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IPO

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Anand Rathi Research

Tel.: 91 22 6637 7000
Email: research@rathi.com

Fortis Healthcare Ltd.

(Pharmaceuticals)

Issue Details

Issue Size*	: 46 mn eq. shares aggregating to Rs 5060 mn.
Issue Route	: 100% book built issue
Issue Open	: April 16, 2007
Issue Close	: April 20, 2007
Price Band	: Rs 92 - 110 per equity share
Pre Issue Eq. Capital	: 180.7 mn equity shares
Post Issue Eq. Capital	: 226.7 mn equity shares
Post Issue Market Cap*	: Rs 24937 mn
Face Value	: Rs 10 each
Bid Lots	: Minimum of 60 equity shares and in multiples of 60 thereafter.
Promoters	: Mr. Malvinder Mohan Singh - Mr. Shivinder Mohan Singh - Fortis Healthcare Holdings Ltd.
Lead Managers	: JM Morgan Stanley Pvt. Ltd., Citigroup Global Markets India Pvt. Ltd. & Kotak Mahindra Capital Company Ltd.,
Listings	: BSE & NSE
*At the cap price of Rs 110	

Objects of the issue

The fund requirement is as follows:

Projects	Rs in Mn
1. Development & Construction of planned Hospital At Shalimar Baugh, New Delhi by OBPL.	2000.00
2. Refinancing of funds vailed for acquisition of Escorts Heart Institute Research Centre Ltd.	5600.00
3. Prepayment of Short Term loans	700.00
TOTAL®	8300.00

Means of finance

Means of finance	Rs in Mn
1. Receipts from Pre-IPO placement of shares	1596.90
2. Issue proceeds	5763.10
3. Debt	1000.00
TOTAL	8360.00

@ not including expenditure for general corporate purposes and for issue expenses

Industry analysis

Healthcare spending in India at 5.2% of GDP is lower than other developing countries like Brazil (7.6%), China (5.6%) and Mexico (6.2%). Healthcare spending is expected to grow by 12% p.a. (2005-09). The CII-Mckinsey report of 2004 has estimated the private sector in India to be worth Rs 69,000 crores and expects to double by 2012 to Rs 156,000 crores. This growth is likely to require an additional 750,000 beds and an overall investment of Rs 100,000-150,000 crores. By 2025, India is projected to have the largest patient population of cardiac, diabetic and renal diseases. About 80% of the hospitals are run by private sector.

76% urban residents and 69% rural residents prefer private health facility as main source of healthcare services despite higher cost. Private health expenditure accounted for 3/4th of total of which 97% was out-of-pocket private expenditure. Less than 10% of the population in India was covered by some form of health insurance. NABH, autonomous body set up by Quality Council of India, published its first hospital accreditation standards and procedures in February 2006. As of June 2006, four hospitals were accredited by the Joint Commission International. Increasing share of age-group which is more prone to lifestyle diseases, shift in disease profile from infectious to more expensive lifestyle diseases, increase in life expectancy, rising affluence and increasing penetration of health insurance are expected to be the key drivers. Tertiary care facilities, offering highly specialized and sophisticated medical care and surgical procedures, are expected to grow faster due to expected rise in lifestyle diseases.

Business analysis

Fortis Healthcare Ltd. is one of the largest private healthcare companies in India, based on the number of hospital beds, according to information provided by CRIS-INFAC's report published in 2005. It currently has a network of 12 hospitals primarily in north India, 15 satellite and heart command centers in hospitals across the country and one heart command center in Afghanistan. Most of the hospitals are multi-specialty hospitals, which provide secondary and tertiary healthcare to patients. Some of their multi-specialty hospitals also include super-specialty "centers of excellence" providing quaternary healthcare to patients in key specialty areas such as cardiac care, orthopedics, neuro-sciences, oncology, renal care, gastroenterology and mother and child care. Drawing on the experience of the Promoters as promoters of Ranbaxy Laboratories Limited (RLL), a multinational pharmaceutical company headquartered in India and with a vision of creating an integrated healthcare delivery system they opened their first hospital in Mohali in 2001. During fiscal 2006, it performed over 5,000 open heart surgeries, 5,000 angioplasties and 15,000 angiographies on a pro forma basis, taking into account the Escorts hospitals acquisition, the IHL acquisition and the OBPL acquisition. Fortis currently has approximately 1,580 inpatient beds in use across our network of 12 hospitals, with capacity to increase our inpatient beds to approximately 1,890.

