

**Fortis Healthcare Limited**

Tower-A, Unitech Business Park, Block-F,
South City 1, Sector – 41, Gurgaon,
Haryana – 122 001 (India)

Tel : 0124 492 1033

Fax : 0124 492 1041

Emergency : 105010

Email : secretarial@fortishealthcare.com

Website : www.fortishealthcare.com

FHL/SEC/2020-21

November 21, 2020

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

BSE Limited
Corporate Services Department
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai – 400 001
Scrip Code:532843

**Sub: Regulation 30 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015-
SEBI Show Cause Notice**

Dear Sir(s),

This is in continuation of our intimation dated October 18, 2018, December 22, 2018, March 20, 2019 and November 13, 2020 with respect to an ad-interim ex-parte order passed by Securities and Exchange Board of India (“SEBI”) in the matter relating to the alleged diversion of funds from the Company by its erstwhile promoters. SEBI has issued a show cause notice (“SCN”) vide no. SEBI/HO/IVD/ID2/OW/P/2020/19924/1 dated November 20, 2020 in the aforesaid matter to *inter alia* the Company and Fortis Hospitals Limited (a wholly owned subsidiary of the Company) (“FHsL”). The management and Board of the Company that was newly constituted after NTK Ventures Pte. Ltd. (a wholly owned subsidiary of IHH Healthcare Berhad) became promoters of the Company, are evaluating the SCN in detail, in consultation with its legal advisors. The disclosure as required under Regulation 30 is enclosed as ‘Annexure-A’.

This is for your information and records please.

Thanking you,
Yours faithfully,
For **Fortis Healthcare Limited**

Sumit Goel
Company Secretary
M. No. – F6661

Annexure A

Disclosures as required under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Regulatory action(s) with impact		
S. No.	Particulars	Details
1	The details of any change in the status and / or any development in relation to such proceedings	<p>In the matter relating to the alleged diversion of funds from the Company by its erstwhile promoters, SEBI has issued a show cause notice to <i>inter alia</i> the Company and FHsL.</p> <p>FHsL has been issued show cause notice with respect to (i) Sections 11B(1) and 11(4) read with Section 11(1) of the SEBI Act, 1992; and (ii) Section 11(4A) and Section 11B(2) read with Section 15HA of the SEBI Act, 1992 and SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995.</p> <p>The Company has been issued show cause notice with respect to (i) Section 11B(1) and 11(4) read with Section 11(1) of the SEBI Act, 1992 and Section 12A(1) of the SCRA Act, 1956; and (ii) and Section 11(4A) and 11B(2) read with Section 15HA and 15HB of SEBI Act, 1992 and 12A(2) of SCRA, 1956 read with Section 23E of the SCRA, 1956 read with SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and Securities Contract (Regulation) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005.</p>
2	In the case of litigation against key management personnel or its promoter or ultimate person in control, regularly provide details of any change in the status and / or any development in relation to such proceedings	Not Applicable
3	In the event of settlement of the proceedings, details of such settlement including - terms of the settlement, compensation/penalty paid (if any) and impact of such settlement on the financial position of the listed entity	Not Applicable



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DEPUTY GENERAL MANAGER
INVESTIGATIONS DEPARTMENT

SEBI/HO/IVD/ID2/OW/P/2020/ 19924/1

November 20, 2020

Noticee No.	Name of the Noticee	PAN No.
1	RHC Holding Private Limited	AAKCS7686P
2	Mr. Malvinder Mohan Singh	AABPS2552G
3	Mr. Shivinder Mohan Singh	AAKPS4318M
4	Malav Holdings Private Limited	AADCM1170B
5	Shivi Holdings Private Limited	AAACO2664H
6	Mr. Gagandeep Singh Bedi	AOJPB8749L
7	Mr. Bhavdeep Singh	BHHPS8103F
8	Fortis Hospitals Limited	AABCF3718N
9	Fortis Healthcare Limited	AAACF6715A

Sub: Show Cause Notice under Sections 11(1), 11(4), 11B(1), 11B(2), and 11(4A) of the Securities and Exchange Board of India Act, 1992 and Section 12A(1) and 12A (2) of Securities Contracts (Regulation) Act, 1956 read with SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and Securities Contract (Regulation) (Procedure for holding inquiry and imposing penalties) Rules, 2005 in the matter of Fortis Healthcare Limited

1. Pursuant to a media article in February 2018 *inter-alia* alleging the promoters of Fortis Healthcare Limited (hereinafter referred to as "FHL/company") had taken at least Rs.5 billion rupees out of FHL and that the Statutory Auditor of FHL had refused to sign off on the company's second quarter results until the funds were accounted for, SEBI initiated investigation into the matter.

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051.

दूरभाष : 2644 9950 / 4045 9950 (आई वी. आर. एम.) 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in

Show Cause Notice in the matter of Fortis Healthcare Limited





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2. The said investigation was primarily in to the matter of grant of Inter-Corporate Deposits (hereinafter also referred to as “ICDs”) to three borrower companies viz, Best Healthcare Private Limited (“Best”), Fern Healthcare Private Limited (“Fern”) and Modland Wears Private Limited (“Modland”) and the focus of the investigation was to ascertain whether there was any violation of the provisions of SEBI Act, 1992 and SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (“PFUTP Regulations”) and/or any other Rules/Regulations made by SEBI during the period between April 01, 2011 to March 31, 2018 (hereinafter referred to as ‘Investigation Period / IP’).
3. For the purpose of this show cause notice, the following terms are also referred to as under:

Table 1 Abbreviations Used

S. No.	Name of Company	Abbreviation
1	Fortis Healthcare Limited	FHL
2	Fortis Hospitals Limited	FHsL
3	Fortis Healthcare Holdings Private Limited	FHHPL
4	Fortis Global Healthcare Limited	Fortis Global
5	Escorts Heart Institute and Research Centre Limited	EHIRCL
6	ReligareFinvest Limited	RFL
7	RHC Holding Private Limited	RHC / RHC Holding
8	RHC Finance Private Limited	RHC Finance
9	Religare Enterprises Limited	REL
10	Malav Holdings Private Limited	Malav
11	Shivi Holdings Private Limited	Shivi
12	Best Healthcare Private Limited	Best
13	Fern Healthcare Private Limited	Fern
14	Modland Wears Private Limited	Modland
15	Lowe Infra and Wellness Private Limited	Lowe
16	Oscar Investments Limited	Oscar
17	ANR Securities Private Limited	ANR
18	Ranchem Private Limited	Ranchem
19	Artifice Properties Private Limited	Artifice
20	Torus Buildcon Private Limited	Torus
21	Addon Realty Private Limited	Addon / Addon Realty
22	Shimal Healthcare Private Limited	Shimal
23	SaubhagyaBuildcon Private Limited	Saubhagya
24	Adept Lifespaces Private Limited	Adept
25	Ligare Aviation Limited	Ligare
26	Rexcin Finance Private Limited	Rexcin
27	Best Health Management Private Limited	BHMPL
28	AD Advertising Private Limited	AD Advertising
29	Rosestar Marketing Private Limited	Rosestar
30	Tiger Developers Private Limited	Tiger
31	Best Cure Private Limited	Best Cure





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S. No.	Name of Company	Abbreviation
32	Zolton Properties Private Limited	Zolton
33	Mr. Malvinder Mohan Singh	MMS / Malvinder
34	Mr. Shivinder Mohan Singh	SMS / Shivinder
35	Mr. Malvinder Mohan Singh and Mr. Shivinder Mohan Singh	Singh Brothers / promoters
36	Best/Fern/Modland	Borrower companies / entities

4. On preliminary analysis by SEBI, it was *prima facie* observed that FHL through its subsidiary viz. Fortis Hospitals Ltd. (hereinafter referred to as “FHsL”) had given Inter-
corporate deposits (ICDs) to 3 companies to the tune of Rs.576 crores during December
2011. It was also observed from the verification of bank statements of the said 3
companies that the ICD amounts were transferred to promoters/promoter connected
entities. Further, there were several other transactions observed between the 3 companies
and the promoters/promoter connected entities.
5. In view of large number of entities, transactions to be analyzed and voluminous data to be
analysed, a Forensic Auditor (i.e. MSA Probe Consulting Pvt. Ltd.) was appointed in the
matter on May 10, 2018 to examine the alleged diversion of funds from FHL / its
subsidiaries for the benefit of promoter / promoter connected entities. To understand the
end use of the ICDs and the true nature of the transactions, the Forensic Audit Report
segregated the transactions and gave its findings under the heads mentioned below:
- ICDs issued in December 2011 for transfer of land to RHC Holding.
 - Short term ICDs given by FHsL to borrowers from time to time for the benefit of
Promoters.
 - Ultimate utilization by Promoter Entities of ICDs which are outstanding till date.
 - Misrepresentation in Financial Statements through Structured Movement of ICDs.
6. The forensic audit report {hereinafter referred to as “MSA report / FAR”} was finalized
and submitted to SEBI on October 10, 2018. The Forensic Audit Report as well as the
annexures thereto are placed at **Annexure-1**. Thereafter, further details/information were
also obtained from the company/related entities in the said matter as a part of
investigation.
7. In view of the observations of the FAR, it was observed that the interest of shareholders
of FHL was affected as funds to the tune of Rs. 403 crore (approx.) had moved out from





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a listed company for the ultimate benefit of erstwhile promoters of FHL. Hence, there was a need of an urgent intervention by directing the listed company (FHL) to take all necessary steps to recover the principal amount of Rs. 403 crore (approx.) along with the interest. In this regard, an Interim Order was passed by SEBI on October 17, 2018 (which was revised subsequently on December 21, 2018). The directions as per the said Orders were *inter-alia* as under:

- i. *“FHL and FHsL shall take all necessary steps to recover the abovementioned amount of Rs.403 crore (approx.) along with due interest from RHC, Shivi Holdings Pvt. Ltd., Malav Holdings Pvt. Ltd., Mr Malvinder Mohan Singh, Mr Shivinder Mohan Singh, ReligareFinvest Limited, Best, Fern and Modland, within three months from the date of the Interim Order.*
- ii. *RHC, Shivi Holdings Pvt. Ltd., Malav Holdings Pvt. Ltd., Mr Malvinder Mohan Singh, Mr Shivinder Mohan Singh, ReligareFinvest Limited, Best, Fern and Modland shall, jointly and severally, repay the abovementioned amount of Rs.403 crores (approx.) along with due interest to FHsL, within three months from the date of the Interim Order.*
- iii. *RHC, Shivi Holdings Pvt. Ltd., Malav Holdings Pvt. Ltd., Mr Malvinder Mohan Singh, Mr Shivinder Mohan Singh, ReligareFinvest Limited, Best, Fern and Modland shall, pending completion of the investigation and till further order, not dispose of or alienate any of their assets or divert any funds, except for the purposes as mentioned above of this order and for meeting expenses of day-to-day business operations, without the prior permission of SEBI.*
- iv. *Mr Malvinder Mohan Singh and Mr Shivinder Mohan Singh shall not associate themselves with the affairs of FHL and FHsL in any manner whatsoever, till further directions.”*

8. On the basis of the submissions made by the entities in their respective letters and during personal hearings, vide the Confirmatory Order dated March 19, 2019, the directions in the aforesaid SEBI Orders were *inter-alia* confirmed subject to the modification as under:

- i. *“The Noticee nos. 1 & 2 (viz. FHL and FHsL) shall continue to pursue the measures to recall the outstanding amount of Rs.403 crore (approx.) along with due interest from Noticee nos. 3 to 11 (viz. RHC, Shivi Holdings Pvt. Ltd., Malav Holdings Pvt. Ltd., Mr Malvinder Mohan Singh, Mr Shivinder Mohan Singh, ReligareFinvest Limited, Best, Fern and Modland);*
- ii. *The Noticee nos. 3 to 7 and 9 to 11 (viz. RHC, Shivi Holdings Pvt. Ltd., Malav Holdings Pvt. Ltd., Mr Malvinder Mohan Singh, Mr Shivinder Mohan Singh, Best, Fern and Modland),*





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- pending completion of the investigation, shall not dispose of or alienate any of their assets or divert any funds, except for meeting expenses of day-to-day business operations, without the prior permission of SEBI;*
- iii. *The Noticee no. 8 (viz. ReligareFinvest Limited), pending completion of the investigation, shall not dispose of or alienate any of its assets or divert any funds, without the prior permission of SEBI, except for meeting expenses of day-to-day business operations and/or complying with the terms of the 'Corrective Action Plan' as stipulated by the Reserve Bank of India; and*
- iv. *The Noticee nos. 6 and 7 (viz. Mr Malvinder Mohan Singh and Mr Shivinder Mohan Singh) shall not associate themselves with the affairs of FHL and FHsL in any manner whatsoever."*

9. Pursuant to the Confirmatory Order and during the course of investigation, Religare Finvest Limited / RFL, *inter-alia* requested for relaxation of the direction issued against it, as contained in above para 8(iii) in the Confirmatory Order, so as to allow it to execute revival plan for the betterment of the company by taking required steps including the restructuring of its loans, securitization / assignment of its assets to Asset Reconstruction Companies (ARCs) etc. to reduce its standing liability. Pursuant to consideration of the said request and granting an opportunity of hearing to RFL, SEBI passed another Order dated June 28, 2019 giving certain reliefs to RFL wherein the directions as mentioned at para 8(iii) above were modified, as under:

"The Noticee no. 8 (viz. ReligareFinvest Limited), pending completion of the investigation, shall not dispose of or alienate any of its assets or divert any funds, without the prior permission of SEBI, except for meeting expenses of day-to-day business operations and taking all measures as it deems fit for revival of RFL (including restructuring of its debts/loans, assignment of its financial assets to ARCs, raising of capital, borrowing etc.), subject to strict adherence to the terms of "Corrective Action Plan" and any other norms stipulated by the Reserve Bank of India and provisions of all other applicable laws."

In addition to above, RFL filed an appeal with Hon'ble Securities Appellate Tribunal (SAT) against SEBI Orders dated October 17, 2018 and March 14, 2019 in the matter of Fortis Healthcare Limited. In this regard, SAT, vide its Order dated January 29, 2020 has set aside the aforesaid SEBI Interim / confirmatory Orders in so far as it relates to Religare Finvest Limited and remitted the matter to SEBI for fresh orders, if so desired.





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Also, ReligareFinvest Ltd was directed to maintain its assets worth Rs 200 crores for a period of three months from order date and incase SEBI is unable to pass a fresh order within three months from the order date, the said limited restraint will come to an end.

