to profit or loss | | | |
| | - Effective portion of loss on hedging instruments in a cash flow hedge | | (64.30) | - |
| | - Income tax on (ii) above | 30.2 & 30.3 | 22.34 | - |
| | Other comprehensive expenses for the year, net of tax | | (41.16) | (1.96) |
| **XI** | **Total comprehensive income for the year (VII+VIII)** | | **31.29** | **246.94** |
| | **Earnings per share:** | | | |
| | Basic (in ₹) | 33.1 | 0.83 | 2.89 |
| | Diluted (in ₹) | 33.2 | 0.82 | 2.89 |
| | **Significant accounting policies** | 3 | | |

The accompanying notes are an integral part of these standalone financial statements

As per our reports of even date attached

for **B S R & Co. LLP**
*Chartered Accountants*
Firm's registration number: 101248W/W -100022

**Amit Somani**
*Partner*
Membership number: 060154

Place : Bengaluru
Date : 23 May 2019

*for* **and on behalf of the Board of Directors**
HealthCare Global Enterprises Limited

**Dr. B.S. Ajaikumar**
*Chairman and CEO*
DIN: 00713779

**Dr. Ramesh B.S.**
*Director*
DIN: 00518434

**Srinivasa Raghavan**
*Chief Financial Officer*

**Sunu Manuel**
*Company Secretary*

Place : Bengaluru
Date : 23 May 2019

Place : Bengaluru
Date : 23 May 2019

# Cash Flow Statement

(₹ in million)

| Particulars | Note No | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Profit before tax for the year** | | **125.65** | **368.72** |
| **Adjustment for :-** | | | |
| Finance costs | | 478.10 | 267.96 |
| Gain on investment revalued at FVTPL | | (3.34) | (3.61) |
| Gain on sale of mutual fund | | - | (1.14) |
| Guarantee commission income | | (31.15) | (19.45) |
| Loss on disposal of property, plant and equipment | | 0.13 | 0.35 |
| Provision for bad and doubtful trade receivables and advances | | 34.43 | (63.45) |
| Interest income | | (59.66) | (92.83) |
| Income from government grant | | (9.26) | - |
| Bad debts written off | | - | 100.11 |
| Depreciation and amortisation expense | | 471.72 | 439.20 |
| Payables no longer required written-back | | - | (22.00) |
| Expense on employee stock option scheme | | 30.56 | 27.09 |
| Exceptional items: | | | |
| Gain on sale of a unit | 29.1 | - | (61.37) |
| Gain on sale of subsidiary | 29.2 | - | (44.44) |
| Net loss pertaining to closure of Delhi unit | 29.3 | - | 76.46 |
| Net foreign exchange (gain) | | (5.06) | - |
| **Movements in working capital:** | | | |
| Changes in trade and other receivables | | (214.22) | (339.92) |
| Changes in inventories | | 7.63 | (36.27) |
| Changes in loans, financial assets and other assets other than security deposits | | (60.87) | (63.83) |
| Security deposits paid | | (24.78) | (101.80) |
| Changes in trade payables, financial liabilities and other liabilities | | 391.00 | 134.19 |
| Changes in provisions | | 16.40 | 20.39 |
| Changes in other liabilities | | (16.20) | 64.19 |
| **Cash generated from operations** | | **1,131.08** | **648.55** |
| Income taxes paid (net of refunds) | | (261.20) | 14.90 |
| **Net cash generated by operating activities (A)** | | **869.88** | **663.45** |
| **Cash flows from investing activities** | | | |
| Margin money deposits, net | | (24.34) | (14.90) |
| Inter-corporate deposits paid | | (57.00) | (818.00) |
| Proceeds from repayment of inter-corporate deposits | | 20.00 | 804.30 |
| Acquisition of property, plant and equipment | | (1,234.37) | (1,041.40) |
| Interest received | | 31.66 | 37.26 |
| Investment in subsidiaries | | (692.13) | (698.95) |
| Investment in associates | | (5.33) | - |
| Investment in debtentures | | - | (50.00) |

# Cash Flow Statement

(₹ in million)

| Particulars | Note No | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|---|
| Redemption of debentures | | - | 50.00 |
| Proceeds from sale of investment in subsidiary | 29.2 | - | 212.31 |
| Loans to related parties | | (6.07) | (240.07) |
| Proceed of Loan repayment from related parties | | 5.40 | - |
| Proceeds from disposal of property, plant and equipment | | 0.96 | 3.70 |
| Acquisition of business, net of cash and cash equivalents | 43 | (70.25) | (78.94) |
| Investment in other companies | | (51.47) | (3.14) |
| Payment to minority shareholder with respect to the merged entity (net) | 47 | - | (9.15) |
| Gain on sale of mutual funds | | - | 1.14 |
| **Net cash (used in) investing activities (B)** | | **(2,082.94)** | **(1,845.84)** |
| **Cash flows from financing activities$** | | | |
| Proceeds from issue of equity instruments of the Company | | 0.93 | 348.09 |
| Proceeds from borrowings* | | 2,578.04 | 2,197.00 |
| Repayment of borrowings* | | (1,519.70) | (1,406.13) |
| Interest paid | | (396.45) | (228.66) |
| *Includes ₹ 182 million (FY 18 ₹ 540.59 million) of term loans drawn from banks towards settlement of deferred payment obligations. | | | |
| **Net cash generated by financing activities (C)** | | **662.82** | **910.30** |
| **Net decrease in cash and cash equivalents (A+B+C)** | | **(550.24)** | (272.09) |
| Cash and cash equivalents at the beginning of the year | 13 | 135.76 | 408.07 |
| Cash and cash equivalents on sale of unit during the year | | - | (0.22) |
| **Cash and cash equivalents at the end of the year (refer note 13)** | 13 | **(414.48)** | **135.76** |

## $Reconciliation of movements of liabilities to cash flows arising from financing activities as an extraction of cash flow as at 31 March 2019

(₹ in million)

| Particulars | Term loan from bank and others | Deferred payment liabilities | Vehicle loan | Finance leases | Other borrowing cost | Total |
|---|---|---|---|---|---|---|
| **Debt as at 1 April 2018** | **1,630.55** | **423.88** | **7.78** | **555.17** | **-** | **2,617.38** |
| Interest accrued but not due as at 1 April 2017 | 13.95 | - | - | 107.55 | - | 121.50 |
| **Cash flows including interest paid** | **723.64** | **152.48** | **(2.06)** | **(67.17)** | **(145.00)** | **661.89** |
| - Ind AS adjustment with respect to unamortised loan processing charges | (14.81) | - | - | - | - | (14.81) |
| - Unrealised forex arrangment | - | 28.49 | - | - | (29.29) | (0.80) |
| - Interest expense* | 204.90 | 11.67 | 0.49 | 81.25 | 179.79 | 478.10 |
| - Interest on business acquisition | - | - | - | - | (5.50) | (5.50) |
| Interest accrued but not due as at 31 March 2019 | (15.12) | - | - | (121.63) | - | (136.75) |
| **Debt as at 31 March 2019** | **2,543.11** | **616.52** | **6.21** | **555.17** | **-** | **3,721.01** |

*Interest on other borrowing cost include interest on Short term borrowings, premium on forward contracts, foreign exchange loss regarded as borrowing cost, bank charges etc.

# Cash Flow Statement

### $Reconciliation of movements of liabilities to cash flows arising from financing activities as an extraction of cash flow as at 31 March 2018

(₹ in million)

| Particulars | Term loan from bank and others | Deferred payment liabilities | Vehicle loan | Finance leases | Total |
|---|---|---|---|---|---|
| **Debt as at 1 April 2017** | **494.11** | **781.64** | **1.94** | **490.55** | **1,768.24** |
| Interest accrued but not due as at 1 April 2017 | 29.95 | - | - | 72.73 | 102.68 |
| **Cash flows including interest paid**** | **1,036.61** | **(378.24)** | **5.39** | **(45.55)** | **618.21** |
| Other Changes | | | | | |
| - Ind AS adjustment with respect to unamortised loan processing charges | (36.79) | - | - | - | (36.79) |
| - Unrealised forex Adjustment | - | 1.01 | - | - | 1.01 |
| - Interest expense* | 120.62 | 19.47 | 0.44 | 70.42 | 210.95 |
| - Finance lease arrangement for the year | - | - | - | 74.57 | 74.57 |
| Interest accrued but not due as at 31 March 2018 | (13.95) | - | - | (107.55) | (121.50) |
| **Debt as at 31 March 2018** | **1,630.55** | **423.88** | **7.77** | **555.17** | **2,617.37** |

**The above interest paid does not include other borrowing costs and interest paid of ₹ 56.01 million in respect of other facilities like bank overdraft which is not considered above.

*Interest expense accrued for the year has been converted to borrowings.

**Significant accounting policies** 3

The accompanying notes are an integral part of these standalone financial statements

As per our reports of even date attached

for **B S R & Co. LLP**
*Chartered Accountants*
Firm's registration number: 101248W/W -100022

**Amit Somani**
*Partner*
Membership number: 060154

Place : Bengaluru
Date : 23 May 2019

*for* **and on behalf of the Board of Directors**
HealthCare Global Enterprises Limited

**Dr. B.S. Ajaikumar**
*Chairman and CEO*
DIN: 00713779

**Dr. Ramesh B.S.**
*Director*
DIN: 00518434

**Srinivasa Raghavan**
*Chief Financial Officer*

**Sunu Manuel**
*Company Secretary*

Place : Bengaluru
Date : 23 May 2019

Place : Bengaluru
Date : 23 May 2019

# Statement of Changes in Equity for the years ended 31 March 2019 and 31 March 2018

## a. Equity share capital

| Particulars | No of Shares | (₹ in million) |
|---|---|---|
| **Balance as at 01 April 2017** | **85,712,986** | **857.13** |
| Changes in equity share capital during the year | | |
| (a) Issue of equity shares pursuant to preferential allotment (refer note 14.1) | 1,166,667 | 11.66 |
| (b) Issue of equity shares pursuant to exercise of employee share options under employee share option plan 2014 (refer note 37(c)) | 24,820 | 0.25 |
| **Balance as at 31 March 2018** | **86,904,473** | **869.04** |
| (a) Issue of equity shares pursuant to preferential allotment (refer note 14.1) | 934,500 | 9.35 |
| (b) Issue of equity shares pursuant to exercise of employee share options under employee share option plan 2010 and 2014 (refer note 37(c)) | 80,060 | 0.80 |
| **Balance as at 31 March 2019** | **87,919,033** | **879.19** |

## b. Share pending issuance

| | (₹ in million) |
|---|---|
| **Balance as at 01 April 2017** | - |
| Add: During the year (refer note 43) | 299.75 |
| **Balance as at 31 March 2018** | **299.75** |
| Less: Share issued during the year (refer note 14.1 & 14.6) | (299.75) |
| **Balance as at 31 March 2019** | - |

## c. Other equity

(₹ in million)

| Particulars | Note No. | Reserves and surplus | | | | Items of other comprehensive income | | |
|---|---|---|---|---|---|---|---|---|
| | | Securities premium | Share options outstanding account | Retained earnings | Amalgamation adjustment deficit account (refer note 47) | Cash flow hedging reserve | Remeasurements of the defined benefit plan | Total other equity |
| **Balance as at 01 April 2017** | | **4,945.44** | **12.17** | **(339.49)** | **(23.47)** | **-** | **0.11** | **4,594.76** |
| Profit for the year | | - | - | 248.90 | - | - | - | 248.90 |
| Other comprehensive income for the year (net of tax) | | - | - | - | - | - | (1.96) | (1.96) |
| Adjustment towards common control transaction (refer note 47) | | - | - | - | 9.56 | - | - | 9.56 |
| **Total comprehensive income** | | **-** | **-** | **248.90** | **9.56** | **-** | **(1.96)** | **256.50** |

# Statement of Changes in Equity for the years ended 31 March 2019 and 31 March 2018

## c. Other equity (Contd..)

(₹ in million)

| Particulars | Note No. | Reserves and surplus | | | | Items of other comprehensive income | | Total other equity |
|---|---|---|---|---|---|---|---|---|
| | | Securities premium | Share options outstanding account | Retained earnings | Amalgamation adjustment deficit account (refer note 47) | Cash flow hedging reserve | Remeasurements of the defined benefit plan | |
| **Transactions recorded directly in equity** | | | | | | | | |
| Premium received on shares issued during the year | | 338.34 | - | - | - | - | - | 338.34 |
| Share issue expenses incurred during the year | 15.1 | (1.08) | - | - | - | - | - | (1.08) |
| Transferred to Securities premium account on exercise of ESOPs | 15.2 | 2.18 | (2.18) | - | - | - | - | - |
| Expense on employee stock option scheme | | - | 27.09 | - | - | - | - | 27.09 |
| **Balance as at 31 March 2018** | | **5,284.88** | **37.08** | **(90.59)** | **(13.91)** | **-** | **(1.85)** | **5,215.60** |
| Profit for the year | | - | - | 72.45 | - | - | - | 72.45 |
| Other comprehensive income for the year (net of tax) | | - | - | - | - | (41.96) | 0.80 | (41.16) |
| **Total comprehensive income** | | **-** | **-** | **72.45** | **0.00** | **(41.96)** | **0.80** | **31.29** |
| **Transactions recorded directly in equity** | | | | | | | | |
| Premium on shares issued during year | 15.1 | 290.63 | - | - | - | - | - | 290.63 |
| Share issue expenses incurred during the year | 15.1 | (0.09) | - | - | - | - | - | (0.09) |
| Transferred to Securities premium account on exercise of ESOPs | 15.2 | 11.93 | (11.93) | - | - | - | - | - |
| Expense on employee stock option scheme | | - | 30.56 | - | - | - | - | 30.56 |
| **Balance as at 31 March 2019** | | **5,587.35** | **55.71** | **(18.14)** | **(13.91)** | **(41.96)** | **(1.05)** | **5,568.00** |

# Statement of Changes in Equity for the years ended 31 March 2019 and 31 March 2018

## c. Other equity (Contd..)

**Securities premium**

Securities premium is used to record the premium on issue of equity shares. The reserve is utilised in accordance with the provisions of the Companies Act, 2013.

**Share option outstanding Account**

The Company has employee stock option plans for eligible employees of the Company and its group companies. Refer note 37 for further details on these plans

**Retained earnings**

Retained earnings represent the amount of accumulated earnings of the Company.

**Amalgamation adjustment deficit account**

It represents excess of consideration over carrying value of net assets (including reserves) in case of common control business combination. This amount will be adjusted in determining the surplus available for dividend distribution.

**Cash flow hedging reserve**

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of designated portion of hedging instruments entered into for cash flow hedges.

**Remeasurement of defined benefit plan**

This represents the acturial gain and losses on defined benefit plan (excluding interest).

**Significant accounting policies** **3**

The accompanying notes are an integral part of these standalone financial statements

As per our reports of even date attached

for **B S R & Co. LLP**
*Chartered Accountants*
Firm's registration number: 101248W/W -100022

**Amit Somani**
*Partner*
Membership number: 060154

Place : Bengaluru
Date : 23 May 2019

*for* **and on behalf of the Board of Directors**
HealthCare Global Enterprises Limited

**Dr. B.S. Ajaikumar**
*Chairman and CEO*
DIN: 00713779

**Dr. Ramesh B.S.**
*Director*
DIN: 00518434

**Srinivasa Raghavan**
*Chief Financial Officer*

**Sunu Manuel**
*Company Secretary*

Place : Bengaluru
Date : 23 May 2019

Place : Bengaluru
Date : 23 May 2019

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

1 HealthCare Global Enterprises Limited ('the Company') is engaged in setting up and managing hospitals and medical diagnostic services including scientific testing and consultancy services in the pharmaceutical and medical sector. The Company is a public company incorporated and domiciled in India and has its registered office at #8, P. Kalinga Rao Road, Sampangi Ram Nagar, Bengaluru – 560 027.

The standalone financial statements for the year ended 31 March 2019 were approved by the Board of Directors and authorised for issue on 23 May 2019.

## 2.1 Basis of preparation of the financial statements

### (a) Statement of compliance

These standalone financial statements have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016, as applicable.

### (b) Going concern basis

The Company has positive operating cash flows during the year and expects continuous increase in operating cash flows in future periods. As at the balance sheet date, the Company's current liabilities exceeds its current assets, however, considering positive operating cash flows, current and in future periods, and also the unutilized approved sanction limits available with banks, which would suffice to meet all its obligations and discharge all liabilities including planned investing activities, the financial statements are prepared on a going concern basis.

### (c) Functional and presentation currency

These standalone financial statements are presented in Indian Rupees (Rs), which is also the Company's functional currency. All amounts are in Indian Rupees million except share data and per share data, unless otherwise stated.

### (d) Basis of measurement

The standalone financial statements have been prepared on the historical cost basis except for the following items:

| Items | Measurement |
|---|---|
| Certain financial assets and liabilities | Fair Value |
| Net defined benefit (asset)/liability | Fair Value of plan assets less present value of defined benefit obligations |

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### (e) Use of estimates and judgements

In preparing these standalone financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised prospectively.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### *Judgements*

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the standalone financial statements is included in the following notes:

- Note 35 - Leasing arrangements.
- Note 37 - Share based payments.
- Note 38 - Financial instruments.
- Note 5 - Property, plant and equipment: Timing of capitalisation and nature of cost capitalised

#### *Assumptions and estimation uncertainties*

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 March 2019 is included in the following notes:

- Note 5 - Estimation of useful life of property, plant and equipment
- Note 40 - Impairment of financial assets.
- Note 30.3 - Deferred tax balances (net).
- Note 31 - Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

- Note 36 - Employee benefit plans: key actuarial assumptions.
- Note 6 - Goodwill impairment assessment

**(f) Measurement of fair values**

The Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company's has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurement, including level 3 fair values, and reports directly to the chief financial officer.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e.as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company's uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company's recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

## 3 Summary of significant accounting policies

**(a) Revenue recognition**

Effective 01 April 2018, the Company adopted Ind AS 115 "Revenue from Contracts with Customers" using the modified retrospective method. The adoption of this standard does not have a material impact on the revenue from operations and the statement of profit/loss for the year ended 31 March 2019. Accordingly, the comparatives were not restated given the Company adopted the standard using modified retrospective method. The comparatives continue to be reported under Ind AS 18 and Ind AS 11.

### Medical services

Revenue primarily comprises fees charged for inpatient and outpatient hospital services. Services include charges for accommodation, medical professional services, equipment, radiology, laboratory and pharmaceutical goods used in treatments given to patients. Revenue from hospital services are recognized as and when services are performed, unless significant future uncertainties exist. The Company assess the distinct performance obligation in the contract and measures to at an amount that reflects the consideration it expects to receive net of tax collected and remitted to Government and adjusted for discounts and concession. The Company based on contractual terms and past experience determines the performance obligation satisfaction over time. Unbilled revenue is recorded for the service rendered where the patients are not discharged and final invoice is not raised for the services.

### Sale of medical and non-medical items

Pharmacy Sales are recognised when the control of the products being sold is transferred to the customer and no significant uncertainties exist regarding the amount of consideration that will be derived from the sale of goods as regarding its collection. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.

### Other operating revenue

Other operating revenue comprises revenue from various ancillary revenue generating activities like facilitation of training programmes, operations and maintenance arrangements and research projects as per the management agreement with other entities. The service income is recognised only once the services are rendered, there is no unfulfilled performance obligation as per the terms of agreement and no significant future uncertainties exist.

Contract assets are recognised when there is excess of revenue earned over billings on contracts. Contract assets are classified as unbilled receivables (only act of invoicing is

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

pending) when there is unconditional right to receive cash, and only passage of time is required, as per contractual terms.

The Company recognizes a deferred income (contract liability) if consideration has been received (or has become receivable) before the company transfers the promised goods or services to the customer.

### Disaggregation of revenue

The Company disaggregates revenue from hospital services (medical and healthcare services), sale of medical and non-medical items and other operating income. The Company believes that this disaggregation best depicts how the nature, amount, timing and uncertainty of Company's revenues and cash flows are affected by industry, market and other economic factors.

### Dividend and interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income is recognised when the Company's right to receive dividend is established.

## (b) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially capitalised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rental expense from operating leases is generally recognised on a straight-line basis over the term of the relevant lease. Where the rentals are structured solely to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases, such increases are recognised in the year in which such benefits accrue. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

## (c) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company at the exchange rates at the dates of the transactions or an average rate approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

Exchange differences on monetary items are recognised in the Statement of profit and loss in the period in which they arise except for exchange differences arising from translation of long-term foreign currency monetary items recognised in the standalone financial statements of the Company for the period immediately before the beginning of the first Ind AS financial reporting period (prior to 01 April 2016), as per the previous GAAP, pursuant to the Company's choice of availing the exemption as permitted by Ind AS 101.

Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currencies are not retranslated.

Income and expense items in foreign currency are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used.

## (d) Borrowing costs

Borrowing costs include:

(i) interest expense calculated using the effective interest rate method,

(ii) finance charges in respect of finance leases, and

(iii) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of profit and loss in the period in which they are incurred.

## (e) Employee benefits

### *Defined benefit plan*

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding net interest), is reflected in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. The service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements) is recognised in the Statement of profit and loss in the line item 'Employee benefits expense'. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. The net interest expense is recognised in the line item 'Finance costs'.

### Defined contribution plan

A defined contribution plan is post-employment benefit plan under which an entity pays specified contributions to separate entity and has no obligation to pay any further amounts. The Company makes specified obligations towards employee provident fund and employee state insurance to Government administered provident fund scheme and ESI scheme which is a defined contribution plan. The Company's contributions are recognized as an expense in the statement of profit and loss during the period in which the employee renders the related service.

### *Compensated absences*

The employees can carry-forward a portion of the unutilized accrued compensated absences and utilize it in future service periods or receive cash compensation on termination of employment. Since the employee has unconditional right to avail the leave, the benefit is classified as a short term employee benefit. The Company records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.

### *Share-based payment transactions*

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model and Company's estimate of equity instruments that will vest. That cost is recognised, together with a corresponding increase in share-options together with a corresponding increase in share-options outstanding account in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense.

## (f) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

### (i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

is intended to realize the assets and settle the liability on a net basis or simultaneously.

### (ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the standalone financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

"Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Minimum alternative tax ('MAT') paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax in future years. Ind AS 12, Income Taxes defines deferred tax to include carry forward of unused tax credits that are carried forward by the entity for a specified period of time. Accordingly, MAT credit entitlement is grouped with deferred tax assets (net) in the balance sheet."

## (g) Property, plant and equipment

Property, plant and equipment are measured at cost which includes capitalized borrowing costs, less accumulated depreciation and impairment losses, if any. The cost of an item of Property, plant and equipment comprises its purchase price, including import duties and other non-refundable taxes or levies, freight, any directly attributable cost of bringing the asset to its working condition for its intended use and estimated cost of dismantling and restoring onsite; any trade discounts and rebates are deducted in arriving at the purchase price. Subsequent expenditures related to an item of tangible fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance. Cost includes expenditures directly attributable to the acquisition of the asset.

The Company depreciates property, plant and equipment over the estimated useful life on a straight-line basis from the date the assets are ready for intended use. The estimated useful lives of assets for the current and comparative period of significant items of property, plant and equipment are as follows:

| Asset category | Useful life as per the management | As per schedule II of Companies Act, 2013 |
|---|---|---|
| Buildings | 60 years | 60 years |
| Plant and Medical Equipment | 10-15 years | 10-15 years |
| Data processing equipment | 3-6 years | 3-6 years |
| Electrical installations | 10 years | 10 years |
| Furniture and fixtures | 10 years | 10 years |
| Office equipment | 5 years | 5 years |
| Vehicles | 8 years | 8 years |

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

The cost and related accumulated depreciation are eliminated from the standalone financial statements upon sale or disposition of the asset and the resultant gains or losses are recognized in the standalone statement of profit and loss. Amounts paid towards the acquisition of property, plant and equipment outstanding as of each reporting date are recognized as capital advance and the cost of property, plant and equipment not ready for intended use before such date are disclosed under capital work- in-progress.

Assets acquired under finance lease and leasehold improvements are amortized over the lower of estimated useful life and lease term.

Freehold land is not depreciated.

## (h) Intangible assets

### (i) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

**Useful lives of intangible assets**

Estimated useful lives of the intangible assets are as follows:

| Asset category | Useful Life |
|---|---|
| Computer software | 3 years |
| Software for plant and machinery | 13 years |

### (ii) Goodwill

Goodwill arising on a business combination is initially measured at excess of purchase consideration over fair value of identified net asset taken over. Subsequent measurement is at initial recognition less any accumulated impairment losses.

## (i) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the Company receives non-monetary grants, the asset and the grant are accounted at fair value and recognised in the statement of profit and loss over the expected useful life of the assets.

## (j) Inventories

Inventories are measured at the lower of cost and net realisable value on the weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost of inventories comprises of all costs of purchase and other costs incurred in bringing the inventories to their present location, after adjusting for GST wherever applicable applying FIFO method.

Imported inventories are accounted for at the applicable exchange rates prevailing on the date of transaction.

## (k) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

### Onerous contracts

A contract is considered to be onerous when the expected economic benefits to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before such a provision is made, the Company recognises any impairment loss on the assets associated with that contract.

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

## (I) Financial instruments

### a. Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

### b. Classification and subsequent measurement

*Financial assets*

On initial recognition, a financial asset is classified as measured at

- amortised cost;
- FVTPL

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

*Financial assets: Business model assessment*

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

*Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable interest rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

*Financial assets: Subsequent measurement and gains and losses*

| | |
|---|---|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. |
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |

*Financial liabilities: Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for- trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

### c. *Derecognition*

*Financial assets*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

*Financial liabilities*

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Company also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

### d. *Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

### e. *Derivative financial instruments*

The Company holds derivative financial instruments to hedge its foreign currency exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

### f. *Cash flow hedge*

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised in other comprehensive income and accumulated in cash flow hedging reserve, net of taxes, a component of equity, to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the statement of profit and loss.

The Company designates only the changes in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contract ('forward points') is separately accounted for as a cost of hedging and recognised separately within equity.

If the hedging instrument no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in other equity remains there until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified to profit or loss.

## (m) Impairment

### (i) Financial assets (other than at fair value)

The Company assesses at each date of balance sheet, whether a financial asset or a Company of financial assets is impaired. Ind AS 109 - Financial Instruments requires expected credit losses to be measured though a loss allowance. The Company recognises lifetime expected losses for all contract assets and / or all trade receivables that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to the twelve-month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly, since initial recognition.

### (ii) Non-financial assets

**Tangible and Intangible assets**

Property, plant and equipment and intangible assets with finite life are evaluated for recoverability whenever there is an indication that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for cash generating unit (CGU) to which the asset belongs.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to it's recoverable amount. An impairment loss is recognised in the statement of profit and loss.

## (n) Earnings per share (EPS)

Basic earnings per share are computed by dividing profit attributable to equity shareholders of the Company by the weighted average number of equity shares outstanding during the year.

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

Diluted earnings per share is computed by dividing the profit after tax by the weighted average number of equity shares considered for deriving basic EPS and also weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

### (o) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the standalone financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent liabilities and commitments are reviewed by the management at each balance sheet date.

### (p) Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregate. Bank overdrafts and investment in liquid mutual funds are classified as cash and cash equivalents for the purpose of cash flow statement, as they form an integral part of an entity's cash management.

### (q) Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purpose of cash flow statement, cash and cash equivalent includes cash in hand, in banks, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts that are repayable on demand and are considered part of the cash management system.

### (r) Investment in subsidiaries and joint ventures

#### *(i) Initial recognition*

The acquired investment in subsidiaries and joint ventures are measured at acquitions date fair value

#### *(ii) Subsequent measurement*

Investment in equity shares of subsidiaries and joint ventures are accounted either;

(a) at cost, or

(b) in accordance with IND AS 109, financial instruments

The Company has elected to account its subsidiaries and joint ventures at cost less accumulated impairment losses, if any.

### (s) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses and for which discrete financial information is available. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Chairman of the Company is responsible for allocating resources and assessing performance of the operating segments and accordingly is identified as the Chief Operating Decision Maker (CODM). The CODM evaluates the Company's performance and allocates resources on overall basis.

## 4 New accounting standards not yet adopted

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified certain amendments to Indian Accounting Standards (Ind AS). All these amendments have not been applied by the Company as these are effective from financial year beginning on or after 1 April 2019.

### *(a) Ind AS 116- Leases*

On 30 March 2019, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) Amendment Rules, 2019, notifying Ind AS 116 'Leases' (new lease standard), which replaces

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

Ind AS 17 'Leases', including appendices thereto. Ind AS 116 is effective for annual periods beginning on or after 1 April 2019. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under Ind AS 116 is substantially unchanged from today's accounting under Ind AS 17. Lessors will continue to classify all leases using the same classification principle as in Ind AS 17 and distinguish between two types of leases: operating and finance leases.

The Company will adopt these standards, effective from 1 April 2019, using the modified retrospective approach with recognition of right to use the asset as same amount as lease liability, with no restatement of comparative information.

The Company has completed an initial assessment of the potential impact on its standalone financial statements but has not yet completed its detailed assessment. The quantitative impact of adoption of Ind AS 116 on the standalone financial statements in the period of initial application is not reasonably estimable as at present.

**(b) *Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments:***

On 30 March 2019 , the Ministry of Corporate Affairs has notified Ind AS 12 Appendix C, Uncertainty over Income Tax treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax credits and tax rates, when there is uncertainty over Income Tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (or loss), tax base, unused tax losses, unused tax credits and tax rates.

The standard permits two possible method of transition – i) Full retrospective approach- Under this approach, Appendix C will be applied retrospectively to each reporting period presented in accordance with Ind AS 8 – Accounting policies, Changes in Accounting Estimates and Errors, without using hindsight and ii) Retrospectively with cumulative effect of initially applying Appendix C recognised by adjusting equity on initial application, without adjusting comparatives.

The effective date for adoption of Ind AS 12 Appendix C is annual period beginning on or after 1 April 2019. The Company is in the process of evaluating the impact of the new standard and decide the approach once the said evaluation has been completed.

The adoption of this amendment is not expected to be material on the standalone financial statements.

**(c) *Amendment to Ind AS 19 – plan amendment, curtailment or settlement:***

On 30 March 2019, Ministry of Corporate Affairs issued amendments to Ind AS 19, 'Employee Benefits', in connection with accounting for plan amendments, curtailments and settlements.

The amendments require an entity: a) to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and b) to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

Effective date for application of this amendment is annual period beginning on or after 1 April 2019. The Company does not expect any significant impact of this amendment on its standalone financial statements.

**(d) *Ind AS 23 – Borrowing Costs***

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The adoption of this standard is not expected to have a material impact on the standalone financial statements.

# Notes to the Standalone Financial Statements for the year ended 31 March 2019

## 5 Property, plant and equipment and capital work-in-progress

(₹ in million)

| Description of assets | Freehold Land | Buildings - owned | Buildings - leased | Leasehold improvements | Plant and medical equipment - owned | Plant and equipment - leased | Office equipment | Furniture and fixtures | Data processing equipments | Electrical installation | Vehicles | Total | Capital work in progress |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **I. Gross block** | | | | | | | | | | | | | |
| **Balance as at 01 April 2017** | **402.86** | **637.26** | **397.27** | **393.84** | **2,913.51** | **53.82** | **62.06** | **79.20** | **46.40** | **26.89** | **19.71** | **5,032.82** | **334.14** |
| Additions (refer note 18)*$ | | 39.44 | 79.55 | 45.84 | 399.36 | - | 8.89 | 10.10 | 25.89 | 4.93 | 10.42 | 624.42 | 798.78 |
| Disposals | | | | (43.32) | (103.97) | - | (1.60) | (3.17) | (2.16) | - | (3.07) | (157.29) | (100.30) |
| Sale of Triesta unit during the year (refer note: 29.1) | | | | (16.28) | (129.91) | - | (6.89) | (3.88) | (7.56) | (0.06) | - | (164.58) | (36.31) |
| Exchange fluctuation | - | - | - | - | (2.96) | - | - | - | - | - | - | (2.96) | - |
| Capitalised during the year | - | - | - | - | - | - | - | - | - | - | - | - | (205.20) |
| Acquired through business combination (refer note 43) | - | - | - | - | 9.17 | - | 1.60 | 1.37 | 0.41 | 0.05 | 0.20 | 12.80 | - |
| Adjustment** | - | - | - | - | 53.82 | (53.82) | - | - | - | - | - | - | - |
| **Balance as at 31 March 2018** | **402.86** | **676.70** | **476.82** | **380.08** | **3,139.02** | **-** | **64.06** | **83.62** | **62.98** | **31.81** | **27.26** | **5,345.21** | **791.11** |
| Additions*$(refer note 18) | - | 14.03 | 4.21 | 129.95 | 732.60 | - | 4.94 | 32.78 | 20.12 | 21.29 | - | 959.92 | 1,132.88 |
| Disposals | - | - | - | - | (0.01) | - | (0.28) | (0.39) | - | - | (1.06) | (1.74) | (33.82) |
| Exchange fluctuation | - | - | - | - | 9.75 | - | - | - | - | - | - | 9.75 | - |
| Capitalised during the year | - | - | - | - | - | - | - | - | - | - | - | - | (849.03) |
| **Balance as at 31 March 2019** | **402.86** | **690.73** | **481.03** | **510.03** | **3,881.36** | **-** | **68.72** | **116.01** | **83.10** | **53.10** | **26.20** | **6,313.14** | **1,041.14** |
| **II. Accumulated depreciation and impairment** | | | | | | | | | | | | | |
| **Balance as at 01 April 2017** | **-** | **30.07** | **33.13** | **61.04** | **456.40** | **12.68** | **18.09** | **23.87** | **21.25** | **12.80** | **2.69** | **672.02** | **-** |
| Eliminated on disposal of assets (refer note 29.3) | - | - | - | (21.24) | (71.45) | - | (1.19) | (2.84) | (1.63) | - | (1.57) | (99.92) | - |
| Sale of Triesta unit during the year (refer note 29.1) | - | - | - | (4.01) | (23.74) | - | (2.86) | (1.85) | (4.14) | - | - | (36.60) | - |
| Adjustment | - | - | - | - | 20.89 | (20.89) | - | - | - | - | - | - | - |
| Depreciation expense | - | 14.50 | 17.84 | 35.67 | 300.41 | 8.21 | 8.22 | 12.54 | 14.59 | 3.29 | 3.70 | 418.97 | - |
| **Balance as at 31 March 2018** | **-** | **44.57** | **50.97** | **71.46** | **682.51** | **-** | **22.26** | **31.72** | **30.07** | **16.09** | **4.82** | **954.47** | **-** |
| Eliminated on disposal of assets | - | - | - | - | (0.01) | - | (0.19) | (0.13) | - | - | (0.32) | (0.65) | - |
| Depreciation expense | | 14.25 | 20.21 | 31.39 | 326.33 | - | 11.47 | 15.51 | 15.88 | 4.41 | 3.50 | 442.95 | |
| **Balance as at 31 March 2019** | **-** | **58.82** | **71.18** | **102.85** | **1,008.83** | **-** | **33.54** | **47.10** | **45.95** | **20.50** | **8.00** | **1,396.77** | **-** |
| **Net block as at 31 March 2018** | **402.86** | **632.13** | **425.85** | **308.62** | **2,456.51** | **-** | **41.80** | **51.90** | **32.91** | **15.72** | **22.44** | **4,390.74** | **791.11** |
| **Net block as at 31 March 2019** | **402.86** | **631.91** | **409.85** | **407.18** | **2,872.53** | **-** | **35.18** | **68.91** | **37.15** | **32.60** | **18.20** | **4,916.37** | **1,041.14** |

Refer note 16 for details of charge created on fixed assets

*Directly attributable to expenditure capitalised of ₹ 265.39 million (PY 18 ₹ 310.25 million) of which borrowing cost capitalised is ₹ 30.16 million , (PY 18 ₹ 0.82 million)

**Pertain to assets classified as finance lease till earlier year. During the previous year, on account of settlement of lease obligation this has been transferred to owned assets.

$Additions includes government grant recognised at fair value. (refer note 18)

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

## 6 Goodwill and other intangible assets

(₹ in million)

| Description of assets | Goodwill (refer note (i) below) | Other intangible assets: Computer software | Other intangible assets: Software for plant and machinery | Total |
|---|---|---|---|---|
| **I. Gross block** | | | | |
| **Balance as at 01 April 2017** | **-** | **71.99** | **3.42** | **75.41** |
| Additions | - | 5.81 | - | 5.81 |
| Acquired through business combination (refer note 43) | 484.52 | - | | - |
| Sale of Triesta unit (refer note 29.1) | - | (2.84) | - | (2.84) |
| **Balance as at 31 March 2018** | **484.52** | **74.96** | **3.42** | **78.38** |
| Additions | - | 50.99 | - | 50.99 |
| **Balance as at 31 March 2019** | **484.52** | **125.95** | **3.42** | **129.37** |
| **II. Accumulated amortisation and impairment losses** | | | | |
| **Balance as at 01 April 2017** | **-** | **11.58** | **3.42** | **15.00** |
| Amortisation expense for the year | - | 20.23 | - | 20.23 |
| Sale of unit | - | (1.60) | - | (1.60) |
| **Balance as at 31 March 2018** | **-** | **30.21** | **3.42** | **33.63** |
| Amortisation expense for the year | - | 28.77 | - | 28.77 |
| **Balance as at 31 March 2019** | **-** | **58.98** | **3.42** | **62.40** |
| **Net block as at 31 March 2018** | **484.52** | **44.75** | **-** | **44.75** |
| **Net block as at 31 March 2019** | **484.52** | **66.97** | **-** | **66.97** |

Refer note 16 for details of charge created on intangible asset.

(i) The key assumptions used in the estimation of the recoverable amount of Goodwill are set out below:

| Assumptions | 31 March 2019 Values in % | 31 March 2018 Values in % |
|---|---|---|
| Annual growth rate | 10% to 20% | 20% to 22% |
| Terminal growth rate | 5% | 5% |
| Discount rate | 15.80% | 19.94% |

The values assigned to the key assumptions represent management's assessment of future trends and based on historical data from both external and internal sources. Discount rate reflects the current market assessment of the risks specific to a Cash Generating Unit (CGU). The discount rate is estimated based on the capital asset pricing method for the CGU. The cash flow projections included specific estimates developed using internal forecasts. The planning horizon reflects the assumptions for short-to-midterm market developments. The Company believes that any reasonably possible change in the key assumptions on which a recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

The estimated recoverable amount of the CGU exceeded its carrying amount, hence impairment is not triggered.

# Notes to the Standalone Financial Statements
for the year ended 31 March 2019

## 7 Investments

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **A) Non current investment** | | |
| **I) Investment carried at cost*** | | |
| **a. Unquoted equity instruments** | | |
| **(i) In subsidiary companies** | | |
| Malnad Hospital & Institute of Oncology Private Limited | 6.44 | 6.44 |
| (66,706 (31 March 18: 66,706) equity shares of ₹ 100/- each, fully paid up) | | |
| Niruja Product Development and Healthcare Research Private Limited | 0.50 | 0.50 |
| (50,000 (31 March 18: 50,000) equity shares of ₹ 10/- each, fully paid up) | | |
| HealthCare Global Senthil Multi-Specialty Hospital Private Limited (net of provision for decline, other than temporary, in the carrying amount of ₹ 8.38 million) | - | - |
| (92,980 (Previous year 92,980) equity shares of ₹ 100/- each, fully paid up) | | |
| HCG Medi-surge Hospitals Private Limited | 145.09 | 122.67 |
| (4,120,807 (31-March-18: 4,120,807) equity shares of ₹ 10/- each, fully paid up along with a premium of ₹ 12.97 per share) | | |
| BACC HealthCare Private Limited | 602.97 | 602.97 |
| (46,883 (31-March-18: 46,883) Equity shares of ₹ 10/- each, fully paid up along with a premium of 12,836.40 per share) | | |
| HCG (Mauritius) Private Limited | 24.17 | 24.17 |
| (361,002 (31-March-18: 361,002) Equity shares of USD 1/- each, fully paid up) | | |
| **(ii) In subsidiary limited liability partnerships** | | |
| HCG Diwanchand Imaging LLP | 32.47 | 32.47 |
| (75% (31-March-18: 75%) share of fixed capital contribution) | | |
| Apex HCG Oncology Hospitals LLP# | 757.84 | 301.74 |
| (100% (31-March-18: 50.01%) share of fixed capital contribution) | | |
| HCG Oncology LLP | 102.10 | 85.65 |
| (74% (31-March-18: 74%) share of fixed capital contribution) | | |
| HCG NCHRI Oncology LLP | 235.67 | 167.16 |
| (76% (31-March-18: 76%) share of fixed capital contribution) | | |
| HCG EKO LLP | 114.12 | 52.29 |
| (50.50% (31-March-18: 50.50%) share of fixed capital contribution) | | |
| HCG Manavata Oncology LLP | 489.70 | 459.88 |
| (51% (31-March-18: 51%) share of fixed capital contribution) | | |
| HCG SUN Hospitals LLP | 127.87 | 41.24 |
| (74% (31- March-18: 74%) share of fixed capital contribution) | | |

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

## 7 Investments (Contd..)

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| #During the year ended 31 March 2019, Apex Criticare LLP, holding 49.90% stake in Apex HCG Oncology Hospitals LLP (Apex LLP) retired from Apex LLP and was paid an amount of ₹ 252.50 million as consideartion. Pursuant to this, the Company along with its wholly owned subsidiary, Niruja Product Development and Healthcare Research Private Limited holds 100% interest in Apex LLP. | | |
| **(iii) In joint venture** | | |
| Strand Life Sciences Private Limited (refer note 29.1) | 242.70 | 237.37 |
| 9,140,342 equity shares of ₹ 10 each, fully paid up along with a premium of ₹ 15.97 per share and 42,671 equity shares of ₹ 10 each, fully paid up along with a premium of ₹ 115 per share (31 March 2018: 9,140,342 equity shares of ₹ 10 each, fully paid up along with a premium of ₹ 15.97 per share) | | |
| **b. Unquoted compulsorily convertible preference shares** | | |
| **(i) In joint venture** | | |
| Strand Life Sciences Private Limited (refer note 29.1) | 2.63 | 2.63 |
| (101,193 Series 1 preference shares of ₹ 10/- each, fully paid up along with a premium of ₹ 15.97 per share; 31-March-2018: 101,193 Series 1 preference shares of ₹ 10/- each, fully paid up along with a premium of ₹ 15.97 per share) | | |
| *Includes corporate guarantee given to subsidiaries accounted as investment | | |
| **II) Investment carried at fair value through profit and loss (FVTPL)** | | |
| **(a) In other companies - unquoted equity instruments** | | |
| Zoctr Health Private Limited (299 equity shares of ₹ 10/- each, fully paid along with a premium of ₹ 17,097.25 per share and 153 equity shares of ₹ 10/- each, fully paid up along with a premium of ₹ 16,498 per share; 31-March-2018: 299 equity shares of ₹ 10/- each, fully paid along with a premium of ₹ 17,097.25 per share and 153 equity shares of ₹ 10/- each, fully paid up along with a premium of ₹ 16,498 per share) | 7.64 | 7.64 |
| Suchirayu Healthcare Solutions Limited (2,055,000 equity shares of ₹ 10/- each, fully paid up; 31-March-2018: 2,055,000 equity shares of ₹ 10/- each, fully paid up) Refer note below | 0.50 | 0.50 |
| International Stemcell Services Limited (10,860 equity shares of ₹ 100/- each, fully paid up along with a premium of ₹ 416.36/- per share; 31 March 2018: Nil) | 5.61 | - |
| Epigeneres Biotech Private Limited (79 equity shares of ₹ 10/- each, fully paid up along with a premium of ₹ 126,572.28/- per share; 31 March 2018: Nil) | 10.00 | - |
| Niramai Health Analytix Private Limited (10 equity shares of ₹ 1/- fully paid up along with a premium of ₹ 7,331.24/- per share; 31 March 2018: Nil) | 0.07 | - |

# Notes to the Standalone Financial Statements
for the year ended 31 March 2019

## 7 Investments (Contd..)

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **(b) In other companies - unquoted Preference shares** | | |
| Niramai Health Analytix Private Limited (4,881 series A preference shares of ₹ 10/- each, fully paid up along with a premium of ₹ 7,321.24/- per share; 31 March 2018: Nil) | 35.79 | - |

*Note: The Company has entered into a non-disposal undertaking of the its investment in Suchirayu Healthcare Solutions Limited (Suchirayu) until the closure of the loan by Suchirayu.*

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **(c) Investments in mutual fund (quoted)** | | |
| Religare Invesco Short Term Fund- 17112.198 units @ ₹ 2,716.19; 31-March-18: 17,112.198 units @ ₹ 2,520.36) | 46.48 | 43.13 |
| **Total non-current investments** | **2,990.36** | **2,188.45** |
| Aggregate amount of quoted investments | 46.48 | 43.13 |
| Aggregate amount of Market value of investments | 46.48 | 43.13 |
| Aggregate amount of unquoted investments (gross) | 2,952.26 | 2,153.70 |
| Aggregate amount of impairement in value of investments | 8.38 | 8.38 |
| The market value of quoted investments is equal to the carrying value | | |

## 8 Loans (unsecured)

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Non Current | Current* | Non Current | Current |
| **Considered good** | | | | |
| a) Loans to related parties (refer note 44) | 241.80 | - | 241.13 | - |
| b) Advances to employees | - | 20.00 | - | 29.21 |
| c) Inter-corporate deposits | - | 105.00 | 68.00 | - |
| d) Security deposits | 210.52 | 3.39 | - | - |
| e) Other advances to related parties (refer note 44) | - | - | 29.16 | - |
| **Considered doubtful** | | | | |
| Loans to related parties (refer note 44) | 30.38 | - | 30.38 | - |
| Less : Allowance for bad and doubtful loans | (30.38) | - | (30.38) | - |
| **Total** | **452.32** | **128.39** | **338.29** | **29.21** |

*Refer note 16 for details of charge created on current loans.

