



“Fortis Healthcare Investor Update Conference Call”

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Moderator: Ladies and Gentlemen, Good day and Welcome to the Fortis Healthcare Limited Investor Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. I now hand the conference over to Mr. Anurag Kalra - Senior Vice President, Investor Relations, at Fortis Healthcare Limited. Thank you and over to you, Mr. Kalra.

Anurag Kalra: Thank you, Zaid. A very good morning ladies and gentlemen and welcome to Fortis Healthcare's investor call on the recent announcement that we made last night. On the call we have our Chief Executive Officer – Mr. Bhavdeep Singh; we have Mr. Gagandeep Bedi – our Chief Financial Officer; Arindam Halder – CEO of our Diagnostics Business SRL, myself and my colleague Gaurav Chugh.

First of all, apologies for starting the call late, I believe there was a technical error at the conference. We will start the call with some opening comments and remarks by Bhavdeep Singh, following which I shall take you through a brief of what the transaction is all about and also share with you some information on Manipal. I presume most of you would have gone through the presentation and press release that we shared last night. Post that we will open the floor for question-and-answers. Over to Mr. Bhavdeep Singh.

Bhavdeep Singh: Alright. Thank you very much. Good morning, everyone. We appreciate everybody joining the call at this early hour. Today is a very, very exciting day for Fortis Healthcare and Manipal Hospitals, and I just want to spend a few minutes. You have already seen, imagine you have all seen the press release, you have all seen some of the details that we have shared around the demerger of the Fortis' hospital business into Manipal Hospitals.

I will take a step back for a minute, I just want to talk a little bit about what has been happening at Fortis and what has been happening in the industry and just exactly how did we get here, because this is as much about where we are today as well the journey we have taken to get here.

As you are well aware, and not a very well-kept secret, Fortis has gone through some very interesting times over the past 12- 18 months. We started this journey of getting into dialogue and discussion with various potential investors 18 months ago. So for 18 months, between myself and our leadership team we have been spending time talking about potential investors coming into Fortis and becoming partners on our journey of healthcare excellence. It might interest you to know that if I look at all the various people that spent time in Fortis in terms of looking diligent, who were kicking the tire to understand what is happening, we have spent a combined time of almost two years literally, a good chunk of the success of our leadership team, our finance team, our investor relations team, our entire leadership team focusing on and working with various investors.

So, I think the first point I want to get across is that we have spent a disproportionate amount of time working on sitting and discussing with the with the hospitals talking about data with potential investors. And it has had a significant strain with respect to what I do what our leadership team does and how we spend our time. So, instead of doing what we should be doing we are spending a lot of time focusing on things like this. So that has been a significant activity for us.

Now if you look at compounding that, think about what has been happening in the health care industry and turbulent time that the industry has been going through. I have seen very, very often that our industry is one of the most maligned industry in the country today, and good/bad otherwise Fortis is part of that group that very often becomes a topic of discussion when we start looking at the private healthcare story, the public healthcare story and the value proposition around healthcare has become quite a heated topic. And Fortis is right in the middle of this whole thing. If you remember, if you take a few months between what happened in one of our hospitals, what happened in one of the other hospitals, and this whole notion of how much we charge, what is the value proposition, latency, etc, so that also has taken a good bit of time and good bit of resources as we all managed through that and certainly it was a challenge as well.

And then more recently, this is very typical of Fortis, in fact looking at what has been happening at Fortis, in fact the four walls of Fortis, between what has been happening at our group, between some of the challenges that have been taking place at promoter level, we have had a massive, massive distraction inside our organization and that has created quite a bit of challenges.