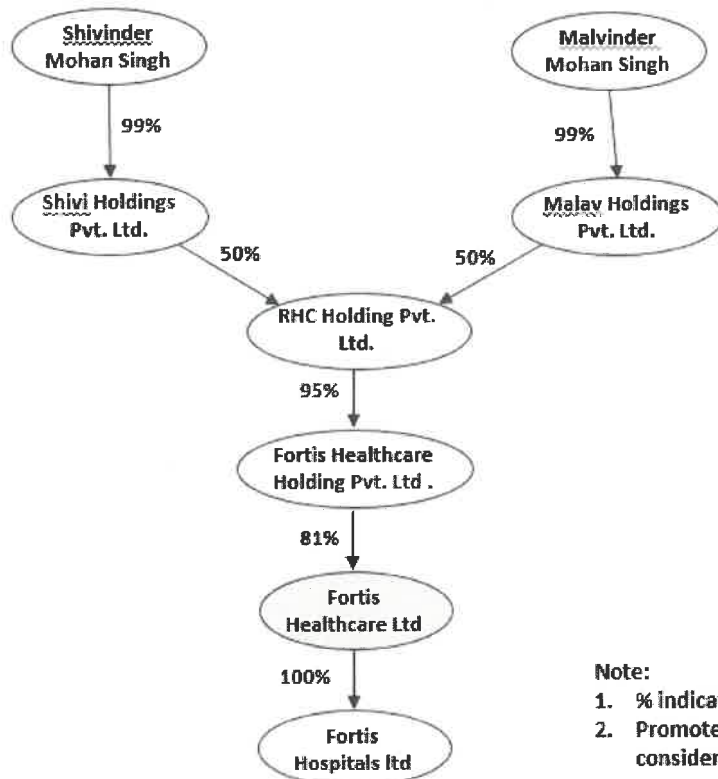
The copies of the aforesaid Orders as passed in the matter by SEBI and Hon'ble SAT have been placed at **Annexure-2**.

Pursuant to receipt of the FAR, further details were sought during the course of investigation and the findings of the investigation are given in the succeeding paragraphs.

10. The findings of the investigation against the Noticee(s) are given in the following paragraphs.

10.1. Ownership Structure of FHL during the beginning of IP (i.e. during March 31, 2011) is shown below for easy reference:

Chart 1 – Ownership Structure of FHL



Note:

1. % indicate Shareholding
2. Promoter having >1% shareholding only considered





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It was observed from the shareholding pattern of FHL that majority shareholder in the promoter group of FHL was Fortis Healthcare Holdings Pvt Ltd (FHHPL) and amongst other promoters were SMS, MMS, RHC Holding Pvt Ltd. Further, FHHPL was controlled by RHC Holding, which was in turn entirely held by SMS and MMS through Shivi Holdings Private Limited and Malav Holdings Private Limited respectively. Thus, MMS and SMS, through entities controlled by them, were the controlling shareholders and promoters of FHL. The detailed shareholding pattern of FHL for the entire IP is placed at **Annexure-3**. Also, Fortis Health Management North Limited/FHMNL (till its merger with FHSL in 2013) and FHSL were wholly owned subsidiaries of FHL during the IP.

10.2. Funding from FHL to FHSL:- From the FAR and information collected during the course of investigation, it was observed that during 2011 to 2017, funds were moved out from FHL through FHSL. In this regard, information was obtained from FHL in reference to the financing facility between FHL and FHSL. Based on the reply obtained from FHL, the following was observed:

- i. The Board of Directors of FHL in their meeting held on April 14, 2011 had given their approval for making loans to and / or give guarantee / provide any security in connection with loans so made or investments, by way of subscription, purchase or otherwise, in the securities of, any one or more of the FHL's subsidiaries, for an amount not exceeding Rs. 2,000 crore.
- ii. Thereafter, FHMNL and FHL entered into a MoU on June 01, 2011 by which FHL agreed to lend a sum of Rs. 20 crore to FHMNL in the form of ICDs at 10% interest p.a.
- iii. On November 15, 2011, FHMNL and FHL signed an Addendum to the aforementioned MoU by which the aforementioned ICD amount was increased from Rs. 20 crore to Rs. 600 crore. The rate of interest of this ICD was 13% p.a.

From the above, it was observed that during November 2011, FHMNL had arranged an amount of Rs. 600 crore from its parent company FHL. These funds were further lent /





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invested by FHMNL and thereafter FHsL (post merger with FHMNL) to various other entities. The same is discussed in the subsequent paras.

10.3. Findings of the investigation: -During the investigation, a detailed analysis of ledger accounts of Best, Fern and Modland in the books of FHMNL / FHsL along with the analysis of the bank account statements of Best, Fern, Modland, FHsL and other entities was carried.

The complete ledger account statements of Best, Fern and Modland in the books of FHMNL / FHsL is placed at **Annexure-4** and the extracts of ledger accounts of Best, Fern and Modland in the books of FHMNL / FHsL for FY 2011-12 to FY 2017-18 is placed at **Annexure-5**.

The transactions appearing in the ledger accounts of Best, Fern and Modland were verified with respective bank statements. Accordingly, transactions were classified into five categories:

10.3.1 Initial Loan Transactions and their repayments – These include initial ICDs granted by FHMNL to Best, Fern and Modland on December 28, 2011 and its subsequent repayments.

- a. FHMNL (subsequently merged into FHsL) issued ICDs to Best, Fern and Modland for the first time during December, 2011. In this regard, it was observed from the MSA report that the said ICDs were linked to a land deal made by a subsidiary of FHL (i.e. EHIRCL). The details of the land deal are explained hereunder:
- b. A parcel of land situated at Golf Course Extn Road, Sector 62, Gurgaon was purchased by EHIRCL during May 2011. In this regard, The Board of Directors of FHL, in their meeting held on April 24, 2011 passed a resolution for making loans to and / or give guarantee / provide any security in connection with loans so made or investments, by way of subscription, purchase or otherwise, in the securities of, any one or more of the FHL's subsidiaries, for an amount not exceeding Rs. 2,000 crore. Subsequent to required board resolutions, Rs. 567 crores were given by





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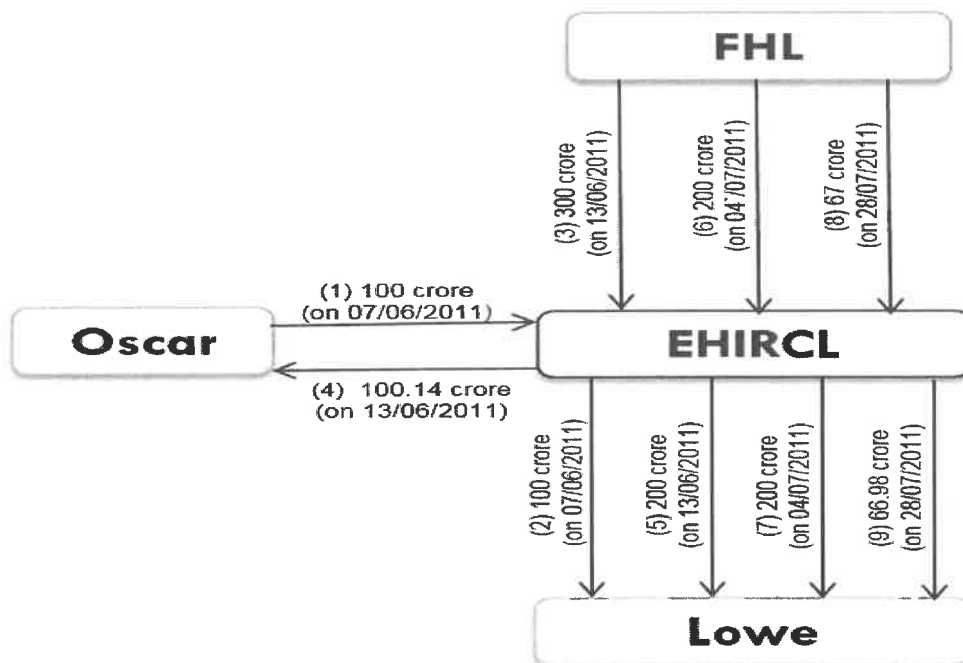
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FHL to EHIRCL during the period June 07, 2011 to July 28, 2011, which were subsequently transferred by EHIRCL to Lowe {which used the funds for purchasing the land from M3M}, in the following manner:

Table 2 Flow of funds relating to purchase of Land

Date	Transferred From	Transferred To	Amount (in Rs.)
07/06/2011	Oscar Investments	EHIRCL	100,00,00,000
07/06/2011	EHIRCL	Lowe	100,00,00,000
13/06/2011	FHL	EHIRCL	300,00,00,000
13/06/2011	EHIRCL	Oscar	100,13,68,493
13/06/2011	EHIRCL	Lowe	200,00,00,000
04/07/2011	FHL	EHIRCL	200,00,00,000
04/07/2011	EHIRCL	Lowe	200,00,00,000
28/07/2011	FHL	EHIRCL	67,00,00,000
28/07/2011	EHIRCL	Lowe	66,98,00,000

Chart 2 – Flow of funds from FHL to Lowe during Land Deal





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- As can be seen from the above transactions, EHIRCL had transferred approx. Rs. 567 crore (that it had received from FHL) to Lowe in multiple transactions.
- The Board of Directors of EHIRCL, in their meeting held on December 13, 2011 decided to cancel the collaboration agreement with Lowe (entered for the purpose of acquiring land) and call back the amount of Rs. 567 crore (along with interest @14%) that EHIRCL had given to Lowe.
 - Thereafter, RHC Holding decided to take over Lowe and hence, the land was also acquired by RHC Holding. Since RHC Holding took over Lowe in December 2011, an amount of Rs. 603 crore (approx.) was transferred by RHC to Lowe on December 28, 2011 which was used by Lowe to repay EHIRCL.
 - However, on analyzing the bank account statement of RHC, Lowe, FHL, FHMNL and various other entities, a lot of high value fund movements were observed during December 28, 2011. It was also observed that during the same time, FHMNL decided to issue ICDs to the tune of Rs. 576 crore to three entities (viz. Best, Fern and Modland) and funds were transferred by FHMNL to Best, Fern and Modland on December 28, 2011.

Hence, the bank account statements of aforementioned entities were analysed for December 28, 2011 to ascertain the actual movement of funds. However, on analyzing the bank account statement of other entities, it was observed that on December 28, 2011, EHIRCL / FHL effectively did not receive any funds. Rather a complex mirage of transactions by way of ICDs issued by FHMNL to Best, Fern and Modland were used to show that Lowe had paid back its loan to EHIRCL. In this regard, the series of bank account transfers that took place on December 28, 2011 has been explained below:

- **Rotational movement of funds through Modland** - Initially, RHC Holding transferred Rs. 200 crore to FHHPL. Thereafter, FHHPL transferred the same amount to Lowe and Lowe transferred the same amount to EHIRCL (*indicating repayment of loan*). EHIRCL, in turn transferred the same amount to FHL which transferred further to FHMNL. Then, FHMNL transferred the same amount to Modland





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(indicating issue of ICD) and Modland transferred the same amount to RHC Holding through various entities, thereby completing the 1st circle of movement of money from RHC Holding back to RHC Holding.

- **Rotational movement of funds through Best** -Thereafter, RHC Holding transferred Rs. 200 crore to RHC Finance which transferred it to Lowe and Lowe transferred the same amount to EHIRCL (indicating repayment of loan). EHIRCL transferred Rs. 176 crore to FHL which further transferred the same to FHMNL. Thereafter, FHMNL transferred Rs. 176 crore to Best (indicating issue of ICD). Additionally, EHIRCL transferred the remaining Rs. 24 crore to Best. Thereafter, Best transferred Rs. 105 crore to Ranchem and Rs. 95 crore to ANR. Ranchem and ANR transferred the said amounts of Rs. 105 crore and Rs. 95 crore respectively to RHC, thereby completing the 2nd circle of movement of money from RHC Holding to RHC Holding.
- **Rotational movement of funds through Fern** - Thereafter, RHC Holding transferred Rs. 83.50 crore each to FHHPL and RHC Finance which were subsequently transferred by both entities to Lowe. Additionally, RHC Holding also transferred Rs. 36.50 crore to Adept which were further transferred by Adept to Lowe. Hence, Lowe in total got Rs. 203.5 crore in this round, which it then transferred Rs. 203.45 crore to EHIRCL (indicating repayment of loan). EHIRCL, transferred Rs. 203.30 crore to FHL and FHL transferred Rs. 200 crore to FHMNL. Then, FHMNL transferred Rs. 200 crore to Fern (indicating issue of ICD). Thereafter, Fern transferred Rs. 95.1 crore to ANR which were further transferred by ANR to RHC. Fern transferred the remaining Rs. 104.90 crore to RHC Holding directly, thereby completing the 3rd circle of movement of money from RHC Holding back to RHC Holding.

- f. As can be seen from above, it was observed that no actual payments were received / made between the aforementioned entities on December 28, 2011 as





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funds were rotated circularly between various entities to show that Lowe had paid back the loan amount to EHIRCL. Whereas in actual, no payment was received by EHIRCL, instead the creditor in the form of Lowe in the books of account of EHIRCL got changed to Best, Fern and Modland in the books of account of FHMNL.