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

## 9 Other Financial Assets

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Non Current | Current* | Non Current | Current |
| Security deposits | - | - | 189.13 | - |
| Advances to related parties (Refer note 44) | - | 50.66 | - | 68.70 |
| Unbilled revenue (refer note 49) | - | 98.66 | - | 84.30 |
| Term deposits (more than 12 months maturity from the reporting date)[1] | 94.14 | 15.28 | 85.08 | - |
| Interest accrued but not due on fixed deposits | 4.64 | 0.94 | 10.13 | - |
| Interest accrued on inter corporate deposit | - | 15.90 | 9.13 | - |
| Right to equity shares# | 694.42 | - | - | - |
| Interest accrued on loan to subsidiaries (Refer note 44) | - | 50.78 | - | 28.40 |
| Others | - | 9.17 | - | - |
| | **793.20** | **241.39** | **293.47** | **181.40** |

**Note:**

[1]Term deposits include margin money deposits with banks and deposits given as security for obtaining bank guarantees

**[2]Details of advances to directors and private companies in which any director is a director or a member**

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **i) Advances to director** | | |
| - Dr. B S Ajaikumar | - | 0.93 |
| **ii) Private companies in which any director is a director or member** | | |
| - HCG Medi-Surge Hospitals Private Limited | - | 9.44 |
| - Malnad Hospital and Institute of Oncology Private Limited | 4.58 | 12.50 |
| - BACC HealthCare Private Limited | 5.78 | 5.50 |

#Right to equity shares represents pending transfer of shares to the Company by the other shareholder of BACC Healthcare Private Limited on exercise of the put option right as per the shareholders agreement. This is likely to be settled by mid of 2019.

*Refer note 16 for details of charge created on other current financial assets.

## 10 Other Assets

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Non Current | Current* | Non Current | Current |
| **Unsecured, considered good** | | | | |
| Capital advances | 310.83 | - | 216.25 | - |
| Prepaid expenses | 178.38 | 24.52 | 133.03 | 36.54 |
| Rental advance | - | 37.08 | - | 15.31 |
| Advance to vendors | - | 130.85 | - | 93.96 |
| Receivable from revenue authorities | - | 39.05 | - | 33.70 |
| **Unsecured, considered doubtful** | | | | |
| Advance to vendors | | 27.13 | - | 27.13 |
| Less : Allowance for bad and doubtful advances | - | (27.13) | - | (27.13) |
| | **489.21** | **231.50** | **349.28** | **179.51** |

*Refer note 16 for details of charge created on other current assets.

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

## 11 Inventories (lower of cost and net realisable value)*

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Medical and non-medical items | 163.40 | 171.03 |
| | **163.40** | **171.03** |

*Inventories are subject to charge to secure bank loans. There are nil provision for written down to net realisable value.

## 12 Trade receivables*

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Trade receivables (unsecured) consist of following | | |
| a) considered good | 1,455.99 | 1,262.13 |
| b) considered doubtful | 336.60 | 302.17 |
| Allowance for doubtful debts (expected credit loss allowance - refer note 40) | (336.60) | (302.17) |
| | **1,455.99** | **1,262.13** |

*Trade receivables are subject to charge to secured bank loans

**Note: Trade receivables include due from companies in which any director is a director or member**

Refer note 44 for related party balances

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Private companies in which any director is a director or member** | | |
| - HealthCare Global Senthil Multi-Specialty Hospitals Private Limited | 0.13 | 0.13 |
| - HCG Medi-surge Hospitals Private Limited | - | 42.20 |
| - Malnad Hospital and Institute of Oncology Private Limited | 7.22 | 4.38 |
| - BACC Healthcare Private Limited | 0.00 | 0.08 |
| - Health Care Process Solutions (India) Private Limited | 0.00 | 0.06 |
| **Total** | **7.35** | **46.85** |

## 13 Cash and bank balances

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| (a) Cash on hand | 6.39 | 4.41 |
| (b) Cheques, drafts on hand | 2.48 | 0.83 |
| (c) Balance with bank | | |
| In current accounts | 74.33 | 99.09 |
| In Exchange Earners Foreign Currency Account (EEFC) accounts | 2.20 | 7.06 |
| (d) Other deposits* | - | 41.72 |
| | **85.40** | **153.11** |

*Other deposits include margin money deposits with banks and deposits given as security for obtaining bank guarantees. These deposits are restrictive.

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

For the purpose of the statement of cash flows, cash and cash equivalent comprise the followings

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| (a) Cash on hand | 6.39 | 4.41 |
| (b) Cheques, drafts on hand | 2.48 | 0.83 |
| (c) Balance with bank | | |
| In current accounts | 74.33 | 99.09 |
| In EEFC accounts | 2.20 | 7.06 |
| (d) Other deposits | - | 41.72 |
| **Cash and cash equivalents as per balance sheet** | **85.40** | **153.11** |
| Less : Bank overdrafts and repayble on demand (refer note 16) | (499.88) | (17.35) |
| **Cash and cash equivalents as per statement of cash flows** | **(414.48)** | **135.76** |

## 14 Equity share capital

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Authorised share capital :** | | |
| 132,000,000 equity shares of ₹10 each (as at 31 March 2018: 132,000,000) | 1,320.00 | 1,320.00 |
| **Issued, subscribed and paid up capital comprises:** | | |
| 87,919,033 fully paid equity shares of ₹10 each (as at 31 March 2018: 86,904,473) | 879.19 | 869.04 |

### 14.1 Reconciliation of the equity shares outstanding at the beginning and at the end of the year:

(₹ in million)

| Particulars | Number of shares | Amount |
|---|---|---|
| **Balance as at 1 April 2017** | **85,712,986** | **857.13** |
| (a) Issue of equity shares pursuant to preferential allotment | 1,166,667 | 11.66 |
| (b) Issue of equity shares pursuant to exercise of employee share options under employee share option plan 2014 (refer note 37(c)) | 24,820 | 0.25 |
| **Balance as at 31 March 2018** | **86,904,473** | **869.04** |
| (a) Issue of equity shares pursuant to preferential allotment | 934,500 | 9.35 |
| (b) Issue of equity shares pursuant to exercise of employee share options under employee share option plan 2010 and 2014 (refer note 37(c)) | 80,060 | 0.80 |
| **Balance as at 31 March 2019** | **87,919,033** | **879.19** |

(i) a) The shareholders of the Company, vide resolution passed in Extra Ordinary general metting, held on 29 March 2018, approved the allotment of 934,500 (Nine lakhs thirty four thousand five hundred) equity shares of ₹ 10 each of the Company, at a price of ₹ 321 per share (including share premium of ₹ 311 per share), on preferential basis, to Dr. Gopi Chand. The same was allotted to Dr. Gopi Chand on 09 April 2018.

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

b) During the previous year, the shareholders of the Company, vide resolution passed in Extra Ordinary General meeting, held on 28 December 2017, approved the allotment of 1,166,667 (Eleven Lakhs Sixty Six Thousand Six Hundered Sixty Seven) equity shares of ₹ 10 each of the Company, at a price of ₹ 300 per share (including share premium of ₹ 290 per share), on preferential basis, to Indgroth Capital Fund 1, a SEBI registered Category III, alternative Investment Fund ('Allottee').

c) At the Board meeting held on 23 May 2019, the Board of Directors of the Company has approved the proposal for issuance of 710,526 equity shares of ₹ 10 per share at a price of ₹ 285 per share (inclusive of face value of ₹ 10 per share), on Preferential Allotment basis, to Dr. Gee Varghese ("Investor"), subject to the approval of the shareholders of the Company in the proposed Extra Ordinary General Meeting.

### 14.2 Rights, preferences and restrictions attached to equity shares

Fully paid equity shares, which have a par value of ₹ 10, carry one vote per share and carry a right to dividends The Company has only one class of equity share having a par value of ₹ 10/- each. Holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of the equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amount. The distribution will be in proportion to number of equity shares held by the shareholders.

### 14.3 Details of shareholder holding more than 5% shares of equity shares

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of Shares held | % holding of equity shares | Number of Shares held | % holding of equity shares |
| **Fully paid equity shares** | | | | |
| Dr B.S. Ajaikumar | 17,673,346 | 20.10% | 17,642,739 | 20.30% |
| Sundaram Mutual Fund | 6,656,557 | 7.57% | 4,551,524 | 5.24% |
| V Sciences Investments Pte. Limited | 8,320,805 | 9.46% | 8,320,805 | 9.57% |
| Buena Vista Asian Opportunities Master Fund Ltd. | 5,251,168 | 5.97% | - | - |
| International Finance Corporation | - | - | 4,358,705 | 5.02% |

### 14.4 Aggregate number of equity shares allotted as fully paid-up without payment being received in cash for a period of five years immediately preceding the year ended 31 March 2019 (refer note 14.6)

| Assumptions | Aggregate number of shares as at | |
|---|---|---|
| | 31 March 2019 | 31 March 2018 |
| (a) Issue of shares pursuant to mergers | 1,531,562 | 1,531,562 |
| (b) Issue of shares pursuant to Business acquisition | 934,500 | - |

### 14.5 Number of equity shares of ₹ 10/- each reserved for issuance

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| a) to eligible employees under Employee Stock Option Scheme | 2,863,043 | 2,943,103 |

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

### 14.6 Share pending issuance (refer note 43)

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Share pending issuance for the year | - | 299.75 |
| **Total** | **-** | **299.75** |

## 15 Other equity

(₹ in million)

| Particulars | Note No | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| Securities premium | 15.1 | 5,587.35 | 5,284.88 |
| Share options outstanding account | 15.2 | 55.71 | 37.08 |
| Retained earnings | 15.3 | (18.14) | (90.59) |
| Amalgamation adjustment deficit account | 15.4 | (13.91) | (13.91) |
| Remeasurements of the defined benefit plan | 15.4 | (1.05) | (1.85) |
| Cash flow hedging reserve | 15.5 | (41.96) | - |
| | | **5,568.00** | **5,215.61** |

### 15.1 Securities premium

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Balance at beginning of year | 5,284.88 | 4,945.44 |
| Premium on shares issued during year | 302.56 | 340.52 |
| Share issue expenses * | (0.09) | (1.08) |
| **Balance at end of year** | **5,587.35** | **5,284.88** |

*Share issue expenses of ₹ 0.09 million towards preferntial allotment of 934,500 shares during the year has been debited to securities premium (31 March 2018 Share issue expenses of ₹ 1.08 million towards preferntial allotment of 1,166,667 equity shares during the year has been debited to securities premium).

### 15.2 Share options outstanding account

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Balance at the beginning of the year | 37.08 | 12.17 |
| Transferred to securities premium account on exercise of ESOPs | (11.93) | (2.18) |
| Expense on employee stock option scheme | 30.56 | 27.09 |
| **Balance at end of year** | **55.71** | **37.08** |

Refer note 37

# Notes to the Standalone Financial Statements
for the year ended 31 March 2019

### 15.3 Retained earnings

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Balance at beginning of year | (90.59) | (339.49) |
| Profit attributable to owners of the Company | 72.45 | 248.90 |
| **Balance at end of year** | **(18.14)** | **(90.59)** |

### 15.4 Amalgamation adjustment deficit account (refer note 47)

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Balance at beginning of year | (13.91) | (23.47) |
| Adjustment towards common control transaction | - | 9.56 |
| **Balance at end of year** | **(13.91)** | **(13.91)** |

### 15.5 Remeasurements of the defined benefit plan

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Balance at beginning of year | (1.85) | 0.11 |
| Other comprehensive income arising from remeasurement of defined benefit obligation (net of income tax) | 0.80 | (1.96) |
| **Balance at end of year** | **(1.05)** | **(1.85)** |

### 15.6 Cash flow hedging reserve

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Balance at the beginning of year | - | - |
| Other comprehensive income arising from remeasurement of hedging instrument in a cashflow hedge (net of income tax) | (41.96) | - |
| **Balance at end of year** | **(41.96)** | **-** |

## 16 Borrowings

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Non Current | Current | Non Current | Current |
| **Secured - at amortised cost** | | | | |
| (i) Term loans | | | | |
| from banks (refer note 16.1.1) | 1,261.99 | 213.24 | 1,349.84 | 246.59 |
| from other parties (refer note 16.1.2) | 1,054.37 | 13.51 | 16.00 | 18.26 |
| (ii) Vehicle loans (refer note 16.1.3) | 4.51 | 1.70 | 6.21 | 1.57 |
| (iii) Loans repayable on demand | | | | |
| - from Banks (bank overdraft) (refer note 16.1.5) | - | 299.88 | - | 17.35 |

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

## 16 Borrowings (Contd..)

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Non Current | Current | Non Current | Current |
| **Unsecured - at amortised cost** | | | | |
| (i) Deferred payment liabilities (refer note 16.1.4) | 585.45 | 31.07 | 245.21 | 178.67 |
| (ii) Long term maturities of finance lease obligations (refer note 35.1) | 555.17 | - | 555.17 | - |
| (iii) Loans repayable on demand from Banks (refer note 16.1.6) | - | 200.00 | | |
| Less : Amount included under "Other financial liabilites" (refer note 17) | - | (259.52) | - | (445.09) |
| **Total** | **3,461.49** | **499.88** | **2,172.43** | **17.35** |

### 16.1 Summary of borrowing arrangements

Details of security and terms of repayment of term loans and other loans (except loans repayable on demand) are stated below.

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **16.1.1 Term loans from banks - Secured** | | |
| **Non-current portion*** | 1,314.48 | 1,386.63 |
| **Amounts included under current maturities of long-term debt** | 213.24 | 246.59 |

Details of security and terms of repayment for the amounts borrowed during the current year:

- Secured by exclusive charge on equipments purchased from these loans, first charge on immovable fixed assets (land and building/structures there upon) and movable fixed assets (both present and future, not charged exclusively to any other lender) and first pari-passu charge on all current assets and receivables (both present and future)
- Rate of interest: 6 months MCLR + 0.7% to 1% p.a.
- Repayable in installments over a period of 10 years after 1 year moratorium from the date of borrowing.

*Non-current portion of bank debt as disclosed herein is gross of ₹ 52.49 million (31 March 2018; ₹ 36.79 million) towards unamortised loan processing charges, which is netted off below

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **16.1.2 Term loans from others - Secured** | | |
| **Non-current portion** | 1,054.37 | 16.00 |
| **Amounts included under current maturities of long-term debt** | 13.51 | 18.26 |

Details of security and terms of repayment for the amounts borrowed during the current year:

- Secured by a first pari-passu mortgage, charge and by way of hypothecation of entire immovable and movable properties of the borrower; both present & future, including all movable properties. A second paripassu charge on the

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

**16.1 Summary of borrowing arrangements (Contd..)**

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| entire current assets, cashflow, receivables, book debts and revenue of the borrower, including Trust & Retention Account / Escrow Account, of whatsover nature and arising both present & future. First pari-passu charge on entire intangible assets of the borrower, including but not limited to, goodwill and uncalled capital, intellectual property, intangible assets, both present & future | | |
| - Rate of interest: NBFCs spread rate @ 1.05% + 5 years IDFC IFL benchmark rate @ 1.05% p.a. (9.75%) | | |
| - Repayable in installments over a period of 9 years after 3 year moratorium from the date of borrowing. | | |
| **16.1.3 Vehicle loan from bank - Secured** | | |
| **Non-current portion** | 4.51 | 6.21 |
| **Amounts included under current maturities of long-term debt** | 1.70 | 1.57 |
| - Secured by hypothecation of cars purchased out of finance. | | |
| - Rate of Interest 9.25% - 11.25% p.a. | | |
| - Repayable in 18 to 60 monthly installments from the date of borrowing (refer note 40) | | |
| **16.1.4 Deferred payment obligations - Unsecured** | | - |
| **Non-current portion** | 585.45 | 245.21 |
| **Amounts included under current maturities of long-term debt** | 31.07 | 178.67 |
| - Rate of interest 3% p.a. | | |
| - Repayment in installments over a period of 1 to 5 years from the date of borrowing (refer note 40) | | |
| **16.1.5 Secured loan repayable on demand from banks:** | | |
| Secured by first pari-passu charge on entire current assets (both present and future), second pari- passu charge over entire fixed assets (both present and future other than exclusively charged) of the company. | 299.88 | 17.35 |
| Rate of Interest : 3 months MCLR + 0.8% p.a. (spread) | | |
| **16.1.6 Unsecured loan repayable on demand from banks:** | 200.00 | - |
| - Rate of Interest base rate: 12 months MCLR + 0.25% p.a. | | |
| - Bullet Repayable in 6 months from the date of borrowing (revolving till 1 year from first drawing) | | |
| Less: Unamortised loan processing charges | (52.49) | (36.79) |
| **Total (net of unamortised loan processing charges)** | **3,665.72** | **2,079.70** |
| **Non-current portion** | **2,906.32** | **1,617.26** |
| **Amounts included under current maturities of long-term debt** | **259.52** | **445.09** |
| **Amounts included under current borrowings** | **499.88** | **17.35** |

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

## 17 Other financial liabilities

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Non Current | Current | Non Current | Current |
| **Current maturities of long-term debt*** | - | 228.45 | - | 266.42 |
| Book overdraft | - | - | - | 7.83 |
| Current maturity of deferred payment obligations* | - | 31.07 | - | 178.67 |
| Interest accrued not due | 121.63 | 15.12 | 107.55 | 13.95 |
| Creditors for capital goods | - | 202.64 | - | 118.84 |
| Derivative liability | 106.78 | 3.17 | - | - |
| Payable for share purhchase# | - | 694.42 | - | - |
| Accrued employee benefits (refer note 44) | - | 200.30 | | 118.23 |
| Payable on acquisition of business (refer note 43) | - | 69.26 | 63.76 | 70.25 |
| Financial guarantee obligation | 69.12 | 8.72 | 49.82 | 7.08 |
| Advance received from subsidiaries (refer note 44) | - | 106.03 | - | - |
| **Total** | **297.53** | **1,559.18** | **221.13** | **781.27** |

*The details of interest rates, repayment and other terms are disclosed under note 16

The Company's exposure to liquidity risk are disclosed in note 40.

#In accordance with the terms of the shareholders' agreement dated 22 March 2013 ("SHA") entered amongst the Company, BACC HealthCare Private Limited ("BACC") and the minority shareholder in BACC, the Company shall acquire the remaining 49.9% share capital of BACC from the minority shareholder as per the SHA. The consideration has been determined as per the terms of the SHA and will be settled within the period as mutually agreed between the Company and the minority shareholder (refer note 9).

## 18 Other liabilities

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Non Current | Current | Non Current | Current |
| Advance from customers (refer note 49) | - | 137.35 | - | 158.31 |
| Balance due to statutuory/government authorities | - | 47.80 | - | 46.57 |
| Deferred government grant (Refer note below) | 103.48 | 9.26 | 88.11 | 7.50 |
| Rent equalisation reserve | 15.63 | - | 12.10 | - |
| | **119.11** | **194.41** | **100.21** | **212.38** |

**Note:** The Company imports medical equipments under Export Promotion Capital Goods (EPCG) scheme. Under the Scheme, on the Company expected to meet the specified criteria, it is exempt from paying customs duty on imports which is recognised as a government grant. Fair value of the government grant is capitalised along with the equipment. Deferred income is amortised over the useful life of the equipment it has been procured for. The government grant recognised as at 31 March 2019 is ₹ 25.76 million (31 March 2018: ₹ 102.02 million) and EPCG income recognised during the year is ₹ 9.26 million (31 March 2018: ₹ 5.99 million). The unfulfilled export obligation as on 31 March 2019 is ₹ 166 million (31 March 2018: ₹ 342.32 million).

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

## 19 Provisions

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Non Current | Current | Non Current | Current |
| *Employee benefits* | | | | |
| Gratuity (Refer note 36.2) | 43.90 | 27.77 | 37.29 | 23.62 |
| Compensated absences | - | 32.74 | - | 28.35 |
| **Total** | **43.90** | **60.51** | **37.29** | **51.97** |

## 20 Trade payables

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Total outstanding dues of micro enterprises and small enterprises (refer note 42) | 1.39 | - |
| Total outstanding dues of creditors other than micro enterprises and small enterprises* | 1,351.18 | 1,144.24 |
| **Total** | **1,352.57** | **1,144.24** |

*For details relating to payable to related parties- refer note 44

## 21 Revenue from operations (refer note 49)

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| (a) Income from medical services | 5,591.08 | 5,072.69 |
| (b) Sale of medical and non-medical items | 702.58 | 725.32 |
| (c) Other operating revenues | 111.33 | 64.66 |
| | **6,404.99** | **5,862.67** |

## 22 Income from Government grants

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| EPCG Income | 9.26 | 5.99 |
| | **9.26** | **5.99** |

# Notes to the Standalone Financial Statements
for the year ended 31 March 2019

## 23 Other income

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| (a) Interest income (Refer note below) | 55.35 | 92.83 |
| (b) Interest income from financial assets at amortised cost | 4.31 | 3.43 |
| (c) Net foreign exchange gains | 5.06 | 1.82 |
| (d) Net gain on sale of investments in mutual funds | - | 1.14 |
| (e) Net gain on financial assets designated at fair value through profit and loss | 3.34 | 3.61 |
| (f) Payables no longer required written-back | - | 22.00 |
| (g) Miscellaneous income | 26.29 | 14.98 |
| (h) Guarantee commission | 31.15 | 19.45 |
| | **125.50** | **159.26** |
| **Interest income comprise:** | | |
| Interest on bank deposits | 6.65 | 31.15 |
| Interest on income tax refund | - | 25.97 |
| Interest on unsecured loans given to subsidiaries (Refer note 44) | 36.35 | 21.34 |
| Interest on inter-corporate deposits | 12.35 | 10.16 |
| Interest on debentures | - | 4.21 |
| | **55.35** | **92.83** |

## 24 Changes in inventories

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Inventories at the beginning of the year | 171.03 | 149.01 |
| Inventories at the end of the year | 163.36 | 171.03 |
| **Changes in inventories** | **7.67** | **(22.02)** |
| Opening stock of unit sold during the year (refer note 29.1) | - | (8.53) |
| Opening stock on acquisition of business (refer note 43) | - | 3.90 |
| Net Increase/ (decrease) | **7.67** | **(26.65)** |

## 25 Employee benefits expense

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Salaries and wages (refer note 5) | 1,154.67 | 1,020.16 |
| Contribution to provident and other funds (Refer note 36.1) | 70.44 | 66.15 |
| Expense on employee stock option scheme (Refer note 37) | 30.56 | 27.09 |
| Staff welfare expenses | 47.54 | 42.44 |
| | **1,303.21** | **1,155.84** |

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

## 26 Finance costs

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| (a) Interest costs :- | | |
| Interest on term loan from banks and others | 218.31 | 121.06 |
| Interest on financial liability measured at amortised cost | 5.00 | - |
| Interest on bank overdraft | 57.16 | 32.74 |
| Interest on deferred payment obligations | 11.67 | 19.47 |
| Net loss on foreign currency transactions and translations to the extent regarded as borrowing costs | 62.40 | 1.01 |
| Finance cost on finance lease obligations | 81.19 | 70.42 |
| Interest on defined benefit obligations | 4.56 | 3.63 |
| (b) Other borrowing costs | 37.81 | 19.63 |
| | **478.10** | **267.96** |

## 27 Depreciation and amortisation expense

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Depreciation of property, plant and equipment (refer note 5) | 442.95 | 418.97 |
| Amortisation of intangible assets (refer note 6) | 28.77 | 20.23 |
| **Total depreciation and amortisation expense** | **471.72** | **439.20** |

## 28 Other expenses

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Medical consultancy charges | 1,196.52 | 1,033.96 |
| Lab charges (Refer note 44) | 284.57 | 136.48 |
| Power and fuel, water Charges | 163.40 | 145.12 |
| House keeping expenses | 144.94 | 133.34 |
| Rent (Refer note 35.2) | 230.33 | 201.81 |
| Reparis and maintenance | | |
| Building | 13.47 | 11.87 |
| Machinery | 119.37 | 128.85 |
| Office maintenance & others | 39.57 | 51.06 |
| Insurance | 9.63 | 14.38 |
| Rates and taxes | 13.61 | 12.26 |
| Printing & stationery | 28.19 | 22.58 |
| Postage & telegram | 27.78 | 26.90 |
| Advertisement, publicity & marketing | 30.51 | 31.06 |

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

## 28 Other expenses (Contd..)

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Travelling & conveyance | 73.81 | 77.32 |
| Legal & professional fees | 154.03 | 162.84 |
| Payment to auditors (Refer note 28.1) | 7.80 | 6.17 |
| Bad debts written off | - | 100.11 |
| Provision for bad debts & doubtful advances, net | 34.43 | (63.45) |
| Loss on disposal of property, plant and equipment | 0.13 | 0.35 |
| Corporate social responsibility (refer note 28.2) | 1.27 | - |
| Revenue share expenditure | 30.63 | 12.83 |
| Miscellaneous expenses | 24.01 | 28.13 |
| | **2,628.00** | **2,273.97** |

### 28.1 Payments to auditors

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| a) Audit fees | 4.40 | 3.20 |
| b) Limited review | 2.00 | 1.80 |
| c) Out of pocket expenses and taxes on above | 1.38 | 1.05 |
| d) Certification services | 0.02 | 0.12 |
| | **7.80** | **6.17** |

### 28.2 Corporate social responsibility

(a) Gross amount required to be spent by the Company during the year is ₹ 4.44 million (2017-18: ₹ 1.45 million)

(b) Amount spent during the year ended 31 March 2019 on corporate social responsibility activities :

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Construction/acquisation of any asset | - | - |
| On purposes other than above | 1.27 | - |

## 29 Exceptional items

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Gain on sale of Triesta unit of the Company (Refer note 29.1) | - | 61.37 |
| Net gain on disposal of equity investment in subsidiary HCG Regency Oncology Healthcare Private Limited (Refer note 29.2) | - | 44.44 |
| Net loss pertaining to non-operation unit in Delhi (Refer note 29.3) | - | (76.46) |
| | **-** | **29.35** |

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

**29.1** During the year ended 31 March 2018, the Company had entered into a business transfer agreeement with Strand Life Sciences Private Limited ('Strand') dated 02 January 2018 for sale of its Triesta unit on slump sale basis for a lumpsum consideration of ₹ 240 million for which the consideration is received in the form of 9,140,342 equity shares and 101,193 Series 1 Preference Shares of Strand.

**Details of net assets transferred:**

| Particulars | Amount (₹ in million) |
|---|---|
| **Assets** | |
| Property plant and equipment | 129.19 |
| Capital work-in-progress | 36.31 |
| Inventories | 18.15 |
| Trade receivables | 63.25 |
| Other financials / non financial assets | 8.00 |
| Cash and cash equivalents | 0.22 |
| **Total [A]** | **255.12** |
| **Liabilities** | |
| Trade payables | 37.14 |
| Payable towards reimbursement of capital expenditure | 32.06 |
| Capital creditors | 4.31 |
| Provision for employee benefits & Other liabilities | 2.98 |
| **Total [B]** | **76.49** |
| **Carrying value of net assets sold [C] = [A-B]** | **178.63** |
| **Fair value of the consideration [D]** | **240.00** |
| **Gain on sale of assets [E] = [D] - [C]** | **61.37** |

**29.2** In accordance with the terms of share purchase agreement with Regency Hospital Limited dated 28 March 2018, the Company sold its long-term investments in equity shares held in HCG Regency Oncology HealthCare Private Limited (HCG Regency) for a total consideration of ₹ 212.31 million resulting in a gain of ₹ 44.44 million. Persuant to the change, HCG Regency ceases to be a susbidiary of the Company.

**29.3** During the year ended 31 March 2018, the Company closed its operations of Delhi unit. Net charge on account of write off of receivables is ₹ 21.90 million and the charge due to write off of net fixed assets is ₹ 54.56 million. The total charge due to unit closure is ₹ 76.46 million.

(₹ in million)

| Particulars | Amount | Amount |
|---|---|---|
| (a) Trade receivables written off | 100.11 | |
| Less: Provided earlier | 78.21 | |
| Net impact on account of write off of trade receivables | | 21.90 |
| (b) Assets written off | | |
| Gross block | 150.87 | |
| Less: Accumulated depreciation | 96.31 | |
| Net impact on account of write off of tangible assets | | 54.56 |
| Total | | **76.46** |

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

## 30 Income tax expense

### 30.1 Income tax recognised in the Statement of profit and loss

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Current tax** | | |
| Current tax | 35.72 | 86.30 |
| Taxes for earlier periods | (64.02) | - |
| | **(28.30)** | **86.30** |
| **Deferred tax** | | |
| - MAT | (49.73) | (86.30) |
| - Others | 131.23 | 119.82 |
| | **81.50** | **33.52** |
| **Total income tax expense recognised in the Statement of profit and loss** | **53.20** | **119.82** |

**The reconciliation between the income tax expense and amounts computed by applying the Indian statutory income tax rate to profit before taxes is as follows:**

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Profit before tax** | **125.65** | **368.72** |
| Enacted income tax rate in India | 34.994% | 34.608% |
| Computed expected tax expense | 43.97 | 127.61 |
| **Effect of:** | | |
| Income not taxable | (10.90) | (6.73) |
| Permanent difference | 14.87 | - |
| Others | 5.26 | (1.06) |
| | **53.20** | **119.82** |

### 30.2 Income tax recognised in other comprehensive income

(₹ in million)

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **Income tax arising on income and expenses recognised in other comprehensive income:** | | |
| Remeasurement of defined benefit obligation | (0.40) | 1.03 |
| Effective portion of loss on hedging instruments in a cash flow hedge | 22.34 | - |
| **Total income tax recognised in other comprehensive income** | **21.94** | **1.03** |

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

### 30.3 Deferred tax balances (Net)

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Deferred Tax assets | 554.42 | (483.32) |
| Deferred Tax liabilities | (523.00) | 574.34 |
| **Total** | **31.42** | **91.02** |

**Significant components of net deferred tax assets and liabilities for the period ended 31 March 2019 are as follows:**

(₹ in million)

| Deferred tax assets / (liabilities) in relation to | Opening Balance | Recognised in Statement of Profit and Loss | Recognised in other comprehensive income | Closing Balance |
|---|---|---|---|---|
| Property, plant and equipment | (462.02) | (41.54) | - | (503.56) |
| Intangible assets | (21.30) | 1.86 | - | (19.44) |
| Sec 43B items | 46.86 | 3.36 | (0.40) | 49.82 |
| MAT credit entitlement | 194.98 | (49.73) | - | 145.25 |
| Provision for doubtful debts/advances | 115.09 | 23.40 | - | 138.49 |
| Tax losses | 214.39 | (13.29) | - | 201.10 |
| Derivative and others | 3.02 | (5.60) | 22.34 | 19.76 |
| | **91.02** | **(81.54)** | **21.94** | **31.42** |

**Significant components of net deferred tax assets and liabilities for the period ended 31 March 2018 are as follows:**

(₹ in million)

| Deferred tax assets / (liabilities) in relation to | Opening Balance | Recognised in Statement of Profit and Loss | Recognised in other comprehensive income | Closing Balance |
|---|---|---|---|---|
| Property, plant and equipment | (503.56) | 41.54 | - | (462.02) |
| Intangible assets | (10.70) | (10.60) | - | (21.30) |
| Financial liabilities at amortised cost | 4.86 | (4.86) | - | - |
| MAT credit entitlement | 108.68 | 86.30 | - | 194.98 |
| Provision for doubtful debts/advances | 139.14 | (24.05) | - | 115.09 |
| Sec 43B items | 34.09 | 11.74 | 1.03 | 46.86 |
| Tax losses | 347.98 | (133.59) | - | 214.39 |
| Others | - | 3.02 | - | 3.02 |
| | **120.49** | **(30.50)** | **1.03** | **91.02** |

Under the Income Tax Act, 1961, unabsorbed business losses expire 8 years after the year in which they originate. Further, the Company carry tax credit entitlement in respect of Minimum Alternate Tax (MAT) paid, which can be carried forward for certain period and can be set-off against for 15 years future tax liabilities to the extent income tax under normal tax provisions exceed the MAT for those years. Tax benefits on unabsorbed business losses and MAT credit entitlement have been recognised as deferred tax asset as it is more probable than not that the future economic benefits associated with the asset will be realised.

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

### 30.4 Current tax assets

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Tax deducted at source, advance tax (net of Provision) | 464.19 | 174.65 |
| | **464.19** | **174.65** |

## 31 Contingent liabilities

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| a) Corporate guarantee given on behalf of subsidiaries and other parties (refer note 46) | 1,933.84 | 1,357.81 |
| i) Other money for which the Company is contingently liable | | |
| Excise and service tax (Refer note 1) | 28.34 | 28.35 |
| Value added tax (Refer note 2) | 2.50 | 2.50 |
| b) Bonus to employees pursuant to retrospective amendment to the Payment of Bonus Act, 1965 (Refer note 3) | 9.98 | 9.98 |

1. Excise Commissionerate-III, Bengaluru has passed Order against the Company adjudicating that the product Fluro-deoxy-glucose ('FDG') is excisable and levied excise duty for the period under scrutiny from April 2009 to March 2014 of ₹ 6.80 million, interest on duty amount, penalty of ₹ 6.80 million, redemption fine of ₹ 0.6 million in lieu of confiscation of goods not available. The order also imposed a penalty of ₹ 1 million on Dr. B.S. Ajaikumar, Chairman & CEO of the Company. The Company has filed an appeal before CESTAT by paying Central Excise Duty of ₹ 0.6 million.

   Additional Commissionerate of Central Excise, Chennai, has passed the Order confirming the excisability on sale of FDG for the period March 2013 to June 2015 levying excise duty of ₹ 6.57 million, interest on duty amount and penalty of ₹ 6.57 million.

   The Company is positive of winning the case on the ground that FDG is not excisable as there is no specific entry in the Central Excise Tariff Act 1985. Further, even if it is excisable the same has to be classified under Chapter 30 which attracts excise duty at 6% and valuation of captively consumed FDG will reduce the demand.

2. HealthCare Global Vijay Oncology Private Limited is merged with Company effective from April 1, 2015, has undergone Departmental VAT audit for the period from 2011-12 to 2014-15 and noted that the Company has not charged & paid VAT on supply of food to patients and raised a AP-VAT demand of ₹ 2 million. Further, the Deputy Commercial Tax Officer, Vijayawada has passed the Penalty Order for ₹ 0.5 million against the above AP-VAT Audit Order. The Company has filed an writ petition before Andhra Pradesh High Court by paying ₹ 0.4 million VAT amount to department.

   If it is excisable the same has to be classified under Chapter 30 which attracts excise duty at 6% and valuation of captivity consumed FDG will reduce the demand. The Company is positive of winning the case on the ground that various High Courts in India have ruled that the supply of food to patient is pursuant to provision of medical service and is not a sale of goods.

3. The Payment of Bonus (Amendment) Act, 2015 has been enacted on 31 December 2015 with retrospective effect from 01 April 2014.

   The Company has taken a position that the stay granted by the two High Courts of India on the retrospective application of the amendment would have a persuasive effect even outside the boundaries of the relevant states and accordingly no provision for the year ended 31 March 2015 of ₹ 9.98 million is required.

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

4. The Company has given letter of support to its subsidiary companies, namely HealthCare Global Senthil-Multi Specialty Hospital Private Limited, Niruja Product Development and Healthcare Research Private Limited, HCG Oncology LLP and APEX HCG Oncology Hospitals LLP. Under the letter of support, the Company is committed to provide operational and financial assistance as is necessary for the subsidiary companies to enable them to operate as going concern for a period of at least one year from the balance sheet date i.e. till 31 March 2020.

5. In light of recent judgement of Hon'ble Supreme Court dated 28 February 2019, on the definition of 'Basic wage' under the Employees Provident Fund and Misc. Provision Act, 1952, and as per Company's evaluation based on legal advice, there are significant uncertainties and numerous interpretation issues relating to the judgement and hence it is unclear as to whether the clarified definition of Basic wage would be applicable prospectively or retrospectively. The Company will evaluate its position and update provision, if required, basis further clarity on the subject. The Company does not expect the amount to be material to the standalone financial statements.

6. The Company is involved in other disputes, law suits and other claims including commercial matters which arise from time to time in the ordinary course of business. The Company believes that there are no such pending matters that are expected to have any material adverse effect on the standalone financial statements.

## 32 Commitments

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Estimated amount of contracts remaining to be executed on capital account and not provided for | 871.37 | 676.33 |
| Written put options issued by the Company to the non-controlling interests of its subsidiaries | 481.78 | 1,111.64 |

## 33 Earnings per Share

### 33.1 Basic earnings per share

The calculations of profit attributable to equity shareholders and weighted average number of equity shares outstanding for purposes of basic earnings and diluted earnings per share calculations are as follows:

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| a. Profit after tax | 72.45 | 248.90 |
| The earnings used in the calculation of basic earnings per share | 72.45 | 248.90 |
| b. Weighted average number of equity shares for the year | | |
| Weighted average number of equity shares for the purposes of basic earnings per share | 87,909,856 | 86,046,366 |
| **Basic earnings per equity share ₹ Per share (a/b)** | **0.83** | **2.89** |

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

### 33.2 Diluted earnings per share

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| The earnings used in the calculation of diluted earnings per share are as follows. | | |
| a. Earnings used in the calculation of basic earnings per share | 72.45 | 248.90 |
| b. Earnings used in the calculation of diluted earnings per share | 72.45 | 248.90 |
| c. Weighted average number of equity shares used in the calculation of diluted earnings per share | 88,098,982 | 86,204,138 |
| **Diluted earnings per share for the year (amount in ₹)** | **0.82** | **2.89** |

The weighted average number of equity shares for the purpose of diluted earnings per share reconciles to the weighted average number of equity shares used in the calculation of basic earnings per share as follows:

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Weighted average number of equity shares used in the calculation of basic earnings per share | 87,909,856 | 86,046,366 |
| Shares deemed to be issued for no consideration in respect of employee options | 189,126 | 157,772 |
| **Weighted average number of equity shares used in the calculation of diluted earnings per share** | **88,098,982** | **86,204,138** |

## 34 Segment information

Ind AS 108 "Operating Segment" ("Ind AS 108") establishes standards for the way that public business enterprises report information about operating segments and related disclosures about products and services, geographic areas, and major customers. Based on the "management approach" as defined in Ind AS 108, Operating segments are to be reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM evaluates the Company's performance and allocates resources on overall basis. The Company's sole operating segment is therefore 'Medical and Healthcare Services'. Accordingly, there are no additional disclosure to be provided under Ind AS 108, other than those already provided in the financial statements.

### Geographical information

Geographical information analyses the company's revenue and non-current assets by the Company's country of domicile (i.e. India) and other countries. In presenting the geographical information, segment revenue has been based on the geographical location of the customers and segment assets which have been based on the geographical location of the assets.

# Notes to the Standalone Financial Statements
for the year ended 31 March 2019

### (i) Revenue from operations

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| India | 6,404.99 | 5,862.67 |
| **Total** | **6,404.99** | **5,862.67** |

### (ii) Non current assets*

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| India | 7,462.40 | 6,235.05 |
| **Total** | **7,462.40** | **6,235.05** |

*Non-current assets exclude financial assets and deferred tax assets

## 35 Leasing arrangements: The Company being a lessee

### 35.1 Finance lease arrangements

Finance leasing arrangements of the Company include lease of Hospital buildings for duration of 24 to 30 years and medical equipments for 6 years. Interest rates underlying all obligations under finance leases range between 10% to 12% p.a. The details of future minimum lease payment and reconciliation of gross investment in the lease and payment value of minimum lease payments are given below:

#### Finance lease liabilities

| Particulars | Minimum Lease Payments | | Present Value of Minimum Lease Payments | |
|---|---|---|---|---|
| | 31 March 2019 | 31 March 2018 | 31 March 2019 | 31 March 2018 |
| Not later than one year | 66.69 | 66.31 | - | - |
| Later than one year and not later than five years | 303.04 | 301.30 | - | - |
| Later than five years | 1,564.44 | 1,586.79 | 555.17 | 555.17 |
| | **1,934.17** | **1,954.40** | **555.17** | **555.17** |
| Less: future finance charges | (1,379.00) | (1,399.23) | - | - |
| **Present value of minimum lease payments** | **555.17** | **555.17** | **555.17** | **555.17** |

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Included in the financial statements as: | | |
| - Non-current borrowings (Refer note 16) | 555.17 | 555.17 |
| | **555.17** | **555.17** |

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

### 35.2 Operating lease arrangements

The Company has entered into operating lease arrangements for certain facilities and office premises. The leases are non-cancellable and are for a period of 5 to 30 years and may be renewed for a further period, based on mutual agreement of the parties. The escalation clause in these arrangements ranges from 0% to 10%.

