

FOR PRIVATE CIRCULATION ONLY

JM MORGAN STANLEY FINANCIAL SERVICES PRIVATE LIMITED

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DOMESTIC PUBLIC OFFERING

BY



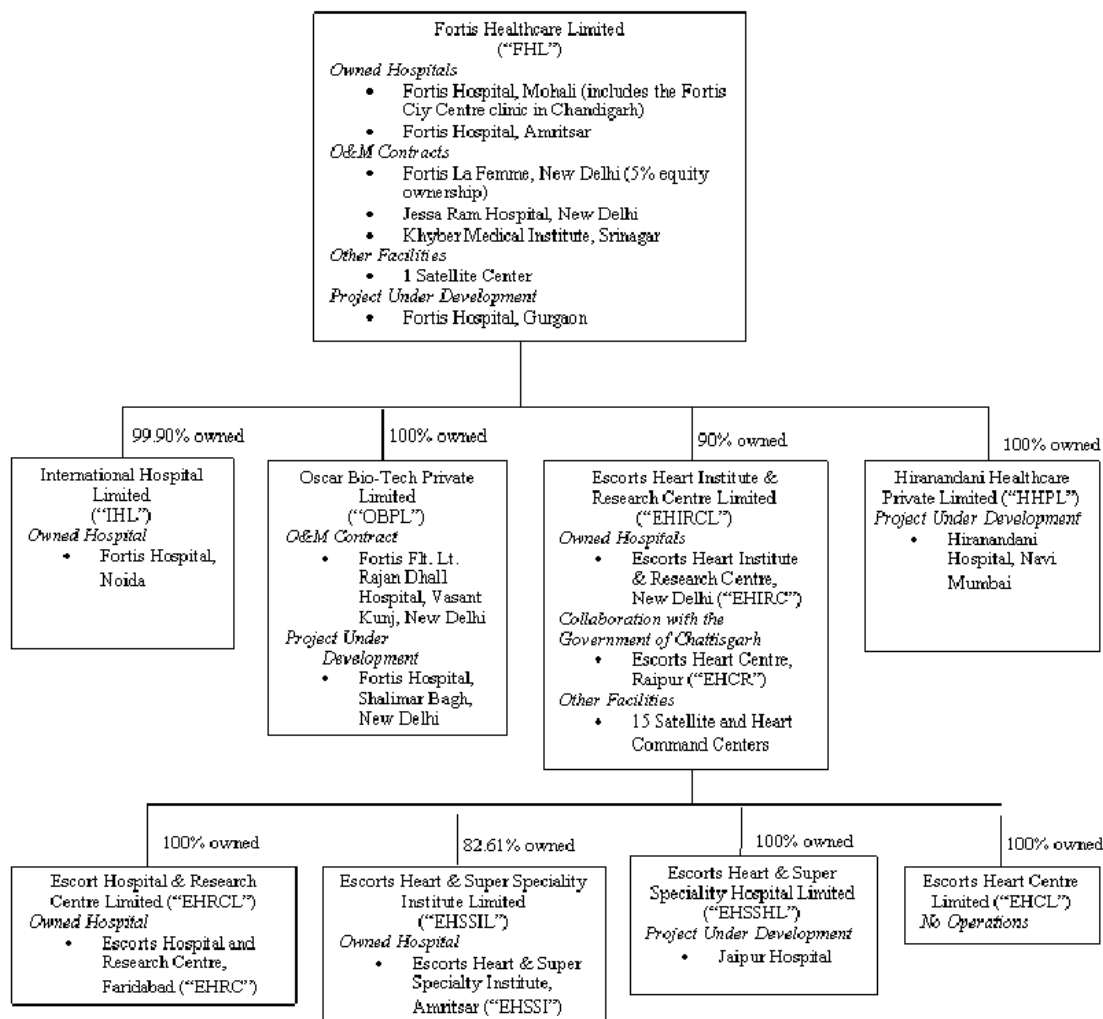
FORTIS HEALTHCARE LIMITED

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Nandita Mehta nandita.mehta@jmmorganstanley.com	Fortis Healthcare Limited
Sector: Pharma & Healthcare	

The Issue	Fortis Healthcare Limited
Transaction	Domestic Public Issue of shares – 100% Book Building
Issue Size	Public Issue of 4,59,96,439 equity shares of Rs 10 each (Net Issue 20.19% of the fully diluted post issue paid-up capital)
IPO Dates	16 April 2007 – 20 April 2007
Acceptance Timing	Between 10 a.m. and 3 p.m. during bid/issue period Between 10 a.m. and 1 p.m. on bid/issue closing date
Price Band	Rs 92 – Rs 110
Bid Lot	9.20 times on the lower end and 11.00 times on the higher end
Exchanges	60 equity shares and in multiples of 60
Book Running Lead Manager	Bombay Stock Exchange Limited (BSE), The National Stock Exchange of India Limited (NSE),
Registrar	JM Morgan Stanley Private Limited, Citigroup Global Markets India Private Limited, Kotak Mahindra Capital Company Limited
	Intime Spectrum Registry Limited

Company Overview



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Fortis Healthcare Limited is one of the largest healthcare companies in India (based on the number of hospital beds – CRIS-INFAC report in 2005). They currently have a network of 11 hospitals (primarily in North India),