So, when you put all of that together you have an industry that is going through multiple changes, I think the whole notion of where private healthcare is going is up for discussion right now and there is a vacuum, there is a vacuum for leadership there in terms of organization and what we are doing and how we step up. I think that within Fortis itself, starting with the investor discussions we have been having, the industry challenges that have been taking place, and three, our own challenges with respect to group and promoter. And that is quite honestly, to be very candid and very frank, it has been a very challenging journey for Fortis over the last few months. We continue to be extremely, extremely committed to focusing on and driving the best possible patient care, working with our extremely, extremely loyal, dedicated and some of the best doctors in the world, some of the best nurses in the world, we continue to be committed to that; but the reality has been it has been hard to do that, it has been hard to do that because we spent so much time spending on other things versus what we should be doing. And that is why today is absolutely a Red-Letter Day for Fortis Healthcare. We are absolutely thrilled with this transaction. I know there are a lot questions about this transaction, we are happy to entertain the questions, we are happy to discuss to whatever extent anybody is interested in doing.

But I can tell you when you look at any merger, when you look at the coming together of any organizations I think there are two ways to look at it. I think number one is you can take a limit view, a short sighted view in terms of what does this mean, you start to say to this what I have **four-half I put 6.31** here and how do I merge and how do I share doctors and how do I do it, so

that is one way to look at it. Similarly, on a similar wavelength you can start to say well this is potentially what I might be able to do from a supply chain perspective and certainly there is a merit to that because we believe there is tremendous amount of synergy that come out of this transaction with coming together of the organizations.

But should you just step back, if you step back and think about what does a good, if I have to think about Fortis Healthcare demerging its hospitals into Manipal, if you step back, we all step back and think for a minute what exactly would good look like? In three years if we sat back and said what this a good transaction of not, here are two or three things that I think would matter when we start to think about this. Number one would be, our leadership position in the industry, now let us think about that for a second. Talk about tapping the industry today, the whole notion of value around healthcare is being questioned. We have a lot of very, very capable, very qualified players in the market place, a lot of people who are doing a lot of good things. But the reality is that that this gives us the Fortis - Manipal merged entity a physical blueprint that we have today gives us a national presence that does not exist in India, it does not exist, ladies and gentlemen it does not exist period, this is the first national healthcare player that is going to be able to provide a outstanding clinical patient experience operation that does not exist and I think will be potentially unparallel, not just in India but in Asia and in many parts of the world. So, number would be, you start looking at leadership position in the industry and I think this absolutely gives us a huge, huge step forward to create a leadership position when we look at the industry, and this is something that is needed, the industry needs it, the country needs it, all of us need an organization to step up and provide a national platform for great quality healthcare and giving good access as well.

I think the second one is, if you looked at a great merger what would that look like, it would be value creation, that is partly why we are on the phone today. We start thinking about values and we start thinking about just exactly what can happen. Well, this is a classic example of $1+1=11$. This is not about two hospitals coming together, this is about two institutions coming together, this is two great systems coming together and one major step for Indian healthcare. So from a value perspective if you look at what is the value of Fortis today and if we look at what is the value of Manipal today, and then you put in whatever capital, injection of capital that we are going to talk to you about in a few minutes, and you can say well in a standalone scenario if I look at Fortis' position, if Fortis were to have Rs. 5,000 crores - Rs. 6,000 crores and I had said if things well we had this kind of revenue growth, this kind of EBITDA growth, that Rs. 5,000 crores might become 5x, whatever that might become, 7,000-8,000 whatever it might be. But when you put these two organizations together, you start thinking about what is the potential of these two organizations, when we start putting two platforms together, when we start putting two organizations with absolutely the best doctors in the world, the best nurses in the world, the best processes in the world, focus on clinical outcomes, focus on great patient experience, focus on efficiency, focus on cost, focus on driving absolutely the best experience in every single hospital every single day with every single patient, now you start to think about real value being created. So this is no longer about a 10% jump, this is no longer about going from 5 to 6, this is

about going 5 to something exponential and something dramatically bigger. So I think from a value creation perspective the opportunity that these two organizations present does not exist anywhere else in India today, it does not exist and that is a platform and a conversation that we welcome having and we will have with all of you, happy to start the discussion right now, but that value creation opportunity is unparalleled in the industry, unparallel I would say in just about health that we could think about. So that is the second thing we would look for.