**Payments recognised as an expense in note 28**

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Minimum lease payments | 230.33 | 201.81 |
| | **230.33** | **201.81** |

**Future non-cancellable operating lease commitments**

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Not later than 1 year | 225.88 | 170.10 |
| Later than 1 year and not later than 5 years | 867.65 | 686.14 |
| Later than 5 years | 1489.11 | 1046.72 |
| | **2,582.64** | **1,902.96** |

## 36 Employee benefit plans

### 36.1 Defined contribution plans

The Company has defined contribution plan in form of Provident Fund and Employee State Insurance Scheme for qualifying employees. Under the Schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The total expense recognised in the Statement of profit and loss under employee benefit expenses in respect of such schemes are given below:

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Contribution to Provident Fund included under contribution to provident and other funds. | 61.18 | 54.93 |
| Contribution to Employee State Insurance Scheme | 13.42 | 12.62 |
| | **74.60** | **67.55** |

### 36.2 Defined benefit plans

The Company offers gratuity plan for its qualified exployees which is payable as per the requirements of Payment of Gratuity Act, 1972. The benefit vests upon completion of five years of continuous service and once vested it is payable to employees on retirement or on termination of employment. In case of death while in service, the gratuity is payable irrespective of vesting.

# Notes to the Standalone Financial Statements
for the year ended 31 March 2019

**Amounts recognised in statement of profit and loss in respect of this defined benefit plan are as follows.**

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| (c) Provisions | 9.26 | 7.75 |
| Past service cost and (gain)/loss from settlements | - | 3.47 |
| Net interest expense | 4.56 | 3.64 |
| **Components of defined benefit costs recognised in the Statement of profit and loss** | **13.82** | **14.86** |
| Service cost recognised in employee benefits expense in Note 25 | 9.26 | 11.22 |
| Net interest expense recognised in finance costs in Note 26 | 4.56 | 3.64 |
| **Remeasurement of the net defined benefit liability:** | | |
| Return on plan assets (excluding amounts included in net interest expense) | - | 0.62 |
| Actuarial (gains) arising from changes in demographic assumptions | (0.72) | (0.34) |
| Actuarial (gains) / losses arising from changes in financial assumptions | (0.02) | 2.71 |
| **Remeasurement of the net defined benefit liability recognised in other comprehensive income** | **(0.74)** | **2.99** |

**The amount included in the balance sheet arising from the entity's obligation in respect of its defined benefit plans is as follows:**

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Present value of funded defined benefit obligation | 72.58 | 61.73 |
| Fair value of plan assets | 0.91 | 0.82 |
| **Unfunded status** | **71.67** | **60.91** |
| Restrictions on asset recognised | - | - |
| **Net liability arising from defined benefit obligation** | **71.67** | **60.91** |
| Non-current (refer note 19) | 43.90 | 37.29 |
| Current (refer note 19) | 27.77 | 23.62 |

**Movements in the present value of the defined benefit obligation are as follows.**

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Opening defined benefit obligation | 61.73 | 47.88 |
| Current service cost | 9.26 | 11.22 |
| Interest cost | 4.56 | 3.64 |
| **Remeasurement (gains)/losses:** | | |
| Actuarial gains and losses arising from changes in demographic assumptions | - | 0.62 |
| Actuarial gains and losses arising from changes in financial assumptions | (0.71) | (0.34) |
| Actuarial gains and losses arising from experience adjustments | (0.02) | 2.71 |
| Benefits paid | (2.62) | (4.10) |
| Others | 0.38 | 0.10 |
| **Closing defined benefit obligation** | **72.58** | **61.73** |

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

### Movements in the fair value of the plan assets are as follows.

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Opening fair value of plan assets | 0.82 | 0.77 |
| Interest income | 0.06 | 0.05 |
| Remeasurements of plan assets | 0.03 | - |
| **Closing fair value of plan assets** | **0.91** | **0.82** |

*Expected future contribution to the plan - Nil (31 March 2018- Nil)

The fair value of the plan assets at the end of the reporting period for each category, are as follows

(₹ in million)

| Particulars | Fair value of plan assets as at | |
|---|---|---|
| | 31 March 2019 | 31 March 2018 |
| Insurer-managed funds | 0.91 | 0.82 |
| **Total** | **0.91** | **0.82** |

### Defined plan asset

Plan assets consist of assets held in a 'long-term benefit fund' for the sole purpose of making future benefit payments when they fall due. Plan assets include qualifying insurance policies and not quoted in the market.

The actual return on plan assets was ₹ 0.09 Million (for the year ended 31 March 2018: ₹ 0.05 Million).

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

(₹ in million)

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (1% movement) | (1.36) | 1.42 | (1.18) | 1.23 |
| Future salary increase (1% movement) | 3.15 | (2.96) | 2.73 | (2.57) |
| Attrition rate (10% movement) | (0.73) | 0.76 | (0.71) | 0.74 |

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The average duration of the defined benefit obligation as at 31 March 2019 is 4.82 years (as at 31 March 2018: 4.66 years)

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

**The principal assumptions used for the purposes of the actuarial valuations were as follows.**

(₹ in million)

| Particulars | Valuation as at 31 March 2019 | Valuation as at 31 March 2018 |
|---|---|---|
| Discount rate(s) | 7.00% | 6.50% |
| Expected rate(s) of salary increase | 5% | 5% |
| Rate of return on plan assets | 7.0% | 6.5% |
| Mortality table | IALM 2006-08 | IALM 2006-08 |
| Employee turnover rate | 40.00% | 40.00% |

**Maturity profile of defined benefit obligation:**

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Within 1 year | 28.67 | 24.44 |
| 1-2 years | 18.57 | 15.43 |
| 2-3 years | 12.52 | 10.72 |
| 3-4 years | 8.56 | 7.26 |
| 4-5 years | 5.89 | 4.87 |
| 6-10 year | 8.83 | 7.53 |
| >10 years | 0.84 | 0.74 |

## 37 Share-based payments

### A Employee share option plan of the Company

#### (a) ESOP 2010

In the extraordinary general meeting held on 25 August, 2010, the shareholders had approved the issue of 1,800,000 options under the Scheme titled " Employee Stock Option Scheme 2010 (ESOP 2010). The ESOP 2010 allows the issue of options to employees of the Company and its subsidiaries. Each option comprises one underlying equity share.

As per the Scheme, the Remuneration committee grants the options to the employees deemed eligible. The exercise price of each option shall be at a price not less than the face value per share. The option holders may exercise those options vested based on passage of time commencing from the expiry of 4 years from the date of grant and those vested based on performance immediately after vesting, within the expiry of 10 years from the date of grant.

On 16 June, 2010, the Company granted options under said scheme for eligible personnel. In the extraordinary general meeting held on 31 March 2015, the shareholders approved for accelerated vesting of options outstanding as at 31 March 2015. Accordingly, all the options outstanding were vested in the hands of option holders as at 31 March 2015. Further, the remaining options available for grant under ESOP 2010 were transferred to ESOP 2014 scheme.

#### (b) ESOP 2014

Pursuant to the shareholders' approval in the extraordinary general meeting held on 28 March 2014 and 25 August 2010, the Board of Directors formulated the Scheme titled "Employee Stock Option Scheme 2014""

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

(ESOP 2014). The ESOP 2014 allows the issue of options to employees of the Company and its subsidiaries. Each option comprises one underlying equity share.

As per the Scheme, the Remuneration Committee grants the options to the employees deemed eligible. The Exercise Price shall be a price that is not less than the face value per share per option. Options Granted under ESOP 2014 would vest not less than one year and not more than five years from the date of Grant of such Options. Vesting of Options would be a function of continued employment with the Company (passage of time) and achievement of performance criteria as specified by the Nomination and Remuneration Committee as communicated at the time of grant of options. The option holders may exercise those options vested within a period as specified which may range upto 10 years from the date of grant.

Employee stock options will be settled by delivery of shares

**B (i) The detail of fair market value and the exercise price is as given below:**

| Particulars | ESOP 2010 | ESOP 2014 | ESOP 2014 | ESOP 2014 |
|---|---|---|---|---|
| Date of grant | 16-Jun-10 | 24-Jun-14 | 10-Nov-16 | 10-Nov-16 |
| Fair market value of option at grant date (₹) | 23.10 | 73.34 | 232.48 | 156.93 |
| Fair market value of share at grant date (₹) | 29.18 | 78.95 | 240.15 | 240.15 |
| Exercise price (₹) | 10.00 | 10.00 | 10.00 | 110.68 |
| No. of options | 1,294,800 | 110,100 | 165,400 | 30,000 |

| Particulars | ESOP 2014 | ESOP 2014 | ESOP 2014 | ESOP 2014 |
|---|---|---|---|---|
| Date of grant | 1-Apr-17 | 1-Apr-17 | 11-Aug-17 | 6-Nov-17 |
| Fair market value of option at grant date (₹) | 221.80 | 120.08 | 261.61 | 269.27 |
| Fair market value of share at grant date (₹) | 229.45 | 229.45 | 269.35 | 276.95 |
| Exercise price (₹) | 10.00 | 150.00 | 10.00 | 10.00 |
| No. of options | 25,000 | 35,000 | 101,000 | 53,000 |

| Particulars | ESOP 2014 | ESOP 2014 | ESOP 2014 |
|---|---|---|---|
| Date of grant | 22-May-18 | 9-Nov-18 | 7-Feb-19 |
| Fair market value of option at grant date (₹) | 298.55 | 220.74 | 181.62 |
| Fair market value of share at grant date (₹) | 306.81 | 231.85 | 187.00 |
| Exercise price (₹) | 10.00 | 10.00 | 10.00 |
| No. of options | 55,000 | 25,000 | 47,000 |

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

(ii) The assumptions used in this model for calculating fair value of the ESOP granted during the current year and previous year are as below:

| Assumptions | Grant Date: 01 April 2017 (ESOP 2014) | | | |
|---|---|---|---|---|
| | Vest 1<br>01 Apr 18 | Vest 2<br>01 Apr 19 | Vest 3<br>01 Apr 20 | Vest 4<br>01 Apr 21 |
| **Variables** | **10%** | **20%** | **30%** | **40%** |
| Risk free interest rate | 6.46% | 6.57% | 6.76% | 6.86% |
| Expected life | 2.00 | 3.00 | 4.00 | 5.00 |
| Expected annual volatility of shares | 27.46% | 28.94% | 30.36% | 29.83% |
| Expected dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |

| Assumptions | Grant Date: 11 August 2017 (ESOP 2014) | | | |
|---|---|---|---|---|
| | Vest 1<br>11 Aug 18 | Vest 2<br>11 Aug 19 | Vest 3<br>11 Aug 20 | Vest 4<br>11 Aug 21 |
| **Variables** | **10%** | **20%** | **30%** | **40%** |
| Risk free interest rate | 6.35% | 6.38% | 6.43% | 6.50% |
| Expected life | 2.00 | 3.00 | 4.00 | 5.00 |
| Expected annual volatility of shares | 24.74% | 27.98% | 28.28% | 29.68% |
| Expected dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |

| Assumptions | Grant Date: 06 November 2017 (ESOP 2014) | | | |
|---|---|---|---|---|
| | Vest 1<br>06 Nov 18 | Vest 2<br>06 Nov 19 | Vest 3<br>06 Nov 20 | Vest 4<br>06 Nov 21 |
| **Variables** | **10%** | **20%** | **30%** | **40%** |
| Risk free interest rate | 6.30% | 6.48% | 6.64% | 6.78% |
| Expected life | 2.00 | 3.00 | 4.00 | 5.00 |
| Expected annual volatility of shares | 24.04% | 27.42% | 27.47% | 29.42% |
| Expected dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |

| Assumptions | Grant Date: 22 May 2018 (ESOP 2014) | | | |
|---|---|---|---|---|
| | Vest 1<br>22 May 2019 | Vest 2<br>22 May 2020 | Vest 3<br>22 May 2021 | Vest 4<br>22 May 2022 |
| **Variables** | **10%** | **20%** | **30%** | **40%** |
| Risk free interest rate | 7.30% | 7.61% | 7.80% | 7.91% |
| Expected life | 2.00 | 3.00 | 4.00 | 5.00 |
| Expected annual volatility of shares | 25.05% | 26.08% | 28.40% | 29.08% |
| Expected dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |

# Notes to the Standalone Financial Statements
for the year ended 31 March 2019

(ii) The assumptions used in this model for calculating fair value of the ESOP granted during the current year and previous year are as below: (Contd..)

| Assumptions | Grant Date: 09 November 2018 (ESOP 2014) | | | |
|---|---|---|---|---|
| | Vest 1 09 Nov 19 | Vest 2 09 Nov 20 | Vest 3 09 Nov 21 | Vest 4 09 Nov 22 |
| **Variables** | **10%** | **20%** | **30%** | **40%** |
| Risk free interest rate | 7.29% | 7.44% | 7.55% | 7.64% |
| Expected life | 2.00 | 3.00 | 4.00 | 5.00 |
| Expected annual volatility of shares | 29.52% | 27.82% | 29.24% | 28.92% |
| Expected dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |

| Assumptions | Grant Date: 07 February 2019 (ESOP 2014) | | | |
|---|---|---|---|---|
| | Vest 1 07 Feb 20 | Vest 2 07 Feb 21 | Vest 3 07 Feb 22 | Vest 4 07 Feb 23 |
| **Variables** | **10%** | **20%** | **30%** | **40%** |
| Risk free interest rate | 6.89% | 7.04% | 7.16% | 7.26% |
| Expected life | 2.00 | 3.00 | 4.00 | 5.00 |
| Expected annual volatility of shares | 29.97% | 27.83% | 29.07% | 29.26% |
| Expected dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |

**C Employee stock options details as on the Balance Sheet date are as follows: The Company has used Blackscholes option pricing model for valuation of options.**

| Particulars | Year ended 31 March 2019 | | Year ended 31 March 2018 | |
|---|---|---|---|---|
| | Options (Numbers) | Weighted average exercise price per option (₹) | Options (Numbers) | Weighted average exercise price per option (₹) |
| Option outstanding at the beginning of the year: | | | | |
| - ESOP 2010 | 10,127 | 10.00 | 10,127 | 10.00 |
| - ESOP 2014 | 471,670 | 20.17 | 22,020 | 10.00 |
| Granted during the year: | | | | |
| - ESOP 2010 | - | - | - | - |
| - ESOP 2014 | 127,000 | 10.00 | 214,000 | 32.90 |
| Forfeited during the year: | | | | |
| - ESOP 2010 | - | - | - | - |
| - ESOP 2014 | - | - | - | - |
| Exercised during the year: | | | | |
| - ESOP 2010 | 2,300 | 10.00 | - | - |
| - ESOP 2014 | 77,760 | 10.00 | 24,820 | 10.00 |

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

**C Employee stock options details as on the Balance Sheet date are as follows: The Company has used Blackscholes option pricing model for valuation of options. (Contd..)**

| Particulars | Year ended 31 March 2019 | | Year ended 31 March 2018 | |
|---|---|---|---|---|
| | Options (Numbers) | Weighted average exercise price per option (₹) | Options (Numbers) | Weighted average exercise price per option (₹) |
| Lapsed during the year: | | | | |
| - ESOP 2010 | - | - | - | - |
| - ESOP 2014 | - | - | - | - |
| Options outstanding at the end of the year: | | | | |
| - ESOP 2010 | 7,827 | 10.00 | 10,127 | 10.00 |
| - ESOP 2014 | 520,910 | 25.20 | 471,670 | 20.17 |
| Options exercisable at the end of the year: | | | | |
| - ESOP 2010 | 7,827 | 10.00 | 10,127 | 10.00 |
| - ESOP 2014 | 64,530 | 31.64 | 37,770 | 18.00 |

*Options available for grant under ESOP 2014 Scheme are 2,334,306 (previous year 2,461,306)

The weighted average share price at the date of exercise for share options exercised during the year ended 31 March 2019 is ₹ 228.49 (previous year ₹ 318.65).

The options outstanding at the end of the reporting period has exercise price in the range of ₹ 10 to ₹ 150 (Previous year ₹ 10 to ₹ 150) and weighted average remaining contractual life of 8.10 years (Previous year 7.54 years).

**D** For details of expense recognised in statement of profit and loss please refer note 25 and for details of movement in share options outstanding account refer note 15.2.

## 38 Financial instruments

The carrying value and fair value of financial instruments by categories as at 31 March 2019 and 31 March 2018 are as follows:

(₹ in million)

| Particulars | Carrying value as at 31 March 2019 | Carrying value as at 31 March 2018 |
|---|---|---|
| **Financial assets** | | |
| **Amortised cost** | | |
| Loans (including current and non-current) | 580.71 | 367.50 |
| Trade receivables | 1,455.99 | 1,262.13 |
| Cash and cash equivalents | 85.40 | 153.11 |
| Other financial assets | 340.17 | 474.87 |
| **FVTPL** | | |
| Investments in unquoted equity instruments | 59.61 | 8.14 |
| Investments in mutual fund (quoted) | 46.48 | 43.13 |
| Right to equity shares | 694.42 | - |
| **Total assets** | **3,262.78** | **2,308.88** |

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

## 38 Financial instruments (Contd..)

(₹ in million)

| Particulars | Carrying value as at | |
|---|---|---|
| | 31 March 2019 | 31 March 2018 |
| **Financial liabilities** | | |
| **Amortised cost** | | |
| *Loans and Borrowings (including current maturities and short-term borrowings) | 4,220.89 | 2,634.87 |
| Trade payables | 1,352.57 | 1,144.24 |
| Other financial liabilities (including current and non-current) | 645.72 | 436.65 |
| **FVTPL** | | |
| Financial guarantee obligation (including current and non-current) | 77.84 | 56.90 |
| Payable on acquisition of business (Contingent consideration) | 69.26 | 63.76 |
| Payable for share purhchase | 694.42 | - |
| **FVTOCI** | | |
| Derivative liability (including current and non-current) | 109.95 | - |
| **Total liabilities** | **7,170.65** | **4,336.42** |

The management assessed that fair value of above financial assets and liabilites approximates the fair value.

*Refer note 16 for details related to pledge of financial assets

## 39 Fair value hierarchy

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table presents the fair value measurement hierarchy of financial assets and liabilities measured at fair value on recurring basis as at 31 March 2019 and 31 March 2018.

(₹ in million)

| Quantitative disclosures fair value measurement hierarchy | Total | Fair value measurement using | | |
|---|---|---|---|---|
| | | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **Financial assets measured at fair value as at 31 March 2019** | | | | |
| Investment in mutual funds (quoted) | 46.48 | 46.48 | - | - |
| Investments in unquoted equity instruments | 59.61 | - | - | 59.61 |
| Right to equity | 694.42 | - | - | 694.42 |
| **Financial liabilties measured at fair value as at 31 March 2019** | | | | |
| Financial guarantee obligation | 77.84 | - | 77.84 | - |
| Payable on acquisition of business (Contingent consideration) | 69.26 | - | - | 69.26 |
| Payable for share purhchase | 694.42 | - | - | 694.42 |
| Derivative liability | 109.95 | - | - | 109.95 |

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

## 39 Fair value hierarchy (Contd..)

(₹ in million)

| Quantitative disclosures fair value measurement hierarchy | Total | Fair value measurement using | | |
|---|---|---|---|---|
| | | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **Financial assets measured at fair value as at 31 March 2018** | | | | |
| Investment in mutual funds (quoted) | 43.13 | 43.13 | - | - |
| Investments in unquoted equity instruments | 8.14 | - | - | 8.14 |
| **Financial liabilties measured at fair value as at 31 March 2018** | | | | |
| Financial guarantee obligation | 56.90 | - | 56.90 | - |
| Payable on acquisition of business (Contingent consideration) | 63.76 | - | - | 63.76 |

There have been no transfers among Level 1, Level 2 and Level 3 during each of the years presented above.

| Type | Valuation technique | Significant unobservable inputs | Inter-relation between significant unobservable inputs and fair value measurement |
|---|---|---|---|
| Unquoted equity instruments | Recent completed transaction in the underlying investment | 1. Price per share<br>2. Qualitative factors on operating performance vis a vis budgets<br>3. Regulatory factors | Not applicable |
| Contingent consideration | Discounted cashflows: The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined based on the management estimate of the achievement of the EBITDA target. | Risk adjusted discount rate - 10% | The estimated fair value would increase (decrease) if the risk adjusted discount rate were lower (higher). |
| Financial guarantee obligation | Market comprison: The fair value is estimated considering the rate at which the Company has contracted for similar guarantee obligation with YES bank Limited | Not applicable | Not applicable |
| Derivative Instruments | The fair value is estimated using valuation techniques with observable market inputs including currency spot and forward rates, interest rate curves, currency volatility, etc. | Not applicable | Not applicable |

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

## 39 Fair value hierarchy (Contd..)

**Details of assets and liabilities considered under Level 3 classification**

(₹ in million)

| Particulars | Investment in equity instruments |
|---|---|
| Balance as at April 1, 2017 | - |
| Additions | 8.14 |
| Gain/(loss) recognised in other comprehensive income and statement of profit and loss | - |
| **Balance as at March 31, 2018** | **8.14** |
| Balance as at April 1, 2018 | 8.14 |
| Additions | 51.47 |
| Gain/(loss) recognised in statement of profit and loss | - |
| Gain/(loss) recognised in other comprehensive income | - |
| **Balance as at March 31, 2019** | **59.61** |

As at 31 March 2019 and 31 March 2018, a one percentage point change in the unobservable inputs used in fair valuation of Level 3 assets does not have a significant impact in its value.

**Derivative financial instruments (assets and liabilities):** The Company is exposed to foreign currency fluctuations on foreign currency assets and liabilities, net investment in foreign operations and forecasted cashflows denominated in foreign currency.

The Company limits the effect of foreign exchnage rate fluctuations by following an established risk management policies including the use of derivatives. The Company enters into derivative financial instruments where the counter party is primarily bank.

Derivatives are recognised and measured at fair value. Attributable transaction costs are recognised in the statement of profit and loss as cost. Subsequent to initial recognisition, derivative financial instruments are measured as described below:

A. Cashflow hedges: Changes in fair value of the derivative hedgeing instrument is designated as a cash flow hedge are recognised in other comprehensive income and held in cash flow hedging reserve, net of taxes, a component of equity, to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the statement of profit and loss and reported within foreign exchange gains/(losses), net, within results from operating activities. If the hedging instrument no longer meets the criteria for hedge accounting, then hedge accounting is discontinued prospectively. If the hedging instrument expires or is sold, terminated or exercised, the cumulative gain or loss on the hedging instrument recognised in cash flow hedging reserve till the period the hedge was effective remains in cash flow hedging reserve until the forecasted transaction occurs. The cumulative gain or loss previously

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

## 39 Fair value hierarchy (Contd..)

recognised in the cash flow hedging reserve is transferred to the statement of profit and loss upon the occurrence of the related forecasted transaction. If the forecasted transaction is no longer expected to occur, such cumulative balance is immediately recognised in the statement of profit and loss.

B. Others: Changes in fair value of foreign currency derivative instruments not designated as cash flow hedges are recognised in the statement of profit and loss and reported within foreign exchange gains/(losses), net, within results from operating activities.

Derivatives valued using valuation techniques with market observable inputs are mainly foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing from counter parties. As at March 31, 2019, the changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

The following table presents the aggregate contracted principal amounts of the Company's derivative contracts outstanding:

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Notional | Fair value | Notional | Fair value |
| **Designated derivatives instruments** | | | | |
| Buy: Forward contracts | USD 8.47 | INR 109.95 | USD Nil | INR Nil |
| Weighted Average forward strike Price | INR 79.81 | INR 79.81 | - | - |

The following table summarises activity in the cash flow hedging reserve within equity related to all derivative instruments classified as cash flow hedges:

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Balance as at the beginning of the year | - | - |
| Net (gain)/loss reclassified to statement of profit and loss on occurrence of hedged transactions | (64.30) | - |
| Gain/(loss) on cash flow hedging derivatives, net | (64.30) | - |
| Balance as at the end of the year | (64.30) | - |
| Deferred tax thereon | 22.34 | - |
| Balance as at the end of the year, net of deferred tax | (41.96) | - |

The related hedge transactions for balance in cash flow hedging reserves as at March 31, 2019 are expected to occur and be reclassified to the statement of profit and loss over a period of three years.

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

## 40 Financial risk management

The Company's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company's principal financial assets include loans, trade and other receivables, and cash and short-term deposits that derive directly from its operations. The Company also holds FVTOCI investments and enters into derivative transactions.

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risks which may adversely impact the fair value of its financial instruments.

### (i) Risk management framework

The Company has a risk management policy which covers risks associated with the financial assets and liabilities. The focus of risk management committee is to assess the unpredictability of the financial environment and to mitigate potential adverse effects on the financial performance of the Company.

### (ii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to the credit risk from its trade receivables, unbilled revenue, investments, cash and cash equivalents, bank deposits and loans. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets.

#### *a) Trade and other receivables*

Trade receivables are unsecured comprise a widespread customer base. Company assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set for patients without medical aid insurance. Services to customers without medical aid insurance are settled in cash or using major credit cards on discharge date as far as possible. Credit Guarantees insurance is not purchased.

The Company has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and adjusted for forward looking information. The expected credit loss allowance is based on the ageing of the days the receivables are due and the rates as derived as per the trend of trade receivable ageing of previous years.

**1. The Provision matrix at the end of the reporting period is as follows:-**

| Category | Ageing | | | |
|---|---|---|---|---|
| | Less than 1 year | 1-2 year | 2-3 year | More than 3 year |
| 31 March 2019 | 7% to 10% | 36% to 51% | 52% to 64% | 100% |
| 31 March 2018 | 10% to 12.5% | 40% to 57% | 64% to 100% | 100% |

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

2. **Movement in the expected credit loss allowance**

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Balance at beginning of the year | 302.17 | 365.62 |
| Additional provision during the year | 34.43 | 36.66 |
| Written-off during the year | - | (100.11) |
| **Balance at end of the year** | **336.60** | **302.17** |

No single customer accounted for more than 10% of the revenue as of 31 March 2019 & 31 March 2018. There is no significant concentration of credit risk.

Details of geographic concentration of revenue is included in note 34 to the financial statements

### b) *Investments and cash deposits*

The company limits its exposure to credit risk by generally investing in liquid securities and only with counterparties that have a good credit rating. The company does not expect any losses from non-performance by these counter-parties, and does not have any significant concentration of exposures to specific industry sectors.

### c) *Derivatives*

The Company enters into derivative financial instruments with counter-parties, primarily, banks with investment grade credit ratings.

### (iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Also, the Company has unutilized credit limits with banks.

The Company's corporate treasury department is responsible for liquidity, funding as well as settlement management. In addition, processes and policies related to such risks are overseen by senior management.

The table below provides details regarding the contractual maturities of significant financial liabilities as at 31 March 2019 and 31 March 2018:

(₹ in million)

| Particulars | As at 31 March 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Total | Less than 1 year | 1-2 year | 2-3 year | 3-4 years | More than 4 year |
| Borrowings | 4,220.89 | 759.40 | 555.22 | 300.96 | 216.31 | 2,389.00 |
| Trade payables | 1,352.57 | 1,352.57 | - | - | - | - |
| Other financial liabilities | 1,417.98 | 1,227.23 | 12.32 | 11.53 | 10.43 | 156.47 |
| Derivative liabililty | 109.95 | 3.17 | 89.99 | 16.79 | - | - |
| Payable on acquisition of business | 69.26 | 69.26 | - | - | - | - |

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

**(iii) Liquidity risk (Contd..)**

(₹ in million)

| Particulars | As at 31 March 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Total | Less than 1 year | 1-2 year | 2-3 year | 3-4 years | More than 4 year |
| Borrowings | 2,634.87 | 462.44 | 194.81 | 343.16 | 144.41 | 1,490.05 |
| Trade payables | 1,144.24 | 1,144.24 | - | - | - | - |
| Other financial liabilities | 423.30 | 265.93 | 8.99 | 8.30 | 7.55 | 132.53 |
| Payable on acquisition of business | 134.01 | 70.25 | 63.76 | - | - | - |

**(iv) Market risk:**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign exchange rates, interest rates and equity prices.

**(a) Foreign currency risk**

The Company's exchange risk arises mainly from its foreign currency borrowings. As a result, depreciation of Indian rupee relative to these foreign currencies will have a significant impact on the financial performance of the Company. The exchange rate between the Indian rupee and these foreign currencies has changed substantially in recent periods and may continue to fluctuate substantially in the future.

(i) The Company holds foreign exchange forward contract to mitigate the risk of changes in exchange rates and foreign currency exposure. The following table presents discounted foreign currency risk from financial instruments as of 31 March 2019 and 31 March 2018.

**As at 31 March 2019**

| Particulars | Rupee equivalent of foreign currency amounts | | | |
|---|---|---|---|---|
| | US $ | Euro | Pound Sterling | Total |
| **Assets** | | | | |
| Trade receivables | 99.25 | - | - | 99.25 |
| Cash and cash equivalents | 2.20 | - | - | 2.20 |
| **Liabilities** | | | | |
| Borrowings | 836.75 | - | - | 836.75 |
| Creditors for capital goods | 1.01 | - | - | 1.01 |
| Trade payables | 36.47 | - | - | 36.47 |
| **Net assets/liabilities** | **(772.78)** | **-** | **-** | **(772.78)** |
| Forward exchange contracts | 586.21 | - | - | 586.21 |
| **Net exposure** | **(186.57)** | **-** | **-** | **(186.57)** |

**As at 31 March 2018**

| Particulars | Rupee equivalent of foreign currency amounts | | | |
|---|---|---|---|---|
| | US $ | Euro | Pound Sterling | Total |
| **Assets** | | | | |
| Cash and cash equivalents | 7.06 | - | - | 7.06 |
| **Liabilities** | | | | |
| Borrowings | 423.88 | - | - | 423.88 |
| Creditors for capital goods | - | 7.26 | - | 7.26 |
| Trade payables | 34.29 | 0.48 | | 34.77 |
| **Net assets/liabilities** | **(457.11)** | **(7.74)** | **-** | **(458.85)** |

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

*(ii) Sensitivity analysis*

The sensitivity of profit or loss to changes in exchange rates arises mainly from foreign currency denominated financial instruments

(₹ in million)

| Particulars | Impact on profit or (loss) before tax | |
|---|---|---|
| | As at 31 March 2019 | As at 31 March 2018 |
| **USD Sensitivity** | | |
| ₹/USD - Increase by 1% | 7.73 | 2.90 |
| ₹/USD - Decrease by 1% | (7.73) | (2.90) |

## (b) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates and investments. Such risks are overseen by the Company's corporate treasury department as well as senior management.

*(i) Interest rate risk exposure*

The exposure of the Company's borrowing to interest rate changes at the end of the reporting period are as follows:

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Variable rate long term borrowings including current maturities | 2,601.81 | 1633.22 |

*(ii) Sensitivity analysis*

(₹ in million)

| Particulars | Impact on profit or (loss) before tax | |
|---|---|---|
| | As at 31 March 2019 | As at 31 March 2018 |
| **Sensitivity** | | |
| 1% increase in MCLR rate | 26.02 | 16.33 |
| 1% decrease in MCLR rate | (26.02) | (16.33) |

## 41 Capital management

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Company consists of net debt (borrowings offset by cash and bank balances) and total equity of the Company.

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

The capital structure is as follows:

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Total equity attributable to the equity share holders of the Company | 6,447.19 | 6,384.40 |
| As percentage of total capital | 61% | 72% |
| Total loans and borrowings | 4,220.89 | 2,634.87 |
| Cash and cash equivalents | 85.40 | 153.11 |
| Net loans & borrowings | 4,135.49 | 2,481.76 |
| As a percentage of total capital | 39% | 28% |
| **Total capital (loans and borrowings and equity)** | **10,582.68** | **8,866.16** |

## 42 Due to Micro, Small and Medium Enterprises

The Ministry of Micro, Small and Medium Enterprises has issued an office memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2019 has been made in the financial statements based on information received and available with the Company. Further in view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Micro, Small and Medium Enterprises Development Act, 2006 ('The MSMED Act') is not expected to be material. The Company has not received any claim for interest from any supplier.

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| The amounts remaining unpaid to micro and small suppliers as at the end of the year | 1.39 | - |
| Principal | 1.39 | - |
| Interest | - | - |
| The amount of interest paid by the buyer under MSMED Act | - | - |
| The amount of payments made to micro and small suppliers beyond the appointed day during the accounting year | - | - |
| The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act; | - | - |
| The amount of interest accrued and remaining unpaid at the end of each accounting year | - | - |
| The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under the MSMED Act | - | - |

All trade payables are 'current.' The Company's exposure to currency and liquidity risks related to trade payable is disclosed in note 40

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

## 43 Goodwill on acquisition of City Cancer Centre (CCC) (refer note 6)

**Acquisition**

In the previous year, the Company entered into a business transfer agreement with Dr. Gopichand ('Seller') dated 28 February 2018 for purchase of business owned and operated by the Seller in the name of CCC located in Vijayawada. The Company had agreed to purchase the business on a slump sale basis for a lump sum consideration of ₹ 520 million without values being assigned to individual assets and liabilities.

Consideration was payable in tranches as follows:

i) Issue of equity shares of the Company at ₹ 321 per equity share for a value of ₹ 299.75 million subject to shareholders approval

ii) First tranche cash payment of ₹ 150.25 million

iii) Contingent consideration of ₹ 70 million on achievement of the agreed Earnings Before Interest Taxes Depreciation and Amortisation (EBITDA) target.

During the previous year, the Company had obtained the approval of the shareholders for preferential allotment and on receipt of regulatory approvals during the current year, 934,500 equity shares for ₹ 299.75 million have been allotted to Dr. Gopichand, the contingent consideration has been disclosed under other financial liabilities. As of the date of approval of standalone financial statements for the year ended 31 March 2019, the Seller achieved the agreed EBITDA target and the contingent consideration is fair valued.

Date of business combination - Considering the fact that the business transfer agreement has been entered into on 28 February 2018 and shareholders approval has been received on 29 March 2018, date of the business combination has been considered as 01 March 2018.

The acquisition is expected to provide the Company with an increased market share and also expects to reduce costs through economies of scale. Revenues included in the statement of profit and loss of this acquisition for the financial year ended 31 March 2018 is ₹ 17.78 million and profit after tax is ₹ 3.45 million. Had the business combination occurred on 01 April 2017, per management estimate, revenues for the financial year ended 31 March 2018 would have been higher by ₹ 195.58 million and profit after tax would have been higher by ₹ 37.96 million.

The Company's share of costs incurred for this business combination had been charged off to statement of profit and loss.

### a) Business combination

The above transaction qualified as a business combination as per Ind AS 103 - "Business Combinations" and had been accounted by applying the acquisition method wherein identifiable assets acquired, liabilities assumed are fair valued against the fair value of the consideration transferred and the resultant goodwill recognised.

### b) Measurement of fair values

| Particulars | Valuation methodology | Notes |
|---|---|---|
| Tangible assets | Historical costs | Tangible assets include property, plant & equipment, trade receivables & inventories. Historical cost is considered for valuation of tangible assets based on the management representation that tangible assets will be realised at book value, after acquisition of business. |
| Tangible liabilities | Book value as on acquisition date | Tangible liabilities include trade payables / provision for expenses, and statutory liabilities. Book value as on the Valuation date is considered based on the management representation that, after acquisition of Business, such tangible liabilities are settled at book value as on acquisition date. |
| Goodwill | Residual method | Difference between fair value of identified assets and liabilities and purchase price. |

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

### c) Identifiable assets and liabilities assumed

| Particulars | Amount (₹ in million) |
|---|---|
| **Fair value of consideration transferred** | |
| Equity shares* | 299.75 |
| Cash consideration | 150.25 |
| Contingent consideration | 63.76 |
| **Total (A)** | **513.76** |
| **Assets acquired** | |
| Property, plant and equipment (Refer note 5) | 12.80 |
| Trade receivables, net | 37.98 |
| Cash and cash equivalents | 1.06 |
| Inventories | 3.90 |
| **Total assets acquired (B)** | **55.74** |
| **Liabilities assumed** | |
| **Trade payables and statutory liabilities (C)** | **26.50** |
| **Net assets acquired [D = (B-C)]** | **29.24** |
| **Goodwill (A-D) #** | **484.52** |

*The equity shares to be issued to the seller is pursuant to the preferential allotment of shares as per the relevant regulations. Had the equity shares been accounted at its value as on the date of the approval by the shareholders, value of shares would have been lower by ₹ 29.40 million.

#Goodwill is attributable to the increased market share and the synergies expected to be achieved from acquisition of CCC into the Company. Goodwill is tax deductible.