Corporate Structure	#	Location
Hospitals	11	
- Owned	6	Fortis Hospital, Mohali EHIRC (<i>Escorts Heart Institute and Research Centre</i>), New Delhi Fortis Hospital, Noida EHRC (<i>Escorts Hospital and Research Centre</i>), Faridabad EHSSI (<i>Escorts Heart and Super Speciality Institute</i>), Amritsar Fortis Hospital, Amritsar
- Collaboration with the Government of Chhattisgarh	1	EHCR (<i>Escorts Heart Centre at Raipur</i>), Raipur
- Operation and Maintenance Contracts	4	Fortis Flt. Lt. Rajan Dhall Hospital, Vasant Kunj, New Delhi Jessa Ram Hospital, New Delhi Fortis La Femme, New Delhi Khyber Medical Institute, Srinagar
Satellite and Heart Command Centres (Domestic)	15	Kalyani Hospital, Gurgaon Goyal Hospital & Research Centre, Jodhpur Sudha Hospital, Kota Orchid Hospital & Heart Centre, New Delhi Shanti Mukund Hospital, New Delhi Sunder Lal Jain Hospital, New Delhi Indian Spinal Injuries Centre New Delhi Kamayani Hospital, Agra Kalra Hospital, New Delhi Arneja Heart Institute, Nagpur Heart Hospital, Patna Sadbhavna Medical & Heart Institute, Patiala American International Hospital, Udaipur Saroj Hospital & Heart Institute, Delhi Shriram Cardiac Centre, Jalandhar
Heart Command Centre (International)	1	Escorts-AMRI Diagnostic Heart Centre, Kabul, Afghanistan

The hospital network is based on a **“hub and spoke”** business model which allows them to serve the comprehensive medical needs of patients in their local communities at their multi-specialty facilities, while also delivering sophisticated, advanced procedures and quaternary care at their super-specialty “centers of excellence”.

Fortis Hospital, Mohali

Commenced Operations: 2001
Cost: Rs 1,281.60 million
Operating Theatres: 8
Maximum capacity of beds: 300

The hospital has a comprehensive cardiac program in northwest India and also provides emergency trauma care services, and serves as a “hub” for Fortis Hospital, Amritsar and a number of smaller, secondary care hospitals in the surrounding area.

- Super Speciality cardiac center
- General multi-speciality hospital
- Rehabilitation Center

The hospital operates a satellite outpatient clinic, Fortis City Centre, at a separate location in Chandigarh.

EHIRC (Escorts Heart Institute and Research Centre), Delhi

Acquired by Fortis Healthcare Limited: Sept 2005
Operating Theatres: 9
Maximum capacity of beds: 332

The hospital offers one of the highest standards of cardiac care and is ISO 9001:2000-compliant. Specialises in surgery to high-risk patients with minimally invasive and robotic surgery.

- Advanced cardiac care facilities
- Laboratories capable of performing a wide range of investigative tests in the fields of nuclear medicine, radiology, bio-chemistry, hematology, transfusion medicine and microbiology.

FOR PRIVATE CIRCULATION ONLY***Fortis Hospital, Noida***

Commenced Operations: August 2004
 Acquired by Fortis Healthcare Limited: March 2006
 Operating Theatres: 6
 Maximum capacity of beds: 200

A “super-speciality” hospital that serves as a “hub” for smaller hospitals located in the national capital region and is ISO 9001:2000-compliant.

“Centers of excellence” in:

- orthopedics,
- neuro-sciences
- cardiac care
- focus on oncology,
- provides emergency trauma care services.

EHRC (Escorts Hospital and Research Centre), Faridabad

Commenced Operations: 1982
 Acquired by Fortis Healthcare Limited: Sept 2005
 Operating Theatres: 5
 Maximum capacity of beds: 250

An ISO 9001: 2000 certified hospital, it serves as a “spoke” hospital for Fortis Hospital, Noida and EHRC

- secondary care facility
- emergency trauma care services

Going ahead: tertiary care multi-specialties - cardiac care, orthopedics, neuro-sciences, pulmonology, trauma and sleep studies.

Fortis Hospital, Amritsar

Commenced Operations: August 2003
 Cost: Rs 40.30 million
 Operating Theatres: 2
 Maximum capacity of beds: 50

A multi-specialty facility which serves as a “spoke” hospital for Fortis Hospital, Mohali and has a telink connecting it to that hospital. It also provides emergency trauma care services.

Fortis Ft. Lt. Rajan Dhall Hospital, Vasant Kunj

Commenced Operations: May 2006
 Operating Theatres: 6
 Maximum capacity of beds: 200

A “super-speciality” hospital with “centers of excellence” in:

- cardiac care,
- joint replacement,
- renal care,
- pulmono-thoracic surgery,
- diabetic care,
- provides emergency trauma care services.

EHSSI (Escorts Heart and Super Speciality Institute), Amritsar

Commenced Operations: 2003
 Acquired by Fortis Healthcare Limited: Sept 2005
 Operating Theatres: 4
 Maximum capacity of beds: 166

A multi-specialty hospital with a focus on:

- cardiac care
- orthopedics
- provides emergency trauma care services.

Jesse Ram Hospital, Delhi

Under Fortis Healthcare Limited Management: October 2003
 Operating Theatres: 3
 Maximum capacity of beds: 100

A general multi-specialty facility which serves as a “spoke” hospital for Fortis Hospital, Noida. It also provides emergency trauma care services.

Going ahead: Propose to increase the number of beds to 150 and add a “center of excellence” in oncology.

Fortis La Femme, Delhi

Commenced Operations: June 2004
 Under Fortis Healthcare Management: Jan 2006
 Operating Theatres: 2
 Delivery Rooms: 4
 Maximum capacity of beds: 50

A “boutique” style hospital that caters to affluent patients and includes luxury rooms and suites. It emphasizes on cosmetic surgery and gynecology.

- women’s health and maternity care,
- provides emergency services in obstetrics, gynecology and neonatology.

Kfyer Medical Institute, Srinagar

Commenced Operations: April 2006
 Operating Theatres: 1
 Maximum capacity of beds: 30

A multi-specialty hospital with a focus on:
 - Non-invasive cardiac care
 - Gastroenterology,
 - Provides cardiac emergency services.

Propose:

Fiscal 2008: 20 additional beds

Fiscal 2010: 80 new beds in a new building and introduce general medicine, general surgery, nephrology, endocrinology and rheumatology specialties to the hospital.