Key Strengths & Future Growth Potential:

Skilled doctors dedicated to quality patient care.

As of March 31, 2006, Fortis had a team of 621 doctors at owned hospitals and EHCR, complemented by 2,359 nurses and 526 other medical personnel. The company adheres to international clinical protocols in patient handling, operating theaters, intensive care unit management and emergency care set by leading international hospitals and accreditation bodies. The internal operational protocols at Fortis Hospital, Noida, EHRC and EHRC have been designated as ISO 9001:2000-compliant. In addition, doctors are dedicated to clinical research and have published numerous studies on topics including cardiology, cardiac surgery, diabetes, infectious diseases, oncology, nephrology and neuro-surgery. Some of the doctors also have a history of pioneering innovative techniques for patient treatment, such as minimally invasive cardiac and orthopedic

surgeries, both in India and overseas.

Modern, patient-centric hospital facilities.

The hospitals have been designed to ensure that they are able to offer quality care to the patients. Fortis Hospital, Mohali was awarded the "Best Design of the Year" award by the American Institute of Architects in 1999. The layouts at our facilities minimize inpatient movement, with outpatient facilities located near diagnostic facilities within the hospital. Other characteristics of many of their facilities, such as attractive architectural and design features, the use of special lighting and color and the reduction of "hospital odors", also enhance the patient experience. The hospital staff is being trained to care for patients with techniques utilized in the hospitality industry, which, together with the design of our facilities, helps relieve patient anxiety and provide a more comfortable experience for patients. Emphasis is also given to preemptive and high quality maintenance of our facilities. In addition, focus is on obtaining current technologies for providing healthcare services. Information technology or "IT" infrastructure used by the company has been recognized as among the best in the healthcare delivery industry. It was named "Best IT User" for "Infrastructure in Healthcare" at the 2005 NASSCOM India IT User Awards and also received an award for "Best IT Implementation of the Year 2005" for hospital implementation systems from PC Quest. In addition, hospitals are fitted with modern medical technology and equipment, including the Da Vinci Robotic System available at EHIRC, which is used to conduct minimally invasive cardiac surgeries.

Brand equity.

The company believes that "Escorts" and "Fortis" healthcare brands are widely recognized by both healthcare professionals and patients in specialty areas, such as cardiac care, orthopedics, neurosciences, renal care, oncology, gastroenterology and mother and child care. The company believes that reputation and affiliation with RLL help to attract not only patients, but also well-known doctors and other healthcare professionals to their facilities, who in turn draw additional patients to their facilities. Furthermore, they believe that name recognition extends beyond the NCR and the other areas in which they currently operate to all over India and, in some cases, even internationally. In fiscal 2006, approximately 34% and 23% of the inpatients and outpatients, respectively, at Fortis Hospital, Mohali came from outside the hospital's core region of Punjab, Chandigarh & Panchkula and approximately 50% and 44% of the inpatients and outpatients, respectively, at EHIRC came from outside the hospital's core region of the NCR.

Cost-effective business model.

The "hub and spoke" model for the hospital network allows serving the comprehensive medical needs of patients in their local communities at our multi-specialty facilities, while also delivering sophisticated, advanced procedures and quaternary care at our superspecialty "centers of excellence". By focusing on super-specialty "centers of excellence" at their "hub" hospitals, they serve patients referred from doctors working at a number of nursing homes and multi-specialty hospitals in a particular region, including hospitals outside our network. This helps to expand the reach beyond the core catchment areas of local, multi-specialty facilities. This model also allows to efficiently deploy resources across the network and, as super-specialty expert clinicians also provide expertise and support at multi-specialty hospitals, also serves to increase the quality of care throughout our network.

Strategy:

Expand into new regions.

Fortis believes that the growing affluence, sophistication and awareness about healthcare services of patients throughout India will lead to higher demand for our healthcare services. The Indian healthcare market is highly fragmented throughout the country, with many small "nursing home" or hospice facilities run by one or two doctors and some larger facilities run by trusts, societies, corporate entities and the local, state and central governments. They seek to replicate the model that the company has applied in North India to establish a network of super-specialty "centers of excellence" and multi-specialty hospitals to deliver quality healthcare to patients across the country and leverage extensive knowledge of the healthcare sector and brand recognition to attract both doctors and patients to future facilities. Fortis is currently in various stages of negotiations with a number of other parties to assume O&M contracts and acquire greenfield sites for hospitals outside core regions, including in the state of Maharashtra in west India. In particular, as it expands into a new region, they intend to roll out in that region quickly to hire doctors and also establish network in the community before our competitors do.