## 44. Related Party Disclosures

### A. Details of related parties:

| Description of relationship | Names of related parties |
|---|---|
| Subsidiary companies & LLPs | Malnad Hospital and Institute of Oncology Private Limited<br>HealthCare Global Senthil-Multi Specialty Hospital Private Limited<br>HCG Medi-surge Hospitals Private Limited<br>"Niruja Product Development and Research Private Limited<br>(formerly MIMS HCG Oncology Private Limited)"<br>BACC HealthCare Private Limited<br>HCG Regency Oncology Healthcare Private Limited (Till 28 March 2018)<br>HealthCare Diwan Chand Imaging LLP |

# Notes to the Standalone Financial Statements
for the year ended 31 March 2019

## A. Details of related parties: (Contd..)

| Description of relationship | Names of related parties |
|---|---|
| Subsidiary companies & LLPs | APEX HCG Oncology Hospitals LLP<br>HCG Oncology LLP<br>HCG Manavata Oncology LLP<br>HCG NCHRI Oncology LLP<br>Healthcare Global (Kenya) Private Limited (Step down subsidiary till 1st quarter of FY 18)<br>Healthcare Global (Tanzania) Private Limited (Step down subsidiary till 1st quarter of FY 18)<br>Healthcare Global (Uganda) Private Limited (Step down subsidiary till 1st quarter of FY 18)<br>HCG (Mauritius) Private Limited<br>HCG EKO Oncology LLP<br>HCG SUN Hospitals LLP (with effect from 15 February 2018) |
| Associate Companies | Healthcare Global (Africa) Private Limited (Step down subsidiary till 1st quarter of 2018) |
| Joint venture | Strand Lifesciences Private Limited (with effect from 7 February 2018) |
| Key Management Personnel (KMP) | **Whole-time director**<br>Dr. B S Ajaikumar, Chairman<br>**Executive directors**<br>Dr. B S Ramesh (from 22 May 2018)<br>**Non-executive directors**<br>Gangadhara Ganapati<br>Shanker Annaswamy<br>Sampath T Ramesh<br>Sudhakar Rao<br>Suresh C Senapaty<br>Bhushani Kumar<br>Dr. B S Ramesh (till 21 May 2018)<br>Dr. Amit Varma |
| Relatives of KMP | Ms. Anjali Ajaikumar (Daughter of Dr. B S Ajaikumar) |
| Company in which KMP / Relatives of KMP can exercise significant influence | JSS Bharath Charitable Trust<br>Sada Sarada Tumor & Research Institute<br>B.C.C.H.I Trust<br>HCG Foundation<br>Gutti Malnad LLP<br>Health Care Process Solutions (India) Private Limited |

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

**B Details of related party transactions during the year:**

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Sale of pharmacy products and consumables** | | |
| - Malnad Hospital and Institute of Oncology Private Limited | 11.46 | 6.76 |
| - HCG Medi-surge Hospitals Private Limited | 93.50 | 149.50 |
| - Sada Sarada Tumor & Research Institute | 46.79 | 42.71 |
| - HCG Oncology LLP | 31.12 | 55.83 |
| - HCG Regency Oncology Healthcare Private Limited (Till 28 March 2018) | - | 13.59 |
| - HCG NCHRI Oncology LLP | 28.90 | 14.65 |
| - Apex HCG Oncology Hospitals LLP | 18.97 | 12.53 |
| - HCG EKO Oncology LLP | 2.07 | - |
| - HCG SUN Hospitals LLP | 8.64 | - |
| **Income from Medical services** | | |
| - JSS Bharath Charitable Trust | 12.22 | 14.50 |
| - HCG Foundation | 4.58 | 8.24 |
| - HCG Medi-surge Hospitals Private Limited | 9.99 | 41.97 |
| - Malnad Hospital and Institute of Oncology Private Limited | - | 0.44 |
| - BACC Healthcare Private Limited | 0.02 | 0.31 |
| - Sada Sarada Tumor & Research Institute | 6.16 | 7.44 |
| - HCG Oncology LLP | - | 0.16 |
| - HCG Regency Oncology Healthcare Private Limited (Till 28 March 2018) | - | 0.38 |
| - HCG NCHRI Oncology LLP | - | 2.48 |
| - Apex HCG Oncology Hospitals LLP | - | 1.16 |
| - HCG Manavata Oncology LLP | - | 5.20 |
| **Rent charges** | | |
| - Sada Sharada Tumor & Research Institute | 0.60 | 0.54 |
| **Lab charges** | | |
| - Strand Life Sciences Private Limited | 210.34 | - |
| **Revenue Share expenses** | | |
| - HealthCare DiwanChand Imaging LLP | 4.90 | - |
| **Interest income received** | | |
| - Niruja Product Development and Research Private Limited | 27.28 | 17.44 |
| - HCG Oncology LLP | 1.84 | 3.53 |
| - HCG NCHRI Oncology LLP | 5.81 | 0.37 |
| - HCG SUN Hospitals LLP | 1.42 | - |
| **Interest expenses paid** | | |
| - HCG Manavata Oncology LLP | 0.72 | - |
| **Corporate guarantee commission income received** | | |
| - HCG Medi-surge Hospitals Private Limited | 15.15 | 8.26 |
| - HCG Oncology LLP | 7.69 | 5.79 |
| - HCG NCHRI Oncology LLP | 1.22 | 1.29 |
| - HCG Manavata Oncology LLP | 0.97 | 0.49 |
| - BACC Healthcare Private Limited | 0.29 | 0.37 |
| - Apex HCG Oncology Hospitals LLP | 1.89 | 2.16 |
| - HCG EKO Oncology LLP | 1.50 | 1.08 |
| - HCG SUN Hospitals LLP | 2.43 | - |
| **Other advances given** | | |
| - Strand Life Sciences Private Limited | - | 29.16 |

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

**B Details of related party transactions during the year: (Contd..)**

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Other advances received** | | |
| - Apex HCG Oncology Hospitals LLP | 18.89 | - |
| - HCG Manavata Oncology LLP | 27.00 | - |
| - HCG Medi-surge Hospitals Private Limited | 79.03 | - |
| **Loans given** | | |
| - Niruja Product Development and Research Private Limited | 1.07 | 224.67 |
| - HCG Oncology LLP | 5.40 | 15.40 |
| **Loans given repaid** | | |
| - HCG Oncology LLP | 5.00 | - |
| **Reimbursement of capital expenditure/ revenue expenditure** | | |
| - HCG Medi-surge Hospitals Private Limited | 23.24 | 3.10 |
| - HCG Oncology LLP | 3.02 | 0.55 |
| - Healthcare Global (Kenya) Private Limited | - | 0.66 |
| - Healthcare Global (Africa) Private Limited | - | 17.70 |
| - BACC Healthcare Private Limited | 0.24 | 1.84 |
| - Healthcare Diwan Chand Imaging LLP | 0.04 | 1.06 |
| - Malnad Hospital and Institute of Oncology Private Limited | 6.28 | - |
| **Security deposit received** | | |
| - Sada Sarada Tumor & Research Institute | - | 0.50 |
| **Investment made during the year in (including corporate guarantee)** | | |
| - APEX HCG Oncology Hospitals LLP | 456.10 | 231.03 |
| - HCG Regency Oncology Healthcare Private Limited (Till 28 March 2018) | - | 35.70 |
| - HCG Oncology LLP | 16.45 | 11.48 |
| - HCG EKO Oncology LLP | 61.83 | 49.79 |
| - HCG Manavata Oncology LLP | 29.82 | 232.13 |
| - HCG NCHRI Oncology LLP | 68.52 | 135.26 |
| - HCG SUN Hospitals LLP | 86.63 | 41.24 |
| - Strand Life Sciences Private Limited | 5.33 | 240.00 |
| - BACC HealthCare Private Limited | - | 0.69 |
| - HCG Medi-surge Hospitals Private Limited | 22.42 | 28.00 |
| **Investment sold during the year** | | |
| - HCG Regency Oncology Healthcare Private Limited (Till 28 March 2018) | - | 167.90 |
| **Short-term empployee benefits to:** | | |
| - Dr. B S Ajaikumar (Refer note 45) | 28.07 | 25.45 |
| - Ms. Anjali Ajaikumar | 5.02 | 3.95 |
| - Dr. B S Ramesh (Refer note 45) | 7.28 | 8.14 |
| The above compensation excludes gratuity and compensated absences which cannot be separately identified from the composite amount advised by the actuary. | | |
| **Sitting fees to Directors** | | |
| - Shanker Annaswamy | 1.15 | 1.70 |
| - Sampath T Ramesh | 0.91 | 0.96 |
| - Sudhakar Rao | 0.86 | 0.96 |
| - Suresh C Senapaty | 1.21 | 1.69 |
| - Bhushani Kumar | 0.35 | 0.68 |

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

**C Details of related party balances outstanding:**

(₹ in million)

| Balances outstanding as at | As at 31 March 19 | As at 31 March 18 |
|---|---|---|
| **Trade receivables** | | |
| - Healthcare Global Senthil Multi-Specialty Hospitals Private Limited | 0.13 | 0.13 |
| - HCG Medi-surge Hospitals Private Limited | - | 42.20 |
| - Malnad Hospital and Institute of Oncology Private Limited | 7.22 | 4.38 |
| - BACC Healthcare Private Limited | - | 0.08 |
| - JSS Bharath Charitable Trust | 4.26 | 4.33 |
| - Sada Sarada Tumor & Research Institute | 34.51 | 33.05 |
| - HCG Oncology LLP | 35.80 | 32.61 |
| - HCG Foundation | 9.96 | 12.57 |
| - B.C.C.H.I. Trust | 0.01 | 0.01 |
| - Healthcare Diwan Chand Imaging LLP | - | 0.04 |
| - Health Care Process Solutions (India) Private Limited | - | 0.06 |
| - APEX HCG Oncology Hospitals LLP | 7.91 | 12.88 |
| - HCG NCHRI Oncology LLP | 46.61 | 14.88 |
| - HCG Manavata Oncology LLP | 61.39 | 36.23 |
| - HCG EKO Oncology LLP | 2.29 | - |
| - HCG SUN Hospitals LLP | 9.59 | - |
| **Interest accured on loan by subsidiaries** | | |
| - Malnad Hospital and Institute of Oncology Private Limited | 0.30 | 0.30 |
| - HCG Medi-surge Hospitals Private Limited | 0.13 | 6.83 |
| - Niruja Product Development and Research Private Limited | 43.27 | 17.73 |
| - HCG SUN Hospitals LLP | 1.28 | - |
| - HCG NCHRI Oncology LLP | 5.80 | 0.36 |
| - HCG Oncology LLP | - | 3.25 |
| **Other financial assets** | | |
| - HCG Medi-surge Hospitals Private Limited | - | 9.44 |
| - Malnad Hospital and Institute of Oncology Private Limited | 4.58 | 12.50 |
| - BACC Healthcare Private Limited | 5.78 | 5.50 |
| - HCG Oncology LLP | 37.69 | 37.71 |
| - Healthcare Diwan Chand Imaging LLP | 0.18 | 3.55 |
| - HCG SUN Hospitals LLP | 2.43 | - |
| **Other advances** | | |
| - Strand Life Sciences Private Limited | - | 29.16 |
| **Loans** | | |
| - Niruja Product Development and Research Private Limited | 226.80 | 225.73 |
| - Healthcare Global Senthil Multi-Specialty Hospitals Private Limited | 30.38 | 30.38 |
| - HCG Oncology LLP | 15.00 | 15.40 |
| **Accrued employee benefits** | | |
| - Dr. B S Ajaikumar | 8.45 | 7.09 |
| - Ms. Anjali Ajaikumar | 0.42 | - |
| - Dr. B S Ramesh | 0.54 | - |
| **Advances to employees** | | |
| - Dr. B S Ajaikumar (Refer note 45) | - | 0.93 |

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

**C Details of related party balances outstanding: (Contd..)**

(₹ in million)

| Balances outstanding as at | As at 31 March 19 | As at 31 March 18 |
|---|---|---|
| **Trade Payables** | | |
| - BACC Healthcare Private Limited | 0.10 | 0.10 |
| - Healthcare Diwan Chand Imaging LLP | 15.03 | 9.99 |
| - Malnad Hospital and Institute of Oncology Private Limited | - | 0.04 |
| - HCG Foundation | 0.07 | 0.16 |
| - Sada Sarada Tumor & Research Institute | 0.01 | - |
| - Strand Life Sciences Private Limited | 20.60 | - |
| - Apex HCG Oncology Hospitals LLP | 18.89 | - |
| - HCG Manavata Oncology LLP | 3.77 | 3.77 |
| **Other financial liability: (Advance received from subsidiary)** | | |
| - HCG Medi-surge Hospitals Private Limited | 79.03 | - |
| - HCG Manavata Oncology LLP | 27.00 | - |
| **Corporate guarantees given on behalf of:** | | |
| - HCG Medi-surge Hospitals Private Limited | 418.14 | 303.50 |
| - BACC Healthcare Private Limited | 18.43 | 49.63 |
| - HCG Oncology LLP | 340.28 | 263.34 |
| - HCG NCHRI Oncology LLP | 76.96 | 76.96 |
| - HCG Manavata Oncology LLP | 57.22 | 5.96 |
| - HCG EKO Oncology LLP | 175.52 | 73.81 |
| - HCG SUN Hospitals LLP | 136.32 | - |
| - Apex HCG Oncology Hospitals LLP | 279.86 | 169.86 |

*The Company has provided for non recoverability of the loan given of ₹ 30.38 million.

## 45 Managerial remuneration:

Dr. B.S. Ajaikumar was re-appointed as the Chairman & CEO of the Company for a period of 4 years with effect from July 1, 2015 and Dr. B. S. Ramesh have been appointed as Executive director of the Company with effect from 22 May 2018 for a period of 2 years.

*For the financial year ended 31 March 2019*

The remuneration of Chairman & CEO and the Executive director of the Company for the year ended 31 March 2019 amounts to ₹ 28.07 million and ₹ 7.28 million respectively. This has been approved by the Nomination and Remuneration Committee, the Board of Directors and the Shareholders of the Company, and is in accordance with the limits prescribed under Section 197 read with Schedule V to the Companies Act, 2013.

*For the financial year ended 31 March 2018*

In terms of the limits prescribed under Section 197 read with Schedule V to the Companies Act, 2013, the maximum amount of remuneration payable to the Chairman & CEO of the Company for the year ended March 31, 2018 amounted to ₹ 24.52 Million. Based on the approval of the Nomination and Remuneration Committee of the Company, the Board of Directors had proposed and accrued an additional remuneration of ₹ 0.93 Million to the Chairman & CEO of the Company in excess of the limits specified under the Companies Act, 2013, which was subject to the approval of the Central Government, for which the Company had to file the necessary application. The additional remuneration was to be paid on receipt of approval from the Central Government and pending such approval the amount was not paid and the corresponding amount was disclosed as "Advance". Considering the amendment to the relevant provision of the Act and pending application to the Central Government, the additional remuneration of ₹ 0.93 million and corresponding advances were reversed during the year ended 31 March 2019.

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

## 46 Investments, loans, guarantees and security

### (a) The Company has made investment in the following companies

(₹ in million)

| Particulars | As at 31 March 2018 | Invested during the year | Sold during the year | As at 31 March 2019 |
|---|---|---|---|---|
| **Investment in equity instruments*** | | | | |
| Malnad Hospital & Institute of Oncology Private Limited | 6.44 | - | - | 6.44 |
| Niruja Product Development and Healthcare Research Private Limited | 0.50 | - | - | 0.50 |
| HCG Medi-surge Hospitals Private Limited | 122.67 | 22.42 | - | 145.09 |
| BACC HealthCare Private Limited | 602.97 | - | - | 602.97 |
| HCG Regency Oncology Healthcare Private Limited (till 28 March 2018) | - | - | - | - |
| HCG (Mauritius) Private Limited | 24.17 | - | - | 24.17 |
| HealthCare Global Senthil Multi-Specialty Hospital Private Limited** | 8.38 | - | - | 8.38 |
| **Investment in limited liability partnership** | | | | - |
| HCG Diwanchand Imaging LLP | 32.47 | - | - | 32.47 |
| APEX HCG Oncology Hospitals LLP | 301.74 | 456.10 | - | 757.84 |
| HCG NCHRI Oncology LLP | 167.15 | 68.52 | - | 235.67 |
| HCG EKO Oncology LLP | 52.29 | 61.83 | - | 114.12 |
| HCG Manavata Oncology LLP | 459.88 | 29.82 | - | 489.70 |
| HCG Oncology LLP | 85.65 | 16.45 | - | 102.10 |
| HCG SUN Hospitals LLP | 41.24 | 86.63 | - | 127.87 |
| **Investment in other companies (equity and preference)** | | | | |
| Zoctr Health Private Limited | 7.64 | - | - | 7.64 |
| Suchirayu Healthcare Solutions Limited | 0.50 | - | - | 0.50 |
| International Stemcell Services Limited | - | 5.61 | - | 5.61 |
| Epigeneres Biotech Private Limited | - | 10.00 | - | 10.00 |
| Niramai Health Analytix Private Limited | - | 35.86 | - | 35.86 |
| **Investment in joint venture (Equity & preference shares)** | | | | |
| Strand Life Sciences Private Limited | 240.00 | 5.33 | - | 245.33 |

*It includes fair value of corporate guarantee given to subsidiaries accounted as investment in subsidiaries as per Ind AS 109

**The Company has provided for permanent dimunition in investment of ₹ 8.38 million

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

### (b) The Company has given inter-coporate deposits to its following companies

(₹ in million)

| Entity | As at 31 March 2018 | Movement | As at 31 March 2019 | Purpose of the loan |
|---|---|---|---|---|
| Niruja Product Development and Research Private Limited | 225.73 | 1.07 | 226.80 | These loans have been given for operational requirements of the entity |
| HCG Oncology LLP | 15.40 | (0.40) | 15.00 | These loans have been temporarily given for operational requirements of the respective entities |
| Apex Super Speciality Hospitals Private Limited | 20.00 | (20.00) | - | |
| HealthCare Global Senthil Multi-Specialty Hospitals Private Limited* | 30.38 | - | 30.38 | |
| Suchirayu Healthcare Solutions Limited | 48.00 | 57.00 | 105.00 | |

*The Company has provided for non recoverability of the loan given of ₹ 30.38 million

### (c) The Company has provided the guarantees to the following entities

(₹ in million)

| Entity | As at 31 March 2018 | Movement | As at 31 March 2019 | Purpose of the loan |
|---|---|---|---|---|
| HCG Medi-surge Hospitals Private Limited | 303.50 | 114.64 | 418.14 | Corporate guarantee given to Yes Bank towards working Capital loan / Term loan |
| BACC Healthcare Private Limited | 49.63 | (31.20) | 18.43 | Corporate guarantee given to Axis Bank towards working Capital loan / Term loan |
| HCG Oncology LLP | 263.34 | 76.94 | 340.28 | Corporate guarantee given to Yes Bank towards working Capital loan / Term loan |
| HCG NCHRI Oncology LLP | 76.96 | - | 76.96 | Corporate guarantee given to Yes Bank towards working Capital loan / Term loan |
| HCG Manavata Oncology LLP | 5.96 | 51.26 | 57.22 | Corporate guarantee given to Yes Bank towards working Capital loan / Term loan |
| HCG EKO Oncology LLP | 73.81 | 101.71 | 175.52 | Corporate guarantee given to Yes Bank towards working Capital loan / Term loan |
| Apex HCG Oncology Hospitals LLP | 169.86 | 110.00 | 279.86 | Corporate guarantee given to Yes Bank towards working Capital loan / Term loan |

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

**(c) The Company has provided the guarantees to the following entities (Contd..)**

(₹ in million)

| Entity | As at 31 March 2018 | Movement | As at 31 March 2019 | Purpose of the loan |
|---|---|---|---|---|
| HCG SUN Hospitals LLP | - | 136.32 | 136.32 | Corporate guarantee given to Yes Bank towards working Capital loan / Term loan |
| NCHRI Private Limited | 458.00 | - | 458.00 | Corporate guarantee given to Yes Bank towards working Capital loan / Term loan |
| **Total** | **1,401.06** | **559.67** | **1,960.73** | |

**Note:** The above does not include corporate guarantee given by the Company for bank guarantee and cash credit facility. This represents only corporate guarantee given for the term loan facility of the respective entities.

**(d) The Company has made investment in the following companies**

(₹ in million)

| Entity | As at 31 March 2017 | Invested during the year | Sold during the year | As at 31 March 2018 |
|---|---|---|---|---|
| **Investment in equity instruments#** | | | | |
| Malnad Hospital & Institute of Oncology Private Limited | 6.44 | - | - | 6.44 |
| Niruja Product Development and Healthcare Research Private Limited (formerly MIMS HCG Oncology Private Limited) | 0.50 | - | - | 0.50 |
| HCG Medi-surge Hospitals Private Limited | 94.67 | 28.00 | - | 122.67 |
| BACC HealthCare Private Limited | 602.28 | 0.69 | - | 602.97 |
| HCG Regency Oncology Healthcare Private Limited (till 28 March 2018) | 132.20 | 35.70 | (167.90) | - |
| HCG (Mauritius) Private Limited | 24.17 | - | - | 24.17 |
| HealthCare Global Senthil Multi-Specialty Hospital Private Limited## | 8.38 | - | - | 8.38 |
| **Investment in limited liability partnership** | | | | |
| HCG Diwanchand Imaging LLP | 32.47 | - | - | 32.47 |
| APEX HCG Oncology Hospitals LLP | 70.71 | 231.03 | - | 301.74 |
| HCG NCHRI Oncology LLP | 31.89 | 135.26 | - | 167.15 |
| HCG EKO Oncology LLP | 2.50 | 49.79 | - | 52.29 |

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

## (d) The Company has made investment in the following companies (Contd..)

(₹ in million)

| Entity | As at 31 March 2017 | Invested during the year | Sold during the year | As at 31 March 2018 |
|---|---|---|---|---|
| HCG Manavata Oncology LLP | 227.75 | 232.13 | - | 459.88 |
| HCG Oncology LLP | 74.17 | 11.48 | - | 85.65 |
| HCG SUN Hospitals LLP | - | 41.24 | - | 41.24 |
| **Investment in other companies** | | | | |
| Zoctr Health Private Limited | - | 7.64 | - | 7.64 |
| Suchirayu Healthcare Solutions Limited | | 0.50 | - | 0.50 |
| **Investment in joint venture (Equity & preference shares)** | | | | |
| Strand Life Sciences Private Limited | - | 240.00 | - | 240.00 |

* This includes fair value of corporate guarantee given to subsidiaries accounted as investment in subsidiaries as per Ind AS 109

## The Company has provided for permanent dimunition in investment of Rs 8.38 million

## (e) The Company has given inter-coporate deposits to its following companies

(₹ in million)

| Entity | As at 31 March 2017 | Movement | As at 31 March 2018 | Purpose of laons |
|---|---|---|---|---|
| Niruja Product Development and Healthcare Research Private Limited (formerly MIMS HCG Oncology Private Limited) | 1.06 | 224.67 | 225.73 | The loan has been given for the purpose of investing in HCG (Mauritius) Private Limited |
| HCG Oncology LLP | - | 15.40 | 15.40 | These loans have been given for operational requirements of the respective entities |
| HealthCare Global Senthil Multi-Specialty Hospital Private Limited* | 30.38 | - | 30.38 | |
| Suchirayu Healthcare Solutions Limited# | 30.00 | 18.00 | 48.00 | |
| Apex Super Speciality Hospitals Private Limited | 20.00 | - | 20.00 | |
| NCHRI Private Limited | 4.30 | (4.30) | - | |
| Zoctr Health Private Limited | 5.00 | (5.00) | - | |

*The Company has provided for non recoverability of the loan given of ₹ 30.38 million

#Security deposit given to Suchirayu Healthcare Solutions Limited in FY 17 has been converted into inter-corporate deposit in FY 18. (refer cash flow statement)

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

**(f) The Company has provided the guarantees to the following entities**

(₹ in million)

| Entity | As at 31 March 2017 | Movement | As at 31 March 2018 | Purpose of the guarantee |
|---|---|---|---|---|
| HCG Medi-surge Hospitals Private Limited | 303.50 | - | 303.50 | Corporate guarantee given to Yes Bank for giving term loan / working capital loan for HCG Medi-surge Hospitals Private Limited |
| BACC Healthcare Private Limited | 46.77 | 2.86 | 49.63 | Corporate guarantee given to Axis Bank for giving term loan / working capital loan for BACC healthcare Pvt Ltd |
| HCG Oncology LLP | 124.00 | 139.34 | 263.34 | Corporate guarantee given to Yes Bank for giving term loan / working capital loan for HCG Oncology LLP |
| HCG Regency Oncology Healthcare Private Limited (till 28 March 2018) | 345.37 | (345.37) | - | Corporate guarantee given to Yes Bank for giving term loan / working capital loan for HCG Regency Oncology Healthcare Private Limited |
| "HCG NCHRI Oncology LLP " | 49.90 | 27.06 | 76.96 | Corporate guarantee given to Yes Bank for giving term loan / working capital loan for HCG NCHRI Oncology LLP |
| HCG Manavata Oncology LLP | - | 5.96 | 5.96 | Corporate guarantee given to Yes Bank for giving term loan / working capital loan for HCG Manavata Oncology LLP |
| HCG EKO Oncology LLP | - | 73.81 | 73.81 | Corporate guarantee given to Yes Bank for giving term loan / working capital loan for HCG EKO Oncology LLP |
| Apex HCG Oncology Hospitals LLP | 85.50 | 84.36 | 169.86 | Corporate guarantee given to Yes Bank for giving term loan / working capital loan for HCG EKO Oncology LLP |
| NCHRI Private Limited | 319.75 | 138.25 | 458.00 | Corporate guarantee given to Yes Bank for giving term loan / working capital loan for NCHRI Private Limited |
| **Total** | **1,274.79** | **126.27** | **1,401.06** | |

**Note:** The above does not include corporate guarantee given by the Company for bank guarantee and cash credit facility. This represents only corporate guarantee given for the term loan facility of the respective entities.

# Notes to the Standalone Financial Statements
for the year ended 31 March 2019

## 47 Merger of HCG Pinnacle Oncology Private Limited

HCG Pinnacle Hospitals Private Limited (HCG Pinnacle) was engaged in providing healthcare services.

During the year ended 31 March 2018, the minority shareholder invested ₹ 9.56 million.

During the year ended 31 March 2018, the Company acquired 49.9% in HCG Pinnacle for ₹ 18.80 million pursuant to which HCG Pinnacle become the wholly owned subsidiary of the Company (refer note 15.4).

During the previous year, ended 31 March 2018, Regional Director, Ministry of Corporate affairs, Hyderabad approved the scheme of merger ('the Scheme') between HCG Pinnacle and the Company with 01 April 2016 as appointed date.

Pursuant to the scheme, all the assets and liabilities of HCG Pinnacle Hospitals Private Limited are transferred and vested into the Company from 01April 2016 i.e., the appointed date. Accordingly the comparative financial information for the year ended 31 March 2017 has been restated to include the assets and liabilities as at 31 March 2017 and operations for the year ended 31 March 2017 of HCG Pinnacle.

The entire share capital of HCG Pinnacle Oncology Hospitals Private Limited is held by the Company and its nominees i.e. HCG Pinnacle Oncology Hospitals Private Limited is a wholly owned subsidiary of the Company. Upon the scheme coming into effect, all the shares of HCG Pinnacle Oncology Hospitals Private Limited held by the Company (either directly or through nominees) have been cancelled. No new shares were issued or payment has been made in cash what so ever by the Company in lieu of cancellation of such shares of HCG Pinnacle Oncology Hospitals Private Limited.

The amalgamation of HCG Pinnacle with the Company was accounted for under the "Pooling of Interest" method as prescribed under the Appendix C of Indian Accounting Standard (Ind AS) 103 "Business combinations". Pursuant to the Scheme, the assets and liabilities of the HCG Pinnacle as at 01 April 2016 have been incorporated in the financial statements of the Company at their respective book values as appearing in the financials statements of HCG Pinnacle.

The book value of assets and liabilities of HCG Pinnacle taken over are as follows:

| Particulars | Amount (₹ in million) |
|---|---|
| **Non current assets** | |
| Fixed assets (net) | - |
| Capital work in progress | 247.51 |
| Financial assets | 5.17 |
| Deferred tax assets (net) | 2.55 |
| Current tax assets (net) | 0.02 |
| Other non current assets | 11.15 |
| | **266.40** |
| **Current assets** | |
| Inventories | 2.15 |
| Trade receivables | 0.05 |
| Cash and cash equivalents | 0.68 |
| Other bank balances | 0.02 |
| Loans | 0.08 |
| | **2.98** |
| **Total assets** | **269.38** |

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

## 47 Merger of HCG Pinnacle Oncology Private Limited (Contd..)

| Particulars | Amount (₹ in million) |
|---|---|
| **Non current liabilities** | |
| Borrowings | 263.73 |
| Other financial liabilities | 9.34 |
| Provisions | 0.33 |
| | 273.40 |
| **Current liabilities** | |
| Trade payables | 4.81 |
| Other current liabilities | 0.70 |
| | **5.51** |
| **Total liabilities** | **278.91** |
| **Net liabilities taken over** | **(9.53)** |
| Investment of the Company in HCG Pinnacle Oncology Private Limited | 0.50 |
| Equity share capital of the HCG Pinnacle Oncology Private Limited | (1.00) |
| Payable to non-controlling interest | (18.71) |
| **Impact in other equity (refer note 15)** | **(28.74)** |
| Recognised in retained earnings | (5.27) |
| Recognised in amalgamation adjustment deficit account | (23.47) |
| **Total** | **(28.74)** |

Pursuant to the scheme, all the assets and liabilities of HCG Pinnacle Hospitals Private Limited were transferred and vested into the Company from 01 April 2016 i.e., the appointed date.

## 48 Utilisation of net proceeds from Initial Public Offer

The statement of category wise utilisation of net proceeds from Initial Public Offer is:

**Category wise utilisation of net proceeds from Initial Public Offer**

(₹ in million)

| Particulars | Amount proposed to be utilised | Amount proposed to be utilised after reallocation | Actual utilisation upto 31 March 2019 | Actual utilisation upto 31 March 2018 |
|---|---|---|---|---|
| Purchase of medical equipment | 422.00 | 25.80 | 25.80 | - |
| Investment in IT software, services and hardware* | 301.90 | 298.10 | 298.10 | 59.00 |
| Pre-payment of debt | 1,470.40 | 1,470.40 | 1,470.40 | 1,470.00 |
| General corporate purposes | 197.70 | 597.70 | 597.70 | 198.00 |
| **Total** | **2,392.00** | **2,392.00** | **2,392.00** | **1,727.00** |

₹ 396.2 million from purchase of medical equipment and ₹ 3.8 million from investment in IT software, services and hardware has been reallocated to General corpoorate purpose usage, as allowed by the 'Objects of the offer' section in the Prospectus of the Company for the Initial Public Offer.

* Includes ₹ 100 million ear-marked for meeting payment commitments with regard to a contract for supply of IT softwares.

# Notes to the Standalone Financial Statements

for the year ended 31 March 2019

## 49 Effects on adoption of Ind AS 115

1) The Company has elected to adopt Ind AS 115 using the modified retrospective method. An entity that elects the modified retrospective method would apply Ind AS 115 retrospectively to only current period by recognising the cumulative effect of initially applying Ind AS 115 as an adjustment to the opening balance of retained earnings at the date of application (i.e. 1 April 2018 in case of the Company).

Under the modified retrospetive method, the comparative information in the standalone financial statements would not be restated and would be presented based on the requirements of the previous standard.

The impact of adoption of the standard on the financial statements of the Group is insignificant.

**2) Contract balances**

| Particulars | Amount (₹ in million) |
|---|---|
| **(a) Receivables** | |
| i) Trade receivables: Refer note 12 | |
| Opening balance as on 1 April 2018 | 1262.13 |
| Closing balance as on 31 March 2019 | 1455.99 |
| ii) Unbilled revenue : Refer note 9 | |
| Opening balance as on 1 April 2018 | 84.30 |
| Closing balance as on 31 March 2019 | 98.66 |
| b) The Company does not have any contract asset as at 31 March 2019. | |
| c) The contract liability amount from contracts with customers is given below : | |
| Advance from customers : Refer note 18 | |
| Opening balance as on 1 April 2018 | 158.31 |
| Closing balance as on 31 March 2019 | 137.35 |
| Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period | 125.06 |

**50** The disclosures regarding details of specified bank notes held and transacted during 8 November 2016 to 30 December 2016 has not been made in these standalone financial statements since the requirement does not pertain to financial year ended 31 March 2019 and 31 March 2018.

The accompanying notes are an integral part of these standalone financial statements

As per our reports of even date attached

for **B S R & Co. LLP**
*Chartered Accountants*
Firm's registration number: 101248W/W -100022

**Amit Somani**
*Partner*
Membership number: 060154

Place : Bengaluru
Date : 23 May 2019

*for* **and on behalf of the Board of Directors**
HealthCare Global Enterprises Limited

**Dr. B.S. Ajaikumar**
*Chairman and CEO*
DIN: 00713779

**Dr. Ramesh B.S.**
*Director*
DIN: 00518434

**Srinivasa Raghavan**
*Chief Financial Officer*

**Sunu Manuel**
*Company Secretary*

Place : Bengaluru
Date : 23 May 2019

Place : Bengaluru
Date : 23 May 2019

# Consolidated Financial Statements

# Independent Auditors' Report

To the Members of
**HealthCare Global Enterprises Limited**

## Report on the Audit of Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of HealthCare Global Enterprises Limited (hereinafter referred to as the 'Holding Company") and its subsidiaries (Holding Company and its subsidiaries together referred to as "the Group"), its associate and its joint venture, which comprise the consolidated balance sheet as at 31 March 2019, and the consolidated statement of profit and loss (including other comprehensive income), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of other auditors on separate financial statements of such subsidiaries, associate, joint venture as were audited by the other auditors, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, its associate and a joint venture as at 31 March 2019, of its consolidated loss and other comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India, and we have fulfilled our other ethical responsibilities in accordance with the provisions of the Act. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment of goodwill** | |
| Goodwill is significant item on the consolidated balance sheet for which the Management performs impairment testing annually.<br><br>In performing such impairment assessments, Management compared the carrying value of each of the identifiable cash generating units ("CGUs") to which goodwill has been allocated with its respective 'value in use' computed based on discounted cash flow method to determine if any impairment loss should be recognized. | Our audit procedures on testing for impairment of goodwill includes the following:<br><br>• test of design and operating effectiveness of internal controls process relating to impairment testing;<br><br>• evaluated management's identification of CGU's, the carrying value of each CGU and the methodology followed by management for the impairment assessment in compliance with the prevailing accounting standards; |

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>We focused on this area due to the magnitude of the carrying amounts of goodwill and the fact that significant judgments were required by Management (i) to identify whether any impairment indicators existed for any of goodwill during the year; and (ii) to compute and determine the appropriate impairment approaches, i.e. fair value less costs of disposal or value in use<br><br>Refer note 6 to the consolidated financial statements.</td><td>• evaluated appropriateness of key assumptions included in the future cash flow forecasts used in computing recoverable amount of each CGU, such as, revenue growth rates, profitability, discount rates etc., with reference to our understanding of their business and historical trends; and<br>• re-computation of impairment workings to verify mathematical accuracy and verify the appropriateness of the disclosure in the consolidated financial statements.</td></tr>
<tr><td colspan="2">Property, plant and equipment</td></tr>
<tr><td>During the current year, the Group has been involved in establishing new units and expansion of existing units at several locations. The Group has incurred significant capital expenditure and Property, plant and equipment ('PPE') is a significant item on the consolidated balance sheet.<br><br>Judgment is required in determining timing of capitalization and the nature of costs capitalized.<br><br>Refer note 5 to the consolidated financial statements.</td><td>Our audit procedures on PPE in response to the identified key audit matter includes:<br>• test of design and operating effectiveness of internal controls process relating to capitalization of PPE;<br>• testing on a sample basis, additions to PPE to verify the existence, nature of costs capitalized with underlying documents / management certifications and classification of PPE;<br>• verify on a sample basis, internal management or external expert certification on timing of capitalization; and<br>• inquired with management on variances between actual expenditure and the budgets.</td></tr>
<tr><td colspan="2">Recognition of deferred tax assets</td></tr>
<tr><td>The Group has recognized Rs. 268.61 million DTA on the consolidated balance sheet, which involves judgment by management as to the likelihood and timing of the realization of these deferred tax assets ('DTA'). The expectation that the benefit of these assets will be realized is dependent on the future performance of the specific entity.<br><br>Refer note 31 to the consolidated financial statements.</td><td>Our audit procedures include the following substantive procedures:<br>• obtain an understanding of DTA recognition for each entity and re-compute the DTA;<br>• verify the income tax returns for earlier years and management prepared provision for tax computation for the year;<br>• read and analyzed consultations carried out by management with external tax experts for tax positions taken by the Company along with our internal tax experts;<br>• compared the business plan used for projections with the ones approved by the board of directors / appropriate levels of senior management;<br>• discussed the cash flow projections with appropriate senior management; and<br>• Evaluated appropriateness of key assumptions included in the business plan such as, revenue growth rates, profitability, etc., with reference to our understanding of their business and historical trends.</td></tr>
</table>

**Information Other than the Consolidated Financial Statements and Auditors' Report Thereon**

The Holding Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the holding Company's annual report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed and based on the work done/ audit report of other auditors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

The Holding Company's management and Board of Directors are responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated state of affairs, consolidated profit/ loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flows of the Group including its associate and a joint venture in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act.

The respective Board of Directors of the companies included in the Group and of its associate and a joint venture are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of each company and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the 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 consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective management and Board of Directors of the entities included in the Group and of its associate and a joint venture are responsible for assessing the ability of each company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group and of its associate and a joint venture is responsible for overseeing the financial reporting process of each company.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparation of consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements 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 auditor's report. However, future events or conditions may cause the Group (company and subsidiaries) as well as associate and joint venture to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group and its associate and joint venture to express an opinion on the consolidated financial statements, of which we are the independent auditors. We are responsible for the direction, supervision and performance of the audit of financial information of such entities. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described in para (a) of the section titled 'Other Matters' in this audit report.

  We believe that the audit evidence obtained by us along with the consideration of audit reports of the other auditors referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Other Matters**

(a) We did not audit the financial statements / financial information of four subsidiaries and one step down subsidiary whose financial statements/ financial information reflect total assets of Rs. 1,739.55 million as at 31 March 2019, total revenues of Rs. 263.82 million and net cash flows amounting to Rs.12.95 million for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net loss (and other comprehensive income) of Rs. 109.83 million for the year ended 31 March 2019, in respect of an associate and a joint venture, whose financial statements/financial information have not been audited by us. These financial statements/financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, a joint venture and an associate, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, joint venture and associate is based solely on the audit reports of the other auditors.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

**Report on Other Legal and Regulatory Requirements**

A. As required by Section 143(3) of the Act, based on our audit and on the consideration of reports of the other auditors on separate financial statements of such subsidiaries, an associate and a joint venture as were audited by other auditors, as noted in the 'Other Matters' paragraph, we report, to the extent applicable, that:

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

   b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

   c) The consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity and the consolidated statement of cash flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

   d) In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under section 133 of the Act.

   e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2019 taken on record by the Board of Directors of the Holding Company and its subsidiary companies and a joint venture incorporated in India, none of the directors of the Group companies and the joint venture incorporated in India is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act.

   f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company, its subsidiary companies incorporated in India and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

B. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate financial statements of the subsidiaries, an associate and a joint venture, as noted in the 'Other Matters' paragraph:

   i. The consolidated financial statements disclose the impact of pending litigations as at 31 March 2019 on the consolidated financial position of the Group, its associate and a joint venture. Refer Note 32 to the consolidated financial statements;

   ii. The Group, its associate and a joint venture did not have any material foreseeable losses on long-term contracts including derivative contracts during the year ended 31 March 2019;

   iii. There are no amounts which are required to be transferred to the Investor Education and Protection Fund by the Holding Company or its subsidiary companies and a joint venture incorporated in India during the year ended 31 March 2019; and

   iv. The disclosures in the consolidated financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December

2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March 2019.

C. With respect to the matter to be included in the Auditor's report under section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid during the current year by the Holding Company and its subsidiary companies incorporated in India to its directors is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director by the Holding Company and its subsidiary companies in India is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

*For* **B S R & Co. LLP**
*Chartered Accountants*
Firm's Registration No. 101248W/W-100022

**Amit Somani**
*Partner*
Membership No. 060154

Place: Bengaluru
Date: 23 May 2019

# Annexure A to the Independent Auditors' Report

**on the consolidated financial statements of HealthCare Global Enterprises Limited for the year ended 31 March 2019**

## Report on the internal financial controls with reference to the aforesaid consolidated financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

## Opinion

In conjunction with our audit of the consolidated financial statements of HealthCare Global Enterprises Limited as of and for the year ended 31 March 2019, we have audited the internal financial controls with reference to consolidated financial statements of HealthCare Global Enterprises Limited (hereinafter referred to as "the Holding Company") and such companies incorporated in India under the Companies Act, 2013 which are its subsidiary companies as of that date.

In our opinion, the Holding Company and such companies incorporated in India which are its subsidiary companies, have, in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls with reference to consolidated financial statements criteria established by such companies considering the essential components of such internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

## Management's Responsibility for Internal Financial Controls

The respective Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls with reference to consolidated financial statements based on the criteria established by the respective Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

## Auditors' Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to consolidated financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to consolidated financial statements were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of the internal controls based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to consolidated financial statements.

## Meaning of Internal Financial controls with Reference to Consolidated Financial Statements

A company's internal financial controls with reference to consolidated financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to consolidated financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

## Inherent Limitations of Internal Financial controls with Reference to Consolidated Financial Statements

Because of the inherent limitations of internal financial controls with reference to consolidated financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to consolidated financial statements to future periods are subject to the risk that the internal financial controls with reference to consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For **B S R & Co. LLP**
*Chartered Accountants*
Firm's Registration No: 101248W/W-100022

**Amit Somani**
*Partner*
Membership No. 060154

Place: Bengaluru
Date: 23 May 2019

# Consolidated Balance Sheet

(₹ in million)

| | Note No | 31 March 2019 | 31 March 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| (a) Property, plant and equipment | 5 | 8,515.43 | 7,125.67 |
| (b) Capital work-in-progress | 5 | 1,526.27 | 1,739.72 |
| (c) Goodwill | 6 | 1,093.40 | 1,093.40 |
| (d) Other intangible assets | 6 | 93.31 | 58.11 |
| (e) Investments in equity accounted investees | 7 | 384.38 | 480.45 |
| (f) Financial assets | | | |
| (i) Investments | 7 | 106.09 | 51.27 |
| (ii) Loans | 8 | 367.28 | 98.55 |
| (iii) Other financial assets | 9 | 217.48 | 496.00 |
| (g) Deferred tax assets (net) | 31.3 | 268.61 | 231.01 |
| (h) Income tax assets (net) | 31.4 | 553.90 | 211.07 |
| (i) Other non-current assets | 10 | 679.69 | 650.42 |
| **Total non current assets** | | **13,805.84** | **12,235.67** |
| **Current assets** | | | |
| (a) Inventories | 11 | 267.72 | 240.26 |
| (b) Financial assets | | | |
| (i) Trade receivables | 12 | 1,568.92 | 1,284.40 |
| (ii) Cash and cash equivalents | 13 | 205.17 | 287.96 |
| (iii) Bank balance other than cash and cash equivalents above | 13.1 | 3.49 | - |
| (iv) Loans | 8 | 142.09 | 31.19 |
| (v) Other financial assets | 9 | 242.54 | 140.55 |
| (c) Other current assets | 10 | 299.68 | 216.57 |
| **Total current assets** | | **2,729.61** | **2,200.93** |
| **TOTAL ASSETS** | | **16,535.45** | **14,436.60** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| (a) Equity share capital | 14 | 879.19 | 869.04 |
| (b) Shares pending issuance | 14.6 | - | 299.75 |
| (c) Other equity | 15 | 3,887.28 | 3,982.24 |
| Equity attributable to owners of the Company | | 4,766.47 | 5,151.03 |
| Non-controlling interests | 16 | 455.47 | 639.21 |
| **Total equity** | | **5,221.94** | **5,790.24** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| (a) Financial liabilities | | | |
| (i) Borrowings | 17 | 5,169.10 | 3,724.29 |
| (ii) Other financial liabilities | 18 | 228.41 | 915.69 |
| (b) Provisions | 20 | 56.41 | 50.99 |
| (c) Deferred tax liabilities (net) | 31.3 | 39.71 | 37.70 |
| (d) Other non-current liabilities | 19 | 346.75 | 330.12 |
| **Total non-current liabilities** | | **5,840.38** | **5,058.79** |

# Consolidated Balance Sheet

(₹ in million)

| | Note No | 31 March 2019 | 31 March 2018 |
|---|---|---|---|
| **Current liabilities** | | | |
| (a) Financial Liabilities | | | |
| (i) Borrowings | 17 | 499.88 | 17.35 |
| (ii) Trade payables | 21 | | |
| Total outstanding dues of micro enterprises and small enterprises | | 1.39 | - |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | | 1,815.21 | 1,424.74 |
| (iii) Other financial liabilities | 18 | 2,760.71 | 1,764.38 |
| (b) Other current liabilities | 19 | 322.83 | 285.27 |
| (c) Provisions | 20 | 72.77 | 56.00 |
| (d) Income tax liabilities (net) | 31.5 | 0.34 | 39.83 |
| **Total current liabilities** | | **5,473.13** | **3,587.57** |
| **Total liabilities** | | **11,313.51** | **8,646.36** |
| **TOTAL EQUITY AND LIABILITIES** | | **16,535.45** | **14,436.60** |
| **Significant accounting policies** | **3** | | |

**The accompanying notes are an integral part of these consolidated financial statements**

As per our reports of even date attached

for **B S R & Co. LLP**
*Chartered Accountants*
Firm's registration number: 101248W/W -100022

**Amit Somani**
*Partner*
Membership number: 060154

Place : Bengaluru
Date : 23 May 2019

*for* **and on behalf of the Board of Directors**
HealthCare Global Enterprises Limited

**Dr. B.S. Ajaikumar**
*Chairman and CEO*
DIN: 00713779

**Dr. Ramesh B.S.**
*Director*
DIN: 00518434

**Srinivasa Raghavan**
*Chief Financial Officer*

**Sunu Manuel**
*Company Secretary*

Place : Bengaluru
Date : 23 May 2019

Place : Bengaluru
Date : 23 May 2019

# Consolidated Statement of Profit and Loss

(₹ in million)

| | Note No | 31 March 2019 | 31 March 2018 |
|---|---|---|---|
| **I Income** | | | |
| Revenue from operations | 22 | 9,760.26 | 8,287.88 |
| Income from government grants | 23 | 26.48 | 19.00 |
| Other income | 24 | 74.09 | 128.02 |
| **Total income (I)** | | **9,860.83** | **8,434.90** |
| **II Expenses** | | | |
| Purchases of medical and non-medical items | | 2,214.89 | 1,966.38 |
| Changes in inventories of medical and non-medical items | 25 | (28.50) | (69.25) |
| Employee benefits expense | 26 | 1,845.20 | 1,577.06 |
| Finance costs | 27 | 699.10 | 423.50 |
| Depreciation and amortisation expense | 28 | 850.85 | 714.60 |
| Other expenses | 29 | 4,503.21 | 3,644.51 |
| **Total expenses (II)** | | **10,084.75** | **8,256.80** |
| **III (Loss)/profit before share of loss of an associate / joint venture, exceptional items and tax (I-II)** | | **(223.92)** | **178.10** |
| IV Share of loss of an associate / joint venture | | (109.83) | (14.02) |
| **V (Loss)/profit before exceptional items and tax (III - IV)** | | **(333.75)** | **164.08** |
| VI Exceptional items | 30 | - | 107.68 |
| **VII (Loss)/profit before tax (V+VI)** | | **(333.75)** | **271.76** |
| **VIII Tax expense** | | | |
| (1) Current tax (net) | 31.1 | (11.04) | 135.50 |
| (2) Deferred tax credit (net) | 31.1 | (13.96) | (33.12) |
| **Total tax expense** | | (25.00) | 102.38 |
| **IX (Loss)/profit for the year (VII-VIII)** | | **(308.75)** | **169.38** |
| **X Other comprehensive income / (losses)** | | | |
| (i) Items that will not be reclassified subsequently to profit or loss | | | |
| (a) Remeasurements of the defined benefit plans | 37.2 | 2.97 | (2.46) |
| (b) Income tax effect on above | 31.2 &31.4 | (0.90) | 1.03 |
| (ii) Items that will be reclassified to profit or loss | | | |
| (a) Exchange differences on translation of financial statements of foreign operations | | 11.42 | - |
| (b) Effective portion of loss on hedging instruments in a cash flow hedge | | (64.25) | - |
| (c) Income tax on (ii) above 31.2 &31.4 | | 22.46 | - |
| **Other comprehensive expense for the year, net of tax** | | **(28.30)** | **(1.43)** |
| **XI Total comprehensive income for the year (IX+X)** | | (337.05) | 167.95 |
| **(Loss)/ profit for the year attributable to:** | | | |
| Owners of the Company | | (247.97) | 205.23 |
| Non - controlling interests | | (60.78) | (35.85) |
| | | **(308.75)** | **169.38** |