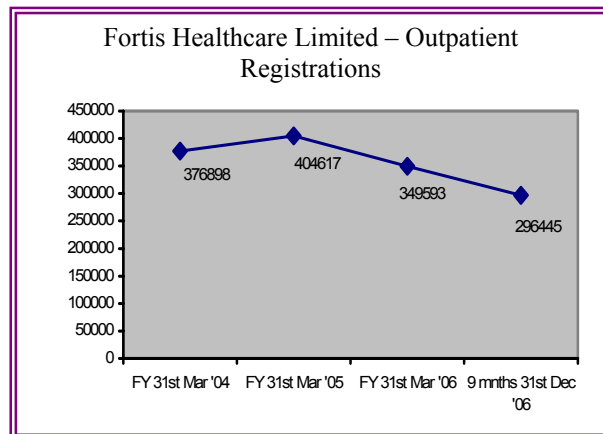
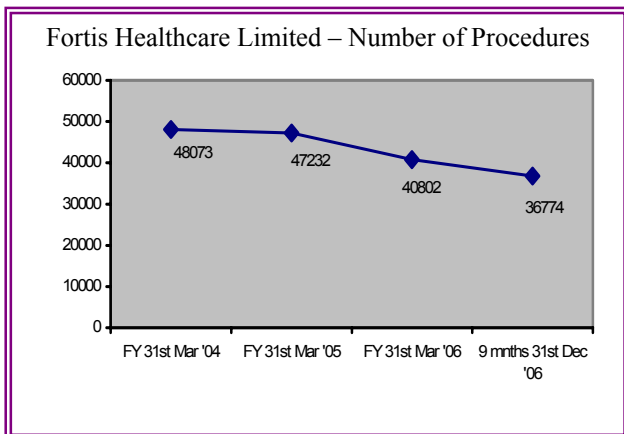
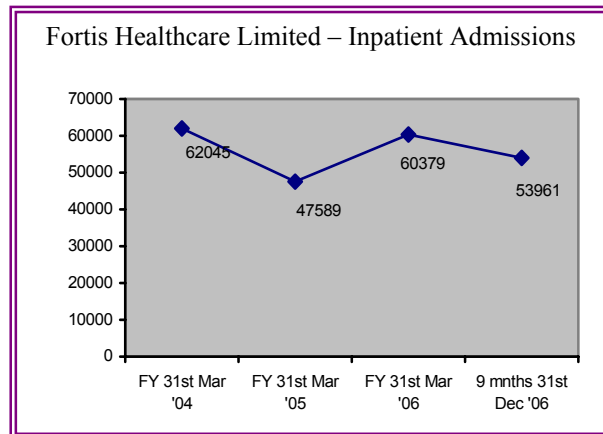
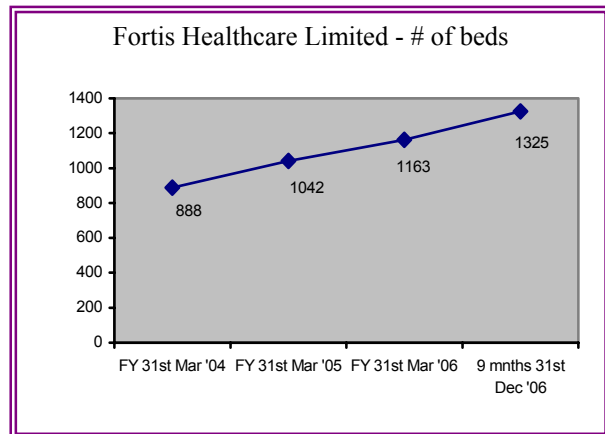
EHCR (Escorts Heart Centre at Raipur), Raipur

Acquired by Fortis Healthcare Limited: Sept 2005
 Operating Theatres: 1
 Maximum capacity of beds: 45

A super-specialty cardiac center with

- a heart station
- a heart command center
- a cardiac catheterization laboratory.
- It provides cardiac emergency services.

Fortis Healthcare Limited – Key Statistics



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<i>Hospital Wise - Key Statistics</i>		9 mnths ended Dec 31 st 2006	FY ended Mar 31 st 2006	FY ended Mar 31 st 2005	FY ended Mar 31 st 2004
# of beds	Fortis Hospital, Mohali	213	209	137	110
	EHIRC, Delhi	331	324	310	318
	Fortis Hospital, Noida	128	128	88	--
	Fortis Ft. Lt. Rajan Dhall Hospital, Vasant Kunj	97	--	--	--
	EHRC, Faridabad	200	200	200	186
	EHSSI, Amritsar	128	90	90	90
	Fortis Hospital, Amritsar	37	34	39	39
	Jessa Ram Hospital, Delhi	100	100	100	100
	Fortis La Femme, Delhi	36	33	33	-
	Khyber Medial Insitute, Srinagar	10	--	--	--
	EHCR, Raipur	45	45	45	45
	Occupancy Rate	Fortis Hospital, Mohali	75%	78%	81%
EHIRC, Delhi		81%	84%	86%	85%
Fortis Hospital, Noida		82%	64%	39%	--
Fortis Ft. Lt. Rajan Dhall Hospital, Vasant Kunj		37%	--	--	--
EHRC, Faridabad		91%	82%	72%	75%
EHSSI, Amritsar		36%	35%	27%	21%
Fortis Hospital, Amritsar		33%	43%	37%	23%
Jessa Ram Hospital, Delhi		52%	65%	57%	56%
Fortis La Femme, Delhi		45-50%	35-40%	15-20%	--
Khyber Medial Insitute, Srinagar		--	--	--	--
EHCR, Raipur		26%	24%	17%	14%
Inpatient Admissions		Fortis Hospital, Mohali	10,083	10,893	8,046
	EHIRC, Delhi	12,310	16,828	17,356	18,397
	Fortis Hospital, Noida	6,854	7,280	2,452	--
	Fortis Ft. Lt. Rajan Dhall Hospital, Vasant Kunj	1,973	--	--	--
	EHRC, Faridabad	13,109	15,565	13,791	13,557
	EHSSI, Amritsar	2,460	2,185	1,935	17,775
	Fortis Hospital, Amritsar	1,072	1,356	1,472	575
	Jessa Ram Hospital, Delhi	3,827	3,950	3,518	3,232
	Fortis La Femme, Delhi	1,114	1,145	477	--
	Khyber Medial Insitute, Srinagar	92	--	--	--
	EHCR, Raipur	1,067	1,177	992	792
	Outpatient Registration	Fortis Hospital, Mohali	72,462	82,802	74,373
EHIRC, Delhi		37,393	52,012	58,666	44,206
Fortis Hospital, Noida		47,368	51,203	16,299	--
Fortis Ft. Lt. Rajan Dhall Hospital, Vasant Kunj		8,747	--	--	--
EHRC, Faridabad		142,226	164,084	147,833	143,253
EHSSI, Amritsar		8,881	9,908	9,487	8,772
Fortis Hospital, Amritsar		6,369	2,961	2,837	3,176
Jessa Ram Hospital, Delhi		34,280	32,480	31,874	33,301
Fortis La Femme, Delhi		5,659	2,507	2,238	--
Khyber Medial Insitute, Srinagar		8,799	--	--	--
EHCR, Raipur		4,714	6,660	5,986	5,667
Number of Procedures		Fortis Hospital, Mohali	7,042	8,874	6,729
	EHIRC, Delhi	14,570	19,554	18,965	20,011
	Fortis Hospital, Noida	4,609	4,628	2,458	--
	Fortis Ft. Lt. Rajan Dhall Hospital, Vasant Kunj	4,311	--	--	--
	EHRC, Faridabad	6,573	8,486	7,911	6,717
	EHSSI, Amritsar	2,034	1,844	1,686	1,534
	Fortis Hospital, Amritsar	733	511	507	267
	Jessa Ram Hospital, Delhi	1,321	1,150	1,228	1,298
	Fortis La Femme, Delhi	1,114	1,145	477	--
	Khyber Medial Insitute, Srinagar	4,805	--	--	--
	EHCR, Raipur	961	1,040	841	712