- g. As a result, RHC Holding became the actual beneficiary of the aforementioned movement of funds as it got the land (by taking over Lowe) without having to pay any amount in respect of the same. However, from the ledger account statements of Best, Fern and Modland, it was observed that these entities had paid back the ICD amount to FHsL (post merger with FHMNL) during September 2013 to July 2015 and RHC Holding had provided funds to said entities to repay to FHsL.
- h. Details of flow of funds from FHMNNL to RHC (through Best, Fern and Modland) on December 28, 2011 and the subsequent repayments of the same (along with the fund movements) is given below:

Outflow of funds from FHMNL

Table 3 Flow of funds from FHMNL to RHC Holding on December 28, 2011

28/12/2011	FHMNL 176,00,00,000	→	Best 200,00,00,000	→	Ranchem 105,00,00,000	→	RHC 105,00,00,000
	EHIRCL 24,00,00,000			→	ANR 95,00,00,000		RHC 95,00,00,000
	FHMNL 200,00,00,000	→	Fern 200,00,00,000	→	ANR 95,10,00,000	→	RHC 95,10,00,000
					→		RHC 104,90,00,000
	FHMNL 200,00,00,000	→	Modland 200,00,00,000	→	Ranchem 200,00,00,000	→	RHC 200,00,00,000

Inflow of funds to FHMNL / FHsL

Table 4 Flow of funds from RHC Holding to FHMNL / FHsL during December 2011 to July 2015

30/12/2011	FHMNL 10,00,00,000	←	Best 10,00,00,000	←		RHC 10,00,00,000	
01/11/2013	FHsL 85,00,00,000	←	Modland 10,00,00,000	←	Rexcin 10,00,00,000	←	RHC 85,00,00,000
			Best 8,00,00,000	←		Ranchem 38,00,00,000	





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			Fern 20,00,00,000	←			
			Fern 30,00,00,000	←	Fortis Global 30,00,00,000	←	
			Fern 5,00,00,000	←	Fortis Global 5,00,00,000	←	
			Modland 2,00,00,000	←	BHMPL 2,00,00,000	←	ANR 17,00,00,000
			Best 10,00,00,000	←			

31/12/2013	FHsL 100,00,00,000	←	Modland 100,00,00,000	←	Ranchem 100,00,00,000	←	RHC 100,00,00,000
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- i. From the above, it was observed that Rs. 576 crore was transferred from FHMNL to RHC Holding (through Best, Fern and Modland) on December 28, 2011. FHMNL, in its books of accounts showed this amount as ICD to the 3 borrower companies and as per the terms of the said ICDs, these ICDs were to be repaid by the 3 borrower companies to FHMNL by March 30, 2012. However, the repayments of said amounts was made by the 3 entities from the period December 30, 2011 to July 31, 2015 and such repayments were made through RHC Holding. Hence, it was observed that RHC Holding utilized this money (Rs. 576 crore approx.) for more than 3 years and no such disclosure was made by FHL in its financial statements during the concerned FYs.
- j. From the above mentioned analysis and pattern of flow of funds, it is alleged that the same was carried out to falsely portray that RHC Holding had paid the consideration money of Rs.600 crores in three tranches to Lowe / FHL for the land on 28/12/2011. However, in reality, no consideration was paid by RHC Holding.
- k. Although, RHC Holding was observed to have subsequently repaid Rs.600 crores to FHL through FHsL with 14% interest per annum, the said repayment was over a period of four years and was completed by July 31, 2015. Thus, though RHC Holding ultimately paid the consideration for land, it was after a period of more than 3 years. In other words, ICDs/loans that FHL provided to Best, Fern and Modland through FHMNL / FHsL was actually utilized by RHC Holding for a period of 3-4 years, without any such disclosure made by FHL in its consolidated financial statements during the concerned FYs.





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10.3.2 Subsequent Short Term Loans / ICDs – These include several short term ICDs that were given by FHMNL / FHsL to Best, Fern and Modland during the period December 2012 to March 2016.

- a. Subsequent to the initial loans / ICDs during December 2011, it was observed that FHMNL and post-merger, FHsL had granted several other short term ICDs / loans to Best, Fern and Modland during the period December 2012 to March 2016. It was also observed that the funds for granting such short term ICDs / loans to the 3 borrower companies, were received by FHMNL/FHsL from FHL only. A summary of these short term loans and their repayments as appearing in ledger account of Best, Fern and Modland is reproduced in Table below:

Table 5 Extract of Ledger of Short term ICDs to Best

Instances	Date	Narration	Debit (INR)	Credit (INR)	Balance (INR)
1	26/12/2012	BEING AMOUNT PAID TO BEST	100,00,00,000		266,00,00,000
1	31/12/2012	REPAYMENT OF LOAN FRO BEST		100,00,00,000	166,00,00,000
2	26/07/2013	BEING AMOUNT TRANSFER TO BEST	75,00,00,000		241,00,00,000
2	29/07/2013	BEING AMOUNT RECD FROM BEST		75,00,00,000	166,00,00,000
3	20/08/2013	BEING AMOUNT TRANSFER TO BEST	75,00,00,000		241,00,00,000
3	30/08/2013	BEING AMOUNT RECD FROM BEST		75,00,00,000	166,00,00,000
4	16/09/2013	BEING AMOUNT TRANSFER TO BEST	60,00,00,000		226,00,00,000
4	23/09/2013	BEING AMOUNT RECD FROM BEST		60,00,00,000	166,00,00,000
5	21/11/2013	BEING AMOUNT TRASNFER TO BEST	100,00,00,000		248,00,00,000
5	21/11/2013	BEING AMOUNT RECD FROM BEST		100,00,00,000	148,00,00,000
6	18/12/2013	BEING AMOUNT TRANSFER TO BEST	100,00,00,000		248,00,00,000
6	23/12/2013	BEING AMOUNT RECD FROM BEST		100,00,00,000	148,00,00,000
8	24/09/2014	BEING AMOUNT TRANSFER TO BEST	100,00,00,000		166,00,00,000
8	26/09/2014	BEING AMOUNT RECD FROM BEST		100,00,00,000	66,00,00,000
11	16/09/2015	BEING FUND TRNASFER TO BEST	200,00,00,000		200,00,00,000
11	30/09/2015	BEING FUND RECD FROM BEST		50,00,00,000	150,00,00,000
11	30/09/2015	BEING CHQ. NO. 327330 DT. 30.09.15 RECD FROM BEST HEALTHCARE		150,00,00,000	0
12	26/11/2015	FUND TRANSFER TO BEST	200,00,00,000		200,00,00,000
12	30/12/2015	BEING FUND RECD FROM BEST		200,00,00,000	0
13	01/01/2016	FUND TRANSFER TO BEST	200,00,00,000		200,00,00,000
13	29/01/2016	FUND TRANSFER TO BEST	100,00,00,000		300,00,00,000
13	15/03/2016	FUND RECD FROM BEST		80,00,00,000	220,00,00,000
13	30/03/2016	FUND RECD FROM BEST		145,00,00,000	75,00,00,000
13	31/03/2016	FUND RECD FROM BEST		75,00,00,000	0





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Table 6 Extract of Ledger of Short term ICDs to Fern

	Date	Narration	Debit (INR)	Credit (INR)	Balance (INR)
1	26/12/2012	BEING AMOUNT TRANSFER TO FERN	100,00,00,000		300,00,00,000
1	29/01/2013	BEING AMOUNT RECIEVED FROM FERN		100,00,00,000	200,00,00,000
2	26/07/2013	BEING AMOUNT TRANSFER TO FERN	100,00,00,000		300,00,00,000
2	29/07/2013	BEING AMOUNT RECD FROM FERN		100,00,00,000	200,00,00,000
3	20/08/2013	BEING AMOUNT TRANSFER TO FERN	80,00,00,000		280,00,00,000
3	22/08/2013	BEING AMOUNT RECD FROM FERN		25,00,00,000	255,00,00,000
3	30/08/2013	BEING AMOUNT RECD FROM FERN		55,00,00,000	200,00,00,000
4	16/09/2013	BEING AMOUNT TRANSFER TO FERN	65,00,00,000		265,00,00,000
4	23/09/2013	BEING AMOUNT RECD FROM FERN		65,00,00,000	200,00,00,000
5	21/11/2013	BEING AMOUNT TRASNFER TO FERN	100,00,00,000		245,00,00,000
5	21/11/2013	BEING AMOUNT RECD FROM FERN		100,00,00,000	145,00,00,000
6	18/12/2013	BEING AMOUNT TRANSFER TO FERN	100,00,00,000		245,00,00,000
6	23/12/2013	BEING AMOUNT RECD FROM FERN		100,00,00,000	145,00,00,000
7	05/08/2014	BEING AMOUNT TRANSFER TO FERN	100,00,00,000		100,00,00,000
7	08/08/2014	BEING AMOUNT RECD FROM FERN		100,00,00,000	0
8	24/09/2014	BEING AMOUNT TRANSFER TO FERN	100,00,00,000		100,00,00,000
8	07/10/2014	BEING AMOUNT RECD FROM FERN		100,00,00,000	0
9	25/11/2014	BEING AMOUNT TRANSFER TO FERN	250,00,00,000		250,00,00,000
9	28/11/2014	BEING AMOUNT RECD FROM FERN		250,00,00,000	0
11	16/09/2015	BEING FUND TRNASFER TO FERN	50,00,00,000		50,00,00,000
11	30/09/2015	BEING FUND RECD FROM FERN		50,00,00,000	0
12	26/11/2015	FUND TRANSFER TO FERN	100,00,00,000		100,00,00,000
12	30/12/2015	BEING FUND RECD FROM FERN		100,00,00,000	0
13	01/01/2016	FUND TRANSFER TO FERN T/W LOAN	100,00,00,000		100,00,00,000
13	15/03/2016	FUND TRANSFER TO FERN T/W LOAN	80,00,00,000		180,00,00,000
13	30/03/2016	FUND RECD FROM FERN T/W LOAN		130,00,00,000	50,00,00,000
13	31/03/2016	FUND RECD FROM FERN T/W LOAN		25,00,00,000	25,00,00,000
13	31/03/2016	FUND RECD FROM BEST HELATHCARE		25,00,00,000	0

Table 7 Extract of Ledger of Short term ICDs to Modland

	Date	Narration	Debit (INR)	Credit (INR)	Balance (INR)
5	21/11/2013	BEING AMOUNT TRASNFER TO MODLAND	100,00,00,000		288,00,00,000
5	21/11/2013	BEING AMOUNT RECD FROM MODLAND		100,00,00,000	188,00,00,000
7	05/08/2014	BEING AMOUNT TRANSFER TO MODLAND	100,00,00,000		100,00,00,000
7	07/08/2014	BEING AMOUNT TRANSFER TO MODLAND	50,00,00,000		150,00,00,000
7	08/08/2014	BEING AMOUNT RECD FROM MODLAND		150,00,00,000	0
9	25/11/2014	BEING AMOUNT TRANSFER TO MODLAND	250,00,00,000		250,00,00,000
9	28/11/2014	BEING AMOUNT RECD FROM MODLAND		250,00,00,000	0
10	04/02/2015	MODLAND WARE PVT. LTD. T/W LOAN	50,00,00,000		50,00,00,000
10	31/03/2015	MODLAND WARE PVT. LTD. T/W LOAN		40,00,00,000	10,00,00,000
10	31/03/2015	MODLAND WARE PVT. LTD. T/W LOAN		10,00,00,000	0
	10/02/2016	FUND TRANSFER TO MOODLAND	125,00,00,000		125,00,00,000
	11/02/2016	FUND RECD FROM MODLAND		125,00,00,000	0





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b. The bank statements of Best, Fern and Modland were analyzed to check the actual movement of funds that were provided by FHsL to Best, Fern and Modland by way of grant of loans/ICDs. The movement of funds from FHMNL/FHsL to Best, Fern and Modland and the corresponding repayment entries (as appearing in the bank statements) for each of the short term ICD by FHMNL/FHsL during December 2012 to March 2016 (attached as **Annexure-6**) were analysed and the following were observed:

- The short term loans were given by FHMNL / FHsL to Best, Fern and Modland at various instances during the period December 2012 to September 2015.
- Thereafter, the aforementioned funds were further transferred from Best, Fern, Modland to RHC on same date, through various entities.
- RHC Holding utilized the said funds (indirectly received from FHsL) for certain period ranging from 2 days to 34 days and thereafter, returned the funds to Best, Fern and Modland, through various entities, which were then ultimately transferred by Best, Fern and Modland to FHMNL / FHsL.
- The entities that were used to transfer the funds between RHC and Best, Fern, Modland were Saubhagya, Artifice, Best Cure, Ranchem, ANR, Ad Advertising and Rexcin.

In view of above, it is alleged that funds were repeatedly moved out of FHMNL / FHsL at different occasions for a short period of time, through borrower entities (Best, Fern and Modland) for the ultimate utilization by the promoter entity of FHL (i.e. RHC Holding). Instead of giving loans directly to the company (i.e. RHC Holding) owned by promoters of FHL (i.e. MMS and SMS), funds were routed by way of loans to the 3 borrower companies i.e. Best, Fern and Modland. The same were also allegedly not disclosed in the consolidated financial statements of FHL during the relevant FYs





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- c. Apart from the aforementioned, there were other instances also during which the loans were given by FHsL to Best, Fern and Modland for ultimate benefit of connected entities of promoters of FHL (i.e. RHC Holding). However, in such instances repayment of such loans were initiated through another promoter related entity (i.e. ReligareFinvest Limited), instead of RHC Holding (details as placed at **Annexure -6A**). A summary of such fund movements out from FHsL and received by FHsL during the period November 26, 2015 to April 04, 2016), is given in table below:

Table 8 Summary of funds movements

Date	Amount of funds moved out from FHsL (approx.)	Name of Ultimate Beneficiary of funds	Amount of funds received by FHsL as repayment (approx.)	Name of entity through whom repayment made
26/11/2015	Rs. 300 crore	RHC		
30/12/2015			Rs. 300 crore	RFL
01/01/2016	Rs. 200 crore	RFL		
05/01/2016	Rs. 100 crore	RFL		
29/01/2016	Rs. 100 crore	RFL		
15/03/2016	Rs. 80 crore	RHC		
15/03/2016			Rs. 80 crore	RHC
30/03/2016			Rs. 275 crore	RHC
31/03/2016			Rs. 25 crore	RHC
04/04/2016			Rs. 100 crore	FHsL

- d. From the above table, it was observed that out of a total loan / ICD amount of Rs.780 crore (approx.) that FHsL had granted to Best and Fern during November 26, 2015 to March 31, 2016, RHC Holding was the beneficiary of Rs. 380 crore (approx.) while Rs. 400 crore (approx.) were observed to have been routed to RFL. Further, in terms of repayment of the aforementioned amounts, it was observed that RHC Holding initiated the repayment for Rs. 380 crore (approx.) while the repayment for Rs. 300 crore (approx.) was through RFL during the aforementioned period. As regards the remaining Rs. 100 crore (approx.), repayment for the same was initiated by FHsL itself by issuing an ICD to Modland on April 04, 2016.