# Consolidated Statement of Profit and Loss

(₹ in million)

| | Note No | 31 March 2019 | 31 March 2018 |
|---|---|---|---|
| **Other comprehensive (Loss)/ income for the year attributable to:** | | | |
| Owners of the Company | | (28.74) | (1.77) |
| Non-controlling interests. | | 0.44 | 0.34 |
| | | **(28.30)** | **(1.43)** |
| **Total comprehensive (Loss)/ income for the year attributable to:** | | | |
| Owners of the Company | | (276.71) | 203.46 |
| Non controlling interests.. | | (60.34) | (35.51) |
| | | **(337.05)** | **167.95** |
| **(Loss)/ earnings per share :** | | | |
| Basic (in ₹) | 34.1 | (2.82) | 2.38 |
| Diluted (in ₹) | 34.2 | (2.82) | 2.38 |
| **Significant accounting policies** | **3** | | |

**The accompanying notes are an integral part of these consolidated financial statements**

As per our reports of even date attached

for **B S R & Co. LLP**
*Chartered Accountants*
Firm's registration number: 101248W/W -100022

**Amit Somani**
*Partner*
Membership number: 060154

Place : Bengaluru
Date : 23 May 2019

*for* **and on behalf of the Board of Directors**
HealthCare Global Enterprises Limited

**Dr. B.S. Ajaikumar**
*Chairman and CEO*
DIN: 00713779

**Dr. Ramesh B.S.**
*Director*
DIN: 00518434

**Srinivasa Raghavan**
*Chief Financial Officer*

**Sunu Manuel**
*Company Secretary*

Place : Bengaluru
Date : 23 May 2019

Place : Bengaluru
Date : 23 May 2019

# Consolidated Cash Flow Statement

(₹ in million)

| | Note No | 31 March 2019 | 31 March 2018 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **(Loss)/profit before tax** | | **(333.75)** | **271.76** |
| **Adjustments for:** | | | |
| Finance costs | | 699.10 | 423.50 |
| Gain on investment revalued at FVTPL | | (3.34) | (3.61) |
| Gain on sale of mutual fund | | - | (1.14) |
| Loss on disposal of property, plant and equipment | | 0.82 | 0.43 |
| Provision for bad debts and doubtful advances | | 38.67 | (45.74) |
| Interest income | | (26.33) | (81.22) |
| Income from government grant | | (26.48) | - |
| Bad debts written off | | - | 100.11 |
| Depreciation and amortisation expense | | 850.85 | 714.60 |
| Payables no longer required written back | | (0.42) | (22.20) |
| Expense on employee stock option scheme | | 30.56 | 27.09 |
| Exceptional items: | | | |
| Gain on sale of a unit | 30.1 | - | (37.97) |
| Gain on sale of subsidiary | 30.2 | - | (82.20) |
| Net loss pertaining to closure of Delhi unit | 30.3 | - | 76.46 |
| Net foreign exchange (gain) | | (5.07) | - |
| Gain on loss of control on subsidiary | 30.4 | - | (63.97) |
| Share of loss of equity accounted investees | | 109.83 | 14.02 |
| **Movements in working capital:** | | | |
| Changes in trade receivables | | (327.57) | (397.93) |
| Changes in inventories | | (27.46) | (79.30) |
| Changes in loans, financial assets and other assets other than security deposits | | (75.30) | (148.65) |
| Security deposits paid | | (53.04) | (135.80) |
| Changes in trade payables, financial liabilities and other liabilities | | 461.72 | 428.22 |
| Changes in provisions | | 22.19 | 29.04 |
| Changes in other liablities | | 20.51 | 34.67 |
| **Cash generated from operations** | | **1,355.49** | **1,020.17** |
| Income taxes paid (net of refunds) | | (370.45) | (42.04) |
| **Net cash generated from operating activities (A)** | | **985.04** | **978.13** |
| **Cash flows from investing activities** | | | |
| Margin money deposits, net | | (102.75) | (148.42) |
| Inter-corporate deposits given | | (57.00) | (818.00) |
| Proceeds from repayment of inter-corporate deposits | | 20.00 | 804.30 |
| Proceeds from disposal of property, plant and equipment | | 2.01 | 1.71 |
| Acquisition of property, plant and equipment | | (1,887.82) | (2,561.63) |
| Acquisition of business, net of cash and cash equivalents | 48 & 49 | (70.25) | (92.29) |
| Interest received | | 23.15 | 38.83 |
| Investment in Associate | | (5.33) | (233.12) |

# Consolidated Cash Flow Statement

(₹ in million)

| | Note No | 31 March 2019 | 31 March 2018 |
|---|---|---|---|
| Investment in debentures | | - | (50.00) |
| Proceeds from redemption of debentures | | - | 50.00 |
| Investments in other companies | | (51.47) | (3.14) |
| Proceeds from sale of a subsidiary | | - | 212.31 |
| Gain from sale of mutual funds | | - | 1.14 |
| Payment for acquisition of minority stake in a subsidiary | | (252.52) | (18.71) |
| **Net cash (used in) investing activities (B)** | | **(2,381.98)** | **(2,817.02)** |
| **Cash flows from financing activities $** | | | |
| Proceeds from issue of equity shares | | 0.93 | 348.10 |
| Amount received from minority shareholders in the subsidiaries | | 55.59 | 123.39 |
| Proceeds from borrowings* | | 3,827.37 | 3,464.53 |
| Repayment of borrowings* | | (2,532.00) | (1,972.08) |
| Interest paid | | (516.78) | (351.08) |
| * Includes ₹ 605.8 million (FY 18 ₹ 745.98 million) of term loans drawn from banks towards settlement of deferred payment obligations | | | |
| **Net cash generated by financing activities ( C)** | | **835.11** | **1,612.86** |
| **Net decrease in cash and cash equivalents (A+B+C)** | | **(561.83)** | **(226.03)** |
| **Cash and cash equivalents at the beginning of the year** | 13 | 270.61 | 510.84 |
| Cash and bank balances on sale of a unit, sale of subsidiary & loss of control on a subsidiary, | 30.1, 30.2 & 30.4 | - | (14.20) |
| **Cash and cash equivalents at the end of the year** | 13 | **(291.22)** | **270.61** |

## $ Reconciliation of movements of liabilities to cash flows arising from financing activities as an extraction of cash flow as at 31 March 2019

(₹ in million)

| Particulars | Term loan from bank and others | Deferred payment liabilities | Vehicle loan | Finance leases | Other borrowing cost | Total |
|---|---|---|---|---|---|---|
| **Debt as at 1 April 2018** | **2,559.22** | **1,489.26** | **7.97** | **555.17** | **-** | **4,611.62** |
| Interest accrued but not due as at 1 April 2018 | 20.36 | - | - | 107.55 | - | 127.91 |
| **Cash flows including interest paid** | **1,159.68** | **(74.86)** | **(2.21)** | **(67.98)** | **(236.04)** | **778.59** |
| - For ex adjustment in fixed assets | - | 28.49 | - | - | - | 28.49 |
| - Interest expense* | 307.49 | 38.36 | 0.58 | 81.80 | 270.87 | 699.10 |
| - Forward premium adjusted against derivative liability | - | - | - | - | (29.33) | (29.33) |
| - Equipment purchased on financial lease | - | - | - | 8.82 | - | 8.82 |
| - Interest on business acquisition | - | - | - | - | (5.50) | (5.50) |
| Interest accrued but not due as at 31 March 2019 | (18.94) | - | - | (121.63) | - | (140.57) |
| **Debt as at 31 March 2019** | **4,027.81** | **1,481.25** | **6.34** | **563.73** | **-** | **6,079.13** |

*Interest on other borrowing cost include interest on short term borrowings, premium on forward contracts, foreign exchange loss regarded as borrowing cost and bank charges.

# Consolidated Cash Flow Statement

## $Reconciliation of movements of liabilities to cash flows arising from financing activities as an extraction of cash flow as at 31 March 2018

(₹ in million)

| Particulars | Term loan from bank and others | Deferred payment liabilities | Vehicle loan | Finance leases | Total |
|---|---|---|---|---|---|
| **Debt as at 1 April 2017** | **1,458.56** | **1,834.48** | **2.17** | **490.55** | **3,785.76** |
| Interest accrued but not due as at 1 April 2017 | 34.04 | - | - | 72.73 | 106.77 |
| Cash flows including interest paid** | 1,496.53 | (223.83) | 5.32 | (45.55) | 1,232.47 |
| Other Changes | | | | | |
| - Ind AS adjustment with respect to unamortised loan processing charges | (58.58) | - | - | - | (58.58) |
| - Change on sale of subsidiary (refer note 30.2) | (570.30) | (168.40) | - | - | (738.70) |
| - Unrealised forex Adjustment | - | 4.83 | - | - | 4.83 |
| - Interest expense | 219.33 | 42.18 | 0.48 | 70.42 | 332.41 |
| - Finance lease arrangement for the year | - | - | - | 74.57 | 74.57 |
| Interest accrued but not due as at 31 March 2018 | (20.36) | - | - | (107.55) | (127.91) |
| **Debt as at 31 March 2018** | **2,559.22** | **1,489.26** | **7.97** | **555.17** | **4,611.62** |

**The above interest paid does not include other borrowing costs and interest paid of ₹ 91.01 million in respect of other facilities like bank overdraft which is not considered above.
*Interest expense accrued for the year has been converted to borrowings.

**Significant accounting policies** **3**

**The accompanying notes are an integral part of these consolidated financial statements**

As per our reports of even date attached

for **B S R & Co. LLP**
*Chartered Accountants*
Firm's registration number: 101248W/W -100022

**Amit Somani**
*Partner*
Membership number: 060154

Place : Bengaluru
Date : 23 May 2019

*for* **and on behalf of the Board of Directors**
HealthCare Global Enterprises Limited

**Dr. B.S. Ajaikumar**
*Chairman and CEO*
DIN: 00713779

**Dr. Ramesh B.S.**
*Director*
DIN: 00518434

**Srinivasa Raghavan**
*Chief Financial Officer*

**Sunu Manuel**
*Company Secretary*

Place : Bengaluru
Date : 23 May 2019

Place : Bengaluru
Date : 23 May 2019

# Consolidated Statement of Changes in Equity for the years ended 31 March 2019 and 31 March 2018

## a. Equity share capital

| Particulars | No of Shares | (₹ in million) |
|---|---|---|
| **Balance as at 01 April 2017** | **85,712,986** | **857.13** |
| (a) Issue of equity shares pursuant to preferential allotment (refer note 14.1) | 1,166,667 | 11.66 |
| (b) Issue of equity shares pursuant to exercise of employee share options under employee share option plan 2014 (refer note 38(C)) | 24,820 | 0.25 |
| **Balance as at 31 March 2018** | **86,904,473** | **869.04** |
| (a) Issue of equity shares pursuant to preferential allotment (refer note 14.1) | 934,500 | 9.35 |
| (b) Issue of equity shares pursuant to exercise of employee share options under employee share option plan 2010 and 2014 (refer note 38(C)) | 80,060 | 0.80 |
| **Balance as at 31 March 2019** | **87,919,033** | **879.19** |

## b. Shares pending issuance

| | (₹ in million) |
|---|---|
| **Balance as at 01 April 2017** | - |
| Add: During the year (refer note 48) | 299.75 |
| **Balance as at 31 March 2018** | 299.75 |
| Less: Share issued during the year (refer note 14.1 & 14.6) | (299.75) |
| **Balance as at 31 March 2019** | - |

## c. Other equity

(₹ in million)

| Particulars | Note No. | Reserves and Surplus | | | | Items of other comprehensive income | | | Equity attributable to share holders of the company | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Capital reserve | Securities premium | Share options outstanding account (refer note 15.2) | Retained earnings | Foreign currency translation reserve | Remeasurements of the defined benefit plans | Cash flow hedging reserve (refer note 15.7) | | | |
| **Balance as at 01 April 2017** | | **5.60** | **4,945.44** | **12.17** | **(1,493.37)** | **-** | **(0.37)** | **-** | **3,469.47** | **574.62** | **4,044.09** |
| Profit for the year | | - | - | - | 205.23 | - | - | - | 205.23 | (35.85) | 169.38 |
| Other comprehensive income for the year (net of tax) | | - | - | - | - | - | (1.77) | - | (1.77) | 0.34 | (1.43) |
| **Total comprehensive income** | | | | | **205.23** | **-** | **(1.77)** | **-** | **203.46** | **(35.51)** | **167.95** |
| **Transactions recorded directly in equity** | | | | | | | | | | | |
| Premium received on shares issued during the year | | - | 338.34 | - | - | - | - | - | 338.34 | - | 338.34 |
| Share issue expenses incurred during the year | 15.1 | - | (1.08) | - | - | - | - | - | (1.08) | - | (1.08) |

# Consolidated Statement of Changes in Equity for the years ended 31 March 2019 and 31 March 2018

## c. Other equity (Contd..)

(₹ in million)

| Particulars | Note No. | Reserves and Surplus | | | | Items of other comprehensive income | | | Equity attributable to share holders of the company | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Capital reserve | Securities premium | Share options outstanding account (refer note 15.2) | Retained earnings | Foreign currency translation reserve | Remeasurements of the defined benefit plans | Cash flow hedging reserve (refer note 15.7) | | | |
| Transferred to Securities premium account on exercise of ESOPs | 15.2 | - | 2.18 | (2.18) | - | - | - | - | - | - | - |
| Expense on employee stock option scheme | | - | - | 27.09 | - | - | - | - | 27.09 | - | 27.09 |
| Change in fair value of gross obligations over written put options issued to the non-controlling interests | 15.6 | - | - | - | 55.01 | - | - | - | 55.01 | - | 55.01 |
| On acquisition of business | 49 | 1.17 | - | - | - | - | - | - | 1.17 | - | 1.17 |
| On equity accounted investee | | 8.90 | - | - | - | - | - | - | 8.90 | - | 8.90 |
| Additional investments by non-controlling interests | 16 | - | - | - | - | - | - | - | - | 123.39 | 123.39 |
| Adjustment on account of change in holding without change in control | 16 | | | | (120.12) | - | - | - | (120.12) | 101.30 | (18.82) |
| Reduction in non-controlling interest on account of sale of equity investment in subsidiary HCG Regency Oncology Private Limited (Refer note 30.2) | 16 | - | - | - | - | - | - | - | - | (124.59) | (124.59) |
| **Balance as at 31 March 2018** | | **15.67** | **5,284.88** | **37.08** | **(1,353.25)** | **-** | **(2.14)** | **-** | **3,982.24** | **639.21** | **4,621.45** |
| Loss for the year | | - | - | - | (247.97) | - | - | - | (247.97) | (60.78) | (308.75) |
| Other comprehensive income for the year (net of tax) | | - | - | - | - | 11.42 | 2.07 | (41.79) | (28.30) | 0.44 | (27.86) |
| **Total comprehensive income** | | **-** | **-** | **-** | **(247.97)** | **11.42** | **2.07** | **(41.79)** | **(276.27)** | **(60.34)** | **(336.61)** |
| **Transactions recorded directly in equity** | | | | | | | | | - | | |
| Premium received on shares issued during year | 15.1 &15.2 | - | 290.63 | - | - | - | - | - | 290.63 | - | 290.63 |
| Share issue expenses incurred during the year | 15.1 | - | (0.09) | - | - | - | - | - | (0.09) | - | (0.09) |
| Transferred to Securities premium account on exercise of ESOPs | 15.2 | - | 11.93 | (11.93) | - | - | - | - | - | - | - |
| Expense on employee stock option scheme | | - | - | 30.56 | - | - | - | - | 30.56 | - | 30.56 |
| Change in fair value of gross obligations over written put options issued to the non-controlling interests | 15.6 | - | - | - | (63.74) | - | - | - | (63.74) | | (63.74) |
| On equity accounted investee | | (8.90) | - | - | - | - | - | - | (8.90) | - | (8.90) |
| Additional investments by non-controlling interests | 16 | - | - | - | - | - | - | - | - | 55.29 | 55.29 |
| Adjustment on account of change in holding without change in control | 15.6 & 16 | - | - | - | (67.15) | - | - | - | (67.15) | (178.69) | (245.84) |
| **Balance as at 31 March 2019** | | **6.77** | **5,587.35** | **55.71** | **(1,732.11)** | **11.42** | **(0.07)** | **(41.79)** | **3,887.28** | **455.47** | **4,342.75** |

# Consolidated Statement of Changes in Equity for the years ended 31 March 2019 and 31 March 2018

## c. Other equity (Contd..)

**Securities premium**

Securities premium is used to record the premium on issue of equity shares. The reserve is utilised in accordance with the provisions of the Companies Act, 2013.

**Share option outstanding Account**

The Company has employee stock option plans for eligible employees of the Company and its group companies. refer note 38 for further details on these plans

**Capital reserve**

Capital reserve is created on acquisition of business of Central India Cancer Research Institute (CICRI) and transaction with Strand Life Sciences Pvt. Ltd by the Company during the previous year. During the current year, the capital reserve created during the previous year on Strand Life Sciences has been reversed.

**Retained earnings**

Retained earnings represent the amount of accumulated earnings of the Company.

**Cash flow hedging reserve**

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of designated portion of hedging instruments entered into for cash flow hedges.

**Foreign currency translation reserve (FCTR)**

The exchange differences arising from the translation of financial statements of foreign operations with functional currency other than Indian rupees is recognised in other comprehensive income, net of taxes and is presented within equity in the FCTR.

**Remeasurement of defined benefit plan**

This represents the acturial gain and losses on defined benefit plan (excluding interest).

**Significant accounting policies** **3**

**The accompanying notes are an integral part of these consolidated financial statements**

As per our reports of even date attached

for **B S R & Co. LLP**
*Chartered Accountants*
Firm's registration number: 101248W/W -100022

**Amit Somani**
*Partner*
Membership number: 060154

Place : Bengaluru
Date : 23 May 2019

*for* **and on behalf of the Board of Directors**
HealthCare Global Enterprises Limited

**Dr. B.S. Ajaikumar**
*Chairman and CEO*
DIN: 00713779

**Dr. Ramesh B.S.**
*Director*
DIN: 00518434

**Srinivasa Raghavan**
*Chief Financial Officer*

**Sunu Manuel**
*Company Secretary*

Place : Bengaluru
Date : 23 May 2019

Place : Bengaluru
Date : 23 May 2019

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

**1** HealthCare Global Enterprises Limited ('the Company') and its subsidiaries (collectively referred to as ""the Group"") its associate / joint venture is engaged in setting up and managing hospitals and medical diagnostic services including scientific testing and consultancy services in the pharmaceutical and medical sector. The Company is a public company incorporated and domiciled in India and has its registered office at #8, P. Kalinga Rao Road, Sampangi Ram Nagar, Bengaluru – 560 027.

The financial statements for the year ended 31 March 2019 were approved by the Board of Directors and authorised for issue on 23 May 2019.

## 2.1 Basis of preparation of the financial statements

### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016, as applicable.

### (b) Going concern basis

The Group has positive operating cash flows during the year and expects continuous increase in operating cash flows in future periods. As at the balance sheet date, the Group's current liabilities exceeds its current assets, however, considering positive operating cash flows, current and in future periods, and also the unutilized approved sanction limits available with banks, which would suffice to meet all its obligations and discharge all liabilities including planned investing activities, the financial statements are prepared on a going concern basis.

### (c) Functional and presentation currency

These consolidated financial statements are presented in Indian Rupees (Rs), which is also the Group's functional currency. All amounts are in Indian Rupees million except share data and per share data, unless otherwise stated. The functional currency of foreign subsidiary is the currency of the primary economic environment in which the entity operates.

### (d) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items:

| Items | Measurement basis |
|---|---|
| Certain financial assets and liabilities | Fair Value |
| Net defined benefit (asset)/ liability | Fair value of plan assets less present value of defined benefit obligations |

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### (e) Use of estimates and judgements

In preparing these consolidated financial statements, management of the Group has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

***Judgements***

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 18 - Liability on written put options
- Note 36 - Leasing arrangements.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

- Note 38 - Share based payments.
- Note 39 - Financial instruments.
- Note 46 - Consolidation, whether the Group has control over an investee
- Note 5 - Property, plant and equipment: Timing of capitalisation and nature of cost capitalised

### Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 March 2019 is included in the following notes:

- Note 5 - Estimation of useful life of property, plant and equipment
- Note 41 - Impairment of financial assets.
- Note 31.3 - Deferred tax balances (net)
- Note 32 - Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;
- Note 37 - Employee benefit plans: key actuarial assumptions;
- Note 7 - Investment in subsidiaries/ impairments

### (f) Measurement of fair values

The Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurement, including level 3 fair values, and reports directly to the chief financial officer. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

– Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

– Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e.as prices) or indirectly (i.e. derived from prices).

– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

## 2.2 Basis of consolidation

### (a) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

### (b) Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's net identifiable assets at the date of acquisition. Changes in the Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

### (c) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any interest retained in the former subsidiary is measured at fair value at the date the control is lost. Any resulting gain or loss is recognised in profit or loss.

### (d) Equity accounted investees

The Group's interests in equity accounted investees comprise interest in an associate and a joint venture.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

An associate is an entity in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control and has rights to the net assets of the arrangement, rather than the rights to its assets and obligations for its liabilities.

Interests in associate and joint venture are accounted for using the equity method. They are initially recognised at cost which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and other comprehensive income of equity-accounted investees until the date on which significant influence or joint control ceases.

### (e) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intragroup transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### (f) Business combinations

In accordance with Ind AS 103, ""Business combinations"" the Group accounts for these business combinations using the acquisition method when control is transferred to the Group. The consideration transferred for the business combination is generally measured at fair value as at the date the control and the net identifiable assets are acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in OCI and accumulated in equity as capital reserve if there exists clear evidence of the underlying reasons for classifying the business combination as resulting in a bargain purchase; otherwise the gain is recognised directly in equity as capital reserve. Transaction costs are expensed as incurred, except to the extent related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships with the acquiree. Such amounts are generally recognised in the Statement of Profit or Loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of financial instrument is classified as equity, then its not remeasured subsequently and settlement is accounted for within equity. Other contingent consideration is remeasured at fair value at each reporting date and changes in the fair value of the contingent consideration are recognised in profit or loss.

## 3 Summary of significant accounting policies

### (a) Revenue recognition

Effective 01 April 2018, the Group adopted Ind AS 115 "Revenue from Contracts with Customers" using the modified retrospective method. The adoption of this standard does not have a material impact on the revenue from operations and the statement of profit/loss for the year ended 31 March 2019. Accordingly, the comparatives were not restated given the Group adopted the standard using modified retrospective method. The comparatives continue to be reported under Ind AS 18 and Ind AS 11.

#### Medical services

Revenue primarily comprises fees charged for inpatient and outpatient hospital services. Services include charges for accommodation, medical professional services, equipment, radiology, laboratory and pharmaceutical goods used in treatments given to patients. Revenue from hospital services are recognized as and when services are performed, unless significant future uncertainties exist. The Group assess the distinct performance obligation in the contract and measures to at an amount that reflects the consideration it expects to receive net of tax collected and remitted to Government and adjusted for discounts and concession. The Group based on contractual terms and past experience determines the performance obligation satisfaction over time. Unbilled revenue is recorded for the service rendered where the patients are not discharged and final invoice is not raised for the services.

#### Sale of medical and non-medical items

Pharmacy Sales are recognised when the control of the products being sold is transferred to the customer and no significant uncertainties exist regarding the amount of consideration that will be derived from the sale of goods as regarding

# Notes to the Consolidated Financial Statements

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its collection. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.

### Other operating revenue

Other operating revenue comprises revenue from various ancillary revenue generating activities like facilitation of training programmes, operations and maintenance arrangements and research projects as per the management agreement with other entities. The service income is recognised only once the services are rendered, there is no unfulfilled performance obligation as per the terms of agreement and no significant future uncertainties exist.

Contract assets are recognised when there is excess of revenue earned over billings on contracts. Contract assets are classified as unbilled receivables (only act of invoicing is pending) when there is unconditional right to receive cash, and only passage of time is required, as per contractual terms.

The Group recognizes a deferred income (contract liability) if consideration has been received (or has become receivable) before the Group transfers the promised goods or services to the customer.

### Disaggregation of revenue

The Group disaggregates revenue from hospital services (medical and healthcare services), sale of medical and non-medical items and other operating income. The Group believes that this disaggregation best depicts how the nature, amount, timing and uncertainty of Group's revenues and cash flows are affected by industry, market and other economic factors.

### Dividend and interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Dividend income is recognised when the Group's right to receive dividend is established.

### (b) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially capitalised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rental expense from operating leases is generally recognised on a straight-line basis over the term of the relevant lease. Where the rentals are structured solely to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases, such increases are recognised in the year in which such benefits accrue. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

### (c) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group at the exchange rates at the dates of the transactions or an average rate approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

Exchange differences on monetary items are recognised in the Statement of profit and loss in the period in which they arise except for exchange differences arising from translation of long-term foreign currency monetary items recognised in the consolidated financial statements of the Group for the period immediately before the beginning of the first Ind AS financial reporting period (prior to 01 April 2016), as per the previous GAAP, pursuant to the Group's choice of availing the exemption as permitted by Ind AS 101.

Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currencies are not retranslated.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

Income and expense items in foreign currency are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used.

## (d) Foreign currency translations

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations that have a functional currency other than Indian rupees are translated into Indian rupees using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and held in foreign currency translation reserve (FCTR), a component of equity, except to the extent that the translation difference is allocated to non-controlling interest. When a foreign operation is disposed off, the relevant amount recognised in FCTR is transferred to the statement of consolidated profit and loss as part of the profit or loss on disposal.

## (e) Borrowing costs

Borrowing costs include:

(i) interest expense calculated using the effective interest rate method,

(ii) finance charges in respect of finance leases, and

(iii) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of profit and loss in the period in which they are incurred.

## (f) Employee benefits

### Defined benefit plan

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding net interest), is reflected in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. The service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements) is recognised in the Statement of profit and loss in the line item 'Employee benefits expense'. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. The net interest expense is recognised in the line item 'Finance costs'.

### Defined contribution plan

A defined contribution plan is post-employment benefit plan under which an entity pays specified contributions to separate entity and has no obligation to pay any further amounts. The Group makes specified obligations towards employee provident fund and employee state insurance to Government administered provident fund scheme and ESI scheme which is a defined contribution plan. The Group's contributions are recognized as an expense in the statement of profit and loss during the period in which the employee renders the related service.

### Compensated absences

The employees can carry-forward a portion of the unutilized accrued compensated absences and utilize it in future service periods or receive cash compensation on termination of employment. Since the employee has unconditional right to avail the leave, the benefit is classified as a short term employee benefit. The Group records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement. The obligation is

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

measured on the basis of independent actuarial valuation using the projected unit credit method.

### Share-based payment transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model and Group's estimate of equity instruments that will vest. That cost is recognised, together with a corresponding increase in share-options together with a corresponding increase in share-options outstanding account in equity, over the period in which the performance and/ or service conditions are fulfilled in employee benefits expense.

## (g) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

### (i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The amount of current tax reflects the best estimate of the tax to be paid after considering the uncertainty and is calculated by using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realize the assets and settle the liability on a net basis or simultaneously.

### (ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Minimum alternative tax ('MAT') paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future tax liability, is considered as an asset if there is convincing evidence that the Group will pay normal income tax in future years. Ind AS 12, Income Taxes defines deferred tax to include carry forward of unused tax credits that are carried forward by the entity for a specified period of time. Accordingly, MAT credit entitlement is grouped with deferred tax assets (net) in the balance sheet.

## (h) Property, plant and equipment

Property, plant and equipment are measured at cost which includes capitalized borrowing costs,

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

less accumulated depreciation and impairment losses, if any. The cost of an item of Property, plant and equipment comprises its purchase price, including import duties and other non-refundable taxes or levies, freight, any directly attributable cost of bringing the asset to its working condition for its intended use and estimated cost of dismantling and restoring onsite; any trade discounts and rebates are deducted in arriving at the purchase price. Subsequent expenditures related to an item of tangible fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance. Cost includes expenditures directly attributable to the acquisition of the asset.

The Group depreciates property, plant and equipment over the estimated useful life on a straight-line basis from the date the assets are ready for intended use. The estimated useful lives of assets for the current and comparative period of significant items of property, plant and equipment are as follows:

| Asset category | Useful life as per the management | As per schedule II of Companies Act, 2013 |
|---|---|---|
| Buildings | 60 years | 60 years |
| Plant and Medical Equipment | 10-15 years | 10-15 years |
| Data processing equipment | 3-6 years | 3-6 years |
| Electrical installations | 10 years | 10 years |
| Furniture and fixtures | 10 years | 10 years |
| Office equipment | 5 years | 5 years |
| Vehicles | 8 years | 8 years |

The cost and related accumulated depreciation are eliminated from the consolidated financial statements upon sale or disposition of the asset and the resultant gains or losses are recognized in the consolidated statement of profit and loss. Amounts paid towards the acquisition of property, plant and equipment outstanding as of each reporting date are recognized as capital advance and the cost of property, plant and equipment not ready for intended use before such date are disclosed under capital work- in-progress.

Assets acquired under finance lease and leasehold improvements are amortized over the lower of estimated useful life and lease term.

Freehold land is not depreciated.

**(h) Intangible assets**

**(i) Intangible assets acquired separately**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

**Useful lives of intangible assets**

Estimated useful lives of the intangible assets are as follows:

| Asset category | Useful Life |
|---|---|
| Computer software | 3 years |
| Software for plant and machinery | 13 years |

**(ii) Goodwill**

Goodwill arising on a business combination is initially measured at excess of purchase consideration over fair value of identified net asset taken over. Subsequent measurement is at initial recognition less any accumulated impairment losses.

**(i) Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the Group receives non-monetary grants, the asset and the grant are accounted at fair value and recognised in the consolidated statement of profit and loss over the expected useful life of the assets.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

## (j) Inventories

Inventories are measured at the lower of cost and net realisable value on the weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost of inventories comprises of all costs of purchase and other costs incurred in bringing the inventories to their present location, after adjusting for GST wherever applicable applying FIFO method.

Imported inventories are accounted for at the applicable exchange rates prevailing on the date of transaction.

## (k) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

### Onerous contracts

A contract is considered to be onerous when the expected economic benefits to be derived by the Group from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before such a provision is made, the Group recognises any impairment loss on the assets associated with that contract.

## (l) Financial instruments

### a. Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

### b. Classification and subsequent measurement

**Financial assets**

On initial recognition, a financial asset is classified as measured at

- amortised cost;
- FVTPL

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

***Financial assets: Business model assessment***

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

***Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest***

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable interest rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

***Financial assets: Subsequent measurement and gains and losses***

| | |
|---|---|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. |
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

***Financial liabilities: Classification, subsequent measurement and gains and losses***

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held- for- trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

## c. Derecognition

***Financial assets***

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Group enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

***Financial liabilities***

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Group also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

## d. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

## e. Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

## f. Cash flow hedge

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised in other comprehensive income and accumulated in cash flow hedging reserve, net of taxes, a component of equity, to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the statement of profit and loss.

The Group designates only the changes in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contract ('forward points') is separately accounted for as a cost of hedging and recognised separately within equity.

If the hedging instrument no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in other equity remains there until, for a hedge of a transaction resulting in recognition of a non-financial item, it is

# Notes to the Consolidated Financial Statements

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included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified to profit or loss.

## (m) Impairment

### (i) Financial assets (other than at fair value)

The Group assesses at each date of balance sheet, whether a financial asset or a group of financial assets is impaired. Ind AS 109 - Financial Instruments requires expected credit losses to be measured though a loss allowance. The Group recognises lifetime expected losses for all contract assets and / or all trade receivables that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to the twelve-month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly, since initial recognition.

### (ii) Non-financial assets

**Tangible and Intangible assets**

Property, plant and equipment and intangible assets with finite life are evaluated for recoverability whenever there is an indication that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for cash generating unit (CGU) to which the asset belongs.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to it's recoverable amount. An impairment loss is recognised in the statement of profit and loss.

## (n) Earnings per share (EPS)

Basic earnings per share are computed by dividing profit attributable to equity shareholders of the Group by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit after tax by the weighted average number of equity shares considered for deriving basic EPS and also weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

## (o) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Group does not recognize a contingent liability but discloses its existence in the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent liabilities and commitments are reviewed by the management at each balance sheet date.

## (p) Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Group are segregate. Bank overdrafts and investment in liquid mutual funds are classified as cash and cash equivalents for the purpose of cash flow statement, as they form an integral part of an entity's cash management.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

### (q) Investment in subsidiaries and joint ventures

#### (i) Initial recognition

The acquired investment in subsidiaries and joint ventures are measured at acquitions date fair value

#### (ii) Subsequent measurement

Investment in equity shares of subsidiaries and joint ventures are accounted either;

(a) at cost, or

(b) in accordance with IND AS 109, financial instruments

The Group has elected to account its subsidiaries and joint ventures at cost less accumulated impairment losses, if any.

### (r) Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purpose of cash flow statement, cash and cash equivalent includes cash in hand, in banks, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts that are repayable on demand and are considered part of the cash management system.

### (s) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses and for which discrete financial information is available. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Chairman of the Group is responsible for allocating resources and assessing performance of the operating segments and accordingly is identified as the Chief Operating Decision Maker (CODM). The CODM evaluates the Group's performance and allocates resources on overall basis.

## 4 New accounting standards not yet adopted

On 30 March 2019, the Ministry of Corporate Affairs (MCA) notified certain amendments to Indian Accounting Standards (Ind AS). All these amendments have not been applied by the Group as these are effective from financial year beginning on or after 1 April 2019.

### (a) Ind AS 116- Leases

On 30 March 2019, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) Amendment Rules, 2019, notifying Ind AS 116 'Leases' (new lease standard), which replaces Ind AS 17 'Leases', including appendices thereto. Ind AS 116 is effective for annual periods beginning on or after 1 April 2019. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under Ind AS 116 is substantially unchanged from today's accounting under Ind AS 17. Lessors will continue to classify all leases using the same classification principle as in Ind AS 17 and distinguish between two types of leases: operating and finance leases.

The Group will adopt these standards, effective from 1 April 2019, using the modified retrospective approach with recognition of right to use the asset as same amount as lease liability, with no restatement of comparative information.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The quantitative impact of adoption of Ind AS 116 on the consolidated financial statements in the period of initial application is not reasonably estimable as at present.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

**(b) Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments:**

On 30 March 2019, Ministry of Corporate Affairs has notified Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

The standard permits two possible methods of transition - i) Full retrospective approach – Under this approach, Appendix C will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, without using hindsight and ii) Retrospectively with cumulative effect of initially applying Appendix C recognized by adjusting equity on initial application, without adjusting comparatives.

The effective date for adoption of Ind AS 12 Appendix C is annual periods beginning on or after April 1, 2019. The Group will adopt the standard on 1 April 2019 and has decided to adjust the cumulative effect in equity on the date of initial application i.e. 1 April 2019 without adjusting comparatives.

The adoption of this amendment is not expected to be material on the consolidated financial statements.

**(c) Amendment to Ind AS 19 – Plan Amendment, Curtailment or Settlement:**

On 30 March 2019, Ministry of Corporate Affairs issued amendments to Ind AS 19, 'Employee Benefits', in connection with accounting for plan amendments, curtailments and settlements. The amendments require an entity: a) to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and b) to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. Effective date for application of this amendment is annual period beginning on or after 1 April 2019. The Group does not expect any significant impact of this amendment on its consolidated financial statements.

**(d) Ind AS 23 – Borrowing Costs**

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The adoption of this standard is not expected to have a material impact on the consolidated financial statements.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019



## 5 Property, plant and equipment and capital work-in-progress

(₹ in million)

| Description of Assets | Property, Plant and Equipment: Freehold land | Buildings - Owned | Buildings - Leased | Leasehold Improvements | Plant and equipment - Owned | Plant and equipment - Leased | Office Equipment | Furniture and Fixtures | Data processing equipments | Electrical installation | Vehicles | Total (A) | Capital work in progress |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **I. Gross block** | | | | | | | | | | | | | |
| **Balance as at 31 March 2017** | **462.49** | **694.59** | **398.02** | **659.40** | **4,417.23** | **55.37** | **50.84** | **142.96** | **73.73** | **31.20** | **23.07** | **7,008.90** | **1,482.26** |
| Additions*$ | - | 381.19 | 79.55 | 170.45 | 1,864.07 | - | 19.74 | 70.05 | 44.98 | 19.72 | 12.73 | 2,662.48 | 2,368.14 |
| Disposals | - | - | - | (43.34) | (104.63) | - | (1.64) | (3.59) | (2.57) | - | (3.45) | (159.22) | (184.91) |
| Capitalised during the year | - | - | - | - | - | - | - | - | - | - | - | - | (1,889.46) |
| Sale of Triesta unit during the year (Refer note 30.1) | - | - | - | (16.28) | (129.91) | - | (6.89) | (3.88) | (7.56) | (0.06) | - | (164.58) | (36.31) |
| Acquisitions through business combinations (refer note 48 & 49) | - | - | - | - | 11.35 | - | 2.44 | 1.55 | 0.41 | 0.05 | 0.20 | 16.00 | - |
| Exchange fluctuation | - | - | - | - | (4.14) | - | - | - | - | - | - | (4.14) | - |
| Adjustment** | - | - | - | - | 55.37 | (55.37) | - | - | - | - | - | - | - |
| Sale of subsidiary during the year (Refer note 30.2) | (59.63) | (415.08) | - | - | (372.78) | - | (1.32) | (24.25) | (5.63) | (1.21) | (0.44) | (880.34) | - |
| **Balance as at 31 March 2018** | **402.86** | **660.70** | **477.57** | **770.23** | **5,736.56** | **-** | **63.17** | **182.84** | **103.36** | **49.70** | **32.11** | **8,479.10** | **1,739.72** |
| Additions*$ | - | 14.03 | 4.21 | 511.70 | 1,357.28 | 10.32 | 17.34 | 105.84 | 51.67 | 122.71 | 3.89 | 2,198.99 | 1,577.76 |
| Disposals | - | - | - | (0.93) | (3.13) | - | (0.28) | (0.39) | - | - | (1.06) | (5.79) | (33.80) |
| Capitalised during the year | - | - | - | - | - | - | - | - | - | - | - | - | (1,757.41) |
| Exchange fluctuation | - | - | - | - | 9.82 | - | - | - | - | - | - | 9.82 | - |
| **Balance as at 31 March 2019** | **402.86** | **674.73** | **481.78** | **1,281.00** | **7,100.53** | **10.32** | **80.23** | **288.29** | **155.03** | **172.41** | **34.94** | **10,682.12** | **1,526.27** |
| **II. Accumulated depreciation** | | | | | | | | | | | | | |
| **Balance as at 31 March 2017** | **-** | **30.61** | **32.13** | **105.03** | **549.11** | **13.93** | **24.43** | **37.28** | **29.74** | **13.65** | **2.92** | **838.83** | **-** |
| Depreciation expense for the year | - | 19.55 | 17.84 | 82.89 | 491.00 | 8.21 | 11.03 | 25.97 | 24.70 | 4.51 | 4.47 | 690.17 | - |
| Disposals | - | - | - | (21.24) | (71.86) | - | (1.19) | (3.16) | (2.19) | - | (2.84) | (102.48) | - |
| Adjustment | - | - | - | - | 22.14 | (22.14) | - | - | - | - | - | - | - |
| Sale of Triesta unit during the year (Refer note 30.1) | - | - | - | (4.01) | (23.77) | - | (2.86) | (1.85) | (4.14) | - | - | (36.63) | - |
| Sale of subsidiary during the year (Refer note 30.2) | - | (5.35) | - | - | (27.34) | - | (0.29) | (1.60) | (1.73) | (0.10) | (0.05) | (36.46) | - |
| **Balance as at 31 March 2018** | **-** | **44.81** | **49.97** | **162.67** | **939.28** | **-** | **31.12** | **56.64** | **46.38** | **18.06** | **4.50** | **1,353.43** | **-** |
| Disposals | - | - | - | - | (2.17) | - | (0.19) | (0.28) | - | - | (0.32) | (2.96) | - |
| Depreciation expense for the year | | 14.25 | 20.21 | 109.17 | 568.73 | 0.39 | 17.70 | 34.86 | 30.11 | 16.41 | 4.38 | 816.22 | - |
| **Balance as at 31 March 2019** | **-** | **59.06** | **70.18** | **271.84** | **1,505.84** | **0.39** | **48.63** | **91.22** | **76.49** | **34.47** | **8.56** | **2,166.69** | **-** |
| **Net block as at 31 March 2018** | **402.86** | **615.89** | **427.60** | **607.56** | **4,797.28** | **-** | **32.05** | **126.20** | **56.98** | **31.64** | **27.61** | **7,125.67** | **1,739.72** |
| **Net block as at 31 March 2019** | **402.86** | **615.67** | **411.60** | **1,009.16** | **5,594.69** | **9.93** | **31.60** | **197.07** | **78.54** | **137.94** | **26.38** | **8,515.43** | **1,526.27** |

Refer note 17 for details of charge created on fixed assets.

*Directly attributable to expenditure capitalised of ₹ 385.78 million (31 March 2018: ₹ 346.12 million) of which borrowing cost capitalised is ₹ 30.16 million, (31 March 2018: ₹ 0.82 million).

**Pertain to assets classified as finance lease till earlier year. During the previous year, on account of settlement of lease obligation this has been transferred to owned assets.

$Additions includes government grant recognised at fair value (refer note 19).

