

RETAIL

RESEARCH 

Fortis Healthcare Ltd.

Sector: Healthcare

Initial Public Offering Prospectus Extracts

Company overview

Fortis Healthcare is India's fastest growing healthcare with state-of-art facilities. They currently have a network of 11 hospitals primarily in north India, 15 satellite and heart command centers in hospitals across the country and one heart command center in Afghanistan.

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. In addition, two of their hospitals, Escorts Heart Institute & Research Centre (EHIRC) at New Delhi and Escorts Heart Centre at Raipur, focus primarily on cardiac patients, with EHIRC serving as super-specialty "center of excellence" for cardiac care. They also operate Fortis La Femme, a "boutique" style hospital that focuses on women's health and maternity care.

Profile

Quality patient care

Fortis Healthcare has a team of 626 doctors at their owned hospitals and EHCR, complemented by 2,619 nurses and 520 other medical personnel. They adhere to international clinical protocols in patient handling, operating theatres, intensive care unit management and emergency care set by leading international hospitals and accreditation bodies. In addition, their 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 their doctors also have a history of pioneering innovative techniques for patient treatment, such as minimally invasive cardiac and orthopedic surgeries, both in India and, in some cases, on a global basis.

Brand equity

The "Escorts" and "Fortis" healthcare brands are widely recognized by both healthcare professionals and patients in specialty areas, such as cardiac care, orthopedics, neuro-sciences, renal care, oncology, gastroenterology and mother and child care. The company's reputation and affiliation with RLL helps them 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.

Professionally managed administration

The company's senior management is composed of experienced managers from the manufacturing, service and other sectors, as well as doctors with both clinical and administrative experience. Several members of their senior management team also have experience working with the Promoter Group companies, such as RLL, and SRL Ranbaxy Ltd., an Indian clinical reference laboratory company. The company believes that their combination of professionally managed administration with a commitment to patient care and high ethical standards enables us to operate their hospitals more efficiently and leads to greater innovation in the management philosophy across their hospitals, while at the same time provide quality care to their patients.

Issue Details

Type of Issue	: Book Building
Issue Size	: 45.9m Equity Shares
Price	: Rs.92 – Rs.110
Issue Opens	: 16 April 2007
Issue Closes	: 20 April 2007
Minimum Bid Lot	: 60 Equity shares and in multiples of 60 thereafter
Listing	: BSE & NSE
Book Running Lead Managers	: <ul style="list-style-type: none"> • JM Morgan Stanley Pvt. Ltd. • Citigroup Global Markets Pvt. Ltd. • Kotak Mahindra Capital Company Ltd.
Registrar to the Issue	: Intime Spectrum Registry Ltd.

Retail Research

Viren Bajalia viren.bajalia@idbicapital.com 91-22-6637 1187

IPO Sales

Ambresh Hanmanthu ambresh@idbicapital.com 91-22-6637 1202
Prashant Sawant prashant.sawant@idbicapital.com 91-22-6637 1203

Production & Database

S. Narasimhan Rao narasimhan.rao@idbicapital.com 91-22-6637 1165

■ Modern, patient-centric hospital facilities

The company's hospitals have been designed to ensure that they are able to offer quality care to their patients. The layout at their 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. Their hospital staff is trained to care for patients with techniques utilized in the hospitality industry, which together with the design of their facilities, helps relieve patient anxiety and provide a more comfortable experience for patients.

Objects to the issue

- To meet the cost of development and construction of a new hospital owned by Oscar Bio-Tech Private Limited, a subsidiary of the company.
- Refinance the funds availed for the acquisition of Escorts Heart Institute Research Centre Ltd.
- Prepay some of the short term loans
- To achieve the benefits of listing on the Stock Exchanges.

Intended use of proceeds

■ Proposed expenditure program

(Rs. m)

Proposed expenditure Program	Estimated total cost	Receipts from pre-IPO placement of equity shares	Issue Proceeds	Debt
Construction and development of the planned hospital to be located at Shalimar Bagh, New Delhi by OBPL	2,000		1,000	1,000
Refinancing of funds availed for the acquisition of EHIRCL	5,600	926.9	4,673.1	
Prepayment of short term loans of the company	700	610	90	
General corporate purposes	[•]		[•]	
Issue Expenses	[•]		[•]	
Total	[•]	1,536.9	[•]	1,000

Source: Company data, IDBI Capital Market Services

Financial history

■ Profit & loss account

(Rs m)

Year-end: March	FY04	FY05	FY06
Net Sales	481	604	977
Other Income	129	27	23
Total Income	610	630	1,000
Total Expenditure	520	628	931
Operating Profit	90	2	69
Interest	79	23	273
Depreciation	67	63	73
Fringe Benefit tax	-	-	2
Reported Net Profit	(56)	(83)	(280)

Source: Company data, IDBI Capital Market Services

■ Balance sheet

(Rs m)

Year-end: March	FY04	FY05	FY06
Share Capital	749	847	1,710
Reserves Total	(516)	(603)	(880)
Total Shareholders Funds	233	243	830
Secured Loans	253	351	3,863
Unsecured Loans	91	-	690
Total Debt	344	351	4,554
Total Liabilities	577	594	5,383
Net Block	611	593	780
Capital Work in Progress	5	10	207
Investments	-	-	6,747
Total Current Assets	92	152	583
Total Current Liabilities	130	163	2,831
Net Current Assets	(38)	(10)	(2,248)
Net Deferred Tax	-	-	(104)
Total Assets	577	594	5,383

Source: Company data, IDBI Capital Market Services

■ Ratios

(Rs m)

Year-end: March	FY04	FY05	FY06
Key Ratios			
Book Value-Unit Curr	3.1	2.9	4.8
Debt-Equity Ratio	2.6	1.5	4.6
Long Term Debt-Equity Ratio	2.6	1.5	4.6
Current Ratio	1.2	0.8	0.2
Turnover Ratios			
Fixed Assets	0.5	0.8	1.0
Inventory	34.6	44.1	53.7
Debtors	65.4	22.1	8.3
Interest Cover Ratio	0.3	(2.6)	(0.0)
PBIDTM (%)	18.7	0.4	7.1
PBITM (%)	4.8	(10.0)	(0.5)
PBDTM (%)	2.4	(3.4)	(20.9)
CPM (%)	2.4	(3.4)	(21.1)
APATM (%)	(11.6)	(13.8)	(28.6)

Source: Company data, IDBI Capital Market Services

IDBI Capital Market Services Ltd. (A wholly owned subsidiary of IDBI Ltd.)

Registered Office: 5th floor, Mafatlal Centre, Nariman Point, Mumbai – 400 021. Phones: (91-22) 6637 1212 Fax: (91-22) 2288 5850 Email: info@idbicapital.com

Disclaimer

Please note that this is an extract from the Red Herring Prospectus. Investors are requested to refer to the Red Herring Prospectus for details regarding the issue, the issuer company and the risk factors before taking any investment decision. This information is for general information purpose only, without regard to specific objectives, financial situations and needs of any particular person. Investors should read Red Herring Prospectus / seek professional advice before taking any actions. Please note that investment in securities is subject to risks including loss of principal amount and past performance is not indicative of future performance. IDBI Capital Market Services Ltd. does not accept any liability whatsoever direct or indirect that may arise from the use of the information herein. The information contained herein does not constitute an offer or an invitation for an offer to invest. By accessing these materials you acknowledge and agree that they are for internal use only. These materials summarise certain points related to the offering and they are not a comprehensive summary. You should refer to the Red Herring Prospectus for more complete information. You understand that under no circumstances may these materials or any part thereof be provided to persons outside India.