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- e. It was observed that ICD dated April 04, 2016 from FHsL to Modland was returned to FHsL on the same date routing through various entities (including Best and Fern). Through such rotation of funds, it was portrayed that the ICD amount of Rs. 100 crore that FHsL had issued to Best on January 29, 2016, was repaid by Best on April 04, 2016. However, as mentioned above, it was seen that such repayment was arranged by FHsL itself by issuing another ICD of Rs. 100 crore to Modland on April 04, 2016. A reference of this ICD dated April 04, 2016 to Modland is also made at Para 10.3.3 – Instance 3 of this show cause notice.
- f. Thus, considering the above pattern of fund transactions, it was observed that RHC Holding repaid the entire amount that it had indirectly received from FHsL during the period November 26, 2015 to March 31, 2016 whereas RFL repaid only Rs. 300 crore out of a total of Rs. 400 crore that it had received indirectly from FHsL during the aforementioned period. In this regard, from the analysis of ledger accounts and bank statements, it was observed that the said Rs. 100 crore (approx.) pertain to the amount (Rs. 100 crore) that was transferred by FHsL to Best on January 29, 2016 (already discussed at **Annexure –6A**).

It was observed that RFL was a subsidiary company of Religare Enterprises Limited (another listed company) which was also under the ownership and control of Singh Brothers. Thus, it was examined whether the aforementioned Rs. 100 crore (that were routed from FHsL to RFL through various entities) were possibly further diverted to other promoter connected entities including RHC Holding.

With reference to the said Rs. 100 crore that were routed from FHsL to RFL through various entities on January 29, 2016 (as mentioned above), the bank account statements and the ledger accounts of last leg of entities from which the money was transferred to RFL (i.e. Best, Fern, Tiger, Zolton), was analysed. From the analysis, it was observed that Rs. 100 crore that





in the process, FHL and FHsL circumvented the provisions of related party transactions as applicable in the case of a listed company i.e, FHL.

- h. Out of various instances during the period December 2012 to March 2016, there was one instance (i.e. on January 29, 2016), when Rs. 100 crore was moved out from FHsL (through Best), wherein the repayment of the said loan was through FHsL itself. The ultimate beneficiary of the said amount of Rs. 100 crore was RHC Holding. Hence, it is alleged that Rs. 100 crore were diverted from FHsL to RHC Holding which ultimately benefitted MMS and SMS, who jointly controlled RHC Holding through Malav Holding and Shivi Holding.

10.3.3 Diversion of Loans / ICDs – These pertain to transactions that led to diversion of the funds from FHsL to promoter entities through Best, Fern and Modland:

It was observed that during December 2012 to December 2015, FHsL gave several short term loans / ICDs to Best, Fern and Modland for the ultimate benefit of RHC Holding and the repayment of such loans were regular during the aforementioned period. However, after December 2015, FHsL was observed to have granted certain loans / ICDs again to Best, Fern and Modland for which the repayment was not received.

The details of aforesaid funds are as follows:

i) Instance 1 – Funds Transfer from FHsL to Fern on April 04, 2016

Flow of funds from FHsL to RHC through Fern during April 2016

04/04/2016	FHsL 175,00,00,000	→	Fern	→	ANR 175,00,00,000	→	RHC 175,00,00,000
			75,00,00,000				
			Fern	→			
			100,00,00,000				

From the above, it was observed that FHsL gave a loan of Rs. 175 crore to Fern on April 04, 2016. Thereafter, Fern transferred Rs. 175 crore to ANR and ANR transferred the same amount to RHC Holding on the same day. It was also observed that after receiving Rs. 175 crore from ANR, RHC Holding transferred Rs. 200.40 crore to HDFC Ltd on





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April 04, 2016. From the bank account statement of RHC Holding and the reply received from HDFC, it was observed that RHC Holding utilized this Rs. 175 crore in payment of its loan of Rs. 200 crore that it had taken from HDFC. Further, from the ledger account of Fern in the books of FHsL, it was observed that FHsL received these Rs. 175 crore from Fern on June 30, 2016. However, on analysis of bank account statement of FHsL and Fern, it was observed that the aforementioned payment by Fern was not a genuine payment and it was merely a “book entry” in the form of circular flow of transactions between FHsL and Fern to show that money had been received back whereas FHsL hasn’t received any actual money from Fern on that date. The details of the same are given at para no. 10.3.4.

ii) Instance 2 – Funds Transfer from FHsL to Modland on April 04, 2016

Flow of funds from FHsL to RHC through Modland during April 2016

04/04/2016	FHsL 100,00,00,000	→	Modland 100,00,00,000	→	Torus 100,00,00,000	→	Addon Realty 132,65,00,000	→	RFL 125,00,00,000
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From the above, it was observed that on receiving the amount from Torus, Addon Realty transferred Rs. 125 crore to RFL on the same day. It was observed that the last leg from which RFL received the money was Addon Realty. The ledger account of Addon Realty in the books of RFL were analysed and based on submissions of RFL in this regard, it was observed that Addon Realty had transferred Rs. 125 crore to RFL as part of repayment of earlier loan of Rs. 156 crore taken from RFL. Thus, the utilization of loan taken by byAddon from RFL was also analyzed. The utilization of the said are as follows:





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Flow of funds from Addon Realty after it received funds from RFL

27/03/2014	RFL	→	Addon Realty	→	Fern	→	Ligare Aviation 78,19,85,794	→	Oscar 78,19,52,137	→	Ranchem 112,50,00,000	→	RHC
	156,00,00,000		156,00,00,000		93,09,80,322		→			Ranchem 100,00,00,000		225,00,00,000	

From the above, it was observed that Addon Realty had transferred Rs. 93.09 crore to Fern which were subsequently transferred to RHC Holding through various entities (viz. Ligare Aviation, Oscar, Ranchem). All these fund transfers were observed to have happened on the same date i.e. March 27, 2014 and after receiving Rs. 225 crore from Ranchem, RHC Holding transferred Rs. 200 crore to RHC Holding Commercial Paper Account on March 27, 2014 from where the money was further transferred to IDBI Liquid Fund (Rs. 100 crore), Peerless Mutual Fund (Rs. 50 crore) and JM Financial Mutual Fund (Rs. 50 crore) on March 27, 2014, which was for RHC's own purpose and benefit. Further, as already mentioned Addon Realty had used the funds indirectly received from FHsL (Rs. 100 crore) on April 04, 2016 to make the part repayment of the aforementioned loan amount that it had taken from RFL. Therefore, RHC Holding was observed to be the ultimate beneficiary of Rs. 93.09 crore (approx.) as money received by Addon Realty from RFL during March 27, 2014 were ultimately transferred to RHC Holding and Addon Realty had used the funds received by FHsL to make part repayment of this loan during April 04, 2016. Thus, it was observed that out of Rs. 100 crore that moved out from FHsL on April 04, 2016 (through Modland, Torus and Addon Realty, Rs. 93.09 crore (approx.) crore were diverted to RHC Holding.

iii) Instance 3 – Funds Transfer from FHsL to Modland on April 04, 2016

Flow of funds from FHsL to RHC through Modland during April 2016

04/04/2016	FHsL	→	Modland	→	Torus	→	Best 75,00,00,000	→	FHsL 75,00,00,000
	100,00,00,000		100,00,00,000		100,00,00,000		Fern 25,00,00,000		FHsL 25,00,00,000

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From the above table, it was observed that the amount of Rs. 100 crores, was used to settle the earlier ICD amount that FHsL issued to Best & Fern on January 29, 2016. It was also noted in Para 10.3.2 that the ultimate beneficiary of the amount of Rs. 100 crore that went out from FHsL to Best on January 29, 2016, was RHC Holding. Hence, it is alleged that Rs. 100 crore were diverted from FHsL to RHC Holding.

iv) Instance 4 – Funds Transfer from FHsL to Best on May 20, 2016

Flow of funds from FHsL to RHC through Best during May 2016

20/05/2016	FHsL 98,00,00,000	→	Best 98,00,00,000	→	Torus 98,00,00,000	→	Ranchem 98,00,00,000	→	RHC 98,00,00,000
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From the above table, it was observed that the said amount of Rs. 98 crores had been ultimately transferred to RHC Holding and RHC Holding had utilized this money for paying off Indiabulls Mutual Fund on the same day. Further, from the ledger account of Best in the books of FHsL, it was observed that FHsL received these Rs. 98 crores from Fern on June 30, 2016. However, on analysis of bank account statement of FHsL and Best, it was observed that the aforementioned payment by Best was not a genuine payment and it was merely a circular flow of transactions between FHsL and Fern to show that money had been received back whereas FHsL hasn't received any actual money from Fern on that date. The details of the same are being given at para no 10.3.4. Thus, it was observed that Rs. 98 crore was diverted from FHsL to RHC Holding, which utilized such funds for its own purpose.

Overall Allegation relating to Diversion of funds from FHsL –

In view of above, it was observed that on several occasions till May 2016, funds were diverted from FHL through FHsL for the ultimate benefit of RHC Holding which include the following:

- Rs. 175 crore (Refer Instance 1 – Outflow of funds on April 04, 2016 from FHsL to Fern for which the ultimate beneficiary was RHC Holding).





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- Rs. 93.09 crore (Refer Instance 2 – Outflow of funds on April 04, 2016 from FHsL to Modland for which the ultimate beneficiary was RHC Holding).
- Rs. 100 crore (Refer Instance 3 and Annexure-6A to Para 10.3.2 w.r.t Outflow of funds on January 29, 2016 from FHsL to Best for which the ultimate beneficiary was RHC Holding. The repayment of the said ICD dated January 29, 2016 was also arranged by FHsL by issuing another ICD of Rs. 100 crore to Modland on April 04, 2016.
- Rs. 98 crore (Refer Instance 4 – Outflow of funds on May 20, 2016 from FHsL to Best for which the ultimate beneficiary was RHC Holding).

From the above analysis, it was observed that funds to the tune of Rs. 466 crore (approx.) were routed from FHL through FHsL to RHC Holding for the ultimate benefit of erstwhile promoters of FHL (i.e. MMS and SMS) as RHC was jointly owned by MMS and SMS. However, **the complete and final allegations with respect to funds diverted from FHL through FHsL during the IP has been discussed and given at succeeding paras 10.3.5 & 10.3.6.**

10.3.4 Financial Misrepresentation – These include transactions executed between FHsL and Best, Fern, Modland that led to misrepresentation in the financial statements of FHsL:-

- a. As discussed at paras 10.3.2 above,, FHsL provided short term loans to Best, Fern and Modland for the ultimate benefit of RHC Holding from December 2012 to December 2015. It was also observed that during January 2016 to May 2016, funds were moved out of FHsL through Best, Fern and Modland which benefitted RHC Holding. This para deals with the analysis of fund movements between FHsL and the borrower companies (Best, Fern and Modland) after May 2016. On analysis of the ledger account statements of Best, Fern and Modland in the books of FHsL, it was observed that FHsL was granting loans to the aforementioned three companies during the 1st day of the quarter and these





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three companies were repaying the loan amount during the last day of the quarter. However, on observing the bank account statements of Best, Fern, Modland and FHsL, it was observed that that FHsL had entered into multiple structured transactions with these three companies for five quarters (i.e. from Q1 of FY 2016-17 to Q1 of FY 2017-18). The details of such transactions with each of the three entities are given below:

b. Transactions with Best –

As per ledger statement - Below mentioned is the extract of ledger account statement of Best in the books of FHsL for certain transactions during the period from April 2016 to June 2017:

Table 9: Extracts from Ledger account statement of Best in the books of FHsL

Date	Particulars	Amount (in Rs.)	Cumulative Balance (in Rs.)
01/04/2016	Opening Balance		-
25/05/2016	Being amount t/w loan to Best Healthcare Pvt. Ltd. Dt. 20.05.16	98,00,00,000	98,00,00,000
30/06/2016	Being fund recd from Best Healthcare Pvt. Ltd. T/W Loan Repayment & Interest Recd Dt 30.06.16	-98,00,00,000	-
01/07/2016	Fund paid to Best Healthcare Pvt. Ltd. T/W Loan Dt. 01.07.16	98,00,00,000	98,00,00,000
30/09/2016	Being chq. Recd from Best Healthcare t/w repayment of loan chq. No. 000004 & 000005	-98,00,00,000	-
01/10/2016	Fund transfer to Best Healthcare t/w loan dt. 01.10.16	98,00,00,000	98,00,00,000
30/12/2016	Being fund recd from Best Healthcare Pvt. Ltd. T/w principal & interest received from best from 30th nov 16 to 29th dec on Rs. 98 crores dt. 30.12.16	-98,00,00,000	-
02/01/2017	Fund transfer to Best Healthcare t/w loan dt. 02.01.17	98,00,00,000	98,00,00,000
31/03/2017	Fund recd from Best Healthcare Pvt. Ltd. T/w principal & interest received from best from 01st mar 17 to 30 mar 17 on Rs. 98 crores	-98,00,00,000	-
03/04/2017	Loan paid to Best Healthcare Pvt. Ltd. Dt. 03.04.17	1,50,00,00,000	1,50,00,00,000
30/06/2017	Fund recd from Best Healthcare Pvt. Ltd. T/w principal & interest received from best from 03rd apr 17 to 30 jun 17 on Rs. 150 crores	-1,50,00,00,000	-
01/07/2017	Fund trf to Best Healthcare ltd. Dt. 01.07.17	1,55,07,00,000	1,55,07,00,000





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From the above table, it is observed that FHsL provided funds to Best during the 1st day of the quarter and Best used to repay the same money to FHsL during the last day of the quarter. In order to further understand these movements of funds, the bank account statements of FHsL and Best were analysed.

As per Bank account statement - Below mentioned are some of the transactions appearing in the bank account statement of Best during quarter ending June 2016:

Table 10: Extracts from Bank account statement of Best maintained with Axis Bank

Bank Account statement of Best – Axis Bank Account				
Date	Particulars	Debit Amount (in Rs.)	Credit Amount (in Rs.)	Balance (in Rs.)
19/05/2016	Closing Balance as on 19/05/2016			2,16,01,573
20/05/2016	Received from Fortis Hospitals		98,00,00,000	
20/05/2016	Transferred to Torus	98,00,00,000		
20/05/2016	Closing balance as on 20/05/2016			62,74,176
29/06/2016	Closing Balance as on 29/06/2016			12,76,039
30/06/2016	Closing Balance as on 30/06/2016			3,39,71,710
01/07/2016	Received from Fortis Hospitals		50,00,00,000	
01/07/2016	Transferred to Fortis Hospitals	50,00,00,000		
01/07/2016	Received from Torus		50,00,00,000	
01/07/2016	Transferred to Fortis Hospitals	50,00,00,000		
01/07/2016	Received from Fortis Hospitals		50,00,00,000	
01/07/2016	Transferred to Torus	50,00,00,000		
01/07/2016	Closing balance as on 01/07/2016			3,14,71,652

From the above table, the following is observed:

- On receiving the money to the tune of Rs. 98 crores from FHsL on 20/05/2016, Best transferred it instantly to Torus on same date. These transactions have been discussed at Para10.3.3 Instance no 4 wherein it was observed that these funds were ultimately diverted to RHC Holding.