I think the third way to look at this, again two years, 18, 24, 36 months from now we all sat around having a cup of tea and saying to ourselves was this good or not. The third thing we think about is does it matter, does it make a difference. Are the healthcare environment in India today is a very challenging environment, I spent most of my life in the US and I saw the evolution of Obamacare. In those first term of presidency, about six months after he became president he appointed Hillary Clinton to become in-charge of healthcare, most of you probably know about that as well. Obamacare came about 15-20 years later, it took that long to create something. So while we work with the government, because I think the initiative that has been announced most recently about creating a national healthcare platform, it is an absolutely outstanding initiative and one I think that boards well for the country. But it is going to take time, it is going to take time, it is going to take collaboration, it is going to take investment, it is going to take time. And at the same time private sector also has to step up, and I think the whole question of does it matter, you actually have to ask yourself these two organizations came together did it matter, did it make a difference? You have a industry, you have a system that is absolutely crying out for help, the whole healthcare sector is crying out for health and you have to ask yourself that if these two companies come together, if they create a leadership position in the sector and that creates value, but the sector is still a mess, you still have the same complaints that the industry has today, then it really does not matter. I think we have an opportunity with this platform where we can actually make a difference, where we actually get to matter, we actually get to sit here three years, five years, seven years from now and say you were part of the solution. And that is a unique opportunity that the Fortis - Manipal organizations coming together has, that does not exist, is unparalleled and I think is a huge opportunity for us.

So look, ladies and gentlemen we are thrilled about this. I have thought about this long and hard, our teams have thought about this long and hard, I know that the Manipal organization, the PPG organization, we have all thought through this, we have all discussed it multiple times. The key elements around A) creating a leadership position; B) creating value; and C) making a difference, these factors can litmus test on all fronts with flying colors.

The last thing that I want to share with you, and before I pass it over to Anurag who will walk you through some of the key elements of the post-transaction, when we announced this transaction last night since then phone calls, messages, emails, WhatsApp, whatever it might be has not stopped ringing. And the calls and the messages are coming from our employees, our employees are thrilled, they are absolutely thrilled that we are taking this step forward, we are 1000% behind this, our doctors are excited, our nurses are excited, our administrators are excited. And I have to tell you and I say this with utmost respect, while all of you as investors

are very, very important and you are absolutely key stakeholders in helping us and working with us and partnering with us, our employees and our patients come before everybody, and they are absolutely thrilled about this. And my understanding is that very, very similar within the Manipal organization. And I think when you get 25,000 employees when you get 9,000 doctors, when you get 10,000 nurses excited about something like this and in an industry like ours, that is what is going to make this work, because quite honestly all of us could think this is a great idea, all of us could think it is fantastic, all of think this is going to make a ton of money, if the employees do not believe it none of it matters, our employees believe this. They believe this, they are fundamentally soundly behind this, we are being transparent, we are having conference calls with everybody sharing all the details, talking about why this is there, but our employees are excited, and I think that matters a lot.

So, with that I just want to share with you that we are going to be very proactive around communication for this. We are going to have discussions, conversations with anybody who would like to meet, anybody who would like to meet. We believe this is an outstanding transaction, we believe this is an outstanding step forward for Fortis and we believe this is an outstanding step forward for Manipal, I think this is an outstanding step for the industry as well, because I think it boards well for all of us. So, we look forward to having conversations with anyone of you, all of you whenever you like, but let us talk. Please, my humble request to all of you is that, I understand that everybody has been waiting for this, don't jump to any conclusions, let us talk, let us talk, give us a little bit of credit, give us a benefit of the doubt that if we have done this we have done this with good logic and good reasoning in mind and again whatever questions, discussions you want to have we would love to have. But if you have any concerns give us benefit of doubt, let us talk, we will come to you, you come to us, we want to have discussion, dialog, deliberation, but we think we have a fantastic story here and we think that both works for all of us.

So, on that note I have Mr. Anurag Kalra to now walk us through some of the details of the transaction. And then we will be happy to entertain questions and comments as well. Anurag?