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

## 6 Goodwill and other intangible assets

(₹ in million)

| Deseription of assets | Goodwill (refer note (6A) below) | Other intangible assets: Computer software | Tenacy rights | Software for plant and machinery | Total other intangible assets |
|---|---|---|---|---|---|
| **I. Cost** | | | | | |
| **Balance as at 01 April 2017** | **608.88** | **112.41** | **-** | **3.42** | **115.83** |
| Additions | - | 10.26 | - | - | 10.26 |
| Acquired through business combination (refer note 48 & 49) | 484.52 | - | 11.00 | - | 11.00 |
| Sale of Triesta unit during the year (refer note 30.1) | - | (2.84) | - | - | (2.84) |
| Sale of subsidiary during the year (Refer note 30.2) | - | (5.61) | - | - | (5.61) |
| **Balance as at 31 March 2018** | **1,093.40** | **114.22** | **11.00** | **3.42** | **128.64** |
| Additions | - | 69.83 | - | - | 69.83 |
| **Balance as at 31 March 2019** | **1,093.40** | **184.05** | **11.00** | **3.42** | **198.47** |
| **II. Accumulated amorisation** | | | | | |
| **Balance as at 01 April 2017** | **-** | **44.34** | **-** | **3.42** | **47.76** |
| Sale of Triesta unit during the year (refer note 30.1) | | (1.60) | - | - | (1.60) |
| Sale of subsidiary during the year (refer note 30.2) | | (0.06) | - | - | (0.06) |
| Amortisation expense for the year | - | 22.23 | 2.20 | - | 24.43 |
| **Balance as at 31 March 2018** | - | 64.91 | 2.20 | 3.42 | 70.53 |
| Amortisation expense for the year | - | 32.43 | 2.20 | - | 34.63 |
| **Balance as at 31 March 2019** | **-** | **97.34** | **4.40** | **3.42** | **105.16** |
| **Net block as at 31 March 2018** | **1,093.40** | **49.31** | **8.80** | **-** | **58.11** |
| **Net block as at 31 March 2019** | **1,093.40** | **86.71** | **6.60** | **-** | **93.31** |

Refer note 17 for details of charge created on intangibles.

## A Goodwill

For the purposes of impairment testing, goodwill from business acquisition has been allocated to the Cash Generating Units (CGU) as given below:

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| BACC Healthcare Private Limited (refer note a) | 554.30 | 554.30 |
| HCG Medi-Surge Hospitals Private Limited (Refer note a) | 53.46 | 53.46 |
| Niruja Product Development and Healthcare Research Private Limited | 0.25 | 0.25 |
| Malnad Hospital and Institute of Oncology Private Limited | 0.87 | 0.87 |
| City Cancer Center (CCC) (refer note 48) | 484.52 | 484.52 |
| **Total** | **1,093.40** | **1,093.40** |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

(a) The key assumptions used in the estimation of the recoverable amount are set out below:

| Assumptions | 31 March 2019<br>Values in % | 31 March 2018<br>Values in % |
|---|---|---|
| Annual growth rate | 10% to 20% | 10% to 22% |
| Terminal growth rate | 4% to 5% | 4% to 5% |
| Discount rate | 12% to 20% | 12% to 20% |

The values assigned to the key assumptions represent management's assessment of future trends and based on historical data from both external and internal sources. Discount rate reflects the current market assessment of the risks specific to a Cash Generating Unit (CGU) or group of CGUs. The discount rate is estimated based on the capital asset pricing method for respective CGU. The cash flow projections included specific estimates developed using internal forecasts. The planning horizon reflects the assumptions for short-to-midterm market developments. The Group believes that any reasonably possible change in the key assumptions on which a recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

The estimated recoverable amount of the CGU exceeded its carrying amount, hence impairment is not triggered.

## 7 Investment in equity accounted investees

(₹ in million)

| | As at<br>31 March 2019 | As at<br>31 March 2018 |
|---|---|---|
| **Unquoted equity instruments & preference instruments** | | |
| **In Associate** | | |
| Healthcare Global (Africa) Private Limited | 244.66 | 262.45 |
| 160,659 ordinary shares of USD 1 each fully paid up & 115,820 Preferred A shares of USD 1 each along with premium of USD 30.12 per share (31 March 2018: 160,659 ordinary shares of USD 1 each fully paid up & 115,820 Preferred A shares of USD 1 each along with premium of USD 30.12 per share) | | |
| **In Joint Venture** | | |
| Strand Life Sciences Private Limited | 139.72 | 218.00 |
| 9,140,342 equity shares of ₹ 10 each & 101,193 Series 1 preference shares of ₹ 10 each, fully paid up along with a premium of ₹ 15.97 per share and 42,671 equity shares of ₹ 10 each, fully paid up along with a premium of ₹ 115 per share (31 March 2018: 9,140,342 equity shares of ₹ 10 each & 101,193 Series 1 preference shares of ₹ 10 each, fully paid up along with a premium of ₹ 15.97 per share) | | |
| | **384.38** | **480.45** |

# Notes to the Consolidated Financial Statements
for the year ended 31 March 2019

## 7 Investments

(₹ in million)

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **A) Non-current** | | |
| **Investments carried at fair value through profit and loss (FVTPL)** | | |
| **(i) Unquoted equity instruments** | | |
| Zoctr Health Private Limited (299 equity shares of ₹ 10/- each, fully paid along with a premium of ₹ 17,097.25 per share and 153 equity shares of ₹ 10/- each, fully paid up along with a premium of ₹ 16,498 per share (31 March 2018: 299 equity shares of ₹ 10/- each, fully paid along with a premium of ₹ 17,097.25 per share and 153 equity shares of ₹ 10/- each, fully paid up along with a premium of ₹ 16,498 per share) | 7.64 | 7.64 |
| Suchirayu Healthcare Solutions Limited (2,055,000 equity shares of ₹ 10/- each, fully paid up (31 March 2018: 2,055,000 equity shares of ₹ 10/- each, fully paid up) Refer note below | 0.50 | 0.50 |
| Note: The Company has entered into a non-disposal undertaking of the its investment in Suchirayu Healthcare Solutions Limited (Suchirayu) until the closure of the loan by Suchirayu. | | |
| International Stemcell Services Limited (10,860 equity shares of ₹ 100/- each, fully paid up along with a premium of ₹ 416.36/- per share (31 March 2018: Nil) | 5.61 | - |
| Epigeneres Biotech Private Limited (79 equity shares of ₹ 10/- each, fully paid up along with a premium of ₹ 126,572.28/- per share (31 March 2018: Nil) | 10.00 | - |
| Niramai Health Analytix Private Limited (10 equity shares of ₹ 1/- fully paid up along with a premium of ₹ 7,331.24/- per share (31 March 2018: Nil) | 0.07 | - |
| **(ii) In other companies - unquoted Preference shares** | | |
| Niramai Health Analytix Private Limited (4,881 series A preference shares of ₹ 10/- each, fully paid up along with a premium of ₹ 7,321.24/- per share (31 March 2018: Nil) | 35.79 | - |
| **(iii) Mutual funds (Quoted)** | | |
| Religare Invesco Short Term Fund- 17,112.198 units @ ₹ 2,716.19 (31 March 2018: 17,112.198 units @ ₹ 2,520.36) | 46.48 | 43.13 |
| **Total Non current investments** | **106.09** | **51.27** |
| Aggregate amount of quoted investments | 46.48 | 43.13 |
| Aggregate amount of Market value of investments | 46.48 | 43.13 |
| Aggregate amount of unquoted investments | 59.61 | 8.14 |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

## 8 Loans (Unsecured)

(₹ in million)

| | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Non Current | Current* | Non Current | Current |
| **Considered good** | | | | |
| a) Advances to employees | - | 23.08 | - | 31.19 |
| b) Inter-corporate deposits | - | 105.00 | 68.00 | - |
| c) Security deposits (refer note 44) | 367.28 | 14.01 | - | - |
| d) Other advances to related parties (refer note 44) | - | - | 29.16 | - |
| e) Others | - | - | 1.39 | - |
| **Total** | **367.28** | **142.09** | **98.55** | **31.19** |

*Refer note 17 for details of charge created on current loans.

## 9 Other financial assets

(₹ in million)

| | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Non Current | Current* | Non Current | Current |
| Security deposits (refer note 44) | - | - | 327.68 | 0.57 |
| Unbilled revenue (refer note 51) | - | 159.50 | - | 126.80 |
| Advances to related parties (Refer note 44) [2] | 6.79 | - | 2.87 | - |
| Term deposits (more than 12 months maturity from the reporting date) [1] | 196.89 | 56.98 | 142.02 | 9.10 |
| Interest accrued on deposit | 13.80 | 0.99 | 14.30 | 4.08 |
| Interest accrued on inter corporate deposit | - | 15.90 | 9.13 | - |
| Others | - | 9.17 | - | - |
| | **217.48** | **242.54** | **496.00** | **140.55** |

Note

[1]Term deposits include margin money deposits with banks and deposits given as security for obtaining bank guarantees

(₹ in million)

| **[2]Details of advances to directors** | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| i) Advances to director | | |
| - Dr. B S Ajaikumar | - | 0.93 |

*Refer note 17 for details of charge created on other current financial assets.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

## 10 Other assets

(₹ in million)

| | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Non Current | Current* | Non Current | Current |
| **Unsecured, considered good** | | | | |
| Capital advances | 359.63 | - | 314.79 | - |
| Prepaid expenses | 320.06 | 60.63 | 335.63 | 66.20 |
| Rental advance | - | 37.04 | - | 15.33 |
| Advance to vendors | - | 153.31 | - | 101.34 |
| Balance with revenue authorities | - | 48.70 | - | 33.70 |
| **Unsecured, considered doubtful** | | | | |
| Advance to vendors | - | 27.13 | - | 29.03 |
| Less : Allowance for bad and doubtful advances | - | (27.13) | - | (29.03) |
| | **679.69** | **299.68** | **650.42** | **216.57** |

*Refer note 17 for details of charge created on other current assets.

## 11 Inventories (lower of cost and net realisable value)*

(₹ in million)

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Medicial and non medical items | 267.72 | 240.26 |
| | **267.72** | **240.26** |

*Inventories are subject to charge to secure bank loans. There are nil provisions for written down to net realisable value.

## 12 Trade receivables (unsecured)

(₹ in million)

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Trade receivables (unsecured) consist of following | | |
| a) Considered good | 1,568.92 | 1,284.40 |
| b) Considered doubtful | 378.82 | 340.14 |
| Less: Allowance for bad and doubtful debts (expected credit loss allowance - Refer note 41) | (378.82) | (340.14) |
| | **1,568.92** | **1,284.40** |

*Trade receivables are subject to charge to secure bank loans

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

Refer note 44 for trade receivables from related parties

**Note: Trade receivables include due from companies in which any director is a director or member**

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Private companies in which any director is a director or member** | | |
| - Health Care Process Solutions (India) Private Limited | - | 0.06 |

## 13 Cash and bank balance

(₹ in million)

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **A Cash and cash equivalents** | | |
| (a) Cash on hand | 11.82 | 7.62 |
| (b) Cheques, drafts on hand | 11.65 | 1.60 |
| (c) Balance in bank | | |
| In current accounts | 174.24 | 182.33 |
| In Exchange Earners Foreign Currency Account (EEFC) accounts | 7.46 | 17.11 |
| (d) Other deposits* | - | 79.30 |
| | **205.17** | **287.96** |

### 13.1 Bank balance other than cash and cash equivalents above

(₹ in million)

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| (a) Other deposits* | 3.49 | - |
| **Bank balance other than cash and cash equivalents above** | **3.49** | **-** |

*Other deposits include margin money deposits with banks and deposits given as security for obtaining bank guarantees. These deposits are restrictive.

For the purpose of the statement of cash flows, cash and cash equivalent comprise the following:

(₹ in million)

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| (a) Cash on hand | 11.82 | 7.62 |
| (b) Cheques, drafts on hand | 11.65 | 1.60 |
| (c) Balance with bank | | |
| In current accounts | 174.24 | 182.33 |
| In EEFC accounts | 7.46 | 17.11 |
| (d) Other deposits | 3.49 | 79.30 |
| | 208.66 | 287.96 |
| Less: Bank overdrafts and repayable on demand (Refer Note 17) | (499.88) | (17.35) |
| **Cash and cash equivalents as per consolidated statement of cash flows** | **(291.22)** | **270.61** |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

## 14 Equity share capital

(₹ in million)

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Authorised share capital :** | | |
| 132,000,000 equity shares of ₹ 10 each (as at 31 March 2018: 132,000,000 equity shares of ₹ 10 each) | 1,320.00 | 1,320.00 |
| **Issued, subscribed and paid up capital comprises:** | | |
| 87,919,033 fully paid equity shares of ₹ 10 each (as at 31 March 2018: 86,904,473 fully paid equity shares of ₹ 10 each) | 879.19 | 869.04 |

### 14.1 Reconciliation of the equity shares outstanding at the beginning and at the end of the year:

| | Number of shares | Amount (₹ in million) |
|---|---|---|
| **Balance as at 01 April 2017** | 85,712,986 | 857.13 |
| (a) Issue of equity shares pursuant to preferential allotment | 1,166,667 | 11.66 |
| (b) Issue of equity shares pursuant to exercise of employee share options under employee share option plan 2014 (refer note 38(C)) | 24,820 | 0.25 |
| **Balance as at 31 March 2018** | 86,904,473 | 869.04 |
| Increase during the year | | |
| (a) Issue of equity shares pursuant to preferential allotment | 934,500 | 9.35 |
| (b) Issue of equity shares pursuant to exercise of employee share options under employee share option plan 2010 and 2014 (refer note 38(C)) | 80,060 | 0.80 |
| **Balance as at 31 March 2019** | **87,919,033** | **879.19** |

a) The shareholders of the Company, vide resolution passed in Extra Ordinary General Meeting, held on 29 March 2018, approved the allotment of 934,500 (Nine lakhs thirty four thousand five hundred) equity shares of ₹ 10 each of the Company, at a price of ₹ 321 per share (including share premium of ₹ 311 per share), on preferential basis, to Dr. Gopi Chand. The same was allotted to Dr. Gopi Chand on 09 April 2018.

b) During the previous year, the shareholders of the Company, vide resolution passed in Extra Ordinary General Meeting, held on 28 December 2017, approved the allotment of 1,166,667 (Eleven Lakhs Sixty Six Thousand Six Hundered Sixty Seven) equity shares of ₹ 10 each of the Company, at a price of ₹ 300 per share (including share premium of ₹ 290 per share), on preferential basis, to Indgroth Capital Fund 1, a SEBI registered Category III, alternative Investment Fund ('Allottee').

c) At the Board meeting held on 23 May 2019, the Board of Directors of the Company has approved the proposal for issuance of 710,526 equity shares of ₹ 10 per share at a price of ₹ 285 per share (inclusive of face value of ₹ 10 per share), on Preferential Allotment basis, to Dr. Gee Varghese (""Investor""), subject to the approval of the shareholders of the Company in the proposed Extra Ordinary General Meeting.

### 14.2 Rights, preferences and restrictions attached to equity shares

Fully paid equity shares, which have a par value of ₹ 10, carry one vote per share and carry a right to dividends The Company has only one class of equity share having a par value of ₹ 10/- each. Holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of the equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amount. However, as on date no such preferential amount exists. The distribution will be in proportion to number of equity shares held by the shareholders.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

### 14.3 Details of shareholder holding more than 5% shares of equity shares

| | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number of Shares held | % holding of equity shares | Number of Shares held | % holding of equity shares |
| Dr B.S Ajaikumar | 17,673,346 | 20.10% | 17,642,739 | 20.30% |
| V Sciences Investments Pte. Limited | 8,320,805 | 9.46% | 8,320,805 | 9.57% |
| Sundaram Mutual Fund | 6,656,557 | 7.57% | 4,551,524 | 5.24% |
| Buena Vista Asian Opportunities Master Fund Ltd. | 5,251,168 | 5.97% | - | - |
| International Finance Corporation | - | - | 4,358,705 | 5.02% |

### 14.4 Aggregate number of equity shares allotted as fully paid-up without payment being received in cash for a period of five years immediately preceding the years ended 31 March 2019 and 31 March 2018

| Particulars | Aggregate number of shares as at | |
|---|---|---|
| | As at 31 March 2019 | As at 31 March 2018 |
| (a) Issue of shares pursuant to mergers | 1,531,562 | 1,531,562 |
| (b) Issue of shares pursuant to Business acquisition | 934,500 | - |

### 14.5 Number of equity shares of ₹ 10/- each reserved for issuance

| Particulars | Aggregate number of shares as at | |
|---|---|---|
| | As at 31 March 2019 | As at 31 March 2018 |
| a) to eligible employees under Employee Stock Option Scheme | 2,863,043 | 2,943,103 |

### 14.6 Share pending issuance

(₹ in million)

| Particulars | Aggregate number of shares as at | |
|---|---|---|
| | As at 31 March 2019 | As at 31 March 2018 |
| Share pending issuance for the year (refer note 48) | - | 299.75 |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

## 15 Other equity

(₹ in million)

| | Note | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| Securities premium | 15.1 | 5,587.35 | 5,284.88 |
| Share options outstanding account | 15.2 | 55.71 | 37.08 |
| Capital reserve | 15.3 | 6.77 | 15.67 |
| Foreign currency translation reserve | 15.4 | 11.42 | - |
| Remeasurements of defined benefit plan | 15.5 | (0.07) | (2.14) |
| Retained earnings | 15.6 | (1,732.11) | (1,353.25) |
| Cash flow hedging reserve | 15.7 | (41.79) | - |
| | | **3,887.28** | **3,982.24** |

### 15.1 Securities premium

(₹ in million)

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Balance at beginning of year. | 5,284.88 | 4,945.44 |
| Premium on shares issued during year | 302.56 | 340.52 |
| Share issue expenses* | (0.09) | (1.08) |
| **Balance at end of year** | **5,587.35** | **5,284.88** |

*Share issue expenses of ₹ 0.09 million towards preferntial allotment of 934,500 shares during the year has been debited to securities premium (31 March 2018 Share issue expenses of ₹ 1.08 million towards preferntial allotment of 1,166,667 equity shares during the year has been debited to securities premium).

### 15.2 Share options outstanding account

(₹ in million)

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Balance at the beginning of the year | 37.08 | 12.17 |
| Transferred to Securities premium account on exercise of ESOPs | (11.93) | (2.18) |
| Expense on employee stock options scheme | 30.56 | 27.09 |
| **Balance at end of year** | **55.71** | **37.08** |

Refer note - 38

### 15.3 Capital reserve

(₹ in million)

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Balance at beginning of year | 15.67 | 5.60 |
| On acquisition of business (Refer note 48) | - | 1.17 |
| On equity accounted investee | (8.90) | 8.90 |
| **Balance at end of year** | **6.77** | **15.67** |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

### 15.4 Foreign currency translation reserve

(₹ in million)

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Balance at beginning of year | - | - |
| Other comprehensive income arising from exchange differences on translating the foreign operations | 11.42 | - |
| **Balance at end of year** | **11.42** | **-** |

### 15.5 Remeasurements of the defined benefit plan

(₹ in million)

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Balance at beginning of year | (2.14) | (0.37) |
| Other comprehensive income arising from remeasurement of defined benefit plan (net of income tax) | 2.07 | (1.77) |
| **Balance at end of year** | **(0.07)** | **(2.14)** |

### 15.6 Retained earnings

(₹ in million)

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Balance at beginning of year | (1,353.25) | (1,493.37) |
| Profit/ (loss) attributable to owners of the Company | (247.97) | 205.23 |
| Change in fair value of gross obligations over written put options issued to the non-controlling interests (refer note (i) below) | (63.74) | 55.01 |
| Adjustment on account of change in holding without change in control (refer note (ii) and (iii) below) | (67.15) | (120.12) |
| **Balance at end of year** | **(1,732.11)** | **(1,353.25)** |

(i) The Company has issued written put option to non-controlling interests in BACC Healthcare Private Limited and HCG Medi-surge Hospitals Private Limited. In accordance with the terms of underlying shareholders agreement, should the option be exercised by non-controlling interests, the Company has to settle such liability by payment of cash.

(ii) In accordance with the terms of the shareholders' agreement dated 22 March 2013 ("SHA") entered amongst the Company, BACC HealthCare Private Limited ("BACC") and the minority shareholder in BACC, the Company shall acquire the remaining 49.9% share capital of BACC from the minority shareholder as per the SHA. The consideration of ₹ 694.42 million has been determined as per the terms of the SHA and will be settled within the period as mutually agreed between the Company and the minority shareholder. Accordingly, the non-controlling interest attributed to the minority shareholder amounting to ₹ 196.64 million has been reversed to retained earnings. Further, ₹ 694.42 million has been classified as payable for share purchase (Refer note 18).

(iii) During the year ended 31 March 2019, Apex Criticare LLP, holding 49.90% stake in one of the subsidiary of the Company, Apex HCG Oncology Hospitals LLP (Apex LLP) retired from Apex LLP and was paid an amount of ₹ 252.50 million as consideration. Pursuant to this, the Company along with its wholly owned subsidiary, Niruja Product Development and Healthcare Research Private Limited holds 100% interest in Apex LLP. The consideration paid amounting to ₹ 252.50 million along with amount attributable to minority shareholder, being loss of ₹ 11.29 million up to the date of the retirement deed execution totalling to ₹ 263.79 million has been adjusted in retained earnings.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

### 15.7 Cash flow hedging reserve

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Balance at beginning of year | - | - |
| Other comprehensive income arising from remeasurement of hedging instrument in a cashflow hedge (net of income tax) | (41.79) | - |
| **Balance at end of year** | **(41.79)** | **-** |

## 16 Non-controlling interests

(₹ in million)

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Balance at the beginning of the year | 639.21 | 574.62 |
| Loss for the year | (60.78) | (35.85) |
| Other comprehensive income / (losses) for the year (net of tax) | 0.44 | 0.34 |
| Additional investments by non-controlling interests | 55.29 | 123.39 |
| Adjustment on account of change in holding without change in control (refer note 15.6 (ii) and (iii)) | (178.69) | 101.30 |
| Reduction in non-controlling interest on account of sale of equity investment in subsidiary HCG Regency Oncology Private Limited (Refer note 30.2) | - | (124.59) |
| **Balance at the end of the year** | **455.47** | **639.21** |

### (i) Details of non-wholly owned subsidiaries that have material non-controlling interests

There are no non-wholly owned subsidiaries that have material non-controlling interests. The management has set materiality at ten percent of the annual consolidated turnover, as per the last audited financial statements of the Company.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

## 17 Borrowings

(₹ in million)

| | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Non Current | Current | Non Current | Current |
| **Secured - at amortised cost** | | | | |
| (i) Term loans | | | | |
| from banks (Refer note 17.1.1) | 2,154.48 | 251.04 | 2,221.41 | 297.13 |
| from other parties (Refer note 17.1.2) | 1,602.37 | 13.51 | 16.00 | 18.26 |
| (ii) Vehicle loans (Refer note 17.1.3) | 4.58 | 1.76 | 6.34 | 1.63 |
| (iii) Loans repayable on demand | | | | |
| - from Banks (bank overdraft) (Refer note 17.1.6) | - | 299.88 | - | 17.35 |
| **Unsecured - at amortised cost** | | | | |
| (i) Deferred payment liabilities (Refer note 17.1.5) | 837.53 | 643.72 | 918.95 | 570.31 |
| (ii) Long term maturities of finance lease obligations (Refer note 36.1) | 563.73 | - | 555.17 | - |
| (iii) Loans from others (Refer note 17.1.4) | 6.41 | - | 6.42 | - |
| Less : Amount included under "Other financial liabilites" ( refer note 18) | - | (910.03) | - | (887.33) |
| (iv) Loans repayable on demand from Banks (refer note 17.1.6) | - | 200.00 | - | - |
| **Total** | **5,169.10** | **499.88** | **3,724.29** | **17.35** |

# Notes to the Consolidated Financial Statements
for the year ended 31 March 2019

## 17 Borrowings (Contd..)

### 17.1 Summary of borrowing arrangements

Details of security and terms of repayment of term loans and other loans (except loans repayable on demand) are stated below.

| Terms of repayment and security | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **17.1.1 Term loans from banks - Secured** | | |
| **Facility-1** | | |
| **Non-current portion** | 2,095.88 | 2,262.20 |
| **Amounts included under current maturities of long-term debt** | 231.82 | 265.12 |
| - Secured by exclusive charge on equipments purchased from these loans, first charge on immovable fixed assets (land and building / structures there upon) and movable fixed assets (both present and future, not charged exclusively to any other lender) and second pari-passu charge on all current assets and receivables (both present and future) of the Company, HCG Medi-Surge Hospitals Private Limited, , HCG Oncology LLP, APEX HCG Oncology Hospitals LLP , HCG NCHRI Oncology LLP, HCG EKO Oncology LLP and HCG Manavata Oncology LLP<br>- Rate of interest: bank's 6 months MCRL + Spread rate (i.e. 0.70% to 1.25% p.a.)<br>- Repayable in installments over a period of 6 to 10 years after 1 to 3 year moratorium from the date of borrowing.<br>- Non-current portion of bank debt as disclosed herein is gross of ₹ 73.77 millions towards unamortised loan processing charges, which is netted off below ( 31 March 2018 of ₹ 58.58 millions). | | |
| **Facility-2** | | |
| **Non-current portion** | 0.03 | 0.79 |
| **Amounts included under current maturities of long-term debt** | 0.79 | 0.81 |
| - Security: Term loan is secured by hypothecation against medical equipment of Malnad Hospital & Institute of Oncology Private Limited purchased out of finance<br>- Rate of interest: Bank's base rate + 2.75% to 2.85% p.a<br>- Payable in 57 monthly instalments commencing from the date of borrowing after moratorium period of 3 months (Refer note 41) | | |
| **Facility-3** | | |
| **Non-current portion** | - | 17.00 |
| **Amounts included under current maturities of long-term debt** | 18.43 | 31.20 |
| - Secured by pari-passu charge on all assets of BACC Healthcare Private Limited except those assets specifically funded out of any other bank.<br>- Rate of interest: Bank's base rate plus 1.65% p.a.<br>- Payable in 25 quarterly installments after moratorium period of 1 year. (Refer note 41)<br>- Non-current portion of bank debt includes an amount of ₹ 1.02 millions towards unamortised loan processing charges set off against loan (31 March 2018 of ₹ 1.02 millions) | | |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

## 17 Borrowings (Contd..)

| Terms of repayment and security | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Facility-4** | | |
| **Non-current portion** | 136.32 | - |
| **Amounts included under current maturities of long-term debt** | - | - |
| - Secured by first charge on current assets including stock and book debts & first charge on the movable and immovable fixed assets of HCG Sun Hospitals LLP both present & future<br>- Rate of interest: 12 months MCLR<br>- Repayable in installments over a period of 10 years after 2 years moratorium from the date of borrowing.<br>- Non-current portion of bank debt includes an amount of ₹ 2.96 millions towards unamortised loan processing charges set off against loan ( 31 March 2018 Nil) | | |
| Less: Unamortised loan processing charges | (77.75) | (58.58) |
| **Total of term loans from bank - secured** | 2,405.52 | 2,518.54 |
| Less: Amounts included under current maturities of long-term debt | (251.04) | (297.13) |
| **Non-current portion of bank borrowings** | 2,154.48 | 2,221.41 |

(₹ in million)

| Terms of repayment and security | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **17.1.2 Term loans from other parties - Secured** | | |
| **Facility -1** | | |
| **Non-current portion** | 1,600.00 | - |
| **Amounts included under current maturities of long-term debt** | | |
| Details of security and terms of repayment for the amounts borrowed during the current year:<br>- Secured by a first pari-passu mortgage, charge and by way of hypothecation of entire immovable and movable properties of the Company, HCG Medi-Surge Hospitals Private Limited and HCG Oncology LLP; both present and future. A second paripassu charge on the entire current assets, cashflow, receivables, book debts and revenue of the Company, HCG Medi-Surge Hospitals Private Limited and HCG Oncology LLP, including Trust & Retention Account / Escrow Account, of whatsover nature and arising both present & future. First pari-passu charge on entire intangible assets of all the Company, HCG Medi-Surge Hospitals Private Limited and HCG Oncology LLP, including but not limited to, goodwill and uncalled capital, intellectual property, intangible assets, both present and future<br>- Rate of interest: NBFCs spread rate @ 1.05% + benchmark rate @ 8.7% p.a.<br>- Repayable in installments over a period of 12 years after 5 year moratorium from the date of borrowing." | | |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

| | | |
|---|---|---|
| **Facility -2** | | |
| **Non-current portion** | 2.37 | 16.00 |
| **Amounts included under current maturities of long-term debt** | 13.51 | 18.26 |
| - Secured by equipment of the company purchased out of amount financed<br>- Rate of Interest 4.64% to 14.05% p.a.<br>- Repayment varies between 48 to 84 monthly installments(Refer note 41) | | |
| **Term loans from other parties - Secured** | **1,615.88** | **34.26** |
| Less: Amounts included under current maturities of long-term debt | (13.51) | (18.26) |
| **Non-current portion from other parties** | **1,602.37** | **16.00** |

(₹ in million)

| Terms of repayment and security | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **17.1.3 Vehicle loan from bank - Secured** | | |
| **Facility-1** | | |
| **Non-current portion** | 4.51 | 6.21 |
| **Amounts included under current maturities of long-term debt** | 1.70 | 1.57 |
| - Secured by hypothecation of vehicles of the parent company purchased out of finance<br>- Rate of Interest 8% - 11.25% p.a.<br>- Repayable in 18 to 60 monthly installments from the date of borrowing. (Refer note 41)" | | |
| **Facility-2** | | |
| **Non-current portion** | 0.07 | 0.13 |
| **Amounts included under current maturities of long-term debt** | 0.06 | 0.06 |
| - Secured by hypothecation of vehicle of Malnad Hospital & Institute of Oncology Private Limited purchased out of finance.<br>- Rate of Interest 10.75% p.a.<br>- Repayable in 84 monthly installments from commencing from the October 2014. (Refer note 41) | | |
| **Total of vehicle loans from bank - secured** | **6.34** | **7.97** |
| Non-current portion | **4.58** | **6.34** |
| Amounts included under current maturities of long-term debt | **1.76** | **1.63** |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

### 17.1 Summary of borrowing arrangements (Contd..)

(₹ in million)

| Terms of repayment | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **17.1.4 Term loans from others - Unsecured** | | |
| **Non-current portion** | 6.41 | 6.42 |
| **Amounts included under current maturities of long-term debt** | - | - |
| - Interest free loan repayable as and when funds are available. | | |

(₹ in million)

| Terms of repayment | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **17.1.5 Deferred payment liabilities - Unsecured** | | |
| **Non-current portion** | 837.53 | 918.95 |
| **Amounts included under current maturities of long-term debt** | 643.72 | 570.31 |
| - Rate of interest 3% p.a | | |
| - Repayment in installments over a period of 1 to 3years . (refer note 41) | | |

(₹ in million)

| Terms of repayment and security | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **17.1.6 Secured loan repayable on demand from banks:** | 299.88 | 17.35 |
| Secured by first pari-passu charge on entire current assets (both present and future), second pari- passu charge over entire fixed assets (both present and future other than exclusively charged) of the parent Company. Rate of interest 3 months MCLR + 0.8% (spread rate) | | |
| **Unsecured loan repayable on demand from banks:** | 200.00 | - |
| - Rate of Interest base rate @ 0.65% + floating rate @ 10.25% | | |
| - Bullet Repayable in 6 months from the date of borrowing | | |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

## 18 Other financial liabilities

(₹ in million)

| | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Non Current | Current | Non Current | Current |
| Current maturities of long-term debt and vehicle loans* | - | 266.31 | - | 317.02 |
| Book overdraft | - | - | - | 7.83 |
| Current maturity of deferred payment obligations* | - | 643.72 | - | 570.31 |
| Liability on written put options (refer note 15.6(i)) | - | 481.78 | 694.00 | 417.64 |
| Interest accrued not due* | 121.63 | 18.94 | 108.11 | 19.80 |
| Creditors for capital goods | - | 319.48 | - | 217.71 |
| Derivative liability | 106.78 | 3.17 | - | - |
| Payable for share purchase (Refer note 15.6(ii)) | - | 694.42 | - | - |
| Payable on acquisition of business (refer note 48) | - | 69.26 | 63.76 | 70.25 |
| Accrued salaries and benefits | - | 263.63 | - | 136.74 |
| Others | - | - | 49.82 | 7.08 |
| **Total** | **228.41** | **2,760.71** | **915.69** | **1,764.38** |

*The details of interest rates, repayment and other terms are disclosed under note 17 above.

The Group's exposure to liquidity risk are disclosed in note 41

## 19 Other liabilities

(₹ in million)

| | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Non Current | Current | Non Current | Current |
| Advance from customers | - | 210.35 | - | 204.42 |
| Balance due to statutory/government authorities | - | 73.92 | - | 60.85 |
| Deferred government grant* | 330.82 | 31.03 | 305.07 | 20.00 |
| Rent equalisation reserve | 15.93 | 7.53 | 25.05 | - |
| | **346.75** | **322.83** | **330.12** | **285.27** |

*The Group imports medical equipments under Export Promotion Capital Goods (EPCG) scheme. Under the Scheme, on the Group expected to meet the specified criteria, it is exempt from paying customs duty on imports which is recognised as a government grant. Fair value of the government grant is capitalised along with the equipment. Deferred income is amortised over the useful life of the equipment it has been procured for. The government grant recognised as at 31 March 2019 is ₹ 388.33 million (31 March 2018: ₹ 346.26 million). EPCG income recognised during the year is ₹ 26.48 million (31 March 2018: ₹ 21.19 million). The unfulfilled export obligation as on 31 March 2019 is ₹ 1,825.59 million (31 March 2018: ₹ 1,799.23 million).

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

## 20 Provisions

(₹ in million)

| | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Non Current | Current | Non Current | Current |
| Employee benefits | | | | |
| Gratuity (Refer note 37.2) | 56.41 | 31.71 | 50.99 | 22.25 |
| Compensated absences | - | 41.06 | - | 33.75 |
| **Total** | **56.41** | **72.77** | **50.99** | **56.00** |

## 21 Trade payables*

(₹ in million)

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Total outstanding dues of micro enterprises and small enterprises (refer note 43) | 1.39 | - |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | 1,815.21 | 1,424.74 |
| **Total** | **1,816.60** | **1,424.74** |

*For details relating to payable to related parties- refer note 44

## 22 Revenue from operations (refer note 51)

(₹ in million)

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| (a) Income from medical services | 8,865.51 | 7,498.42 |
| (b) Sale of medical and non-medical items | 743.31 | 684.14 |
| (c) Other operating revenues | 151.44 | 105.32 |
| | **9,760.26** | **8,287.88** |

## 23 Income from government grants

(₹ in million)

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| EPCG Income | 26.48 | 19.00 |
| | **26.48** | **19.00** |

# Notes to the Consolidated Financial Statements
for the year ended 31 March 2019

## 24 Other income

(₹ in million)

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Interest income (refer note below) | 26.33 | 81.22 |
| Interest on financial assets at amortised cost | 9.02 | 6.86 |
| Net foreign exchange gains | 5.07 | 1.89 |
| Net gain on sale of investments in mutual funds | - | 1.14 |
| Net gain on financial assets designated at fair value through profit and loss | 3.34 | 3.61 |
| Payables no longer required written-back | 0.42 | 22.20 |
| Miscellaneous income | 29.91 | 11.10 |
| | **74.09** | **128.02** |
| **Note:** | | |
| **Interest income comprise:** | | |
| Interest on bank deposits | 13.76 | 40.41 |
| Interest on income tax refund | 0.21 | 26.44 |
| Interest on inter-corporate deposit | 12.36 | 10.16 |
| Interest on debentures | - | 4.21 |
| | **26.33** | **81.22** |

## 25 Changes in inventories

(₹ in million)

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Inventories at the beginning of the year | 240.26 | 187.69 |
| Inventories at the end of the year | 267.72 | 240.26 |
| **Net decrease** | (27.46) | (52.57) |
| Adjustments on account of business transfer arrangements, sale of units, subsidiaries, etc. | (1.04) | (16.68) |
| **Net decrease** | **(28.50)** | **(69.25)** |

## 26 Employee benefits expense

(₹ in million)

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Salaries and wages (refer note 5) | 1,654.80 | 1,408.33 |
| Contribution to provident and other funds (Refer note 37.1) | 99.21 | 88.02 |
| Expense on employee stock option scheme (Refer note 38) | 30.56 | 27.09 |
| Staff welfare expenses | 60.63 | 53.62 |
| | **1,845.20** | **1,577.06** |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

## 27 Finance costs

(₹ in million)

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| (a) Interest costs on : | | |
| Interest on term loans from banks | 321.79 | 219.81 |
| Interest on financial liability measured at amortised cost | 5.00 | - |
| Interest on bank overdraft | 57.89 | 33.10 |
| Interest on deferred payment obligations | 38.36 | 42.17 |
| Finance cost on finance lease obligations | 81.80 | 70.42 |
| Interest on defined benefit obligations | 5.82 | 4.51 |
| Net loss on foreign currency transactions and translations to the extent regarded as borrowing costs | 116.66 | 4.83 |
| (b) Other borrowing costs :- | 71.78 | 48.66 |
| | **699.10** | **423.50** |

## 28 Depreciation and amortisation expense

(₹ in million)

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Depreciation of property, plant and equipment (refer note 5) | 816.22 | 690.17 |
| Amortisation of intangible assets (refer note 6) | 34.63 | 24.43 |
| | **850.85** | **714.60** |

## 29 Other expenses

(₹ in million)

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Medical consultancy charges | 2,113.80 | 1,742.15 |
| Lab charges | 371.04 | 169.25 |
| Power and fuel & water charges | 288.16 | 228.86 |
| House keeping expenses | 236.70 | 204.27 |
| Rent (refer note 36.2) | 563.23 | 422.57 |
| Repairs and maintenance | | |
| - Buildings | 24.74 | 20.27 |
| - Machinery | 173.17 | 163.80 |
| - Office maintenance & others | 59.47 | 61.69 |
| Insurance | 18.23 | 19.47 |
| Rates and taxes | 19.09 | 25.19 |
| Printing & stationery | 43.09 | 35.31 |
| Advertisement, publicity & marketing | 121.93 | 100.61 |

# Notes to the Consolidated Financial Statements
for the year ended 31 March 2019

## 29 Other expenses (Contd..)

(₹ in million)

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Travelling & conveyance | 101.82 | 94.90 |
| Legal & professional fees | 187.78 | 185.81 |
| Payment to auditors | 12.85 | 9.55 |
| Telephone expenses | 40.26 | 36.67 |
| Bad debts written off | - | 100.11 |
| Provision for bad debts & doubtful advances | 38.67 | (45.74) |
| Loss on disposal of property, plant and equipment | 0.82 | 0.43 |
| Corporate social responsibility (refer note 29.1) | 1.27 | - |
| Revenue share expenses | 30.63 | 12.83 |
| Miscellaneous expenses | 56.46 | 56.51 |
| | **4,503.21** | **3,644.51** |

**29.1 Corporate social responsibility**

(a) Gross amount required to be spent by the group during the year is ₹ 5.2 million (2017-18: ₹ 2.16 million)

(b) Amount spent during the year ended 31 March 2019 on corporate social responsibility activities :

(₹ in million)

| **Particulars** | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Construction/acquisation of any asset | - | - |
| On purposes other than above | 1.27 | - |

## 30 Exceptional items

(₹ in million)

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Gain on sale of Triesta unit of the Company (Refer note 30.1) | - | 37.97 |
| Net gain on disposal of equity investment in subsdiary HCG Regency Oncology Healthcare Private Limited (Refer note 30.2) | - | 82.20 |
| Net loss pertaining to non-operational unit in Delhi (Refer note 30.3) | - | (76.46) |
| Gain on change in control in a subsidiary (Refer note 30.4) | - | 63.97 |
| | **-** | **107.68** |

**30.1** During the year ended 31 March 2018, the Company had entered into a business transfer agreeement with Strand Life Sciences Private Limited ('Strand') dated 02 January 2018 for sale of its Triesta unit on slump sale basis for a lumpsum consideration of ₹ 240 million for which the consideration is received in the form of 9,140,342 equity shares and 101,193 Series 1 Preference Shares of Strand. Pursuant to the same, the Company acquired 38.2% stake in Strand and accounted the initial investment in joint venture at fair value of consideration of ₹ 240 million.

# Notes to the Consolidated Financial Statements
for the year ended 31 March 2019

**Details of net assets transferred:**

(₹ in million)

| Particulars | Amount |
|---|---|
| **Assets** | |
| Property plant and equipment | 129.19 |
| Capital work-in-progress | 36.31 |
| Inventories | 18.15 |
| Trade receivables | 63.25 |
| Other finanical & non-financial assets | 8.00 |
| Cash and cash equivalents | 0.22 |
| **Total [A]** | **255.12** |
| **Liabilities** | |
| Trade payables | 37.14 |
| Payable towards reimbursement of capital expenditure | 32.06 |
| Creditors for capital goods | 4.31 |
| Provision for employee benefits and other liabilities | 2.98 |
| **Total [B]** | **76.49** |
| **Carrying value of net assets sold [C] = [A-B]** | **178.63** |
| **Fair value of the consideration [D]** | **240.00** |
| **Gain on sale of assets [E] = [D] - [C]** | **61.37** |
| | |
| **Elimination of Company's share of gain on such transaction as per Ind AS 28 Investments in Associate and Joint venture [F]** | **23.40** |
| **Net gain recognised in exceptional items [G] = [E]-[F]** | **37.97** |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

**30.2** In accordance with the terms of share purchase agreement with Regency Hospital Limited dated 28 March 2018, the Company sold its long-term investments (in subsidiary) in the form of equity shares held in HCG Regency Oncology HealthCare Private Limited (HCG Regency) for a total consideration of ₹ 212.31 million. Pursuant to the the change. HCG Regency ceases to be a subsidiary of the company Details of net assets disposed-off and the resulting gain is given below:

(₹ in million)

| | Amount<br>As at<br>28 March 2018 | Amount<br>As at<br>28 March 2018 |
|---|---|---|
| **Assets** | | |
| Property, plant & equipment and intangible assets | 849.43 | |
| Inventories | 12.05 | |
| Trade receivables | 42.62 | |
| Other financial and non-financial assets | 193.30 | |
| Current tax assets | 5.86 | |
| Cash and bank balances | 5.33 | |
| **Total [A]** | | **1,108.59** |
| Non-controlling interests | 124.59 | |
| **Liabilities** | | |
| Borrowings including current maturities | 738.70 | |
| Trade payables | 86.28 | |
| Provision for employee benefits | 0.51 | |
| Other finanical and non-financial liabilities | 28.40 | |
| **Total [B]** | | **978.48** |
| **Carrying value of net assets disposed off (C)=(A)-(B)** | | **130.11** |
| **Less: Cash consideration received (D)** | | **212.31** |
| **Profit on sale of investments (classified under exceptional items) (E)=(D)-(C)** | | **82.20** |

**30.3** During the year ended 31 March 2018, the Company closed its operations of Delhi unit. Net charge on account of write off of receivables is ₹ 21.90 million and the charge due to write off of net fixed assets is ₹ 54.56 million. The total charge due to unit closure is ₹ 76.46 million.