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- **Navi Mumbai**
February 2007, they acquired a 100% stake in Hiranandani Healthcare Private Limited in collaboration with Navi Mumbai Municipal Corporation (NMMC) to develop a super-specialty hospital in Navi Mumbai.
Specialisations: joint replacement, neuro-surgery, cardiac care and renal care
Bed Capacity: 152
Commence Operations: 1st quarter of fiscal 2008
Capital expenditure: Rs 350 million
- **Jaipur**
EHSSHL (*Escorts Heart and Super Speciality Hospital Limited*) is a 100% subsidiary of EHIRCL (*Escorts Heart Institute and Research Centre Limited*). Fortis Healthcare Limited holds 90% interest in EHIRCL. EHSSHL owns their planned hospital in Jaipur which will be a super-specialty hospital with specialization in cardiac care, orthopedics, neuro-sciences, renal care and gastroenterology.
Bed Capacity: 163 beds
Commence Operations: 1st quarter of fiscal 2008
Capital expenditure: Rs 1,100 million
- **Northwest Delhi**
A super-specialty hospital in Shalimar Bagh, with specialisation in cardiac care, orthopedics, neuro-sciences, renal care, mother and child care and gastroenterology.
Bed Capacity: 258
Commence Operations: Fiscal 2009
Capital Expenditure: Rs 2,000 million
- **Gurgaon**
A super-specialty hospital in the national capital region will focus on trauma, oncology, mother and child care, cardiac care, orthopedics, organ transplants and neuro-sciences.
Bed Capacity: 250
Commence Operations: 1st half of Fiscal 2010
Capital Expenditure: Rs 3,500 million
- **Other**
They are in various stages of negotiations to undertake O & M contracts and acquire Greenfield sites for hospitals. For eg they have entered into a MOU with:
 - A company in Kuwait to facilitate referrals from Kuwait, while also providing technical knowledge to set up a facility there to provide outpatient services, as well as multi-specialty inpatient services in the long-term
 - A company in Nepal that envisages an O&M contract for a hospital in Kathmandu, NepalFurther they are in discussions with a provider of primary healthcare services in Afghanistan to facilitate the referral of its patients to their hospitals for advanced treatment.

Medical Value Travel

They have arrangements with a number of medical value travel agencies based in India, as well as the United States, the United Kingdom and Canada, among others, and expect to continue to increase the number of these arrangements in the future to facilitate their access to the growing medical value travel market.

Further they have entered into arrangements with international insurers such as Aetna, CIGNA, HTH Worldwide, Vanbreda International, BUPA and World Access to provide healthcare coverage to their subscribers who are living, working or traveling in India.

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Competitive Strengths

- Skilled doctors dedicated to quality patient care – Dec 31st 2006: a team of 626 doctors at their owned hospitals and EHCR, complemented by 2,619 nurses and 520 other medical personnel.
- Modern, patient-centric hospital facilities.
- Cost-effective business model
- Depth of coverage – 6 hospitals in the National Capital Region – in the regions in which they operate they have a broad presence which enables potential patients to get familiar with the brand and network
- Proven ability to develop facilities
- Professionally managed administration.
- Brand equity.

Strategy

- Continue to grow with a flexible expansion program
- Expand into new regions
- Focus on high-growth segments of the healthcare market.
- Attract and retain prominent, skilled doctors.
- Improve occupancy rates and increase average income per bed in use.

Hospital	average occupancy rate	average income per bed in use
Fortis Hospital, Mohali	75%	4.13 mn
EHIRC	81%	5.24 mn
Fortis Hospital, Noida	82%	3.87 mn
EHRC	91%	1.85 mn

- Maximize efficiencies across their hospitals through greater integration and better supply chain management.
- Equip administrators with leadership skills and best practices.

Objects of the Issue

S. No.	Proposed Expenditure Program	Estimated Total Cost	Means of Finance		
			Receipts from Pre-IPO placement of Equity Shares	Issue Proceeds	Debt
1.	Construction and development of the planned hospital to be located at Shalimar Bagh, New Delhi by OBPL. (Oscar Bio-Tech Private Limited)	2,000.00	-	1,000.00	1,000.00
2.	Refinancing of funds availed for the acquisition of EHIRCL. (Escorts Heart Institute and Research Centre Limited)	5,600.00	926.90	4,673.10	-
3.	Prepayment of short term loans of the Company.	700.00	610.00	90.00	-
4.	General corporate purposes including strategic initiatives	[□]	-	[□]	-
5.	Issue expenses	[□]	-	[□]	-
	Total	[□]	1,536.90	[□]	1,000.00

(Rs in millions)

Part repayment of loan availed from HDFC Bank Limited

They have repaid Rs 560 million raised from the Pre-IPO Placements towards short-term loans. Further they intend to repay Rs 50 million raised from Pre-IPO Placements towards certain short term loans prior to the completion of this Issue.