Maximize efficiencies across their hospitals through greater integration and better supply chain management.

The company continues to strive to maximize efficiencies across all hospitals and is in the process of integrating the Escorts hospitals and existing network of hospitals. The integration will enable them to adopt the best practices from the Escorts hospitals across existing network, as well as install the best practices from existing hospitals across the Escorts hospitals. In addition, increasing size will enable to benefit from economies of scale. For example, procurement of equipment and medical consumables on a centralized basis for many of our owned hospitals and EHCR. They are also integrating the operations of Fortis Hospital, Noida and Fortis Flt. Lt. Rajan Dhall Hospital, Vasant Kunj through the sharing of doctors, medical equipment, laboratories and the hosting of joint medical symposia in order to generate operational synergies at both facilities.

Focus on high-growth segments of the healthcare market.

The growth in the Indian economy, together with an increase in purchasing power, an increase in awareness about health and healthcare and an increase in lifestyle-related diseases such as heart disease, has created a new and expanding group of patients. This group is increasingly demanding higher levels of quality medical services, particularly tertiary and quaternary healthcare services, including cardiac care, orthopedics, neurosciences, oncology, renal care, gastroenterology and mother and child care. For example, according to a joint report of Ernst & Young and the India Brand Equity Foundation, the number of cardiac disease-related treatments in India is expected to grow from 1.5 million in 2004 to 1.9 million in 2008, and, according to CII-McKinsey, the total cardiac care market in 2000-2001 was Rs. 49,000 million, including Rs. 18,000 million for inpatient acute cardiac care. During fiscal 2006, Fortis Healthcare Ltd. performed over 5,000 open heart surgeries, 5,000 angioplasties and 15,000 angiographies on a pro forma basis, taking into account the Escorts hospitals acquisition, the IHL acquisition and the OBPL acquisition. Through super-specialty "centers of excellence" with well-known doctors in their fields and particular focus on high growth areas such as cardiac care and orthopedics, the company is well-positioned to serve this

increasing demand for sophisticated medical procedures.

Concerns:

- Outstanding litigation with DDA and ITA and its impact on EHIRCL
- Delay in integrating Escorts hospital and achieve synergies
- Impact of high debtor level on cash flows

Valuations

Pre-IPO placements were at an average price of Rs 144. Considering health care business as a Sun-Rise sector and the company being a part of the Ranbaxy Group, we expect that the future traction of growth will be high and therefore we recommend the investors to subscribe from a long term investment prospective.

IPO details

Capital Structure	No of Shares (In mn)	IPO Details	No. of Shares	%
Pre-issue Equity Capital	170.00	Net Issue to Public	45.75	100
Fresh Issue	56.67	QIB	27.45	60
Total Equity Post Issue	226.67	Non Institutional Investors	4.58	10
Fresh Issue % of Total Post Issue Capital	25.00	Retail	13.73	30
Face Value(Rs)	10.00	Book Value (as 31st Mar 06)	4.78	

Income Statement (Rs. mn)

	YE Mar-05	YE Mar-06	9 M Ended Dec 2006
Operating Income	603.54	977.29	913.31
Other Income	26.88	22.53	54.47
Total Income	630.42	999.82	967.78
Expenditure	710.80	1275.60	1302.92
PBT	(80.38)	(275.78)	(335.14)
PAT	(83.36)	(279.51)	(356.18)

Balance Sheet (Rs. mn)

	YE Mar-05	YE Mar-06	9 M Ended Dec 2006
Share Capital	846.54	1700.00	1700.00
Reserve & Surplus	15.60	15.60	2355.60
Net Worth	241.70	3428.71	3070.47
Secured Debt	350.64	3863.09	3789.19
Unsecured Debt	0.00	690.44	1285.00
Total Debt	350.64	4553.53	5074.10

Shareholding Pattern

Shareholding (%)	Pre Issue	Post Issue
Promoters	90.78	68.09
Promoter Group	8.44	6.33
Private Equity Investors	0.78	0.58
Public	0.00	25.00
TOTAL	100.00	100.00

Equity investments are subject to market risks. Please read the offer document carefully before investing.

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