(₹ in million)

| Particulars | Amount | Amount |
|---|---|---|
| (a) Trade receivables written off | 100.11 | |
| Less: Provided earlier | 78.21 | |
| Net impact on account of write off of trade receivables | | 21.90 |
| (b) Assets written off | | |
| Gross block | 150.87 | |
| Less: Accumulated depreciation | 96.31 | |
| Net impact on account of write off of tangible assets | | 54.56 |
| **Total** | | **76.46** |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

### 30.4 Gain on loss of control in a subsidiary

Centers for Disease Control and Prevention (CDC) invested in Healthcare Global (Africa) Private Limited (HCG Africa) to acquire 20.55% stake in July 2017. Pursuant to the contractual arrangement with CDC, HCG (Mauritius) Pvt. Ltd (HCG Mauritius) lost control over HCG Africa and retained its investment as an associate. HCG Mauritius and CDC contributed ₹ 188 million and ₹ 129 million respectively for their respective stakes of 79.45% and 20.55%.

During the previous year, investments in HealthCare Global (Africa) Private Limited, held by HCG (Mauritius) Private Limited is accounted under equity method as per Ind AS 28 'Investment in Associates and Joint Ventures' on account of loss of control and the resultant gain of ₹ 63.97 million is shown under exceptional items.

(₹ in million)

| Particulars | Amount |
|---|---|
| Fair value of investment retained | 223.08 |
| Negative net assets transferred | 19.17 |
| Further cash invested | (178.28) |
| **Gain on change in control** | **63.97** |

## 31 Income tax expense

### 31.1 Income tax recognised in the Statement of profit and loss

(₹ in million)

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Current tax** | | |
| Current tax | (11.04) | 135.50 |
| | **(11.04)** | **135.50** |
| **Deferred tax** | | |
| - MAT | (48.34) | (86.30) |
| - Others | 34.38 | 53.18 |
| | **(13.96)** | **(33.12)** |
| **Total income tax expense recognised in the Statement of profit and loss** | **(25.00)** | **102.38** |

**The reconciliation between the income tax expense of the Group and Amounts computed by applying the Indian statutory income tax rate to profit before taxes is as follows:**

(₹ in million)

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Profit before tax | (333.75) | 271.76 |
| Enacted income tax rate in India | 34.994% | 34.608% |
| Computed expected tax expense | (116.79) | 94.05 |
| **Effect of:** | | |
| Permanent differences | 26.42 | - |
| Income not taxable | (11.41) | (35.21) |
| Share of loss from subsidiaries/ associate/ joint venture | 38.84 | 37.66 |
| Differences of tax rates in subsidiaries | 31.59 | (2.49) |
| Adjustments recognised in respect of changes in brought forward tax losses | - | 8.38 |
| Others | 6.32 | - |
| | **(25.00)** | **102.38** |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

### 31.2 Income tax recognised in other comprehensive income

(₹ in million)

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Income tax arising on income and expenses recognised in other comprehensive income:** | | |
| Remeasurement of defined benefit obligation | (0.90) | 1.03 |
| Effective portion of loss on hedging instruments in a cash flow hedge | 22.46 | - |
| **Total income tax recognised in other comprehensive income** | **21.56** | **1.03** |

### 31.3 Net deferred tax Assets and liabilities

#### Deferred tax balances

(₹ in million)

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Deferred tax assets | 268.61 | 231.01 |
| Deferred tax liabilities | (39.71) | (37.70) |
| **Net** | **228.90** | **193.31** |

#### Significant components of net deferred tax assets and liabilities for the year ended 31 March 2019 are as follows:

(₹ in million)

| Deferred tax assets / (liabilities) in relation to | Opening Balance | Recognised in statement of profit and loss | Recognised in other comprehensive income | Closing Balance |
|---|---|---|---|---|
| Property, plant and equipment | (638.04) | (76.45) | - | (714.49) |
| Intangible assets | (24.66) | 1.86 | - | (22.80) |
| Financial liabilities at amortised cost | (0.37) | (1.17) | - | (1.54) |
| MAT credit entitlement | 204.30 | (43.57) | - | 160.73 |
| Sec 43B items | 47.14 | 6.05 | (0.90) | 52.29 |
| Provision for doubtful debts/advances | 188.90 | 23.99 | - | 212.89 |
| Tax losses | 409.92 | 105.62 | - | 515.54 |
| Derivative and others | 6.12 | (2.30) | 22.46 | 26.28 |
| **Total** | **193.31** | **14.03** | **21.56** | **228.90** |

#### Significant components of net deferred tax assets and liabilities for the year ended 31 March 2018 are as follows:

(₹ in million)

| Deferred tax assets / (liabilities) in relation to | Opening Balance | Recognised in statement of profit and loss | Recognised in other comprehensive income | Closing Balance |
|---|---|---|---|---|
| Property, plant and equipment | (583.73) | (54.31) | - | (638.04) |
| Intangible assets | (15.19) | (9.47) | - | (24.66) |
| Financial liabilities at amortised cost | 4.86 | (5.23) | - | (0.37) |
| MAT credit entitlement | 118.00 | 86.30 | - | 204.30 |
| Sec 43B items | 36.06 | 10.05 | 1.03 | 47.14 |
| Provision for doubtful debts/advances | 149.54 | 39.36 | - | 188.90 |
| Other items | 3.51 | (1.16) | - | 2.35 |
| Tax losses | 442.34 | (32.42) | - | 409.92 |
| Others | - | 3.77 | - | 3.77 |
| **Total** | **155.39** | **36.89** | **1.03** | **193.31** |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

Under the Income Tax Act, 1961, unabsorbed business losses expire 8 years after the year in which they originate. Further, the Company and its certain subsidiaries carry tax credit entitlement in respect of Minimum Alternate Tax (MAT) paid, which can be carried forward for certain period and can be set-off for 15 years against future tax liabilities to the extent income tax under normal tax provisions exceed the MAT for those years. Tax benefits on unabsorbed business losses and MAT credit entitlement have been recognised as deferred tax asset as it is more probable than not that the future economic benefits associated with the asset will be realised.

**31.4 Current tax Assets,(Net)**

(₹ in million)

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Advance tax (net of provision) | 553.90 | 211.07 |
| | **553.90** | **211.07** |

**31.5 Current tax liabilities**

(₹ in million)

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Provision for tax (net of advance tax) | 0.34 | 39.83 |
| | **0.34** | **39.83** |

## 32 Contingent liabilities

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| a) Corporate guarantees given | 544.29 | 414.75 |
| b) Other money for which the company is contingently liable | | |
| Customs duty (Refer note 1) | 4.48 | 4.49 |
| Excise and service tax (Refer note 2) | 31.72 | 31.72 |
| Value added tax (Refer note 3) | 18.19 | 18.19 |
| Income tax (Refer note 4) | 2.74 | 2.74 |
| c) Bonus to employees pursuant to retrospective Amendment to the Payment of Bonus Act, 1965 (Refer note 5) | 9.98 | 9.98 |

**Notes:**

1. HCG Medisurge Hospitals Private Limited imported (HCG Medisurge) radiation equipment, Linear Accelerator-True Beam with standard accessories in two consignments. First consignment with main Linear Accelerator equipment was cleared by paying CVD @ 5% and second consignment was cleared as accessories of the medical equipment with Nil rate of CVD by claiming benefit under Notification No.06/2006 dated 01.03.2006. The Commissioner of Customs has passed the order against the import of the second consignment as ""Accessories/spare parts of Linear Accelerator"" which attracts CVD @ 5% and declined the benefit of Notification No. 06/2006 and levied duty of ₹ 2.24 million and penalty of ₹ 2.24 million along with applicable interest. The HCG Medisurge has appealed before Customs, Excise & Service Tax Appellate Tribunal, Mumbai and is positive of claiming benefit under said notification.

2. (a) Excise Commissionerate-III, Bengaluru has passed Order against the Company adjudicating that the product Fluro-deoxy-glucose ('FDG') is excisable and levied excise duty for the period under scrutiny from April 2009 to March 2014 of ₹ 6.80 million, interest on duty amount, penalty of ₹ 6.80 million, redemption fine of ₹ 0.6 million in lieu of confiscation of goods not available. The order also imposed a penalty of ₹ 1 million on Dr. B.S.Ajaikumar, Chairman & CEO of the Company. The Company has filed an appeal before CESTAT by paying Central Excise Duty of ₹ 0.6 million.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

Additional Commissionerate of Central Excise, Chennai, has passed the Order confirming the excisability on sale of FDG for the period March 2013 to June 2015 levying excise duty of ₹ 6.57 million, interest on duty amount and penalty of ₹ 6.57 million.

If it is excisable, the same has to be classified under Chapter 30 which attracts excise duty @ 6% and valuation of captively consumed FDG will reduce the demand. The group is positive of winning the case on the ground that FDG is not excisable as there is no specific entry in the Centre Excise Tarriff Act, 1985.

2 (b) HealthCare Global Senthil Multispecialty Hospitals Private Limited (HCG-Senthil), has undergone service tax audit for the period 2008-09 to 2012-13 and noted that during the period Jul 2010 to April 2011, medical services provided to TPA are chargeable to service tax for which a demand of ₹ 2.09 million is raised for short payment of service tax. Also purchase volume discount has been classified as business auxiliary services for which a demand of ₹ 1.29 million has been raised by Joint Commissioner, Salem. HCG-Senthil appealed before Commissioner of Central Excise (Appeals) where the order was passed in favour of Revenue. Subsequently, the Company has filed an appeal before CESTAT, Chennai. The HCG-Senthil has served to the patients under Tamil Nadu Government Scheme and the settlement is done by TPA, which is exempt from Service tax and purchase volume discount has been wrongly categorised as business auxiliary service which is out of the ambit of Service tax. Hence the HCG-Senthil believes there would be no service tax liability.

3 (a) HealthCare Global Vijay Oncology Private Limited which got merged with the Company effective from 1 April 2015, has undergone departmental VAT audit for the period from 2011-12 to 2014-15 and noted that the Company has not charged and paid VAT on supply of food to patients and raised a AP-VAT demand of ₹ 2 million. Further, the Deputy Commercial Tax Officer, Vijayawada has passed the penalty order for ₹ 0.5 million against the above AP-VAT audit order. The Company has filed an writ petition before Andhra Pradesh High Court by paying ₹ 0.4 million VAT amount to department.

The Company is positive of winning the case on the ground that various High Courts in India have ruled that the supply of food to patient is pursuant to provision of medical service and is not sale of goods.

3 (b) HCG Medisurge Hospitals Private Limited's (HCG Medisurge) VAT Assessment has been done for FY 2011-12 and noted that the HCG Medisurge has not paid VAT totalling ₹ 9.49 million on goods which the Company claimed as exempted goods. The AO has levied interest of ₹ 4.56 million and penalty of ₹ 1.64 million by wrongly assessing service income as a taxable item and levying VAT on cafeteria which was offered by the Company to VAT under different VAT registration. The HCG Medisurge has filed an appeal before the Joint Commissioner of Commercial Taxes producing the relevant supporting documents for supply of exempted goods, provision of medical Services and offering of cafeteria sales under different VAT registration number. The Company believes that the VAT demand will be dropped.

4. During the Financial Year 2011-12, HCG Medisurge Hospitals Private Limited (HCG Medisurge) had made payment to Aastha Oncology Private Limited towards their medical/professional consultancy services after deducting TDS @ 2% (Sec 197 certificate issued for ₹ 31 Million) and there after @ 10% under Section 194J. However, the AO has erred in arriving at the total amount paid/payable to Aastha Oncology Private Limited due to not considering the revised quarterly e-TDS return amount while making TDS assessment and has levied short payment of TDS of ₹ 1.51 million and interest of ₹ 1.23 million.

   HCG Medisurge has produced the supporting documents during appeal and also accepted a short payment of TDS after considering all transactions with Aastha Oncology Private Limited during the previous year amounts to for ₹ 24,722"

5. The Payment of Bonus (Amendment) Act, 2015 has been enacted on 31 December 2015 with the retrospective effect from 01 April 2014.

   The Group has taken a position that the stay granted by the two High Courts of India on the retrospective application of the amendment would have a persuasive effect even outside the boundaries of the relevant states and accordingly no provision for the year ended 31 March 2015 of ₹ 9.98 million is required.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

6. In light of recent judgement of Hon'ble Supreme Court dated 28 February 2019, on the definition of 'Basic wage' under the Employees Provident Fund and Misc. Provision Act, 1952, and based on Group's evaluation, based on legal advice there are significant uncertainties and numerous interpretation issues relating to the judgement and hence it is unclear as to whether the clarified definition of Basic wage would be applicable prospectively or retrospectively. The Group will evaluate its position and update provision, if required, on basis of further clarity on the subject. The Group does not expect the amount to be material to the consolidated financial statements.

7. The Group is involved in other disputes, law suits and other claims including commercial matters which arise from time to time in the ordinary course of business. The Group believes that there are no such pending matters that are expected to have any material adverse effect on the consolidated financial statements.

## 33 Commitments

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Estimated amount of contracts remaining to be executed on capital account and not provided for | 878.67 | 710.18 |

## 34 Earnings per share (₹ in million unless otherwise stated)

The calculations of profit attributable to equity shareholders and weighted average number of equity shares outstanding for purposes of basic earnings and diluted earnings per share calculations are as follows:

### 34.1 Basic earnings per share

(₹ in million)

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Profit / (loss) for the year attributable to owners** | (247.97) | 205.23 |
| **The earnings used in the calculation of basic earnings per share** | (247.97) | 205.23 |
| Weighted average number of equity shares for the purposes of basic earnings per share | 87,909,856 | 86,046,366 |
| **Basic earnings per share (Amount in ₹)** | **(2.82)** | **2.38** |

### 34.2 Diluted earnings per share

(₹ in million)

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| The earnings used in the calculation of diluted earnings per share are as follows. | | |
| Earnings used in the calculation of basic earnings per share | (247.97) | 205.23 |
| Earnings used in the calculation of diluted earnings per share | (247.97) | 205.23 |
| Weighted average number of equity shares used in the calculation of diluted earnings per share | 88,098,982 | 86,204,138 |
| **Diluted earnings per share (Amount in ₹)** | **(2.82)** | **2.38** |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

### 34.2 Diluted earnings per share(Contd..)

(₹ in million)

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| The weighted average number of equity shares for the purpose of diluted earnings per share reconciles to the weighted average number of equity shares used in the calculation of basic earnings per share as follows: | | |
| Weighted average number of equity shares used in the calculation of basic earnings per share | 87,909,856 | 86,046,366 |
| Shares deemed to be issued for no consideration in respect of employee options | 189,126 | 157,772 |
| **Weighted average number of equity shares used in the calculation of diluted earnings per share** | **88,098,982** | **86,204,138** |

## 35 Segment information

Ind AS 108 "Operating Segment" ("Ind AS 108") establishes standards for the way that public business enterprises report information about operating segments and related disclosures about products and services, geographic areas, and major customers. Based on the "management approach" as defined in Ind AS 108, Operating segments are to be reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM evaluates the Group's performance and allocates resources on overall basis. The Company's sole operating segment is therefore 'Medical and Healthcare Services'. Accordingly, there are no additional disclosure to be provided under Ind AS 108, other than those already provided in the financial statements.

### Geographical information

Geographical information analyses the Group's revenue and non-current assets by the Group's country of domicile (i.e. India) and other countries. In presenting the geographical information, segment revenue has been based on the geographical location of the customers and segment assets which have been presented based on the geographical location of the assets.

### (i) Revenue from operations

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| India | 9,760.26 | 8,287.33 |
| Outside India | - | 0.55 |
| **Total** | **9,760.26** | **8,287.88** |

### (ii) Non current assets*

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| India | 12,846.38 | 11,358.84 |
| **Total** | **12,846.39** | **11,358.84** |

*Non-current assets exclude financial instruments and deferred tax assets.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

## 36 Leasing arrangements: The group being a lessee

### 36.1 Finance lease arrangements

Finance leasing arrangements of the Group include lease of Hospital buildings for duration of 24 to 30 years and medical equipments for 6 years. Interest rates underlying all obligations under finance leases range between 10% to 12% p.a. The details of future minimum lease payment and reconciliation of gross investment in the lease and payment value of minimum lease payments are given below:

(₹ in million)

| Particulars | Minimum Lease Payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | As at 31 March 2019 | As at 31 March 2018 | As at 31 March 2019 | As at 31 March 2018 |
| Not later than one year | 68.20 | 66.31 | - | - |
| Later than one year and not later than five years | 310.10 | 301.30 | - | - |
| Later than five years | 1,564.44 | 1,586.79 | 563.73 | 555.17 |
| | **1,942.74** | **1,954.40** | **563.73** | **555.17** |
| Less: future finance charges | (1,379.01) | (1,399.23) | - | - |
| **Present value of minimum lease payments** | **563.73** | **555.17** | **563.73** | **555.17** |

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Included in the consolidated financial statements as:** | | |
| - Non-current borrowings (Refer note 17) | 563.73 | 555.17 |
| | **563.73** | **555.17** |

### 36.2 Operating lease arrangements

The Group has entered into operating lease arrangements for certain facilities and office premises. The leases are non-cancellable and are for a period of 5 to 30 years and may be renewed for a further period, based on mutual agreement of the parties. The escalation clause in these arrangements ranges from 5% to 10%.

**Payments recognised as an expense in Note 29**

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Minimum lease payments | 563.23 | 422.57 |
| | **563.23** | **422.57** |

**Non-cancellable operating lease commitments**

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Not later than 1 year | 649.63 | 430.41 |
| Later than 1 year and not later than 5 years | 2,706.27 | 1,518.01 |
| Later than 5 years | 7,762.74 | 1,702.48 |
| | **11,118.64** | **3,650.90** |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

## 37 Employee benefit plans

### 37.1 Defined contribution plans

The Group has defined contribution plan in form of Provident Fund and Employee State Insurance Scheme for qualifying employees. Under the Schemes, the Group is required to contribute a specified percentage of the payroll costs to fund the benefits. The total expense recognised in the Statement of profit and loss under employee benefit expenses in respect of such schemes are given below:

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Contribution to Provident Fund included under contribution to provident and other funds. | 79.03 | 73.52 |
| Contribution to Employee State Insurance Scheme, included under staff welfare expenses | 20.18 | 13.66 |
| | **99.21** | **87.18** |

### 37.2 Defined benefit plans

The Group offers gratuity plan for its qualified employees which is payable as per the requirements of Payment of Gratuity Act, 1972. The benefit vests upon completion of five years of continuous service and once vested it is payable to employees on retirement or on termination of employment. In case of death while in service, the gratuity is payable irrespective of vesting.

(₹ in million)

| Amounts recognised in consolidated statement of profit and loss in respect of this defined benefit plan are as follows. | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Service cost recognised in employee benefits expense in note 26 | 14.03 | 14.50 |
| Net interest expense recognised in finance costs in note 27 | 5.82 | 4.51 |
| **Components of defined benefit costs recognised in the Statement of profit and loss** | **19.85** | **19.01** |
| Service cost recognised in employee benefits expense in Note 26 | 14.03 | 14.50 |
| Net interest expense recognised in finance costs in Note 27 | 5.82 | 4.51 |
| **Remeasurement of the net defined benefit plan:** | | |
| Actuarial (gains) / losses arising from changes in demographic assumptions | (2.07) | 0.41 |
| Actuarial (gains) / losses arising from changes in financial assumptions | (1.02) | (0.56) |
| Actuarial (gains) / losses arising from experience adjustments | 0.12 | 2.61 |
| **Remeasurement of the net defined benefit plan recognised in other comprehensive income** | **(2.97)** | **2.46** |

**The amount included in the consolidated balance sheet arising from the entity's obligation in respect of its defined benefit plans is as follows:**

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Present value of funded defined benefit obligation | 89.28 | 74.34 |
| Fair value of plan assets | 1.16 | 1.08 |
| **Unfunded status** | **88.12** | **73.26** |
| **Net liability arising from defined benefit obligation** | **88.12** | **73.26** |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

### Movements in the present value of the defined benefit obligation are as follows.

(₹ in million)

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Opening defined benefit obligation | 74.34 | 58.54 |
| Current service cost | 14.11 | 14.50 |
| Interest cost | 5.82 | 4.51 |
| Remeasurement (gains)/losses: | | |
| Actuarial (gains) / losses arising from changes in demographic assumptions | (1.59) | 0.41 |
| Actuarial gains and losses arising from changes in financial assumptions | (0.05) | (0.56) |
| Actuarial gains and losses arising from experience adjustments | 0.03 | 2.61 |
| Actuarial loss on DBO | - | - |
| Benefits paid | (3.38) | (5.67) |
| Closing defined benefit obligation | **89.28** | **74.34** |

### Movements in the fair value of the plan assets are as follows.

(₹ in million)

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Opening fair value of plan assets | 1.08 | 2.64 |
| Interest income | 0.07 | 0.07 |
| Assets distributed on settlements | - | (1.18) |
| Excess return over interest income on plan assets | 0.01 | - |
| Benefits paid | - | (0.45) |
| Closing fair value of plan assets | **1.16** | **1.08** |

The fair value of the plan assets at the end of the reporting period for each category, are as follows

(₹ in million)

| | Fair value of plan assets as at | |
|---|---|---|
| | 31 March 2019 | 31 March 2018 |
| Insurer-managed funds | 1.16 | 1.08 |
| **Total** | **1.16** | **1.08** |

Plan assets consists of assets held in a 'long-term benefit fund' for the sole purpose of making future benefit payments when they fall due. Plan assets include qualifying insurance policies and are not quoted in the market.

The actual return on plan assets was ₹ 0.08 Million (for the year ended 31 March 2018: ₹ 0.07 Million).

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

(₹ in million)

| | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (1% movement) | (0.95) | 0.85 | (1.86) | 2.00 |
| Future salary increase (1% movement) | 1.81 | (2.12) | 3.68 | (3.37) |
| Attrition rate (10% movement) | (0.31) | 0.38 | (0.87) | 0.93 |

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The average duration of the benefit obligation at 31 March 2019 is 6.03 years (as at 31 March 2018 is 8.30 years).

(₹ in million)

| **The principal assumptions used for the purposes of the actuarial valuations were as follows.** | Valuation as at | |
|---|---|---|
| | 31 March 2019 | 31 March 2018 |
| Discount rate(s) | 7.00% to 7.40 % | 6.40% to 7.70 % |
| Expected rate(s) of salary increase | 5.00% to 5.00% | 5.00% to 6.00% |
| Rate of return on plan assets | 6.00% to 6.50% | 6.00% to 6.50% |
| Mortality table | IALM 2006-08 | IALM 2006-08 |
| Employee turnover rate | 13.40% to 45.00% | 25.00% to 55.00% |

### Maturity profile of defined benefit obligation:

(₹ in million)

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Within 1 year | 32.82 | 26.59 |
| 1-2 year | 21.87 | 17.17 |
| 2-3 year | 15.16 | 12.21 |
| 3-4 year | 11.02 | 8.71 |
| 4-5 year | 7.89 | 6.40 |
| 5-10 year | 13.17 | 12.67 |
| > 10 years | 2.58 | 9.44 |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

## 38 Share-based payments

### A Employee share option plan of the Company

#### (a) ESOP 2010

In the extraordinary general meeting held on 25 August, 2010, the shareholders had approved the issue of 1,800,000 options under the Scheme titled "Employee Stock Option Scheme 2010 (ESOP 2010). The ESOP 2010 allows the issue of options to employees of the Company and its subsidiaries. Each option comprises one underlying equity share.

As per the Scheme, the Remuneration committee grants the options to the employees deemed eligible. The exercise price of each option shall be at a price not less than the face value per share. The option holders may exercise those options vested based on passage of time commencing from the expiry of 4 years from the date of grant and those vested based on performance immediately after vesting, within the expiry of 10 years from the date of grant.

On 16 June 2010, the Company granted options under said scheme for eligible personnel. In the extraordinary general meeting held on 31 March 2015, the shareholders approved for accelerated vesting of options outstanding as at 31 March 2015. Accordingly, all the options outstanding were vested in the hands of option holders as at 31 March 2015. Further, the remaining options available for grant under ESOP 2010 were transferred to ESOP 2014 scheme.

#### (b) ESOP 2014

Pursuant to the shareholders' approval in the extraordinary general meeting held on 28 March 2014 and 25 August 2010, the Board of Directors formulated the Scheme titled "Employee Stock Option Scheme 2014"" (ESOP 2014). The ESOP 2014 allows the issue of options to employees of the Company and its subsidiaries. Each option comprises one underlying equity share.

As per the Scheme, the Remuneration Committee grants the options to the employees deemed eligible. The Exercise Price shall be a price that is not less than the face value per share per option. Options Granted under ESOP 2014 would vest not less than one year and not more than five years from the date of Grant of such Options. Vesting of Options would be a function of continued employment with the Company (passage of time) and achievement of performance criteria as specified by the Nomination and Remuneration Committee as communicated at the time of grant of options. The option holders may exercise those options vested within a period as specified which may range upto 10 years from the date of grant.

Employee stock options will be settled by delivery of shares

### B (i) The detail of fair market value and the exercise price is as given below:

| Particulars | ESOP 2010 | ESOP 2014 | ESOP 2014 | ESOP 2014 |
|---|---|---|---|---|
| Date of grant | 16-Jun-10 | 24-Jun-14 | 10-Nov-16 | 10-Nov-16 |
| Fair market value of option at grant date (₹) | 23.10 | 73.34 | 232.48 | 156.93 |
| Fair market value of share at grant date (₹) | 29.18 | 78.95 | 240.15 | 240.15 |
| Exercise price (₹) | 10.00 | 10.00 | 10.00 | 110.68 |
| No. of options | 1,294,800 | 110,100 | 165,400 | 30,000 |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

| Particulars | ESOP 2014 | ESOP 2014 | ESOP 2014 | ESOP 2014 |
|---|---|---|---|---|
| Date of grant | 1-Apr-17 | 1-Apr-17 | 11-Aug-17 | 6-Nov-17 |
| Fair market value of option at grant date (₹) | 221.80 | 120.08 | 261.61 | 269.27 |
| Fair market value of share at grant date (₹) | 229.45 | 229.45 | 269.35 | 276.95 |
| Exercise price (₹) | 10.00 | 150.00 | 10.00 | 10.00 |
| No. of options | 25,000 | 35,000 | 101,000 | 53,000 |

| Particulars | ESOP 2014 | ESOP 2014 | ESOP 2014 |
|---|---|---|---|
| Date of grant | 22-May-18 | 9-Nov-18 | 7-Feb-19 |
| Fair market value of option at grant date (₹) | 298.55 | 220.74 | 181.62 |
| Fair market value of share at grant date (₹) | 306.81 | 231.85 | 187.00 |
| Exercise price (₹) | 10.00 | 10.00 | 10.00 |
| No. of options | 55,000 | 25,000 | 47,000 |

**(ii) The assumptions used in this model for calculating fair value of the ESOP granted during the current year and previous year are as below:**

| Assumptions | Grant Date: 01 April 2017 (ESOP 2014) | | | |
|---|---|---|---|---|
| | Vest 1 01 Apr 18 | Vest 2 01 Apr 19 | Vest 3 01 Apr 20 | Vest 4 01 Apr 21 |
| **Variables** | **10%** | **20%** | **30%** | **40%** |
| Risk free interest rate | 6.46% | 6.57% | 6.76% | 6.86% |
| Expected life | 2.00 | 3.00 | 4.00 | 5.00 |
| Expected annual volatility of shares | 27.46% | 28.94% | 30.36% | 29.83% |
| Expected dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |

| Assumptions | Grant Date: 11 August 2017 (ESOP 2014) | | | |
|---|---|---|---|---|
| | Vest 1 11 Aug 18 | Vest 2 11 Aug 19 | Vest 3 11 Aug 20 | Vest 4 11 Aug 21 |
| **Variables** | **10%** | **20%** | **30%** | **40%** |
| Risk free interest rate | 6.35% | 6.38% | 6.43% | 6.50% |
| Expected life | 2.00 | 3.00 | 4.00 | 5.00 |
| Expected annual volatility of shares | 24.74% | 27.98% | 28.28% | 29.68% |
| Expected dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

**(ii) The assumptions used in this model for calculating fair value of the ESOP granted during the current year and previous year are as below: (Contd..)**

| Assumptions | Grant Date: 06 November 2017 (ESOP 2014) | | | |
|---|---|---|---|---|
| | Vest 1 06 Nov 18 | Vest 2 06 Nov 19 | Vest 3 06 Nov 20 | Vest 4 06 Nov 21 |
| **Variables** | **10%** | **20%** | **30%** | **40%** |
| Risk free interest rate | 6.30% | 6.48% | 6.64% | 6.78% |
| Expected life | 2.00 | 3.00 | 4.00 | 5.00 |
| Expected annual volatility of shares | 24.04% | 27.42% | 27.47% | 29.42% |
| Expected dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |

| Assumptions | Grant Date: 22 May 2018 (ESOP 2014) | | | |
|---|---|---|---|---|
| | Vest 1 22 May 19 | Vest 2 22 May 20 | Vest 3 22 May 21 | Vest 4 22 May 22 |
| **Variables** | **10%** | **20%** | **30%** | **40%** |
| Risk free interest rate | 7.30% | 7.61% | 7.80% | 7.91% |
| Expected life | 2.00 | 3.00 | 4.00 | 5.00 |
| Expected annual volatility of shares | 25.05% | 26.08% | 28.40% | 29.08% |
| Expected dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |

| Assumptions | Grant Date: 09 November 2018 (ESOP 2014) | | | |
|---|---|---|---|---|
| | Vest 1 09 Nov 19 | Vest 2 09 Nov 20 | Vest 3 09 Nov 21 | Vest 4 09 Nov 22 |
| **Variables** | **10%** | **20%** | **30%** | **40%** |
| Risk free interest rate | 7.29% | 7.44% | 7.55% | 7.64% |
| Expected life | 2.00 | 3.00 | 4.00 | 5.00 |
| Expected annual volatility of shares | 29.52% | 27.82% | 29.24% | 28.92% |
| Expected dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |

| Assumptions | Grant Date: 07 February 2019 (ESOP 2014) | | | |
|---|---|---|---|---|
| | Vest 2 07 Feb 20 | Vest 3 07 Feb 21 | Vest 4 07 Feb 22 | Vest 4 07 Feb 23 |
| **Variables** | **10%** | **20%** | **30%** | **40%** |
| Risk free interest rate | 6.89% | 7.04% | 7.16% | 7.26% |
| Expected life | 2.00 | 3.00 | 4.00 | 5.00 |
| Expected annual volatility of shares | 29.97% | 27.83% | 29.07% | 29.26% |
| Expected dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |

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for the year ended 31 March 2019

**C Employee stock options details as on the Balance Sheet date are as follows: The Company has used Black-scholes options pricing model for valuation of options.**

| Particulars | Year ended 31 March 2019 | | Year ended 31 March 2018 | |
|---|---|---|---|---|
| | Options (Numbers) | Weighted average exercise price per option (₹) | Options (Numbers) | Weighted average exercise price per option (₹) |
| Option outstanding at the beginning of the year: | | | | |
| - ESOP 2010 | 10,127 | 10.00 | 10,127 | 10.00 |
| - ESOP 2014 | 471,670 | 20.17 | 22,020 | 10.00 |
| Granted during the year: | | | | |
| - ESOP 2010 | - | - | - | - |
| - ESOP 2014 | 127,000 | 10.00 | 214,000 | 32.90 |
| Forfeited during the year: | | | | |
| - ESOP 2010 | - | - | - | - |
| - ESOP 2014 | - | - | - | - |
| Exercised during the year: | | | | |
| - ESOP 2010 | 2,300 | 10.00 | - | - |
| - ESOP 2014 | 77,760 | 10.00 | 24,820 | 10.00 |
| Lapsed during the year: | | | | |
| - ESOP 2010 | - | - | - | - |
| - ESOP 2014 | - | - | - | - |
| Options outstanding at the end of the year: | | | | |
| - ESOP 2010 | 7,827 | 10.00 | 10,127 | 10.00 |
| - ESOP 2014 | 520,910 | 25.20 | 471,670 | 20.17 |
| Options exercisable at the end of the year: | | | | |
| - ESOP 2010 | 7,827 | 10.00 | 10,127 | 10.00 |
| - ESOP 2014 | 64,530 | 31.64 | 37,770 | 18.00 |

*Options available for grant under ESOP 2014 Scheme are 2,334,306 (previous year 2,461,306)

The weighted average share price at the date of exercise for share options exercised during the year ended 31 March 2019 is ₹ 228.49 (previous year ₹ 318.65).

The options outstanding at the end of the reporting period has exercise price in the range of ₹ 10 to ₹ 150 (Previous year ₹ 10 to ₹ 150) and weighted average remaining contractual life of 8.10 years (Previous year 7.54 years).

**D** For details of expense recognised in statement of profit and loss please refer note 26 and for details of movement in share options outstanding account refer note 15.2.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

## 39 Financial instruments

### A Accounting classification and fair values

The carrying value and fair value of financial instruments by categories as at 31 March 2019 and 31 March 2018 are as follows:

(₹ in million)

| Particulars | Carrying value as at | |
|---|---|---|
| | 31 March 2019 | 31 March 2018 |
| **Financial assets** | | |
| **Amortised cost** | | |
| Loans (including current and non-current) | 509.37 | 129.74 |
| Trade receivable | 1,568.92 | 1,284.40 |
| Cash and cash equivalents (including bank balances) | 208.66 | 287.96 |
| Other financial assets | 460.02 | 636.55 |
| **FVTPL** | | |
| Investments in unquoted equity instruments | 59.61 | 8.14 |
| Investments in mutual fund (quoted) | 46.48 | 43.13 |
| **Total assets** | **2,853.06** | **2,389.92** |
| **Financial liabilities** | | |
| **Amortised cost** | | |
| Loans and borrowings (including current maturities and short term borrowings)* | 6,579.01 | 4,628.97 |
| Trade payables | 1,816.60 | 1,424.74 |
| Other financial liabilities (includes current and non-current) | 1,205.46 | 1,728.98 |
| **FVTPL** | | |
| Payable on acquisition of business (Contingent consideration) | 69.26 | 63.76 |
| Payable for share purhchase | 694.42 | - |
| **FVTOCI** | | |
| Derivative liability (includes current and non-current) | 109.95 | - |
| **Total liabilities** | **10,474.70** | **7,846.45** |

The management assessed that fair value of above financial assets and liabilites approximates the fair value.

* Refer note 18 for details related to pledge of financial assets.

## 40 Fair value hierarchy - Measurement of fair values

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

# Notes to the Consolidated Financial Statements
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The following table presents the fair value measurement hierarchy of financial assets and liabilities measured at fair value on recurring basis as at 31 March 2019 and 31 March 2018.

(₹ in million)

| Quantitative disclosures fair value measurement hierarchy | Total | Fair value measurement using | | |
|---|---|---|---|---|
| | | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **Financial assets measured at fair value as at 31 March 2019** | | | | |
| Investment in mutual funds (quoted) | 46.48 | 46.48 | - | - |
| Investments in unquoted equity instruments | 59.61 | - | - | 59.61 |
| **Financial liabilties measured at fair value as at 31 March 2019** | | | | |
| Payable for share purhchase | 694.42 | - | - | 694.42 |
| Derivative liability | 109.95 | - | - | 109.95 |
| Payable on acquisition of business (Contingent consideration) | 69.26 | - | - | 69.26 |
| **Financial assets measured at fair value as at 31 March 2018** | | | | |
| Investment in mutual funds (quoted) | 43.13 | 43.13 | - | - |
| Investments in unquoted equity instruments | 8.14 | - | - | 8.14 |
| **Financial liabilties measured at fair value as at 31 March 2018** | | | | |
| Payable on acquisition of business (Contingent consideration) | 63.76 | - | - | 63.76 |

There have been no transfers among Level 1, Level 2 and Level 3 during each of the years presented above.

| Type | Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|---|
| Unquoted equity instruments | Recent completed transaction in the underlying investment | 1. Price per share<br>2. Qualitative factors on operating performance vis a vis budgets<br>3. Regulatory factors | Not applicable |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

## 40 Fair value hierarchy - Measurement of fair values (Contd..)

| Type | Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|---|
| Contingent consideration | Discounted cash flows: The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined based on the management estimate of the achievement of the EBITDA target. | Risk adjusted discount rate - 10% | The estimated fair value would increase (decrease) if the risk adjusted discount rate were lower (higher). |
| Derivative Instruments | The fair value is estimated using valuation techniques with observable market inputs including currency spot and forward rates, interest rate curves, currency volatility, etc. | Not applicable | Not applicable |

**Details of assets and liabilities considered under Level 3 classification**

(₹ in million)

| Particulars | Investment in equity instruments |
|---|---|
| Balance as at April 1, 2017 | 8.14 |
| Gain/(loss) recognised in statement of profit and loss | - |
| Gain/(loss) recognised in other comprehensive income | - |
| **Balance as at March 31, 2018** | **8.14** |
| Balance as at April 1, 2018 | 8.14 |
| Additions | 51.47 |
| Gain/(loss) recognised in statement of profit and loss | - |
| Gain/(loss) recognised in other comprehensive income | - |
| **Balance as at March 31, 2019** | **59.61** |

As at March 31, 2019 and 2018, a one percentage point change in the unobservable inputs used in fair valuation of Level 3 assets does not have a significant impact in its value.

# Notes to the Consolidated Financial Statements
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## 40 Fair value hierarchy - Measurement of fair values (Contd..)

**Derivative financial instruments (assets and liabilities):** The Group is exposed to foreign currency fluctuations on foreign currency assets and liabilities, net investment in foreign operations and forecasted cashflows denominated in foreign currency.

The Group limits the effect of foreign exchnage rate fluctuations by following an established risk management policies including the use of derivatives. The Group enters into derivative financial instruments where the counter party is primarily bank.

Derivatives are recognised and measured at fair value. Attributable transaction costs are recognised in the statement of profit and loss as cost. Subsequent to initial recognisition, derivative financial instruments are measured as described below:

A. Cashflow hedges: Changes in fair value of the derivative hedgeing instrument is designated as a cash flow hedge are recognised in other comprehensive income and held in cash flow hedging reserve, net of taxes, a component of equity, to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the statement of profit and loss and reported within foreign exchange gains/(losses), net, within results from operating activities. If the hedging instrument no longer meets the criteria for hedge accounting, then hedge accounting is discontinued prospectively. If the hedging instrument expires or is sold, terminated or exercised, the cumulative gain or loss on the hedging instrument recognised in cash flow hedging reserve till the period the hedge was effective remains in cash flow hedging reserve until the forecasted transaction occurs. The cumulative gain or loss previously recognised in the cash flow hedging reserve is transferred to the statement of profit and loss upon the occurrence of the related forecasted transaction. If the forecasted transaction is no longer expected to occur, such cumulative balance is immediately recognised in the statement of profit and loss.

B. Others: Changes in fair value of foreign currency derivative instruments not designated as cash flow hedges are recognised in the statement of profit and loss and reported within foreign exchange gains/(losses), net, within results from operating activities.

Derivatives valued using valuation techniques with market observable inputs are mainly foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing from counter parties. As at March 31, 2019, the changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

The following table presents the aggregate contracted principal amounts of the Company's derivative contracts outstanding:

(₹ in million)

| | As at | | | |
|---|---|---|---|---|
| | As at 31 March 2019 | | As at 31 March 2018 | |
| | Notional | Fair value | Notional | Fair value |
| **Designated deraivatives instruments** | | | | |
| Buy: Forward contracts | USD 8.47 | INR 109.95 | USD Nil | INR Nil |
| Weighted Average forward strike Price | INR 79.81 | INR 79.81 | - | - |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

## 40 Fair value hierarchy - Measurement of fair values (Contd..)

The following table summarises activity in the cash flow hedging reserve within equity related to all derivative instruments classified as cash flow hedges:

(₹ in million)

| | As at | |
|---|---|---|
| | As at 31 March 2019 | As at 31 March 2018 |
| Balance as at the beginning of the year | - | - |
| Net (gain)/loss reclassified to statement of profit and loss on occurrence of hedged transactions | (64.25) | - |
| Gain/(loss) on cash flow hedging derivatives, net | (64.25) | - |
| Balance as at the end of the year | (64.25) | - |
| Deferred tax thereon | 22.46 | - |
| Balance as at the end of the year, net of deferred tax | (41.79) | - |

The related hedge transactions for balance in cash flow hedging reserves as at March 31, 2019 are expected to occur and be reclassified to the statement of profit and loss over a period of three years.

## 41 Financial risk management

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include loans, trade and other receivables, and cash and short-term deposits that derive directly from its operations. The Group also holds FVTOCI investments and enters into derivative transactions.

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risks which may adversely impact the fair value of its financial instruments.

### (i) Risk management framework

The Group has a risk management policy which covers risks associated with the financial assets and liabilities. The focus of risk management committee is to assess the unpredictability of the financial environment and to mitigate potential adverse effects on the financial performance of the Group.

### (ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to the credit risk from its trade receivables, unbilled revenue, investments, cash and cash equivalents, bank deposits and loans. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets.

#### *a) Trade and other receivables*

Trade receivables are unsecured comprise a widespread customer base. Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set for patients without medical aid insurance. Services to customers without medical aid insurance are settled in cash or using major credit cards on discharge date as far as possible. Credit Guarantees insurance is not purchased

The Group has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and adjusted for forward looking information. The expected credit loss allowance is based on the ageing of the days the receivables are due and the rates as derived as per the trend of trade receivable ageing of previous years.

# Notes to the Consolidated Financial Statements
for the year ended 31 March 2019

1. **The Provision matrix at the end of the reporting period is as follows:-**

| Category | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Less than 1 year | 7% to 10% | 10% to 12.5% |
| 1-2 years | 36% to 51% | 40% to 57% |
| 2-3 years | 52% to 64% | 64% to 100% |
| More than 3 years | 100% | 100% |

2. **The provision details of the trade receivable is given below.**

**Movement in the expected credit loss allowance**

(₹ in million)

| | For the year ended | |
|---|---|---|
| | 31 March 2019 | 31 March 2018 |
| Balance at beginning of the year | 340.15 | 385.88 |
| Additional provision during the year | 38.67 | 54.37 |
| Written-off during the year | - | (100.11) |
| **Balance at end of the year** | **378.82** | **340.15** |

No single customer accounted for more than 10% of the revenue as of 31 March 2019 and 31 March 2018. There is no significant concentration of credit risk.

Details of geographic concentration of revenue is included in note 35 to the financial statements

### b) *Investments and cash deposits*

The Group limits its exposure to credit risk by generally investing in liquid securities and only with counterparties that have a good credit rating. The Group does not expect any losses from non-performance by these counter-parties, and does not have any significant concentration of exposures to specific industry sectors.

### c) *Derivatives*

The Group enters into derivative financial instruments with counter-parties, primarily, banks with investment grade credit ratings.