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- ii) On 30/06/2016, Best did not have the required funds in its bank statement to pay Rs. 98 crores to FHsL as balance in the bank account statement of Best as on June 30, 2016 was Rs. 3.4 crores (approx.).
- iii) The actual repayment of Rs. 98 crores from Best to FHsL took place on July 01, 2016 (i.e. after Best received Rs. 98 crores from FHsL {through Torus}).

In view of above, it was observed that Best utilized the funds received from FHsL on July 01, 2016 to pay of its outstanding dues of Rs. 98 crores to FHsL as on June 30, 2016. Further, FHsL didn't receive any funds from Best on June 30, 2016 whereas in its books of accounts, FHsL recorded the receipt of funds of Rs. 98 crores from Best on June 30, 2016 only. This led to artificially inflation of the bank balance in the books of account of FHsL for quarter ending June 30, 2016.

A similar pattern of fund flow was observed between FHsL and Best during subsequent quarters also .i.e. from quarter ending September 2016 to quarter ending June 2017. Below mentioned are some of the transactions appearing in the bank account statement of Best during the aforementioned quarters:

Table 11: Extracts from Bank account statement of Best maintained with HDFC Bank

Bank Account statement of Best – HDFC Bank Account				
Date	Particulars	Debit Amount (in Rs.)	Credit Amount (in Rs.)	Balance (in Rs.)
Quarter ending September 2016				
30/09/2016	Closing Balance as on 30/09/2016			10,069
01/10/2016	Received from SaubhagyaBuildconPvt Ltd		50,00,00,000	
01/10/2016	Transferred to Fortis Hospitals	50,00,00,000		
01/10/2016	Received from Fortis Hospitals		50,00,00,000	
01/10/2016	Transferred to Fortis Hospitals	48,00,00,000		
01/10/2016	Received from Fortis Hospitals		48,00,00,000	
01/10/2016	Transferred to SaubhagyaBuildconPvt Ltd	50,00,00,000		
01/10/2016	Closing balance as on 01/10/2016			10,069
Quarter ending December 2016				
31/12/2016	Closing Balance as on 31/12/2016			11,26,102
02/01/2017	Received from ANR Securities Pvt Ltd		98,00,00,000	
02/01/2017	Transferred to Fortis Hospitals	98,00,00,000		

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02/01/2017	Received from Fortis Hospitals		98,00,00,000	
02/01/2017	Transferred to ANR Securities Pvt Ltd	98,00,00,000		
02/01/2017	Closing balance as on 02/01/2017			11,26,073
Quarter ending March 2017				
31/03/2017	Closing Balance as on 31/03/2017			75,64,266
03/04/2017	Received from Fortis Hospitals		1,50,00,00,000	
03/04/2017	Transferred to Fortis Hospitals	98,00,00,000		
03/04/2017	Transferred to Fortis Hospitals	1,10,51,178		
03/04/2017	Transferred to Torus Buildcon Pvt Ltd* (This amount was transferred from Torus to Modland and from Modland to Fortis on same date i.e. 03/04/2017)	50,90,00,000		
03/04/2017	Closing balance as on 03/04/2017			75,13,088
Quarter ending June 2017				
30/06/2017	Closing Balance as on 30/06/2017			29,07,002
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		5,07,00,000	
01/07/2017	Transferred to Fortis Hospitals	5,06,93,425		
01/07/2017	Closing balance as on 01/07/2017			4,11,499

From the above table, the following was observed:

- i) The amount available in the aforementioned bank account of Best during the last day of each quarter (i.e. from quarter ending September 2016 to quarter ending June 2017) was insignificant compared to the repayment amount that Best had to make to FHsL at the end of each quarter.
- ii) Before making the repayment of loan / ICD to FHsL during the end of each quarter (i.e. from quarter ending September 2016 to quarter ending June 2017), Best had received funds from either FHsL itself or through other entities (like SaubhagyaBuildcon, ANR Securities & Torus Buildcon and





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repayment to such entities were made by Best on the same day itself through the funds received from FHsL).

In addition to above, it was observed that prior to quarter ending June 2017, repayment by Best to FHsL were made in 1 or 2 transactions, however, during the quarter ending June 2017, cheques worth Rs. 30 crores were rotated in the bank accounts of FHsL and Best five times on a single day i.e. on July 01, 2017. During this period, FHsL had shown receipt of funds to the tune of Rs. 150 crores from Best as on June 30, 2017 in the ledger account of Best and also shown transfer of funds to the tune of Rs. 155.07 crores to Best on July 01, 2017. In this regard, information was sought from HDFC Bank (where the bank accounts of Best and FHsL were maintained). Based on the information received from HDFC bank, the following was observed:

- i) Best had issued five cheques of Rs. 30 crores each dated June 30, 2017 in the name of FHsL (The cheque numbers were 00107, 00109, 00110, 00111, 00112). On the date of issuing such cheques, the balance available in the bank account statement of Best was Rs. 29 lakhs (approx.) only.
- ii) FHsL had issued five cheques of Rs. 30 crores each dated July 01, 2017 in the name of Best (The cheque numbers were 05832, 05833, 05834, 05835, 05836).
- iii) The bank account statement of Best and FHsL were maintained with the same bank i.e. HDFC bank, whereas, the branches were different (Bank account of Best was maintained with KG Marg, New Delhi Branch and the Bank account to FHsL was maintained with Bankhouse Gurgaon Branch). However, the aforementioned cheques of both Best and FHsL were deposited with Bankhouse Gurgaon Branch on the same date i.e. on July 01, 2017.





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c. Transactions with Fern –

As per ledger statement - Below mentioned is the extract of ledger account statement of Fern in the books of FHSL for certain transactions during the period from April 2016 to June 2017:

Table 12: Extracts from Ledger account statement of Fern in the books of FHSL

Date	Particulars	Amount (In Rs.)	Cumulative Balance (In Rs.)
01/04/2016	Opening Balance		-
04/04/2016	Fund Transfer To Fern Healthcare T/W Loan Dt. 04.04.16	75,00,00,000	75,00,00,000
04/04/2016	Fund Transfer To Fern Healthcare T/W Loan Dt. 04.04.16	1,00,00,00,000	1,75,00,00,000
30/06/2016	Being Amount Of Interest Income Booked On Fern Healthcare	1,75,00,00,000	-
01/07/2016	Fund Paid To Fern Healthcare Pvt. Ltd. T/W Loan Dt. 01.07.16	1,75,00,00,000	1,75,00,00,000
30/09/2016	Being Chq. Recd from Fern Healthcare T/W Repayemnt of Loan Chq. No. 005028 005029 005030 & 005031	1,75,00,00,000	-
01/10/2016	Fund Transfer To Fern Healthcaer T/W Loan Dt. 01.10.16	1,75,00,00,000	1,75,00,00,000
30/12/2016	Fund Refd From Fern Healthcare T/W Principal & Interest Received From Fern From 30th Nov 16 To 29th Dec On Rs 175 Crores Dt. 30.12.16	1,75,00,00,000	-
02/01/2017	Fund Transfer To Fern Healthcare T/W Loan Dt. 02.01.17	1,75,00,00,000	1,75,00,00,000
31/03/2017	Fund Recd From Fern Healthcare T/W Principal & Interest Received From Fern From 01st Mar 17 To 30 Mar17 On Rs 175 Crores	1,75,00,00,000	-
03/04/2017	Loan Paid To Fern Healthcare Pvt. Ltd. Dt. 03.04.17	1,78,00,00,000	1,78,00,00,000
30/06/2017	Fund Recd From Fern Healthcare T/W Principal & Interest Received From Fern From 03rd Apr 17 To 30 Jun 17 On Rs 178 Crores	1,75,00,00,000	-
01/07/2017	Fund Trf To Fern Helathcare Ltd. Dt. 01.07.17	1,84,00,00,000	1,84,00,00,000

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From the above table, it is observed that FHsL provided funds to Fern during the 1st day of the quarter and Fern use to repay the same money to FHsL during the last day of the quarter. In order to further understand these movements of funds, the bank account statements of FHsL and Fern were analysed.

As per Bank account statement - Below mentioned are some of the transactions appearing in the bank account statement of Fern during quarter ending June 2016 to quarter ending June 2017:

Table 13: Extracts from Bank account statement of Fern maintained with Axis Bank & HDFC Bank

Bank Account statement of Fern – Axis Bank Account				
Date	Particulars	Debit Amount (in Rs.)	Credit Amount (in Rs.)	Balance (in Rs.)
03/04/2016	Closing Balance as on April 03, 2016			5,66,276
04/04/2016	Received from Fortis Hospitals		75,00,00,000	
04/04/2016	Received from Fortis Hospitals		1,00,00,00,000	
04/04/2016	Transferred to ANR Securities Pvt Ltd.	1,75,00,00,000		
04/04/2016	Closing balance as on 04/04/2016			5,41,276
30/06/2016	Closing Balance as on June 30, 2016			15,52,313
01/07/2016	Received from Torus BuildconPvt Ltd		50,00,00,000	
01/07/2016	Transferred to Fortis Hospitals Ltd	50,00,00,000		
01/07/2016	Received from Fortis Hospitals Ltd		50,00,00,000	
01/07/2016	Transferred to Fortis Hospitals Ltd	50,00,00,000		
01/07/2016	Received from Fortis Hospitals Ltd		50,00,00,000	
01/07/2016	Transferred to Fortis Hospitals Ltd	50,00,00,000		
01/07/2016	Received from Fortis Hospitals Ltd		50,00,00,000	
01/07/2016	Transferred to Fortis Hospitals Ltd	25,00,00,000		
01/07/2016	Received from Fortis Hospitals Ltd		25,00,00,000	
01/07/2016	Transferred to Torus BuildconPvt Ltd	50,00,00,000		
01/07/2016	Closing balance as on 04/04/2016			15,42,163
Bank Account statement of Fern – HDFC Bank Account				
Quarter ending September 2016				
30/09/2016	Closing Balance as on 30/09/2016			81,975
01/10/2016	Received from SaubhagyaBuildconPvt Ltd		50,00,00,000	
01/10/2016	Transferred to Fortis Hospitals	50,00,00,000		
01/10/2016	Received from Fortis Hospitals		50,00,00,000	

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01/10/2016	Transferred to Fortis Hospitals	50,00,00,000		
01/10/2016	Received from Fortis Hospitals		50,00,00,000	
01/10/2016	Transferred to Fortis Hospitals	50,00,00,000		
01/10/2016	Received from Fortis Hospitals		50,00,00,000	
01/10/2016	Transferred to Fortis Hospitals	25,00,00,000		
01/10/2016	Received from Fortis Hospitals		25,00,00,000	
01/10/2016	Transferred to SaubhagyaBuildconPvt Ltd	50,00,00,000		
01/10/2016	Closing balance as on 01/10/2016			81,975
Quarter ending December 2016				
31/12/2016	Closing Balance as on 31/12/2016			1,84,984
02/01/2017	Received from ANR Securities Pvt Ltd		1,50,00,00,000	
02/01/2017	Transferred to Fortis Hospitals	1,50,00,00,000		
02/01/2017	Received from Fortis Hospitals		1,50,00,00,000	
02/01/2017	Transferred to Fortis Hospitals	25,00,00,000		
02/01/2017	Received from Fortis Hospitals		25,00,00,000	
02/01/2017	Transferred to ANR Securities Pvt Ltd	1,50,00,00,000		
02/01/2017	Closing balance as on 02/01/2017			1,84,984
Quarter ending March 2017				
31/03/2017	Closing Balance as on 31/03/2017			11,56,934
03/04/2017	Received from Fortis Hospitals		1,78,00,00,000	
03/04/2017	Transferred to Fortis Hospitals	1,75,00,00,000		
03/04/2017	Transferred to Fortis Hospitals	1,97,34,247		
03/04/2017	Transferred to ANR Securities Pvt Ltd	1,03,00,000		
03/04/2017	Closing balance as on 03/04/2017			11,22,687
Quarter ending June 2017				
30/06/2017	Closing Balance as on 30/06/2017			1,18,763
01/07/2017	Received from SaubhagyaBuildcon		2,00,000	
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		4,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	4,01,56,197		
01/07/2017	Closing balance as on 01/07/2017			1,62,566

From the above table, the following was observed:

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- i) The amount available in the aforementioned bank accounts of Fern during the last day of each quarter (i.e. from quarter ending June 2016 to quarter ending June 2017) was insignificant compared to the repayment amount that Fern had to make to FHsL at the end of each quarter.
- ii) Before making the payment of loan / ICD to FHsL during the end of each quarter (i.e. from quarter ending September 2016 to quarter ending June 2017), Fern had received funds from either FHsL itself or through other entities (like SaubhagyaBuildcon, ANR Securities & Torus Buildcon and repayment to such entities were made by Fern on the same day itself through the funds received from FHsL).