In March 2006, Fortis Healthcare Holdings Limited (“FHHL”), a Promoter of the Company advanced Rs. 2,600.00 million as share application money to the Company. The Company utilized a significant part of such amounts, i.e. Rs. 2,575.00 million towards repayment of certain term loans availed from banks and financial institutions for funding the acquisition of EHIRCL. Subsequently on September 25, 2006, in consideration of such share application amounts the Company issued 26,000,000 Preference Shares (Class B) each to FHHL, at a premium of Rs. 90 each aggregating Rs. 2,600.00 million. The Company proposes to redeem the Preference Shares (Class B) issued to FHHL, out of the proceeds of this Issue.

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Key Concerns

- The audit opinion for their largest subsidiary is qualified, and their financial statements, as well as those of EHIRCL, both on a consolidated and standalone basis, are subject to significant limitations and may not provide a complete presentation of their financial condition. *(No opinion is provided on the impact their outstanding litigation with the Delhi Development Authority (the "DDA") and Income Tax Authorities may have on the results of operations of EHIRCL. The qualifications are due to the potentially high liability to which these cases expose EHIRCL.)*
- They may be unable to successfully integrate the Escorts hospitals with their existing facilities or achieve the synergies and other benefits they expect from the Escorts acquisition. In addition, the difficulties of integrating Escorts' business could impede their future growth and adversely affect the operation of their business. *(Acquisition in September 2005 of a 90% interest in EHIRCL a provider of private healthcare services that owns and operates three majority-owned hospitals in north India and operates a fourth hospital in collaboration with the Government of Chhattisgarh and 10 satellite and heart command centers for total consideration of Rs. 5,850.10 million more than doubled their business and significantly increased their scope and complexity of operations.)*
- There is significant outstanding litigation against EHIRCL (*Escorts Heart Institute and Research Centre Limited*) and its subsidiaries involving, among other things, EHIRCL's corporate existence, business operations, tax payments and land rights, and such litigation may materially adversely affect their operations and financial condition and could cause the value of the Equity Shares to decline significantly.

<i>EHIRCL and its subsidiaries:</i>	<i>Fiscal 2006</i>	<i>9 mnths ended 31st Dec 2006</i>
<i>Total Income</i>	<i>Rs 2,922.88 million</i>	<i>Rs 2,370.44 million</i>

Their largest subsidiary EHIRCL is involved in various significant legal and regulatory proceedings challenging

- (i) *Its right to a leasehold interest on the land on which the EHIRC (Escorts Heart Institute and Research Centre) hospital is located –*
EHIRCL's predecessor was a charitable society and subsequently merged with a non-charitable society in the nature of a joint stock company, which was thereafter incorporated as a company with limited liability. The initial merger of the societies and the incorporation is being challenged in the Delhi High Court. The DDA (the Delhi Development Authority), the owner of the land on which EHIRC is located has treated both the merger and the incorporation as prohibited transfers of property. DDA has terminated the lease deeds and allotment letters in respect of the land on which the EHIRC hospital is located. EHIRCL has filed a civil suit with the Delhi High Court with the next date of hearing being May 14th 2007. If the DDA's termination of their leases and eviction proceedings is upheld then they may lose the EHIRC hospital facility and their entire investment in the fixed assets therein.
- (ii) *Its corporate existence, and the validity of the Escorts hospitals acquisition –*
A civil suit has been filed by Mr Anil Nanda a member of the former Delhi Society, for a declaration and permanent injunction against EHIRCL in the Delhi High Court:-
 - (a) *to void the amalgamation of EHIRCL's predecessors, Delhi Society and Chandigarh Society, and the subsequent incorporation of the amalgamated society as a limited company (i.e., EHIRCL) and, by implication, void the Escorts hospitals acquisition.*
 - (b) *to restrain Escorts Limited from transferring or creating any third party rights with respect to its shares in EHIRCL.**If Mr Nanda is successful, the merger and incorporation which made EHIRCL a for-profit limited company in April and May 2000, respectively, could be annulled, as could their acquisition of EHIRCL. If either the merger or the incorporation is annulled, they may be unable to recover the consideration they paid in respect of the Escorts hospitals acquisition.*
- (iii) *The application of a condition in an allotment letter in respect of the EHIRC hospital site requiring the provision of free treatment to indigent patients at EHIRC –*
A private plaintiff has filed a writ petition against them in the High Court of Punjab and Haryana in 2000 alleging that EHIRC at Faridabad was being operated in violation of the condition in the allotment of land to provide free medical treatment.
If, however, they are unsuccessful in their attempts to defend this litigation, they may be required to provide free or discounted healthcare services to additional patients.
- (iv) *Non-renewal of EHIRCL's nursing license*

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(v) *Its ability (and that of its promoters and shareholders) to deal in or use its assets or revenue and to refer to EHIRC and its revenue in any red herring prospectus*

(vi) *Certain income tax exemptions claimed by EHIRCL's predecessors.*

The Central Government's Income Tax Department has re-opened certain tax assessments of EHIRCL's predecessors, Delhi Society and Chandigarh Society. The Income Tax Department has assessed additional income tax payments in an aggregate amount of Rs. 3,044.30 million for periods ranging between Fiscal 1997 and Fiscal 2001. The Department has assessed an additional interest payment of Rs. 24.28 million on this amount. A demand of Rs. 40.42 million has been assessed for Fiscal 2004 for EHIRCL. An earlier demand of Rs. 42.40 million for Fiscal 2003 is pending cancellation by the Department pursuant to a decision by the Commissioner of Income Tax (Appeals) rejecting such assessment. The assessing officer has also initiated penalty proceedings in respect of the re-opened assessments.