Anurag Kalra:

Thanks, Bhavdeep. Ladies and gentlemen, I shall take you in brief through the presentation that you already have. I am going to cover the presentation in two parts, one is I will share with you some information on Manipal Hospitals. Manipal being an unlisted company there is not much out there, I think that you will appreciate what Manipal is all about. The second part of the presentation, we will be explaining the transaction a little more between detail, what we have done and how we have reached there.

So to begin with, a lot of information is already there on Fortis Healthcare which I do not need to get into. Manipal Hospitals today is South India's foremost multi-specialty healthcare provider. It has a presence in about 11 hospitals, these are about 10 hospitals across six states in India. It is primarily a very, very strong in South India. It has a small international presence in Malaysia and something small in Nigeria as well.

The Manipal Hospital Group is a very, very strong brand, it is about six decades old, it has a very strong legacy of six decades plus. It is backed by a very strong and decorated promoter in Dr. Ranjan Pai and backing him is TTG Capital which is a global private equity player, as you already know. It is well recognized for safe and ethical medical practices and has a good, good presence across all clinical specialty. So like Fortis has presence in clinical specialty so does Manipal.

Manipal Hospitals today have about 1,350 plus doctors and they also have a teaching hospitals business that has about 1,500 plus doctors in it. It has a captive medical college with approximately 400 doctors graduating each year with a very, very strong alumni base, and I think this is going to be a very strategic and complimentary fit between both Fortis and Manipal hospitals.

A little bit on the financials. Manipal Hospital's revenue growth over the last four, five years has been at a CAGR of about 20.5%. It's last trailing 12 month revenue it's EBITDA margin is at 16%, that is a very robust and strong EBITDA margin at 16%, and this EBITDA margin actually compares to about the 14% odd EBITDA margin over the last couple of years. So they have shown a commendable performance in strengthening and operating earnings. It has a total employee base of 8,850-odd employees.

A little bit on the transaction overview. The Board of Directors of Fortis Healthcare have approved the demerger of hospitals business into Manipal Hospital. They have also approved a 20% stake sale in SRL to Manipal Hospital for a value of Rs. 720 crores. This takes into account that the entire value of SRL is about Rs. 3,600 crores for which Fortis Healthcare has decided to divest 20%. The proceeds of this will come over the next two to three months subject to shareholder and other regulatory approvals. So this will be liquidity, this will be cash coming into Fortis Healthcare.

As a part of this transaction, please note it is very important, as a part of this transaction Dr. Ranjan Pai, the promoter of Manipal Hospital and TTG will invest a total of Rs. 3,900 crores into the merged entity. A total of Rs. 3,900 crores will be invested into the merged entity by Dr. Pai and PPG. The utilization of this sum of money would be to acquire 20% of SRL from Fortis Healthcare Limited, there is an ongoing dialog with the SRL private equity players and if that is culminated successfully, which it will, another 30.9% will be acquired by Manipal from the SRL private equity players. So, as and when the 30.9% transaction is consummated Manipal Hospitals will have 50.9% controlling stake in SRL.

The primary infusion of Rs. 3,900 crores into the merged entity will also be utilized for the acquisition of RHT assets, a large sum or a majority of this Rs. 3,900 crores will be utilized for RHT assets. The RHT assets as you all know, we have signed definitive documents in the middle of February and I think this gives a lot of strength, a lot of comfort to Fortis that the funding is now more or less tied up for the acquisition of RHT. And as you all are aware that bringing RHT on this fold has a huge value accretion that will come to the combined entity.

The key shareholders of the resultant entity will be Dr. Ranajn Pai and PPG Capital, we have a chart and the presentation that actually shows you the shareholding of the merged entity post the infusion of the primary money of Rs. 3,900 crores. And I think it will be good if you guys have a look at that.

The ongoing demerger scheme for SRL will be withdrawn, but this will be in due course. Like I had mentioned earlier this is subject to shareholder and other regulatory approvals. So as and when we get those demerger schemes we will be withdrawn.