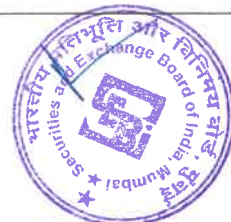
d. Transactions with Modland –

As per ledger statement - Below mentioned is the extract of ledger account statement of Fern in the books of FHsL for certain transactions during the period from April 2016 to June 2017:

Table 14: Extracts from Ledger account statement of Modland in the books of FHsL

Date	Particulars	Amount (in Rs.)	Cumulative Balance (in Rs.)
01/04/2016	Opening Balance		-
04/04/2016	Fund Transfer To Modland Wears T/W Loan Dt. 04.04.16	1,00,00,00,000	1,00,00,00,000
04/04/2016	Fund Transfer To Modland T/W Loan	1,00,00,00,000	2,00,00,00,000
30/06/2016	Fund Refd From Modland Healthcare T/W Loan Repayment & Interest Recd Dt.30.06.16	2,00,00,00,000	-
01/07/2016	Fund Paid To Modland Helath Care T/W Loan Dt. 01.07.16	2,00,00,00,000	2,00,00,00,000
30/09/2016	Being Chq. Recd from Modland Healthcare T/W Repayemnt of Loan Chq. No. 000007 000008 000009 & 000010	2,00,00,00,000	-
01/10/2016	Fund Transfer To Modland Healthcaer T/W Loan Dt. 01.10.16	2,00,00,00,000	2,00,00,00,000
30/12/2016	Fund Refd From Modland Healthcare T/W Principal & Interest Received From Modland From 30th Nov 16 To	2,00,00,00,000	-

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Date	Particulars	Amount (in Rs.)	Cumulative Balance (in Rs.)
	29th Dec On Rs 200 Crores Dt. 30.12.16		
02/01/2017	Fund Transfer To Modland Healthcare T/W Loan Dt. 02.01.17	2,00,00,00,000	2,00,00,00,000
31/03/2017	FUND RECD FROM MODLAND HEALTHCARE T/W PRINCIPAL & INTEREST RECEIVED FROM MODLAND FROM 01st Mar 17 TO 30 Mar17 ON RS 200 CRORES	2,00,00,00,000	-
03/04/2017	Loan Paid To Modland Wears Pvt. Ltd. Dt. 03.04.17	1,50,00,00,000	1,50,00,00,000
30/06/2017	FUND RECD FROM MODLAND HEALTHCARE T/W PRINCIPAL & INTEREST RECEIVED FROM MODLAND FROM 03rd Apr17 TO 30 Jun 17 ON RS 150 CRORES	1,50,00,00,000	-
01/07/2017	Fund Trf To Modland Dt. 01.07.17	1,55,07,00,000	1,55,07,00,000

From the above table, it is observed that FHsL provided funds to Modland during the 1st day of the quarter and Modland use to repay the same money to FHsL during the last day of the quarter. In order to further understand these movements of funds, the bank account statements of FHsL and Modland were analysed.

As per Bank account statement - Below mentioned are some of the transactions appearing in the bank account statement of Modland during quarter ending June 2016 to quarter ending June 2017:

Table 15: Extracts from Bank account statement of Modland maintained with Axis Bank & HDFC Bank

Bank Account statement of Modland – Axis Bank Account				
Quarter ending June 2016				
Date	Particulars	Debit Amount (in Rs.)	Credit Amount (in Rs.)	Balance (in Rs.)
03/04/2016	Closing Balance as on April 03, 2016			3,36,50,316
04/04/2016	Received from Fortis Hospitals		1,00,00,00,000	
04/04/2016	Transferred to Torus BuildconPvt Ltd	1,00,00,00,000		
04/04/2016	Received from Fortis Hospitals		1,00,00,00,000	
04/04/2016	Transferred to Torus BuildconPvt Ltd	1,00,00,00,000		

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04/04/2016	Closing balance as on 04/04/2016			1,73,28,190
30/06/2016	Closing Balance as on June 30, 2016			9,78,771
01/07/2016	Received from RanchemPvt Ltd		50,00,00,000	
01/07/2016	Transferred to Fortis Hospitals Ltd	50,00,00,000		
01/07/2016	Received from Fortis Hospitals Ltd		50,00,00,000	
01/07/2016	Transferred to Fortis Hospitals Ltd	50,00,00,000		
01/07/2016	Received from Fortis Hospitals Ltd		50,00,00,000	
01/07/2016	Transferred to Fortis Hospitals Ltd	50,00,00,000		
01/07/2016	Received from Fortis Hospitals Ltd		50,00,00,000	
01/07/2016	Transferred to Fortis Hospitals Ltd	50,00,00,000		
01/07/2016	Received from Fortis Hospitals Ltd		50,00,00,000	
01/07/2016	Transferred to Torus BuildconPvt Ltd	50,00,00,000		
01/07/2016	Received from Torus BuildconPvt Ltd		50,00,00,000	
01/07/2016	Transferred to RanchemPvt Ltd	50,00,00,000		
01/07/2016	Closing balance as on 04/04/2016			9,78,771
Bank Account statement of Fern – HDFC Bank Account				
Quarter ending September 2016				
30/09/2016	Closing Balance as on 30/09/2016			2,36,330
01/10/2016	Received from SaubhagyaBuildconPvt Ltd		50,00,00,000	
01/10/2016	Transferred to Fortis Hospitals	50,00,00,000		
01/10/2016	Received from Fortis Hospitals		50,00,00,000	
01/10/2016	Transferred to Fortis Hospitals	50,00,00,000		
01/10/2016	Received from Fortis Hospitals		50,00,00,000	
01/10/2016	Transferred to Fortis Hospitals	50,00,00,000		
01/10/2016	Received from Fortis Hospitals		50,00,00,000	
01/10/2016	Transferred to Fortis Hospitals	50,00,00,000		
01/10/2016	Received from Fortis Hospitals		50,00,00,000	
01/10/2016	Transferred to SaubhagyaBuildconPvt Ltd	50,00,00,000		
01/10/2016	Closing balance as on 01/10/2016			2,36,330
Quarter ending December 2016				
31/12/2016	Closing Balance as on 31/12/2016			2,01,470
02/01/2017	Received from ANR Securities Pvt Ltd		1,50,00,00,000	
02/01/2017	Transferred to Fortis Hospitals	1,50,00,00,000		
02/01/2017	Received from Fortis Hospitals		1,50,00,00,000	
02/01/2017	Transferred to Fortis Hospitals	50,00,00,000		
02/01/2017	Received from Fortis Hospitals		50,00,00,000	
02/01/2017	Transferred to ANR Securities Pvt Ltd	1,50,00,00,000		
02/01/2017	Closing balance as on 02/01/2017			2,01,470
Quarter ending March 2017				
31/03/2017	Closing Balance as on 31/03/2017			13,97,840
03/04/2017	Received from RHC Holding Pvt Ltd		1,99,00,00,000	
03/04/2017	Transferred to Torus Buildcon	3,35,00,000		
03/04/2017	Received from ANR Securities Pvt Ltd		3,30,00,000	

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03/04/2017	Received from Torus Buildcon		3,35,00,000	
03/04/2017	Transferred to Fortis Hospitals	2,00,00,00,000		
03/04/2017	Transferred to Fortis Hospitals	2,25,53,425		
03/04/2017	Received from Fortis Hospitals		1,50,00,00,000	
03/04/2017	Received from Torus Buildcon		50,90,00,000	
03/04/2017	Transferred to ANR Securities Pvt Ltd	1,90,00,000		
03/04/2017	Transferred to RHC Holding Pvt Ltd	1,99,00,00,000		
03/04/2017	Closing balance as on 03/04/2017			18,44,415
Quarter ending June 2017				
30/06/2017	Closing Balance as on 30/06/2017			99,723
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		30,00,00,000	
01/07/2017	Transferred to Fortis Hospitals	30,00,00,000		
01/07/2017	Received from Fortis Hospitals		5,07,00,000	
01/07/2017	Transferred to Fortis Hospitals	5,06,93,425		
01/07/2017	Closing balance as on 01/07/2017			1,06,298

From the above table, the following was observed:

- i) The amount available in the aforementioned bank accounts of Modland during the last day of each quarter (i.e. from quarter ending June 2016 to quarter ending June 2017) was insignificant compared to the repayment amount that Modland had to make to FHsL at the end of each quarter.
- ii) Before making the repayment of loan / ICD to FHsL during the end of each quarter (i.e. from quarter ending June 2016 to quarter ending June 2017), Modland had received funds from either FHsL itself or through other entities (like Saubhagya Buildcon Pvt Ltd, ANR Securities Pvt Ltd, RanchemPvt Ltd, RHC Holding & Torus Buildcon and repayment to such entities were made by Modland on the same day itself through the funds received from FHsL).





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- e. In view of observations made at paras 10.3.4 (b to d) above, it was observed that Best / Fern / Modland did not make any actual repayment of loans / ICDs to FHsL during the aforementioned 5 quarters i.e. from quarter ending June 2016 to quarter ending June 2017 as the repayments were made by these companies using the funds received from FHsL only. Thus, FHsL did not receive the repayment of ICDs that was given to Best, Fern and Modland during April / May 2016, details of which are summarised as under:

Table 16: Details of ICDs given by FHsL to 3 borrower companies during FY 2016-17

Date	Entity to which ICD was given	Amount
04/04/2016	Modland Wears Private Limited	2,00,00,00,000
04/04/2016	Fern Healthcare Private Limited	1,75,00,00,000
25/05/2016	Best Healthcare Private Limited	98,00,00,000

With respect to the above ICDs, it was further observed as under:

- i) Through these transactions, the position of funds lying in the bank account of FHsL during the period between the end of quarter ending June 2016 to quarter ending June 2017, were artificially inflated as FHsL had recorded receipt of funds in the ledger accounts of Best / Fern / Modland on the last day of each quarter whereas FHsL actually didn't receive any funds from Best / Fern / Modland on the last day of the aforementioned quarters.
- ii) These synchronized transactions also aided FHsL in masking the fact that the short term loans / ICDs given to Best / Fern / Modland were not performing.
- iii) Through the aforementioned transactions, the position of funds lying in the bank accounts of FHsL at the end of each of the aforementioned 5 quarters had been artificially inflated by Rs. 473 crores
- iv) Since the 3 companies were not able to pay the aforementioned amount of ICDs, these should have been shown as bad debts in the books of accounts of FHsL for the aforementioned 5 quarters. This would have reduced the net profit of FHsL for the 5 quarters. Hence, the profits of the company were inflated by FHsL for the aforementioned 5 quarters by an amount of Rs. 473 crore.





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- v) Although FHsL had not actually received any repayment funds from the said 3 companies during quarter ended June 2016 to quarter ended June 2017, in its books of accounts FHsL had recorded that funds had been received from the aforementioned 3 entities during the end of each quarter from quarter ending June 2016 to June 2017. Thus, the rotational bank transactions through synchronized clearance of cheques were used to misrepresent the actual consolidated financial position by FHL and the three borrower companies and to manipulate the FHsL's books of accounts and for the aforesaid period.
- vi) The structured rotation of funds and the rollover of loans were used by FHsL to hide the real financial position of FHsL and the financial statements of FHsL for quarter ending June 2016 to quarter ending June 2017 were thus misrepresented. Consequently, did not provide a true and fair view of the consolidated financials of FHL to the shareholders of the said listed company.

Considering the above, it is alleged that the structured movement of funds resulted in artificial inflation of the bank balance and net profit of FHsL and non-disclosure of material information as well as misrepresentation in the financial statements of FHsL for the period from quarter ending June 2016 to quarter ending June 2017. The same further resulted in non-disclosure of material information and misrepresentation in the consolidated books of accounts of FHL for the aforesaid period.

10.3.5 Further Diversion / Repayment during 2017-18 (subsequent to Financial Misrepresentation) –

As discussed at para no10.3.1 to 10.3.3 above, numerous fund transactions were observed between FHsL, the borrower companies (Best, Fern and Modland) and various other entities during the IP. All such transactions took place during the period from FY 2011-12 to FY 2015-16 and were categorised into initial loan transactions, subsequent short term loans / ICDs and diversion of funds. Thereafter, during June





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2016 to June 2017, certain other transactions were observed that have been classified as financial misrepresentations and are mentioned at Para 10.3.4 above. Apart from the above, from the ledger accounts of the borrower companies in the books of FHsL, certain other transactions were observed during FY 2017-18 through which the amounts due to borrower companies changed. The details of such transactions and their impact on the net diverted amount has been discussed in this para. However, before explaining the details of such transactions (that took place during FY 2017-18), a summary of the amount observed to be diverted from FHsL to RHC Holding through 3 borrower companies (as mentioned at paras 10.3.2 and 10.3.3) is reproduced below.

Table 17: Summary of amount diverted from FHsL (based on the findings mentioned at Para 10.3.2 and 10.3.3)

Sl. No.	Date of ICD	Details of the borrower company through which the funds were diverted		Details of the Ultimate Beneficiary		Para Reference in which such transactions are explained
		Borrower Company	ICD Amount (in Rs.)	Ultimate Beneficiary	Amount (in Rs.)	
1	04/04/2016	Fern	175 crore	RHC	175 crore	Para 10.3.3 - Instance 1
2	04/04/2016	Modland	100 crore	RHC	93.09 crore	Para 10.3.3- Instance 2
3	04/04/2016	Modland	100 crore	RHC	100 crore	Para 10.3.3 - Instance 3 and Para 10.3.2 Instance 13.
4	20/05/2016	Best	98 crore	RHC	98 crore	Para 10.3.3 - Instance 4
TOTAL					466.09 crore	

From the above, it was observed that funds to the tune of Rs. 466 crore (approx.) were diverted from FHsL (through Best, Fern and Modland) for the ultimate benefit of RHC Holding during the period from January 2016 to May 2016. Thereafter, during June 2016 to June 2017, circular movements of funds were observed between bank accounts of Best, Fern and Modland through which FHsL could portray that the 3 borrower companies were regularly repaying the ICD amount. However, actually no money was





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received by FHsL from these 3 borrower companies during the aforementioned period. A detailed analysis of the same is provided at Para 10.3.4. Further, it was observed that the amount of funds rotated during June 2016 to March 2017 were different from that rotated during April 2017 to March 2018. To understand the same, a summary of ledger account of the 3 borrower companies in the books of FHsL during FY 2016-17 to FY 2017-18 along with the analysis on the transactions during such period is mentioned below:

Transactions with Best and Modland – An extract of ledger account of Best and Modland in the books of FHsL for FY 2016-17 and FY 2017-18 is given in table below:

Table 18: Extract of Ledger Account of Best in books of FHsL

S. No.	Date	Narration	Debit (INR)	Credit (INR)	Balance (INR)
1	25/05/2016	Being Amount T/W Loan To Best	98,00,00,000		98,00,00,000
2	30/06/2016	Being Fund Recd From Best		98,00,00,000	0
3	01/07/2016	Fund Paid To Best	98,00,00,000		98,00,00,000
4	30/09/2016	Being Chq. Recd From Best Healthcare		98,00,00,000	0
5	01/10/2016	Fund Transfer To Best	98,00,00,000		98,00,00,000
6	30/12/2016	Being Fund Recd From Best		98,00,00,000	0
7	02/01/2017	Fund Transfer To Best	98,00,00,000		98,00,00,000
8	31/03/2017	Fund Recd From Best		98,00,00,000	0
9	03/04/2017	Loan Paid To Best	150,00,00,000		150,00,00,000
10	30/06/2017	Fund Recd From Best		150,00,00,000	0
11	01/07/2017	Fund Trf To Best Helathcare	155,07,00,000		155,07,00,000
		Closing Balance as on February 28, 2018			155,07,00,000





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Table 19: Extract of Ledger Account of Modland in books of FHsL

S. No.	Date	Narration	Debit (INR)	Credit (INR)	Balance (INR)
1	04/04/2016	Fund Transfer To Modland	100,00,00,000		100,00,00,000
2	04/04/2016	Fund Transfer To Modland	100,00,00,000		200,00,00,000
3	30/06/2016	Fund Refd From Modland		200,00,00,000	0
4	01/07/2016	Fund Paid To Modland	200,00,00,000		200,00,00,000
5	30/09/2016	Being Chq. Recd From Modland		200,00,00,000	0
6	01/10/2016	Fund Transfer To Modland	200,00,00,000		200,00,00,000
7	30/12/2016	Fund Refd From Modland		200,00,00,000	0
8	02/01/2017	Fund Transfer To Modland	200,00,00,000		200,00,00,000
9	31/03/2017	Fund Recd From Modland		200,00,00,000	0
10	03/04/2017	Loan Paid To Modland	150,00,00,000		150,00,00,000
11	30/06/2017	Fund Recd From Modland		150,00,00,000	0
12	01/07/2017	Fund Trf To Modland	155,07,00,000		155,07,00,000
13	28/07/2017	Fund Recd From Modland		21,71,00,000	133,36,00,000
Closing Balance as on February 28, 2018					133,36,00,000

In the above tables, the analysis of transactions mentioned at Sl. No. 1 to 8 (in Table 19) and Sl. No. 1 to 9 (in Table 20) has been already provided at Para 10.3.4 of this show cause notice.