If any of these matters is resolved in a manner adverse to them, they could be required to make large payments to governmental authorities or could, in some circumstances, lose their right to the shares in EHIRCL and its subsidiaries for which they paid Rs. 5,850.10 million, their right to the EHIRC, EHRC and EHSSI hospital facilities or their right to operate their inpatient business at EHIRC or use the assets and revenue of EHIRCL or refer to EHIRC in any red herring prospectus.

- They expect that they may have to make a substantial payment and prospectively incur substantial expenditure in order to satisfy the directions of the High Court of Delhi in its recent judgment in a public interest litigation regarding the provision of free treatment at certain of their hospitals. *In 2004, the High Court of Delhi issued notice to EHIRCL under a public interest litigation ("PIL") filed in 2002 regarding the applicability of conditions for the provision of free treatment to indigent patients (all persons having an income of Rs 5,000 or less or no income) in hospitals located on certain plots of land allotted by DDA at concessional rates. The High Court delivered its judgment on March 22, 2007, directing that certain hospitals in Delhi, including the EHIRC facility in Delhi and the Indian Spinal Injuries Centre, in which they operate a heart command center for a fee based on its revenues,*
 - (a) *provide free treatment (including free admission, beds, medication, treatment, surgery, nursing, consumables and non-consumables) to the extent of 10% of patients in the IPD and 25% of the total number of patients in the OPD with effect from the date the hospitals have become functional;*
 - (b) *repay an amount to a central corpus established by the High Court for non-compliance or partial compliance with the conditions since commencement of hospital operations.*
- If they are unable to identify expansion opportunities or they experience delays or other problems in implementing such projects, their growth, financial condition and results of operations may be adversely affected. In addition, they may choose to fund some of these projects from the proceeds of this Issue.
- They have a limited history of operations and they have incurred net losses to date and may incur additional net losses in the future.
- They are highly dependent on their doctors, nurses and other healthcare professionals, as well as other key personnel, and the loss of, or inability to attract or retain, such persons could adversely affect their business and results of operations. Moreover their arrangements with some of their doctors may give rise to conflicts of interest and time-allocation constraints and adversely affect their operations.
- Their gross income may decrease if their O&M contracts or their contract with the Government of Chhattisgarh in respect of EHCR are not renewed, are renewed on terms that are unfavorable to them or are terminated. – *They do not own five of their 11 network hospitals, or any of their 16 satellite and heart command centers.*
- Their hospitals are currently geographically concentrated and they may not gain acceptance or be able to replicate their business strategy successfully outside their current markets, all of which may place them at a competitive disadvantage and limit their growth opportunities.
- Their financial statements for the fiscal year ended March 31, 2006 and prior periods may be of little relevance as they will not be comparable to those for future periods because of the Escorts hospitals acquisition, the IHL acquisition and the OBPL acquisition.
- Their gross income is dependent on inpatient income and occupancy rates, which could decline due to a variety of factors.

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- A significant portion of their revenues comes from a limited number of customers. An adverse change in a customer relationship could harm their business and financial results. *Service agreements with employers like the State Governments of Haryana, Punjab and Himachal Pradesh; government enterprises like Northern Railways and large corporations such as Hindustan Lever Limited and Reliance Industries Limited to provide healthcare services to their employees at negotiated or preferential rates, typically at discounts of 5% to 15% to the published rates.*
- Their significant indebtedness and the conditions and restrictions imposed by their financing arrangements may limit their ability to acquire more hospitals and increase growth. *As at December 31, 2006, they had Rs. 6,768.25 million of total debt, excluding Rs. 49.93 million of deferred payment liabilities relating to acquired land, approximately 89.17% of which matures within the next twelve months.*
- They do not own the “Fortis” and “Escorts” trademarks, including their respective names and logos, and are involved in litigation regarding the use of the “Fortis” and “Escorts” trademark.
- They may not have clear title to their property, and their usage of such properties may not meet legal requirements. Moreover the leases for land on which their hospitals are located may not be renewed, and they may lose possession of the leased properties and related buildings and other improvements. *They lease the land on which four of their six owned hospitals are located: Fortis Hospital, Mohali; Fortis Hospital, Noida; Fortis Hospital, Amritsar; and EHRC; as well as the land on which their projects under development in northwest Delhi and Jaipur will be located.*
- The land on which the Fortis Ft. Lt. Rajan Dhall Hospital, Vasant Kunj and Jessa Ram Hospital are situated are also subject to litigation. In the event of an adverse ruling, they may be unable to operate and manage these hospitals and recover investments made in them.
- Their Promoters and Promoter Group have equity interests in affiliated companies that manufacture products and offer services that are related to their business, which may create conflicts of interest. *(Ranbaxy Laboratories Limited, which manufactures pharmaceuticals, SRL Ranbaxy Limited, which offers diagnostic laboratory services, Fortis HealthStaff Limited (“FHSL”), which trains nurses, and Fortis HealthWorld Limited (“FHWL”), which operates pharmacies.)*
- A significant portion of their outstanding debt is subject to fluctuations in interest rates, which may adversely affect their financial results. *(At December 31, 2006, approximately 91.60% of their outstanding debt was subject to interest payments based on floating rates)*
- They have in the last 12 months issued Equity Shares at a price which may be different than the Issue Price.