Coming to the swap ratio, the swap ratio is as follows. For every 100 shares of FHL you will get 10.83 shares of Manipal Hospitals. I repeat, for every 100 shares of FHL you will get 10.83 shares of Manipal Hospitals. Manipal Hospitals will become a listed company on the NSE and BSE subsequently. The way that we have arrived at the swap ratio, there has been an independent valuation done by Grant Thornton, Walker Chandiook. They have taken a lot of information from both the companies, they have used the normal market methodologies including methodologies such as GCF analysis, market multiples, precedent transactions, etc, etc, and they have valued both the companies. The valuation report will be updated on our website shortly and I am sure you guys will have to go through it to understand in detail how the value has been arrived at. But to put it simply, Manipal Hospitals today has been valued at an EBITDA of about 30x and there is a chart in the financial slide, we will go to that. We have taken similar multiple for Fortis with the valuation of about Rs. 5,000 crores. So that is kind of a 0.8% kind of a ratio which translates into rupees per share price of approximately Rs. 97 - Rs. 98 for the hospital business, this does not include SRL, SRL is separate which will remain in Fortis Healthcare Limited. And the Manipal's value on rupees per share is about Rs. 883. The per share value used to calculate the swap ratio, hence the swap ratio with Rs. 95 - Rs 96 per share of Fortis healthcare versus Rs. 883 price of Manipal Hospital will give you the swap ratio that I just explained to you. For every 100 shares of FHL you get about 10.83 shares of Manipal Hospitals. Happy to discuss this more and take you through the details of how this will be done. Once you get the valuation report please go through it, if there are any further clarifications we are available to address those.

On the approvals side, this obviously is a large transaction. We would need shareholder approval for both FHL and Manipal Hospitals. Just to point here, Fortis Healthcare is voluntarily planning to obtain an upfront shareholder's approval in addition to the approval at the NCLT convened shareholder meeting which will probably happen only four, five months down the line, so we will start our shareholder approval process ASAP and not wait for the NCLT shareholder meeting. We would also need clearance and approval from SEBI and the stock exchanges as well as CCI, and finally of course in a proposed transaction like this we would need NCLT's approval. The entire process of approval and the target completion would be approximately 12 months.

In terms of the steps of the transaction, clearly as explained before, Fortis Healthcare Limited today is a company that has the hospitals business and the diagnostics business. The hospital business, the entire hospital business of Fortis Healthcare Limited will be carved out and

demerged into Manipal Hospitals. So the Fortis shareholder will be as shareholder in two companies, one will be Manipal - Fortis hospital combined, which as I explained some numbers, will be a Rs. 15,000 crores company with the primary infusion. So Fortis shareholders will get shares in Manipal Hospitals and a Fortis shareholder will also remain a shareholder in Fortis that will hold about 36% in SRL and the cash the company will receive for the 20% SRL stake sale. So just to reiterate, a Fortis shareholder gets shared in the combined entity which today is worth Rs. 15,000 crores and potentially a lot more as we go forward and in Fortis Healthcare you will be a shareholder under diagnostics business.

The 30% RHT, just to clarify, the 30% RHT stake with Fortis Healthcare Limited, as and when the RHT transactions consummate we also will receive the dividend for that transaction.

Some of the charts, so I am on slide 10, I am on slide 11, this shows the operating metrics of the hospitals business and what they will look when in combination. I will not take you through the details, I think you have already gone through it, but clearly this gives us a very, very strong presence across India. Post the combination the combined entity, just to give you example, in the Bangalore market itself with our strength and Manipal strength, in the Bangalore market the combined entity will have 9 hospitals with more than 1,600 beds, and that is a huge, huge base there. Likewise, in the market of NCR where Fortis has a presence, I am sure you are aware Manipal has also opened a 400 plus bed hospital in Dwarka, in the NCR market alone the combined entity will have 10 hospitals with almost a 2,000 bed capacity, and I think that will be the largest capacity that any merged hospital chain will have for a long time in this region.