From Table 19, it was observed that during May 2016 to March 2017, an amount of Rs. 98 crore was rotated multiple times between Best and FHsL. However, during April 2017, the ICD amount to Best was increased from Rs. 98 crore to Rs. 150 crore. Similarly, from Table 20, it was observed that during May 2016 to March 2017, an amount of Rs. 200 crore was rotated multiple times between Best and Modland. However, during April 2017, the ICD amount to Modland was reduced from Rs. 200 crore to Rs. 150 crore.

In this regard, the bank account statements of Best, Modland and FHsL were analysed. Below mentioned is the flow of funds observed on April 03, 2017:

Flow of funds relating to ICD dated April 03, 2017 that FHsL issued to Best

03/04/2017	FHsL 150,00,00,000	→	Best 150,00,00,000	→	FHsL 98,00,00,000			
				→	Torus 50,90,00,000	→	Modland 50,90,00,000	→





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It was observed that FHsL transferred Rs. 150 crore to Best on April 02, 2017. Out of this Rs. 150 crore, Best had transferred Rs. 99 crore (approx.) back to FHsL portraying that it had paid off its earlier ICD amount of Rs. 98 crore along with interest. The remaining Rs. 50.90 crore (approx.) was transferred by Best to Modland (through Torus). In addition to these Rs. 50.90 crore (approx.) that Modland received from Torus, Modland also received Rs. 150 crore from FHsL on April 03, 2017 (This Rs. 150 crore is shown at Sl. No. 10 in Table 20. FHsL has shown this Rs. 150 crore as a fresh ICD to Modland). On the same date (i.e. April 03, 2017), after receiving Rs. 200.90 crore (approx.) (Rs. 150 crore from FHsL and Rs. 50.90 crore from Torus), Modland had transferred Rs. 200 crore to FHsL on the same date (FHsL has shown this receipt of Rs. 200 crore from Modland as repayment of earlier ICD which it had given to Modland. This transaction is shown at SL. No. 9 in Table20).

From the above, the following was observed:

- In the books of FHsL, ICD amount of Best was increased from Rs. 98 crore to Rs. 150 crore.
- In the books of FHsL, ICD amount of Modland was decreased from Rs. 200 crore to Rs. 150 crore.

Hence, it is alleged that the net impact of the aforementioned transactions (with Best and Modland) that happened during April 2017, remained nil for FHsL as the outstanding amount to the extent of Rs. 50 crore was transferred from Modland to Best (which was a mere book entry). It was also observed that during FY 2016-17 and FY 2017-18 when the circular movement of funds took place between the 3 borrower companies and FHsL, the repayment for the principal amount as well as the interest amount (that the borrower companies had paid back to FHsL) was arranged by FHsL only. Hence, the transactions for the interest amount have not been shown separately.

Transactions with Fern – An extract of ledger account of Fern in the books of FHsL for FY 2016-17 and FY 2017-18 is given in table below:





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Table 20: Extract of Ledger Account of Fern in books of FHsL

S. No.	Date	Narration	Debit (INR)	Credit (INR)	Balance (INR)
1	04/04/2016	Fund Transfer To Fern	75,00,00,000		75,00,00,000
2	04/04/2016	Fund Transfer To Fern	100,00,00,000		175,00,00,000
3	30/06/2016	Being Amount Of Interest Income Booked On Fern Healthcare		175,00,00,000	0
4	01/07/2016	Fund Paid To Fern Healthcare	175,00,00,000		175,00,00,000
5	30/09/2016	Being Chq. Recd From Fern		175,00,00,000	0
6	01/10/2016	Fund Transfer To Fern	175,00,00,000		175,00,00,000
7	30/12/2016	Fund Refd From Fern		175,00,00,000	0
8	02/01/2017	Fund Transfer To Fern	175,00,00,000		175,00,00,000
9	31/03/2017	Fund Recd From Fern		175,00,00,000	0
10	03/04/2017	Loan Paid To Fern	178,00,00,000		178,00,00,000
11	30/06/2017	Fund Recd From Fern		178,00,00,000	0
12	01/07/2017	Fund Trf To Fern	184,00,00,000		184,00,00,000
13	21/02/2018	Fund Recd From Fern		70,00,00,000	114,00,00,000
Closing Balance as on February 28, 2018					114,00,00,000

In the above tables, the analysis of transactions mentioned at S. No. 1 to 9 (in Table 21) has been already provided at Para 10.3.4.

From Table 21 above, it was observed that during April 2016 to March 2017, Rs. 175 crore was rotated multiple times between Fern and FHsL. However, during April 2017, the ICD amount to Fern was increased from Rs. 175crore to Rs. 178 crore. Thereafter, the ICD amount to Fern was further increased from Rs. 178 crore to Rs. 184 crore during July 2017. On analysing the bank account statements of Fern and FHsL during quarter ending April 2017 and June 2017, the following was observed:

Flow of funds relating to ICDs dated April 03, 2017 and July 01, 2017 that FHsL issued to Fern

03/04/2017	→	→	FHsL	
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	FHsL		Fern		176,97,34,247	
	178,00,00,000		178,00,00,000	→	ANR	→ RHC
					1,03,00,000	2,93,00,000

01/07/2017	FHsL	→	Fern	→	FHsL	
	184,00,00,000		184,00,00,000		184,01,56,197	

From the above, it was observed that out of increased ICD amount of Rs. 9 crore (from Rs. 175 to Rs. 184 crore), Fern used Rs. 7.97 crore (approx.) to pay off the interest on such ICD to FHsL. Further, out of increased ICD amount of Rs. 3 crore (Rs. 175 crore to Rs. 178 crore) during April 03, 2017, a sum of Rs. 1.03 crore (approx.) was routed to RHC Holding.

Apart from aforementioned transactions during FY 2017-18, one more transaction was observed between FHsL and Fern in which FHsL received a sum of Rs. 70 crore from Fern on February 07, 2018 (as repayment of ICD). The same was recorded by FHsL in the ledger of Fern on February 21, 2018.

Thus, total diverted amount from FHsL (through Fern) to RHC Holding, after adjusting for aforementioned transactions that took place during FY 2017-18 was as follows:

Table 21: Summary of amount diverted from FHsL through Fern

Particulars	Amount (in Rs. Crore)
Diverted amount during April 04, 2016 (Refer Para 10.3.2 – Instance 1)	175
Add – Further diversion during April 03, 2017 (mentioned above in this para)	1.03
Less – Repayment made during February 07, 2018 - (mentioned above in this para)	70
= Net Diverted amount from FHsL to RHC (through Fern) (as on February 28, 2018)	106.03

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From the above, it is alleged that the balance of funds that were diverted from FHsL to RHC Holding (through Fern) as on February 28, 2018, was Rs. 106.03 crore (approx.).

10.3.6 Summary of Diverted amount –Based on the observations made at Paras 10.3.2 and 10.3.3 above, a summary of funds diverted from FHsL to RHC Holding was indicated at Table 18 at Para 10.3.5 above. However, considering the observations made thereafter under Para10.3.5 (relating to certain transactions that happened during FY 2017-18), the details of funds that were diverted from FHsL to RHC Holding, through the 3 borrower companies as on February 28, 2018, is shown in the table below:

Table 22: Revised Summary of amount diverted from FHsL (based on the findings mentioned at Para 10)

S. No.	Date of ICD	Details of the borrower company through which the funds were diverted		Diverted to		Para Reference in which such transactions are explained
		Borrower Company	ICD Amount (in Rs.)	Diverted to	Amount (in Rs.)	
1	04/04/2016	Fern	175 crore	RHC	106.03 crore	Para 10.3.3 - Instance 1
2	04/04/2016	Modland	100 crore	RHC	93.09 crore	Para 10.3.3 - Instance 2
3	04/04/2016	Modland	100 crore	RHC	100 crore	Para 10.3.3 - Instance 3 and
4	20/05/2016	Best	98 crore	RHC	98 crore	Para 10.3.3 - Instance 4
TOTAL					397.12 crore	

From the above and after considering the submissions of various entities made during the process of investigation, it was observed that funds to the tune of Rs. 397.12 Crore (approx.) were diverted from FHsL for the benefit of RHC Holding (through Best, Fern and Modland) and ultimately for MMS and SMS. In this regard, the aforementioned





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Rs. 397.12 crore (approx.) was only the principal amount excluding any interest component.

Apart from the pattern of fund movement through layers of various entities, it was also observed that borrower entities (Best, Fern and Modland), intermediate conduit entities (through which the funds were transferred) and the beneficiaries (RHC Holding) were all connected to each other and to the promoters of FHL / FHsL. The details and basis of such inter-connections amongst Noticees are placed at **Annexure-7**.

10.3.7 Overall Allegation with respect to the analysis made at Paras 10.3.1 to 10.3.6

- a. **Initial loans by FHL** - A land was first acquired indirectly by FHL through its subsidiary EHIRCL and another entity (Lowe) in May 2011, which was transferred in December 2011 to RHC Holding without any consideration. Only a structured rotation of 200 Crores was carried out three times to give a false picture that the initial payments by FHL for the purchase of land have been received with interest. The money received by FHL was immediately transferred back to RHC through the three Borrower Companies. Thus, the actual payment for the purchase of land by RHC Holding was made by FHL and though RHC ultimately paid the consideration for land, it was after a period of more than 3 years. In other words, ICDs/loans that FHL provided to Best, Fern and Modland through FHsL had actually been utilized by RHC for a period of 3-4 years.

In this regard, considering the connection of the borrower entities and the promoter group as well as the pattern of funds clearly showing the ultimate beneficiary as RHC Holding Pvt Ltd, it is alleged that routing of funds by camouflaging through layers of transactions as has been demonstrated above was to circumvent the provisions of related party transactions.





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- b. **Subsequent short term ICDs** - During December 2012 to March 2016, FHsL had given numerous short term loans / ICDs to Best, Fern and Modland, which were ultimately benefitted RHC Holding. It is alleged that the routing of funds through short term ICDs during the aforesaid period December 2012 till March 2016 was to circumvent the provisions w.r.t related party transactions as mandated in the case of a listed company and thus material information was not disclosed in the consolidated financials of FHL.
- c. **Misrepresentation of financial statements** -The consolidated financial statements of FHL for the period from quarter ending June 2016 to quarter ending June 2017 were misrepresented and material information was not disclosed in the said financial statements. The said financial statements did not give a true and fair view of the financial position of FHsL and FHL.
- d. **Diversion of Funds** -The funds to the tune of Rs. 397.12 crores (approx.), excluding interest, were diverted from FHsL for the benefit of promoter related entity i.e. RHC Holding (through Best, Fern and Modland) & ultimately the beneficiary were the Singh Brothers.
- 11 With regards to the analysis and findings at para 10, it was established that the Noticees no 2 and 3 through companies under their control were the ultimate beneficiaries of the funds diverted from FHL and FHsL. Also, apart from the controlling stake in RHC Holding, the said Noticees were observed to be the only directors (along with their wives) in RHC Holding and also disclosed to be in control over RHC Holding in the latter's Annual Reports during the IP. Besides having controlling stake, as Executive Chairman of FHL during the IP, Noticee no 2 and as Executive Vice-Chairman of FHL ((Non-executive Vice-Chairman w.e.f January 01, 2016) during the IP, Noticee no 3 were at the helm of affairs of FHL throughout the IP until their resignation from the Board of FHL in February 2018. Also, while





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Noticee no 2 was part of the approval process as director/Committee member for the loans/ICDs granted during the IP, Noticee no 3 was part of such approvals till before the year 2016. It was also observed that the borrowers were known to promoters' family and almost all the Committee members other than Noticee no 2 & 3 cited to have derived comfort from the verbal assurances of Noticee no 2, while granting approvals for aforesaid loans/ICDs. Also, It was observed that RHC Holding was in need of funds since FY 2012 and thus, the flow of funds from FHL/FHsL to RHC Holding clearly benefitted RHC Holding and consequently, Noticees no 2 & 3, being joint beneficiaries in RHC Holding. Thus, notwithstanding the Noticee's contentions regarding being misled and misguided by others, it was found that being primary beneficiaries of fund diversion from FHL / FHsL, Noticee no 2 & 3 cannot escape responsibility for the aforesaid diversion of funds wherein the beneficiary of such funds were companies held majorly and controlled by them.