Date of Allotment and Date on which Fully Paid Up	Number of Equity Shares	Issue Price	Consideration	Reasons for Allotment	Name of Allottee(s)
February 10, 2006	520,000	N/A	Consideration other than cash	Allotment to the shareholders of erstwhile FMCHL (<i>Fortis Medical Centre Holdings Limited</i>) pursuant to order of the Delhi High Court dated October 7, 2005	Mr. Harpal Singh, Mr. Shivinder Mohan Singh, Mr. Malvinder Mohan Singh, Mr. Vinay Kumar Kaul, Mr. V. M. Bhutani, Mr. Vinay Kumar Singhal, Mr. Janak Singh Bajwa, FHHL, RLL Malav Holdings Private Limited.
March 31, 2006	85,000,000	10	Cash	Preferential Allotment	FHHL
January 5, 2007	2,000,000	135	Cash	Preferential allotment	Mr. Rajkumar Bagri
January 12, 2007	2,000,000	145	Cash	Preferential allotment	Mr. Apurv Bagri
March 20, 2007	6,000,000	145	Cash	Preferential allotment	Trinity Capital (Eight) Limited
March 20, 2007	670,194	159.50	Cash	Preferential allotment	Trinity Capital (Eight) Limited Vasco Inc

Issue Size

	# of shares	Price Band	
		Rs 92	Rs 110
Fresh Issue	4,59,96,439	423.17	505.96
Employee Reservation	0.53% of the Issue 2,42,476	2.23	2.67
Net Issue	4,57,53,963	420.94	503.29
QIBs #	60% of the Net Issue 2,74,52,378	252.56	301.98
Non Institutional Investors	10% of the Net Issue 45,75,396	42.09	50.33
Retail Individual Investors	30% of the Net Issue 1,37,26,189	126.28	150.99

5% for allocation for mutual funds

Equity Shares outstanding prior to the Issue	180,670,094 Equity Shares of Rs 10 each
Equity Shares outstanding after the Issue	226,666,533 Equity Shares of Rs 10 each

In the event any Eligible Employee to whom Equity Shares are proposed to be allotted in the Firm Allotment Portion, withdraws partially or fully, from the offer made to him/her in the Firm Allotment Portion, the Promoters shall apply to the extent of Equity Shares offered to such Eligible Employee up to a maximum of 242,476 Equity Shares.

The Promoter

Individual Promoters:

- Mr. Malvinder Mohan Singh – Over 10 years of experience in the pharmaceuticals sector
 - Chief Executive Officer and Managing Director of RLL (Ranbaxy Laboratories Limited)
 - Chairman of REL (Religare Enterprises Limited)
 - Member of the National Council for the CII
 - Chairman of the CII National Committee on Intellectual Property Rights, Research and Development, Technology and Innovation.
 - Member of the Young Global Leaders Forum
 - Board of Visitors of Duke University
 - Member of the Board of Trade, Ministry of Commerce and Industry, Government of India.
- Mr. Shivinder Mohan Singh – Approximately 7 years of experience in the healthcare industry
 - Managing Director and a Promoter of the Company
 - Board of Directors of RLL (Ranbaxy Laboratories Limited)
 - Fellow of Aspens India Leadership Initiative and on the Board of Visitors of Fuqua School of Business, Duke University
- Fortis Healthcare Holdings Limited (“FHHL”) – an unlisted investment company

Shareholding Pattern

	Pre-Issue		Post-Issue	
	Number of Equity Shares	% of Equity Share capital	Number of Equity Shares	% of Equity Share capital
Promoters				
Mr. Malvinder Mohan Singh	6,394	Negligible	6,394	Negligible
Mr. Shivinder Mohan Singh	6,394	Negligible	6,394	Negligible
Fortis Healthcare Holdings Limited	154,326,940	85.42	154,326,940	68.09
Sub-total Holding of Promoters Promoter Group (other than the Promoters)	154,339,728	85.43	154,339,728	68.09
Pre-IPO Investors				
Ranbaxy Laboratories Limited	14,097,660	7.80	14,097,660	6.22
Malav Holdings Private Limited	133,750	0.07	133,750	0.06
Ranbaxy Holding Company	121,250	0.07	121,250	0.05
Sub-total Holding of Promoter Group (other than Promoters)	14,352,660	7.94	14,352,660	6.33
Pre-IPO Investors				
Trinity Capital (Eight) Limited	8,000,000	4.43	8,000,000	3.53
Mr. Rajkumar Bagri	1,000,000	0.55	1,000,000	0.44
Mr. Apurv Bagri	1,000,000	0.55	1,000,000	0.44
Vasco Inc	670,194	0.37	670,194	0.30
Sub-total Holding of Pre-IPO Investors	10,670,194	5.91	10,670,194	4.71
Directors of the Company				
Mr. Harpal Singh	50,003	0.03	58,003	0.03
Mr. Vinay Kaul	103	Negligible	8,103	Negligible
Mr. V.M. Bhutani	5,102	Negligible	9,102	Negligible
Mr. Gurcharan Das	10,000	0.01	16,000	0.01
Mr. P.S. Joshi#	25,000	0.01	33,000	0.01
Lt.Gen. Tejinder Singh Shergill	-	-	16,000	0.01
Justice S.S. Sodhi	-	-	4,000	Negligible
Mr. Rajan Kashyap	-	-	2,400	Negligible
Mr. Ramesh L. Adige	-	-	800	Negligible
Sub-total Holding of Directors of the Company	90,208	0.05	147,408	0.07
Key Managerial Employees of the Company				
Mr. Daljit Singh	10,000	0.01	30,000	0.01
Mr. Anil Panwar	5,500	Negligible	15,500	0.01
Sub-total Holding of Key Managerial Employees of the Company	15,500	0.01	45,500	0.02
Others	1,201,804	0.67	47,111,043	20.78
Total	180,670,094	100.00	226,666,533	100.00

FOR PRIVATE CIRCULATION ONLY

Pre-IPO Investors

S.No.	Pre-IPO investors	Number of Equity Shares	Price per Equity Share (Rs.)	Date of Allotment of Equity Shares
1	Raj Kumar Bagri	1,000,000	135.00	January 5, 2007
2	Apurv Bagri	1,000,000	135.00	January 5, 2007
3	Trinity Capital (Eight) Limited	2,000,000	145.00	January 12, 2007
4	Trinity Capital (Eight) Limited	6,000,000	145.00	March 20, 2007
5	Vasco, Inc.	670,194	159.50	March 20, 2007

Gross proceeds:
Rs 1,536.90
million

Financials

Revenues emanate from:

- (i) inpatient and outpatient hospital services;
- (ii) hospital management fees
- (iii) retail sales at the pharmacies they run at their owned, Fortis-branded hospitals.