### (iii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Also, the Group has significant unutilized approved credit limits with banks.

The Group's corporate treasury department is responsible for liquidity, funding as well as settlement management. In addition, processes and policies related to such risks are overseen by senior management.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

The table below provides details regarding the contractual maturities of significant financial liabilities as at 31 March 2019 and 31 March 2018.

(₹ in million)

| Particulars | As at 31 March 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Total | Less than 1 year | 1-2 year | 2-3 year | 3-4 years | More than 4 year |
| Borrowings | 6,579.01 | 1,409.91 | 733.42 | 547.00 | 368.13 | 3,520.55 |
| Trade payables | 1,816.60 | 1,816.60 | - | - | - | - |
| Other financial liabilities | 1,899.89 | 1,778.26 | - | - | - | 121.63 |
| Derivative liability | 109.95 | 3.17 | 89.99 | 16.79 | - | - |
| Payable on acquisition of business | 69.26 | 69.26 | - | - | - | - |

(₹ in million)

| Particulars | As at 31 March 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Total | Less than 1 year | 1-2 year | 2-3 year | 3-4 years | More than 5 year & above |
| Borrowings | 4,628.97 | 904.68 | 830.02 | 543.46 | 255.38 | 2,095.43 |
| Trade payables | 1,424.74 | 1,424.74 | - | - | - | - |
| Other financial liabilities | 1,658.73 | 806.80 | 702.99 | 8.30 | 7.55 | 133.09 |
| Payable on acquisition of business | 134.01 | 70.25 | 63.76 | - | - | - |

### (iv) Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign exchange rates, interest rates and equity prices.

#### (a) Foreign currency risk

The Group's exchange risk arises mainly from its foreign currency borrowings. As a result, depreciation of Indian rupee relative to these foreign currencies will have a significant impact on the financial performance of the Group. The exchange rate between the Indian rupee and these foreign currencies has changed substantially in recent periods and may continue to fluctuate substantially in the future.

(i) The following table presents unhedged foreign currency risk from financial instruments as of 31 March 2019 and 31 March 2018

| As at 31 March 2019 | Rupee equivalent of foreign currency amounts | | | |
|---|---|---|---|---|
| Particulars | US $ | Euro | Pound Sterling | Total |
| **Assets** | | | | |
| Cash and cash equivalents | 7.46 | - | - | 7.46 |
| Trade receivables | 99.25 | - | - | 99.25 |
| Capital advance | - | 1.95 | - | 1.95 |
| **Liabilities** | | | | |
| Borrowings | 1,551.87 | 121.29 | - | 1,673.16 |
| Creditors for capital goods | 1.01 | 0.22 | - | 1.23 |
| Trade payable | 36.47 | - | - | 36.47 |
| **Net assets/liabilities** | **(1,482.64)** | **(119.56)** | **-** | **(1,602.20)** |
| Forward exchange contracts | 586.21 | - | - | 586.21 |
| **Net exposure** | **(896.43)** | **(119.56)** | **-** | **(1,015.99)** |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

| As at 31 March 2018 | Rupee equivalent of foreign currency amounts | | | |
|---|---|---|---|---|
| **Particulars** | **US $** | **Euro** | **Pound Sterling** | **Total** |
| Assets | | | | |
| Cash and cash equivalents | 17.11 | - | - | 17.11 |
| Liabilities | | | | |
| Borrowings | 1,489.26 | - | - | 1,489.26 |
| Creditors for capital goods | - | 7.26 | - | 7.26 |
| Trade payable | 34.29 | 0.48 | | 34.77 |
| **Net assets/liabilities** | **(1,506.44)** | **(7.74)** | **-** | **(1,514.18)** |

(ii) Sensitivity analysis

(₹ in million)

| | Impact on profit or (loss) before tax | |
|---|---|---|
| | **As at 31 March 2019** | **As at 31 March 2018** |
| USD Sensitivity | | |
| Rs/USD - Increase by 1% | 18.20 | 12.51 |
| Rs/USD - Decrease by 1% | (18.20) | (12.51) |

## (b) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates and investments. Such risks are overseen by the Group's corporate treasury department as well as senior management.

### (i) Interest rate risk exposure

The exposure of the Group's borrowing to interest rate changes at the end of the reporting period are as follows:

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Variable rate long term borrowings including current maturities | 4,085.48 | 2,577.89 |
| **Total borrowings** | | |

### (ii) Sensitivity analysis

(₹ in million)

| | Impact on profit or (loss) before tax | |
|---|---|---|
| | **As at 31 March 2019** | **As at 31 March 2018** |
| **Sensitivity** | | |
| 1% increase in MCLR rate | 40.85 | 25.78 |
| 1% decrease in MCLR rate | (40.85) | (25.78) |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

## 42 Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of net debt (borrowings offset by cash and bank balances) and total equity of the Group.

The capital structure is as follows:

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Total equity attributable to the equity share holders of the Group | 4,766.47 | 5,151.03 |
| As percentage of total capital | 43% | 54% |
| Total loans and borrowings | 6,579.01 | 4,628.97 |
| Cash and cash equivalents | 205.17 | 287.96 |
| Net loans & borrowings | 6,373.84 | 4,341.01 |
| As a percentage of total capital | 57% | 46% |
| **Total capital (loans and borrowings and equity)** | **11,140.31** | **9,492.04** |

## 43 Due to Micro, Small and Medium Enterprises

The Ministry of Micro, Small and Medium Enterprises has issued an office memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2019 has been made in the financial statements based on information received and available with the group. Further in view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Micro, Small and Medium Enterprises Development Act, 2006 ('The MSMED Act') is not expected to be material. The group has not received any claim for interest from any supplier

(₹ in million)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| The amounts remaining unpaid to micro and small suppliers as at the end of the year | 1.39 | - |
| Principal | 1.39 | - |
| Interest | - | - |
| The amount of interest paid by the buyer under MSMED Act | - | - |
| The amount of payments made to micro and small suppliers beyond the appointed day during the accounting year | - | - |
| The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act; | - | - |
| The amount of interest accrued and remaining unpaid at the end of each accounting year | - | - |
| The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under the MSMED Act | - | - |

All trade payables are 'current.' The Group's exposure to currency and liquidity risks related to trade payable is disclosed in note 41

# Notes to the Consolidated Financial Statements
for the year ended 31 March 2019

## 44 Related Party Disclosure

Transactions and balances between the Company and its subsidiaries which are related parties of the Company have been eliminated and are not disclosed in this note.

**Details of related parties:**

(₹ in million)

| Description of relationship | Names of related parties |
|---|---|
| Key management personnel (KMP) | **Whole-time director**<br>Dr. B S Ajaikumar, Chairman<br>**Executive directors**<br>Dr. B. S. Ramesh (from 22 May 2018)<br>**Non-executive directors**<br>Gangadhara Ganapati<br>Shanker Annaswamy<br>Sampath T Ramesh<br>Sudhakar Rao<br>Suresh C Senapaty<br>Bhushani Kumar<br>Dr.B S Ramesh (till 21 May 2018)<br>Dr Amit Varma |
| Joint venture | Strand Lifesciences Private Limited (with effect from 07 February 2018) |
| Associate | HealthCare Global (Africa) Private Limited (Step down subsidiary till 1st quarter of FY 18) |
| Relatives of KMP | Ms.Anjali Ajaikumar (Daughter of Dr. B S Ajaikumar) |
| Company in which KMP / Relatives of KMP can exercise significant influence | JSS Bharath Charitable Trust<br>Bharath Hospital and Institute of Oncology<br>Sada Sarada Tumor & Research Institute<br>B.C.C.H.I Trust<br>HCG Foundation<br>Gutti Malnad LLP<br>Health Care Process Solutions (India) Private Limited |

**Details of related party transactions during the year:**

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Sale of pharmacy products and consumables** | | |
| - Sada Sarada Tumor & Research Institute | 46.79 | 42.71 |
| **Income from Medical services** | | |
| - JSS Bharath Charitable Trust | 12.22 | 14.50 |
| - HCG Foundation | 4.58 | 8.24 |
| - Sada Sarada Tumor & Research Institute | 6.16 | 7.44 |
| - Gutti Malnad LLP | 0.29 | - |
| **Lab charges** | | |
| - Strand Life Sciences Private Limited | 259.07 | - |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

**Details of related party transactions during the year: (Contd..)**

(₹ in million)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Rent charges** | | |
| - Sada Sarada Tumor & Research Institute | 1.26 | 0.54 |
| **Security deposit received** | | |
| - Sada Sarada Tumor & Research Institute | - | 0.50 |
| **Investment made during the year in** | | |
| - Investment in Strand | 5.33 | 240.00 |
| - HealthCare Global (Africa) Private Limited | - | 238.14 |
| **Other advances given** | | |
| Strand Lifesciences Private Limited | - | 29.16 |
| **Short-term employee benefits to:** | | |
| - Dr. B S Ajaikumar (refer note 45) | 28.07 | 25.45 |
| - Ms. Anjali Ajaikumar | 5.02 | 3.95 |
| - Dr. B S Ramesh (refer note 45) | 7.28 | 8.14 |
| The above compensation excludes gratuity and compensated absences which cannot be separately identified from the composite amount advised by the actuary. | | |
| **Sitting fees to Directors** | | |
| - Shanker Annaswamy | 1.15 | 1.70 |
| - Sampath T Ramesh | 0.91 | 0.96 |
| - Sudhakar Rao | 0.86 | 0.96 |
| - Suresh C Senapaty | 1.21 | 1.69 |
| - Bhushani Kumar | 0.35 | 0.68 |

**Details of related party balances outstanding:**

(₹ in million)

| Balances outstanding as at | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Trade receivables** | | |
| - JSS Bharath Charitable Trust | 4.26 | 4.33 |
| - Sada Sarada Tumor & Research Institute | 34.51 | 33.05 |
| - B.C.C.H.I. Trust | 0.01 | 0.01 |
| - HCG Foundation | 9.96 | 12.65 |
| - Gutti Malnad LLP | 2.02 | 1.73 |
| - Health Care Process Solutions (India) Private Limited | - | 0.06 |
| **Other Financial Assets** | | |
| - Sada Sarada Tumor & Research Institute | 3.22 | 2.80 |
| - B.C.C.H.I. Trust | 0.07 | 0.07 |
| **Other advances to related parties** | | |
| - Strand Life Sciences Private Limited | - | 29.16 |
| **Security deposits (refundable) with** | | |
| - Gutti Malnad LLP | 3.50 | 3.50 |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

**Details of related party balances outstanding: (Contd..)**

(₹ in million)

| Balances outstanding as at | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Accrued employee benefits** | | |
| - Dr. B S Ajaikumar | 8.45 | 7.09 |
| - Ms. Anjali Ajaikumar | 0.42 | - |
| - Dr. B S Ramesh | 0.54 | - |
| **Advances to employees** | | |
| - Dr. B S Ajaikumar (Refer note 45) | - | 0.93 |
| **Trade payables** | | |
| - Sada Sarada Tumor & Research Institute | 0.01 | 0.01 |
| - Strand Life Sciences Private Limited | 28.04 | - |
| - HCG Foundation | 0.07 | 0.16 |

**Note:**

All transactions with the related parties are priced at arm's length basis and resulting outstanding balances are to be settled as per the terms agreed. None of the balances are secured.

## 45 Managerial remuneration:

Dr. B.S. Ajaikumar was re-appointed as the Chairman & CEO of the Company for a period of 4 years with effect from July 1, 2015 and Dr. B. S. Ramesh have been appointed as Executive director of the Company for a period of 2 years with effect from 22 May 2018.

*For the financial year ended 31 March 2019*

The remuneration of Chairman & CEO and the Executive director of the Company for the year ended 31 March 2019 amounts to ₹ 28.07 million and ₹ 7.28 million respectively. This has been approved by the Nomination and Remuneration Committee, the Board of Directors and the Shareholders of the Company, and is in accordance with the limits prescribed under Section 197 read with Schedule V to the Companies Act, 2013.

*For the financial year ended 31 March 2018*

In terms of the limits prescribed under Section 197 read with Schedule V to the Companies Act, 2013, the maximum amount of remuneration payable to the Chairman & CEO of the Company for the year ended 31 March 2018 amounted to ₹ 24.52 Million. Based on the approval of the Nomination and Remuneration Committee of the Company, the Board of Directors had proposed and accrued an additional remuneration of ₹ 0.93 Million to the Chairman & CEO of the Company in excess of the limits specified under the Companies Act, 2013, which was subject to the approval of the Central Government, for which the Company had to file the necessary application. The additional remuneration was to be paid on receipt of approval from the Central Government and pending such approval the amount was not paid and the corresponding amount was disclosed as "Advance". Considering the amendment to the relevant provision of the Act and pending application to the Central Government, the additional remuneration of ₹ 0.93 million and corresponding advances were reversed during the year ended 31 March 2019.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

## 46 Subsidiaries, Associate and Joint venture

Details of the Group's subsidiaries at the end of the reporting period are as follows

(₹ in million)

| Name of the subsidiary | Place of Incorporation and Operation | Proportion of ownership interest and Voting Power Held By The Group | |
|---|---|---|---|
| | | Year ended 31 March 2019 | Year ended 31 March 2018 |
| HCG Medi-Surge Hospitals Private Limited | India | 74.00% | 74.00% |
| Malnad Hospital & Institute of Oncology Private Limited | India | 70.25% | 70.25% |
| HealthCare Global Senthil Multi Specialty Hospital Private Limited | India | 100.00% | 100.00% |
| Niruja Product Development and Research Private Limited (formerly known as MIMS HCG Oncology Private Limited) | India | 100.00% | 100.00% |
| BACC Healthcare Private Limited* | India | Refer note f | 50.10% |
| HealthCare Diwan Chand Imaging LLP | India | 75.00% | 75.00% |
| HCG Pinnacle Oncology Private Limited | India | NA | Refer note a |
| HealthCare Global (Uganda) Private Limited | Uganda | NA | Refer note b |
| HealthCare Global (Kenya) Private Limited | Kenya | NA | Refer note b |
| HealthCare Global (Tanzania) Private Limited | Tanzania | NA | Refer note b |
| Apex HCG Oncology Hospitals LLP* | India | Refer note e | 50.01% |
| HCG Regency Oncology Healthcare Private Limited | India | NA | Refer note c |
| HCG Oncology LLP | India | 74.00% | 74.00% |
| DKR Healthcare Private Limited (formerly known as Parenthood Healthcare Private Limited) | India | NA | Refer note d |
| HCG NCHRI Oncology LLP | India | 76.00% | 76.00% |
| HCG Manavata Oncology LLP* | India | 51.00% | 51.00% |
| HCG EKO Oncology LLP* | India | 50.50% | 50.50% |
| HCG (Mauritius) Private Limited | Mauritius | 100.00% | 100.00% |
| HealthCare Global (Africa) Private Limited | Mauritius | Refer note b | Refer note b |
| HCG SUN Hospitals LLP | India | 74.00% | 74.00% |

The principal activity of all the above mentioned subsidiaries is providing Healthcare services.

Note a: During the previous year, HCG Pinnacle Oncology Private Limited the wholly owned subsidiary of the Company (Transferor Company), has been merged with the Company (Transferee Company) in accordance with the terms of a Scheme of Amalgamation (the Scheme) as approved by the Regional Director, Ministry of Corporate affairs, Hyderabad with an appointed date of 01 April 2016.

Note b: During the previous year, HCG (Mauritius) Private Limited lost control on account of contractual arrangement with CDC Group PLC over HealthCare Global (Africa) Private Limited consequent to which HealthCare Global (Africa) Private Limited and its subsidiaries HealthCare Global (Uganda) Private Limited, HealthCare Global (Kenya) Private Limited and HealthCare Global (Tanzania) Private Limited became Associate of HCG (Mauritius) Private Limited (Refer Note no. 30.3).

Note c: During the previous year, the Company sold its investment in equity shares of HCG Regency Oncology Healthcare Private Limited to Regency Hospital Limited pursuant to which HCG Regency Oncology Healthcare Private Limited ceases to be a subsidiary of the Company. Refer note 30.2.

Note d: During the previous year, DKR HealthCare Private Limited (Transferor company), the wholly owned subsidiary of BACC HealthCare Private Limited (Transferee company) has been merged with the Transferee

Company in accordance with the terms of a Scheme of Amalgamation (the Scheme) as approved by the Regional Director, Ministry of Corporate affairs, Hyderabad with an appointed date of 01 April 2017.

Note e : During the year ended 31 March 2019, Apex Criticare LLP, holding 49.90% stake in one of the subsidiary of the Company, Apex HCG Oncology Hospitals LLP (Apex LLP) retired from Apex LLP and was paid an amount of ₹ 252.5 million as consideartion. Pursuant to this, the Company along with its wholly owned subsidiary, Niruja Product Development and Healthcare Research Private Limited holds 100% interest in Apex LLP.

Note f: In accordance with the terms of the shareholders' agreement dated 22 March 2013 ("SHA") entered amongst the Company, BACC HealthCare Private Limited ("BACC") and the minority shareholder in BACC, the Company shall acquire the remaining 49.9% share capital of BACC from the minority shareholder as per the SHA. The consideration has been determined as per the terms of the SHA and will be settled within the period as mutually agreed between the Company and the minority shareholder.

*The directors of the Company assessed whether or not the Group has control over the above mentioned entities based on whether the Group has the practical ability to direct the relevant activities of such entities unilaterally. Based on such assessment, the directors concluded that the Group has sufficient management rights to unilaterally direct the relevant activities of such entities and therefore the Group has control.

Details of Associate company at the end of the reporting period are as follows:

(₹ in million)

| Name of the Associate | Place of Incorporation | Proportion of ownership interest and Voting Power Held By The Group | |
|---|---|---|---|
| | | Year ended 31 March 2019 | Year ended 31 March 2018 |
| Healthcare Global (Africa) Private Limited (Refer note) | Mauritius | 76.73% | 76.73% |

Note: Investments in Healthcare Global (Africa) Private Limited is held by a subsidiary HCG (Mauritius) Private Limited which is incorporated in Mauritius

The principal activity of the Associate is to provide Healthcare services in African region.

Details of the Joint Venture at the end of the reporting period are as follows:

(₹ in million)

| Name of the Joint Venture | Place of Incorporation | Proportion of ownership interest and Voting Power Held By The Group | |
|---|---|---|---|
| | | Year ended 31 March 2019 | Year ended 31 March 2018 |
| Strand Life Sciences Private Limited (Joint Venture) | India | 38.20% | 38.20% |

The principal activity of the Joint Venture is to provide Healthcare services.

The management has set materiality at ten percent of the annual consolidated turnover, as per the last audited financial statements of the Company. Based on the materiality, set by the management, none of the equity accounted investees cross the materiality and hence summarised financial information of equity accounted investees are not presented.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

## 46.1 Statement of net assets, profit and loss and other comprehensive income attributable to owners and non-controlling interest for the year ended 31 March 2019

(₹ in million)

| Name of the entity | Net assets (total assets minus total liabilities) as at 31 March 2019 | | Share in profit or loss | | Share in other comprehensive income | | Share of total comprehensive income | |
|---|---|---|---|---|---|---|---|---|
| | As % of consolidated net assets | ₹ Million | As % of consolidated profit or loss | ₹ Million | As % of consolidated Other Com. Income | ₹ Million | As % of consolidated Total Com. Income | ₹ Million |
| **1) Parent** | | | | | | | | |
| HealthCare Global Enterprises Limited * | 85.85% | 6,447.19 | 18.62% | 72.45 | 145.29% | (41.16) | (7.52%) | 31.29 |
| **2) Subsidiaries** | | | | | | | | |
| **a) Indian** | | | | | | | | |
| HCG Medi-Surge Hospitals Private Limited | 2.56% | 192.54 | 9.06% | 35.25 | 0.49% | (0.14) | (8.42%) | 35.11 |
| HCG NCHRI Oncology LLP | (1.80%) | (134.84) | (24.76%) | (96.30) | (0.32%) | 0.09 | 23.08% | (96.21) |
| Niruja Product Development and Research Private Limited (formerly known as MIMS HCG Oncology Private Limited) | (0.62%) | (46.76) | (7.05%) | (27.42) | - | - | 6.58% | (27.42) |
| Malnad Hospital & Institute of Oncology Private Limited | 0.12% | 8.80 | 1.96% | 7.63 | - | - | (1.83%) | 7.63 |
| HealthCare Global Senthil Multi Specialty Hospital Private Limited | (0.52%) | (38.75) | (0.02%) | (0.08) | - | - | 0.02% | (0.08) |
| Healthcare Diwan Chand Imaging LLP | (0.11%) | (8.21) | 0.17% | 0.66 | - | - | (0.16%) | 0.66 |
| BACC Healthcare Private Limited | 5.07% | 380.83 | (5.15%) | (20.05) | (1.31%) | 0.37 | 4.72% | (19.68) |
| Apex HCG Oncology Hospitals LLP | (1.82%) | (136.81) | (35.24%) | (137.11) | - | - | 32.89% | (137.11) |
| HCG Oncology LLP | (1.47%) | (110.17) | (9.92%) | (38.60) | (0.99%) | 0.28 | 9.19% | (38.32) |
| HCG EKO Oncology LLP | 0.09% | 6.81 | (1.05%) | (4.08) | 0.00% | - | 0.98% | (4.08) |
| HCG Manavata Oncology LLP | 2.02% | 151.23 | 9.44% | 36.73 | (2.82%) | 0.80 | (9.00%) | 37.54 |
| HCG SUN Hospitals LLP | (0.71%) | (53.47) | (13.51%) | (52.55) | (0.047%) | 0.01 | 12.60% | (52.54) |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

## 46.1 Statement of net assets, profit and loss and other comprehensive income attributable to owners and non-controlling interest for the year ended 31 March 2019 (Contd..)

(₹ in million)

| Name of the entity | Net assets (total assets minus total liabilities) as at 31 March 2019 | | Share in profit or loss | | Share in other comprehensive income | | Share of total comprehensive income | |
|---|---|---|---|---|---|---|---|---|
| | As % of consolidated net assets | ₹ Million | As % of consolidated profit or loss | ₹ Million | As % of consolidated Other Com. Income | ₹ Million | As % of consolidated Total Com. Income | ₹ Million |
| **b) Foreign** | | | | | | | | |
| HCG (Mauritius) Pvt. Ltd | 0.16% | 11.67 | (0.14%) | (0.54) | (60.08%) | 17.02 | (3.95%) | 16.48 |
| **c) Associate** | | | | | | | | |
| HealthCare Global (Africa) Private Limited | 3.26% | 244.66 | (7.57%) | (29.51) | 19.77% | (5.60) | 8.42% | (35.11) |
| **d) Joint venture** | | | | | | | | |
| Strand Life Sciences Private Limited | 1.86% | 139.72 | (19.21%) | (74.72) | - | - | 17.92% | (74.72) |
| **e) Non-controlling interest** | 6.06% | 455.47 | (15.61%) | (60.78) | 1.52% | - | 14.48% | (60.34) |
| **Total** | **100.00%** | **7,509.91** | **100.00%** | **(389.02)** | **100.00%** | **(28.33)** | **100.00%** | **(416.90)** |
| Adjustment arising on consolidation | - | (2,287.97) | - | 80.27 | - | 0.03 | - | 79.85 |
| **Total** | | **5,221.94** | | **(308.75)** | | **(28.30)** | | **(337.05)** |

*after considering consolidation adjustments

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

## 46.2 Statement of net assets, profit and loss and other comprehensive income attributable to owners and non-controlling interest:

(₹ in million)

| Name of the entity | Net assets (total assets minus total liabilities) as at 31 March 2018 | | Share of profit or loss for the year ended 31 March 2018 | | Other comprehensive income | | Share of total comprehensive income for the year ended 31 March 2018 | |
|---|---|---|---|---|---|---|---|---|
| | As % of consolidated net assets | ₹ Million | As % of consolidated profit or loss | ₹ Million | As % of consolidated Other Com. Income | ₹ Million | As % of consolidated Total Com. Income | ₹ Million |
| **1) Parent** | | | | | | | | |
| HealthCare Global Enterprises Limited * | 86.88% | 6,384.40 | 156.22% | 320.60 | 110.73% | (1.96) | 156.61% | 318.64 |
| **2) Subsidiaries** | | | | | | | | |
| **a) Indian** | | | | | | | | |
| HCG Medi-Surge Hospitals Private Limited | 1.08% | 79.35 | 7.32% | 15.02 | 20.90% | (0.37) | 7.20% | 14.65 |
| HCG Regency Oncology Healthcare Private Limited | 0.00% | - | (37.62%) | (77.21) | (0.56%) | 0.01 | (37.94%) | (77.20) |
| HCG NCHRI Oncology LLP | (0.48%) | (35.01) | (26.23%) | (53.84) | (2.26%) | 0.04 | (26.44%) | (53.80) |
| Niruja Product Development and Research Private Limited (formerly known as MIMS HCG Oncology Private Limited) | (0.26%) | (19.10) | (8.56%) | (17.57) | 0.00% | - | (8.64%) | (17.57) |
| Malnad Hospital & Institute of Oncology Private Limited | 0.03% | 1.91 | 0.64% | 1.31 | 5.08% | (0.09) | 0.60% | 1.22 |
| HealthCare Global Senthil Multi Specialty Hospital Private Limited | (0.51%) | (37.76) | (0.03%) | (0.06) | 0.00% | - | (0.03%) | (0.06) |
| Healthcare Diwan Chand Imaging LLP | (0.09%) | (6.65) | (1.52%) | (3.12) | 0.00% | - | (1.53%) | (3.12) |
| BACC Healthcare Private Limited | 2.03% | 149.49 | 21.79% | 44.72 | 11.30% | (0.20) | 21.88% | 44.52 |
| Apex HCG Oncology Hospitals LLP | (0.62%) | (45.32) | (44.34%) | (91.00) | (0.56%) | 0.01 | (44.72%) | (90.99) |
| HCG Oncology LLP | (1.00%) | (73.82) | (18.65%) | (38.28) | 0.56% | (0.01) | (18.82%) | (38.29) |
| HCG EKO Oncology LLP | (0.01%) | (1.08) | (0.92%) | (1.88) | 0.00% | - | (0.92%) | (1.88) |
| HCG Manavata Oncology LLP | (2.13%) | (156.70) | 45.11% | 92.57 | (64.41%) | 1.14 | 46.06% | 93.71 |
| HCG SUN Hospitals LLP | (0.01%) | (0.66) | (0.44%) | (0.90) | 0.00% | - | (0.44%) | (0.90) |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

## 46.2 Statement of net assets, profit and loss and other comprehensive income attributable to owners and non-controlling interest: (Contd..)

(₹ in million)

| Name of the entity | Net assets (total assets minus total liabilities) as at 31 March 2018 | | Share of profit or loss for the year ended 31 March 2018 | | Other comprehensive income | | Share of total comprehensive income for the year ended 31 March 2018 | |
|---|---|---|---|---|---|---|---|---|
| | As % of consolidated net assets | ₹ Million | As % of consolidated profit or loss | ₹ Million | As % of consolidated Other Com. Income | ₹ Million | As % of consolidated Total Com. Income | ₹ Million |
| **b) Foreign** | | | | | | | | - |
| HCG (Mauritius) Pvt. Ltd | (0.14%) | (10.51) | (3.39%) | (6.96) | - | - | (3.42%) | (6.96) |
| **c) Associate** | | | | | | | | |
| Healthcare Global (Africa) Pvt. Ltd** | 3.57% | 262.45 | (3.21%) | (6.58) | - | - | (3.23%) | (6.58) |
| **d) Joint venture** | | | | | | | | |
| Strand Life Sciences Private Limited | 2.97% | 218.00 | (3.62%) | (7.44) | - | - | (3.69%) | (7.44) |
| **e) Non-controlling interest** | 8.70% | 639.21 | 17.47% | 35.85 | 19.21% | (0.34) | 17.45% | 35.51 |
| **Total** | **100%** | **7,348.20** | **100.00%** | **205.23** | **100.00%** | **(1.77)** | **99.97%** | **203.46** |
| Adjustment arising on consolidation | | (1,557.96) | | | | | | |
| **Total** | | **5,790.24** | | **205.23** | | **(1.77)** | | **203.46** |

*after considering consolidation adjustments

**The status of HealthCare Global (Africa) Private Limited has changed from Subsidiary to Associate from 2nd quarter of FY 2018

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

## 47 Investments, loans, guarantees and security

### (a) The Group has made investment in the following companies

(₹ in million)

| Investment in equity instruments | As at 31 March 2018 | Invested during the year | Sold during the year | As at 31 March 2019 |
|---|---|---|---|---|
| **Investment in other companies** | | | | |
| Zoctr Health Private Limited | 7.64 | - | - | 7.64 |
| Suchirayu Healthcare Solutions Limited | 0.50 | - | - | 0.50 |
| International Stemcell Services Limited | - | 5.61 | - | 5.61 |
| Epigeneres Biotech Private Limited | - | 10.00 | - | 10.00 |
| Niramai Health Analytix Private Limited | - | 35.86 | - | 35.86 |
| **Investment in joint venture (Equity & preference shares)** | | | | |
| Strand Life Sciences Private Limited | 240.00 | 5.33 | - | 245.33 |

### (b) The Group has given inter-coporate deposits to its following companies

(₹ in million)

| Entity | As at 31 March 2018 | Movement | As at 31 March 2019 | Purpose of the loan |
|---|---|---|---|---|
| Apex Super Speciality Hospitals Private Limited | 20.00 | (20.00) | - | These loans have been given for operational requirements of the respective entities |
| Suchirayu Healthcare Solutions Limited | 48.00 | 57.00 | 105.00 | These loans have been given for operational requirements of the respective entities |

### (c) The Group has provided the guarantees to the following entities

(₹ in million)

| Entity | As at 31 March 2018 | Movement | As at 31 March 2019 | Purpose of the guarantee |
|---|---|---|---|---|
| NCHRI Private Limited | 458.00 | - | 458.00 | Corporate guarantee given to bank towards working capital loan/term loan |
| **Total** | **458.00** | - | **458.00** | |

Note: The above does not include corporate guarantee given by the Group for bank guarantee and cash credit facility. This represents only corporate guarantee given for the term loan facility of the respective entities.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

**(d) The Group has made investment in the following companies during the year ended 31 March 2018**

| Investment in equity instruments | As at 31 March 2017 | Invested during the year | Sold during the year | As at 31 March 2018 |
|---|---|---|---|---|
| **Investment in other companies** | | | | |
| Zoctr Health Private Limited | - | 7.64 | - | 7.64 |
| Suchirayu Healthcare Solutions Limited# | - | 0.50 | - | 0.50 |
| **Investment in joint venture (Equity & preference shares)** | | | | |
| Strand Life Sciences Private Limited | - | 240.00 | - | 240.00 |

**(e) The Group has given inter-coporate deposits to its following companies during the year ended 31 March 2018**

| Entity | As at 31 March 2017 | Movement | As at 31 March 2018 | Purpose of laons |
|---|---|---|---|---|
| Suchirayu Healthcare Solutions Limited# | 30.00 | 18.00 | 48.00 | These loans have been given for operational requirements of the respective entities |
| Apex Super Speciality Hospitals Private Limited | 20.00 | - | 20.00 | |
| NCHRI Private Limited | 4.30 | (4.30) | - | |
| Zoctr Health Private Limited | 5.00 | (5.00) | - | |

#Security deposit given to Suchirayu Healthcare Solutions Limited in FY 17 has been converted into Inter-Corporate deposit in FY 18 (Refer Cashflow Statement).

**(f) The Group has provided the guarantees to the following entities during the year ended 31 March 2018**

(₹ in million)

| Entity | As at 31 March 2018 | Movement | As at 31 March 2018 | Purpose of the guarantee |
|---|---|---|---|---|
| NCHRI Private Limited | 319.75 | 138.25 | 458.00 | Corporate guarantee given to Yes Bank for giving term loan / working capital loan for NCHRI Private Limited |
| **Total** | **319.75** | **138.25** | **458.00** | |

*The above deposit include Corporate Guarantee given by the Group for Bank Guarantee & Cash Credit facility, this represents only corporate guarantee for term loan facility of the respective entity.

## 48 Goodwill on acquisition of City Cancer Centre (CCC) (refer note 6)

**Acquisition**

The Company entered into a business transfer agreement with Dr.Gopichand ('Seller') dated 28 February 2018 for purchase of business owned and operated by the Seller in the name of CCC located in Vijayawada. The Company has agreed to purchase the business on a slump sale basis for a lump sum consideration of ₹ 520 million without values being assigned to individual assets and liabilities.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

Consideration is payable in tranches as follows:

i) Issue of equity shares of the Company at ₹ 321 per equity share for a value of ₹ 299.75 million subject to shareholders approval

ii) First tranche cash payment of ₹ 150.25 million

iii) Contingent consideration of ₹ 70 million on achievement of the agreed Earnings Before Interest Taxes Depreciation and Amortisation (EBITDA) target.

During the previous year, the Company has obtained the approval of the shareholders for preferential allotment and on receipt of regulatory approvals during the current year, 934,500 equity shares for ₹ 299.75 million have been allotted to Dr.Gopichand, the contingent consideration has been disclosed under other financial liabilities. As of the date of approval of consolidated financial statements for the year ended 31 March 2019, the Seller achieved the agreed EBITDA target and the contingent consideration is fair valued.

Date of business combination - Considering the fact that the business transfer agreement has been entered into on 28 February 2018 and shareholders approval has been received on 29 March 2018, date of the business combination has been considered as 01 March 2018.

The acquisition is expected to provide the Group with an increased market share and also expects to reduce costs through economies of scale. Revenues included in the statement of profit and loss of this acquisition for the financial year ended 31 March 2018 is ₹ 17.78 million and profit after tax is ₹ 3.45 million. Had the business combination occurred on 01 April 2017, as per management estimate, revenues for the financial year ended 31 March 2018 would have been higher by ₹ 195.58 million and profit after tax would have been higher by ₹ 37.96 million.

The Group's share of costs incurred for this business combination had been charged off to consolidated statement of profit and loss.

a) Business combination

The above transaction qualifies as a business combination as per Ind AS 103 - "Business Combinations" and had been accounted by applying the acquisition method wherein identifiable assets acquired, liabilities assumed are fair valued against the fair value of the consideration transferred and the resultant goodwill recognised.

b) Measurement of fair values

| **Particulars** | **Valuation methodology** | **Notes** |
|---|---|---|
| Tangible assets | Historical costs | Tangible assets include property, plant and equipment, trade receivables and inventories. Historical cost is considered for valuation of tangible assets based on the management representation that tangible assets will be realised at book value, after acquisition of business. |
| Tangible liabilities | Book value as on acquisition date | Tangible liabilities include trade payables / provision for expenses, and statutory liabilities. Book value as on the Valuation date is considered based on the management representation that, after acquisition of Business, such tangible liabilities are settled at book value as on acquisition date. |
| Goodwill | Residual method | Difference between fair value of identified assets and liabilities and purchase price. |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

c) Identifiable assets and liabilities assumed

| Particulars | Amount (₹ Mn) |
|---|---|
| **Fair value of consideration transferred** | |
| Equity shares* | 299.75 |
| Cash consideration | 150.25 |
| Contingent consideration | 63.76 |
| **Total (A)** | **513.76** |
| **Assets acquired** | |
| Property, plant and equipment (Refer note 5) | 12.80 |
| Trade receivables, net | 37.98 |
| Cash and cash equivalents | 1.06 |
| Inventories | 3.90 |
| **Total assets acquired (B)** | **55.74** |
| **Liabilities assumed** | |
| **Trade payables and statutory liabilities (C)** | **26.50** |
| **Net assets acquired [D = (B-C)]** | **29.24** |
| **Goodwill (A-D)#** | **484.52** |

*The equity shares to be issued to the seller is pursuant to the preferential allotment of shares as per the relevant regulations. Had the equity shares been accounted at its value as on the date of the approval by the shareholders, value of shares would have been lower by ₹ 29.40 million.

#Goodwill is attributable to the increased market share and the synergies expected to be achieved from acquisition of CCC into the Company. Goodwill is tax deductible.

## 49 Acquisition of CICRI

### Acquisition

HCG NCHRI Oncology LLP (Purchaser) being the subsidiary of Company, entered into a business transfer agreement dated 20 March 2017 with Dr.Ajay Mehta and Dr. Suchitra Mehta (Sellers) for purchase of business on a going concern basis effective 01 April 2017. Sellers own and operate a business in the name of Central India Cancer Research Institute (CICRI) in Nagpur which primarily comprises of an oncology hospital. The purchaser agreed to purchase the business on a slump sale basis for a lump sum consideration of ₹ 14 million without values being assigned to individual assets and liabilities.

Date of business combination and valuation date : 01 April 2017

The acquisition is expected to provide the Group with an increased market share which is driven by location advantage and also expects to reduce costs through economies of scale. Revenues included in the consolidated statement of profit and loss of this acquisition for the financial year ended 31 March 2018 is ₹ 12.32 million and profit after tax is ₹ 2.49 million. The Group has not incurred any costs related to this acquisition.

a) Business Combination

The above transaction qualifes as a business combination as per Ind As 103 - "Business Combination" and has been accounted by applying the acquisition method wherein identifiable assets acquired, liabilities assumed are fair valued against the fair value of the consideration transferred and the resultant bargain purchase is recognised as capital reserve.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

b) Measurement at fair values

| Particulars | Valuation methodology | Notes |
|---|---|---|
| Tangible assets | Historical costs | Tangible assets include property, plant and equipment and trade receivables. Historical cost is considered for valuation of tangible assets based on the management representation that tangible assets will be realised at book value, after acquistion of business. |
| Tangible liabilities | Book value as on acquisition date | Liabilities include trade payables and statutory liabilities. Book value as on the valuation date is considered based on the management representation that, after acquisition of Business, such tangible liabilities are settled at book value as on acquistion date. |
| Tenancy rights | Market approach | Market approach valuation are those that determine the value of assets based on the prices of similar assets bought / leased and sold in the market. |
| Capital reserve | Residual method | Difference between purchase consideration and fair value of identified net asset values. |

c) Identifiable assets and liabilities assumed

| Particulars | Amount (₹ Mn) |
|---|---|
| **Cash consideration transferred (A)** | **14.00** |
| **Assets acquired:** | |
| Property plant and equipment (Refer note 5) | 3.20 |
| Trade receivables | 0.06 |
| Loans and advances | 0.11 |
| Cash and cash equivalents | 1.82 |
| Tenancy rights (Refer note 6)* | 11.00 |
| **Total assets acquired (B)** | **16.19** |
| **Liabilities assumed:** | |
| **Trade payables and statutory liabilities (C)** | **1.02** |
| **Net assets acquired [D = (B+C)]** | **15.17** |
| **Bargain purchase (D-A)** | **1.17** |

As explained above, acquisition of tenancy rights to occupy the premises for a nominal rent of ₹ 1 has resulted in a gain on (bargain purchase) this business combination

*Cash consideration paid to the extent of ₹ 9.83 million towards acquisition of the intangible asset, (tenancy rights) is tax deductible.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

## 50 Utilisation of net proceeds from Initial Public Offer

**The statement of category wise utilisation of net proceeds from Initial Public Offer is:**

| Category wise utilisation of net proceeds from Initial Public Offer | Amount proposed to be utilised | Amount proposed to be utilised after reallocation | Actual utilisation upto 31 March 2019 | Actual utilisation upto 31 March 2018 |
|---|---|---|---|---|
| Purchase of medical equipment | 422.00 | 25.80 | 25.80 | - |
| Investment in IT software, services and hardware* | 301.90 | 298.10 | 298.10 | 59.00 |
| Pre-payment of debt | 1,470.40 | 1,470.40 | 1,470.40 | 1,470.00 |
| General corporate purposes | 197.70 | 597.70 | 597.70 | 198.00 |
| **Total** | **2,392.00** | **2,392.00** | **2,392.00** | **1,727.00** |

(i) ₹ 396.2 million from purchase of medical equipment and ₹ 3.8 million from investment in IT software, services and hardware has been reallocated to General corpoorate purpose usage, as allowed by the 'Objects of the offer' section in the Prospectus of the Company for the Initial Public Offer.

* Includes ₹ 100 million ear-marked for meeting payment commitments with regard to a contract for supply of IT softwares.

## 51 Effects on adoption of Ind AS 115

**1)** The Group has elected to adopt Ind AS 115 using the modified retrospective method. An entity that elects the modified retrospective method would apply Ind AS 115 retrospectively to only current period by recognising the cumulative effect of initially applying Ind AS 115 as an adjustment to the opening balance of retained earnings at the date of application (i.e. 1 April 2018 in case of the Group).

Under the modified retrospetive method, the comparative information in the consolidated financial statements would not be restated and would be presented based on the requirements of the previous standard.

The impact of adoption of the standard on the consolidated financial statements of the Group is insignificant.

**2. Contract Balances**

(₹ in million)

| | |
|---|---|
| **(a)Receivables** | |
| i) Trade receivables: Refer note 12 | 1,284.40 |
| Opening balance as on 1 April 2018 | 1568.92 |
| Closing balance as on 31 March 2019 | |
| ii) Unbilled revenue : Refer note 9 | 126.80 |
| Opening balance as on 1 April 2018 | 159.50 |
| Closing balance as on 31 March 2019 | |
| **b) The Group does not have any contract asset as at 31 March 2019.** | |
| **c) The contract liability amount from contracts with customers is given below :** | |
| Advance from customers : Refer note 19 | |
| Opening balance as on 1 April 2018 | 204.42 |
| Closing balance as on 31 March 2019 | 210.35 |
| Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period | 177.73 |

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

**52** The disclosures regarding details of specified bank notes held and transacted during 8 November 2016 to 30 December 2016 has not been made in these consolidated financial statements since the requirement does not pertain to financial year ended 31 March 2019 and 31 March 2018.

**The accompanying notes are an integral part of these consolidated financial statements**

As per our reports of even date attached

for **B S R & Co. LLP**
*Chartered Accountants*
Firm's registration number: 101248W/W -100022

**Amit Somani**
*Partner*
Membership number: 060154

Place : Bengaluru
Date : 23 May 2019

*for* **and on behalf of the Board of Directors**
HealthCare Global Enterprises Limited

**Dr. B.S. Ajaikumar**
*Chairman and CEO*
DIN: 00713779

**Dr. Ramesh B.S.**
*Director*
DIN: 00518434

**Srinivasa Raghavan**
*Chief Financial Officer*

**Sunu Manuel**
*Company Secretary*

Place : Bengaluru
Date : 23 May 2019

Place : Bengaluru
Date : 23 May 2019

# Notes

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adding life to years

## HealthCare Global Enterprises Limited

**Registered Off:** HCG Towers, # 8, P. Kalinga Rao Road, Sampangi Rama Nagar, Bengaluru – 560027, Karnataka, India.
**Corporate Off:** Tower Block, Unity Building Complex, No. 3, Mission Road, Bengaluru - 560027, Karnataka, India.

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