- 12 With regards to the loans/ICDs discussed at para 10, based on available information, it was observed that the said loans / ICDs were approved by Executive Committee and/or Treasury Committee of FHL which comprised of Noticee no 2, 3, 6,7 alongwith other members. It was seen that the said loans were approved by the aforesaid Committee(s) at different point of time during the IP without adequate due diligence, rationale or discussions amongst the persons approving grant of such loans. While no satisfactory rationale could be given for the grant of initial loans during the investigation, the borrower's repayment history, attractive returns, Desai Haribhakti Report along with assurances of Noticee no 2 were cited as justification for approving the loans / ICDs over the entire period of IP. However, considering the maturity period of the initial loan itself was extended over multiple times till its repayment after 3-4 years, the contentions made in this regard were not found to be satisfactory. It was also observed that loans/ ICDs to the 3 borrower companies were an exception to the general investments made by FHL or any of its subsidiaries which usually comprised of loans/intercorporate deposits within the company and its





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subsidiaries, capital advances and investment in mutual funds. From the documents furnished by FHL, the proposals for consideration of the Committees did not contain any specific comments on evaluation or due diligence carried out by CFO or his team before placing the same for consideration. Also, there did not appear to be any discussion or debate which took place amongst the Committee members regarding the proposals. Infact after the initial loans/ICDs, the subsequent approvals appear to be merely extension of earlier loans/ICDs without any critical evaluation over the next 5-6 years after the initial loans.

- 13 It was observed that Noticee No. 6 was the Chief Financial Officer (“CFO”) of FHL during the period September 2014 to September 2018 and had also certified the consolidated financials of FHL during FYs 2014-15 till 2017-18. Also he issued a CEO/CFO certificate in the Annual Reports of FHL for the FYs 2014-15 till 2017-18. He was a director of FHL during the IP and as a Treasury Committee member had approved such ICD/loans which were diverted from FHL for benefit of RHC Holding. Thus, it is alleged that he deliberately failed to exercise independent professional judgement and merely relied on the past records or assurances of their promoters/Executive Chairman while considering proposals for grant of significant loan amounts. It was observed that as CFO of FHL, he had also presented the proposals to the loan approving Committees and hence, was required to carry out comprehensive evaluation of any prospective borrowers before presenting and approving the same. Although he has stated to have relied on prior track records as well as external evaluation study reports, the same was not observed to be adequately captured in the approval notes. It is seen that the proposals for consideration of the loan approving Committees did not contain any specific comments on evaluation or due diligence carried out by CFO or his team before placing the same for consideration. Thus, it is alleged that the grant of the loans during his tenure as CFO and Treasury Committee member were primarily based on previous track record,





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assurance of Noticee no 2 and deliberately lacked critical evaluation by the financial head of FHL as a CFO at the relevant time.

Also, it was during his tenure as CFO of FHL that misrepresentation of the consolidated accounts of FHL by way of rollover of ICDs as discussed above at para 10.3.4 took place. Thus, it is alleged that Noticee no 6 deliberately failed to discharge the duties assigned to him and he conveniently relied on assurances of the promoters and deliberately avoided exercise of independent judgement while dealing with the ICDs to three borrowers, which also led to misrepresentation of FHL's books during his tenure. While it was gathered from submissions made during investigation that he raised concerns with the management regarding the ICDs, however, it is alleged that raising of such concerns was merely an eyewash, since he ultimately certified the Annual Reports of FHL during his tenure as CFO, FHL till 2016-17, without recording any adverse remark/observations therein.

As CFO of a listed company, he had falsely certified that the financial results did not contain any false or misleading statement or figures and did not omit any material fact which may make the statements or figures contained therein misleading and that there were no transactions of the listed entity during the said FY which were fraudulent in nature. Thus, considering all the above, Noticee no. 6 is observed to have played a role in the aforesaid diversion and misuse of funds as well as misrepresentation in the consolidated financial statements of FHL.

- 14 It was observed that Noticee no. 7 was Chief Executive Officer ("CEO") of FHL during the period August 2015 and continued till end of IP and he had allegedly falsely certified CEO/CFO certificates in the Annual Reports of FHL for the FYs 2015-16 till FYs 2017-18. He was also part of the Treasury committee which had approved the ICDs which were diverted from FHL for benefit of RHC Holding and





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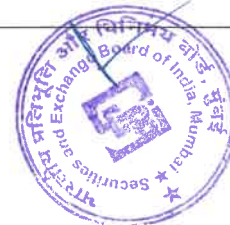
thus, it is alleged that he deliberately failed to carry out adequate due diligence and exercise independent judgement with respect to approval for the grant of loans/ ICDs.

It is alleged that Noticee no 7 deliberately failed to discharge the duties assigned to him and he mainly relied on assurances of the promoters and did not exercise independent judgement while dealing with the ICDs to three borrowers, which also led to misrepresentation of FHL's books during his tenure. While it was gathered from submissions made during investigation that he raised concerns with the management regarding the ICDs, however, it is alleged that raising of such concerns was merely an eyewash, since he ultimately certified the Annual Reports of FHL during his tenure as its CEO for the FYs 2015-16 and 2016-17.

Further, as CEO of a listed company, he had falsely certified that the financial results did not contain any false or misleading statement or figures and did not omit any material fact which may make the statements or figures contained therein misleading and that there were no transactions of the listed entity during the said FY which were fraudulent in nature. Thus, considering all the above, Noticee no. 7 is observed to have played a role in the aforesaid diversion and misuse of funds as well as misrepresentation in the consolidated financial statements of FHL.

15 In view of the aforementioned findings, the following is alleged:

- a. Noticee no. 1 to 5 & 8 played a key role in the diversion of funds to promoters of FHL / FHsL as the funds from the listed company moved through these entities. The funds were routed in a structured manner to benefit the promoters were observed to be connected to the borrower companies as well as the promoters of FHL. The structured movement of funds from subsidiaries of FHL also resulted in artificial inflation of bank balance of FHsL as well as net profit of FHsL, as observed in the pre-paras, thereby resulting in misrepresentation in the consolidated financials of FHL. It also resulted in non-disclosure of material





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information in subsidiaries' financials and consequently in FHL's consolidated financials during the IP. Thus, the consolidated financials of FHL are alleged not to give a true and fair view and are thus misleading for the shareholders of the listed company during the IP. In view of the foregoing, it is alleged that Noticee nos. 1 to 5 & 8, acted in a fraudulent and deceptive manner which led to misuse and/or diversion of funds to the tune of Rs.397.12 crore (approx.) from a listed company i.e. FHL through its subsidiary i.e. FHsL, for the ultimate benefit of its parent company viz, RHC Holding Private Limited. Further, it is also alleged that Noticee no. 6 & 7 played a role in the approval of grant of loans/ ICDs to the borrower companies wherein they deliberately failed to carry out adequate due diligence and exercise independent judgement, thereby aiding in misuse and diversion of public shareholders' funds through the borrower companies for the benefit of RHC Holding and consequently MMS & SMS. In view of the above, the Noticee no. 1 to 8 are alleged to have violated the provisions of Section 12A(a), (b) & (c) of the SEBI Act, 1992 and Regulations 3(b), (c) & (d) and 4(1) of the SEBI (PFUTP) Regulations, 2003

- b. Further in view of the above allegations, the consolidated financials of Noticee no. 9 are alleged to be untrue and misleading for the shareholders of the listed company during the IP. Also, considering the routing of funds through three borrower entities in a structured manner during the IP for benefit of the promoters of its promoters, Noticee no. 9 is alleged to have circumvented the provisions pertaining to related party transactions under the erstwhile Listing Agreement and SEBI (LODR) Regulations, 2015. Hence, above findings resulted in violation by Noticee no. 9 of Sections 12A(a), 12A(b), 12A(c) of the SEBI Act, 1992 and Regulations 3(b), 3(c), 3(d), 4(1), 4(2)(f) & 4(2)(r) of SEBI (PFUTP) Regulations, 2003 as well as Clauses 32, Clause 49(I)(C)(1)(a) and 49(I)(C)(1)(d), Clause 49(VII)(D) and Clause 49(VIII)(A)(1) of the Listing Agreement {post amendment dated 17/04/2014} read with Regulation 103 of the





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SEBI (LODR) Regulations, 2015 and Section 21 of the SCRA, 1956, Regulations 4(1)(a),(b),(c),(d),(g),(h),(i),(j), Reg. 23(2), Reg. 30(1) and Reg. 48 of SEBI (LODR) Regulations, 2015.

- c. Noticee nos 2, 6 & 7 also having issued certificates in the Annual Reports of RHL during the relevant period of IP *inter-alia* stating that “the financials of RHL presented true and fair view of its affairs and not containing any misleading statement” was deliberately false and misleading and thus they are alleged to have violated Clause 49(IX) of the Listing Agreement (post circular dtd April 17, 2014) read with Regulation 103 of the SEBI (LODR) Regulations, 2015 and Section 21 of the SCRA, 1956, and Regulation 17(8) & 33(2)(a) of the SEBI (LODR) Regulations, 2015.
- d. Noticee no 2 and 3 being Chairman and Vice-Chairman of the Board of directors of FHL during the IP deliberately failed to abide by the principles governing disclosures and obligations in the best interest of listed company and its shareholders including deliberate failure to disclose to the Board of directors regarding their interest in the transactions with borrowers. In view of above, it is alleged that Noticees no 2 and 3 deliberately failed to discharge their duties in a manner which was required in the best interest of the listed company and its shareholders. Thus, they are alleged to have violated the provisions of Clause 49(I)(D) of the Listing Agreement, Clauses 49(I)(D)(1)(a) and 49(I)(D)(1)(b); 49(I)(D)(2)(f); 49(I)(D)(3)(c),(f),(g),(i),(l) , 49 (II)(E)(2) of the Listing Agreement read with Regulation 103 of the SEBI (LODR) Regulations, 2015 and Section 21 of the SCRA,1956 and Regulations 4(2)(f)(i)(1)(2); 4(2)(f)(ii)(6); 4(2)(f)(iii)(1),(3),(6),(7),(9),(12) & 26 (3) of SEBI (LODR) Regulations, 2015.





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- 16 Accordingly, Noticee no. 1 to 8 are hereby called upon to show cause as to why appropriate directions as deemed fit under Sections 11B(1) and 11(4) read with Section 11(1) of the SEBI Act, 1992 should not be issued against them. They are also called upon to show cause as to why appropriate directions for imposing penalty under Sections 11(4A) and 11B (2) read with Section 15HA of SEBI Act, 1992 and SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 should not be issued against them.
- 17 Noticee no. 9 is hereby called upon to show cause as to why appropriate directions, as deemed fit, under Sections 11B(1) and 11(4) read with Section 11(1) of the SEBI Act, 1992 and Section 12A(1) of SCRA Act, 1956, should not be issued against it. Noticee no. 9 is also called upon to show cause as to why appropriate directions for imposing penalty under Sections 11(4A) and 11B (2) read with Sections 15HA and 15HB of SEBI Act, 1992 and 12A(2) of SCRA, 1956 read with Section 23E of the SCRA, 1956 r/w SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and Securities Contract (Regulation) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005 should not be issued against it.
- 18 Noticee no. 2, 3, 6 & 7 are also called upon to show cause as to why appropriate directions as deemed fit under Sections 11B(1) and 11(4) read with Section 11(1) of the SEBI Act, 1992 and section 12A(1) of SCRA, 1956, should not be issued against them. They are also called upon to show cause as to why appropriate directions for imposing penalty under Sections 11(4A) and 11B(2) read with Sections 15HB of SEBI Act, 1992 and section 12A (2) of SCRA, 1956 read with Section 23H of the SCRA, 1956 r/w SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and Securities Contract (Regulation) (Procedure for holding inquiry and imposing penalties) Rules, 2005 should not be issued against them.





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- 19 Funds were allegedly diverted and misused from FHL through FHsL during the IP through several layers of conduit entities for the ultimate benefit of the promoters of FHL and FHsL. It is alleged that these conduit entities by committing the fraudulent act have played a significant role in aiding and abetting the promoters of FHL & FHsL in circumventing the various provisions of the Listing Agreement and SEBI (LODR) Regulations, 2015. The partner of the Statutory auditor of FHL and FHsL during the relevant period have allegedly deliberately failed to comply with the Code of Ethics mandated by ICAI and thus aided in mis representation and non- disclosure of material information in the consolidated financials of FHL. The Audit Committee members of FHL during the relevant period also allegedly deliberately failed to discharge their duties and responsibilities specified under the listing agreement and the SEBI (LODR) Regulations, 2015. Further, it is alleged that the non-independent directors of FHL deliberately failed to abide by the principles governing disclosures and obligations w.r.t Listed Company mandated under the provisions of Listing Agreement and SEBI (LODR) Regulations.2015.

Therefore, considering the gravity and seriousness of the alleged violations committed by the aforementioned persons/entities, SEBI has initiated separate enforcement proceedings against these persons/entities under the provisions of SEBI Act and regulations framed thereunder.

- 20 The Noticees may also note that a settlement mechanism is provided under the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018. If they wish to avail the benefit of the settlement process, they may apply for the same in the manner provided in the said regulations under intimation to the undersigned.
- 21 This show cause notice is being issued without prejudice to power of SEBI to take any other action as it deems fit in accordance with law.

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- 22 Noticees are granted an opportunity of personal hearing in the matter on **January 05, 2021 at 02:30 PM**. The Noticees are advised to file their replies, if any, at least eight days before the scheduled date of hearing. If the Noticees fail to appear on the scheduled date of hearing or file any reply within the time stipulated herein, it shall be presumed that they do not have any explanation to offer and SEBI shall be free to conclude the current proceedings ex parte, on the basis of the material available on record. A copy of the reply(s) may also be sent by e-mail to sachiny@sebi.gov.in & snehaj@sebi.gov.in (in MS-Word format). The personal hearing shall be held at the following address:

Securities and Exchange Board of India

SEBI Bhavan
Plot No. C 4-A, "G" Block,
Bandra Kurla Complex, Bandra (E)
Mumbai – 400 051.

- 23 If any Noticee desires to appear for personal hearing through Video Conference, then the request for the same may be made in advance before the scheduled date of hearing by sending an e-mail to sachiny@sebi.gov.in & snehaj@sebi.gov.in.
- 24 This notice is without prejudice to the rights of SEBI to issue a supplementary notice and to initiate any other proceedings/actions for the aforesaid violations in terms of the SEBI Act and rules or regulations made there under.
- 25 Noticees are advised to keep SEBI informed about their current e-mail id and also inform change(s) in their correspondence address, if any, till the proceedings are complete.
- 26 Further, the Noticee is hereby advised to submit a photocopy of their Income Tax Permanent Account Number Card (PAN card) and to keep SEBI informed of all type

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of bank accounts (savings, deposits, recurring, current, etc.) mentioning the account no. name and address of the bank/branch held by her, details of all demat accounts / mutual fund units held by her and list of all the movable/immovable assets owned by her.

27 All documents, as relied upon, have been enclosed with this show cause notice.


Sachin Yadav

Deputy General Manager



Enclosed: A CD containing the Annexures in soft copy form