Extracts of the restated consolidated summary statement of Profits and Liabilities

(Rs millions)

Particulars	Nine Months Period Ended December 31, 2006	Year Ended March 31, 2006	Year Ended March 31, 2005	Year Ended March 31, 2004
Operating Income	3,765.93	2,925.53	737.26	491.43
Other Income	80.37	46.04	41.91	9.56
Total Income	3,846.30	2,971.57	779.17	500.99
Total Expenditure	4,517.83	3,507.54	949.97	693.96
Profits / (Losses) before Tax	(671.53)	(535.97)	(170.80)	(192.97)
Net Profits / (Losses) before Prior period & Exceptional Items	(728.30)	(650.04)	(196.86)	(192.97)
Net Profits / (Losses) as per audited financials after eliminating inter company transactions	(745.80)	(625.02)	(199.84)	(85.95)
Net Profits / (Losses) as restated	(746.20)	(651.53)	(169.93)	(90.13)
Net Profits/ (Losses) as allocable to shareholders of Fortis Healthcare Limited	(749.70)	(577.02)	(85.83)	(68.83)
Balance Carried Forward as restated	(2,003.72)	(1,212.77)	(635.75)	(530.71)

(Source: Red Herring Prospectus)

FOR PRIVATE CIRCULATION ONLY

Extracts of the restated consolidated summary statement of Assets and Liabilities

(Rs millions)

Particulars	As at			
	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004
Fixed Assets	4,706.02	4,541.07	1,221.84	983.39
Investments	3.23	4.58	-	-
Deferred tax assets	90.79	55.19	-	0.01
Goodwill	3,918.65	4,261.27	-	-
Current Assets, Loans & Advances				
Inventories	123.37	102.48	21.27	12.46
Sundry Debtors	908.38	700.39	61.67	9.51
Cash and Bank Balances	168.00	167.44	16.25	14.06
Other Current Assets	81.34	53.74	17.67	7.42
Loans & Advances	457.95	382.24	54.26	30.69
Total Current Assets, Loans & Advances	10,457.73	10,268.40	1,392.96	1,057.54
Liabilities and Provisions	8,137.08	7,157.84	1,168.05	839.20
Net Worth	2,320.65	3,110.56	224.91	218.34
<i>Represented by</i>				
Equity Share Capital	1,700.00	1,700.00	846.54	749.05
1% Non Cumulative Redeemable Preference Share Capital	10.00	10.00	-	-
5% Non Cumulative Redeemable Preference Share Capital	260.00	-	-	-
Share Application Money (Pending Allotment)	-	2,600.04	0.20	-
Reserves & Surplus	2,355.60	15.60	15.60	-
Less:				
Debit Balance of Profit & Loss Account	2,003.72	1,212.77	635.75	530.71
Less: Miscellaneous Expenditure (To the extent not written off or adjusted)	1.23	2.31	1.68	-
Net Worth	2,320.65	3,110.56	224.91	218.34

(Source: Red Herring Prospectus)

Ratio Analysis

Particulars	Period Ended			Year Ended		
	December 31, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Basic Earnings / (Loss) per share (Rs.)	(2.06)	(3.30)	(1.10)	(0.78)	(2.81)	(4.78)
Diluted Earnings/ (Loss) per share (Rs.)	(2.06)	(3.30)	(1.10)	(0.78)	(2.68)	(4.69)
Return on Net Worth %	-76%	-34%	-36%	-25%	-69%	-68%
Net Asset Value per share (Rs.)	2.71	4.78	2.83	3.12	3.82	5.69

Based on restated unconsolidated financial statements

(Source: Red Herring Prospectus)

	Pre- Dilution	Post – Dilution
EPS (Of 31st December 2006)	(4.03)	(3.21)
EPS - annualised	(5.37)	(4.28)
P/E Ratio		
At Rs 92	--	--
At Rs 110	--	--

Based on restated consolidated financial statements

Peer Group Comparison

	EPS (Rs.)	P/E (times)	Return on Net Worth (%)	Net Asset Value per Equity Share (Rs.)
Fortis Healthcare Limited ⁽¹⁾	(1.65)	[□]	-34%	4.78
Peer Group ⁽²⁾				
Apollo Hospitals	12.3	28.2	13.6%	126.3

1) Earnings Per Share, Return on Net Worth and Net Asset Value of the Company are based on the last audited unconsolidated restated financial statements for the year ended March 31, 2006.

2) Source: "Capital Market" Volume XXI/ 24 dated January 29, 2007 to February 11, 2007.

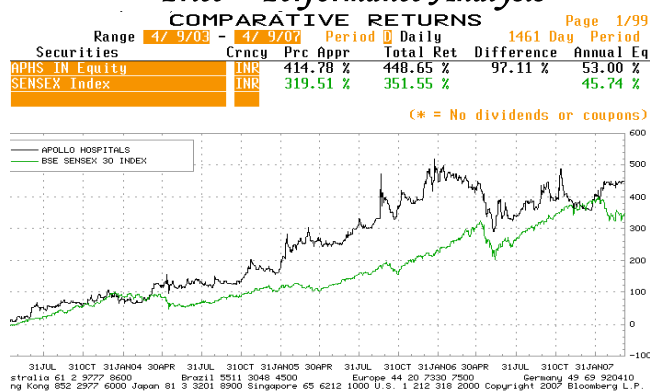
(Source: Red Herring Prospectus)

(Rs in crores*)

For the 4 quarters ended Dec 31 st 2006	Apollo Hospitals
Face Value	10.00
Net Sales *	849.60
Other Income *	40.70
Total Income *	890.30
Total Expenditure *	715.00
PBIDT *	175.30
PBDT *	160.70
PAT *	97.80
Equity Capital *	51.60
EPS – annualised	19.26
Market Price (9-4-2007)	496.25
52 week high	577.00
52 week low	340.00
P/E Ratio (Trailing)	25.77

(Source: Capital Line)

Price – Performance Analysis



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