I am just going to wrap it up by a couple of more comments. I will draw your attention to slide 23, the shareholding pattern for the company both for FHL and Manipal and what the merged entity will look like. In the merged entity Dr. Ranjan Pai will have 37.9% stake, followed by TPG with about 20.7% stake, foreign portfolio investors and FIIs will have about 15%, others including YES Bank will have approximately 24% to 25% stake. So that is what the merged entity's shareholding looks like.

I will also draw your attention lastly to consummate on slide 24 where we have given the pro-forma financials of the hospital business for both Fortis and Manipal. On a trailing 12 months basis the hospital business has revenues of Rs. 3,727 crores, Manipal has revenues of Rs. 1,503 crores, so the combined revenue base of Rs. 5,230 crores. At the EBITDA level, and I am talking about EBITDA levels post consummation of RHT transaction which is not almost a certainty because of the funding that is being brought by Dr. Ranjan Pai and TPG, we will have in the combined entity an EBITDA of Rs. 745 crores only for the hospital business, which translates into a 14.2% margin. So like I had mentioned earlier, some of the operating parameters are also mentioned and you can have a look at that, we are happy to discuss further. But having said that, these financials if you will work out the math, you will find that on a broad basis one of the methods that has been used by the valuer on the EBITDA multiple basis and that will kind of be similar to both Manipal and Fortis Hospital.

With that it brings my financial presentation to a conclusion. And happy to open the floor for question-and-answers.

Moderator: Thank you, sir. Ladies and Gentlemen, we will begin with the question-and-answer session. Our first question is from the line of Saion Mukharjee from Nomura Securities. Please go ahead.

Saion Mukharjee: I just have a few questions particularly around RHT first. So you said this 30% of RHT that Fortis owns will remain with Fortis, so essentially there would be a cash inflow into Fortis once you sell your stake of RHT which would be around Rs. 1,000 crores, so roughly Rs. 17 crores - Rs. 20 crores would be the cash which will be lying with Fortis, is that correct? And what are the plans and how do you think about using that?

Anurag Kalra: So Saion, yes you are right, that is the kind of cash that we foresee, but that cash will be utilized to pay around debt at FHL's level and will also be utilized for funding our business expansion and CAPEX requirements for the next 12 months, because you know Saion this process is a nine months to 12 months process as we go through the various approvals.

Saion Mukharjee: But what my understanding is that the total net debt of Rs. 1,300 crores which is part of the hospital business in the consolidated financials you have shown, so what is the debt which is remaining in FHL now? Because it is just a holding company right, so what is the amount of debt there?

Anurag Kalra: Yes, it will be a holding company itself.

Saion Mukharjee: I am saying that Rs. 1,700 crores which is coming into the company because of stake sale of SRL followed by RHT, so that would be returned to shareholders or you would invest in the business because I do not see any debt in that entity, that is what I am asking?

Anurag Kalra: So, Saion, the way this has been calculated, we have calculated our cash needs for the business over the next 12-odd months, we also know what is the cash flow that could potentially be generated over the next 12-off months. And hence whatever is remaining in FHL will largely be the 36% investment in SRL and other remaining cash which will be remaining post the utilization to fund the business of the company.

Management: Thank you. Our next question is from the line of Kashyap Pujara from Axis Capital. Please go ahead.

Kashyap Pujara: Just my question is related to the deal specification, I missed because I got logged out of the call unfortunately. So could you just explain me what is the valuation at which we value Manipal and what is the corresponding valuation of Fortis Hospital assuming that we will hold up the RHT in it. So what is the like-to-like EBITDA multiple if I were to compare? And also given that Rs. 2,000 crores, Rs. 1,800 crores will be used to buy the SRL stake, would Rs. 2,000 crores

be sufficient to basically buy the RHT, I thought the requirement would be Rs. 3,000 crores, so how will you find acquisition of RHT?

Anurag Kalra: So, Kashyap, Rs. 2,000 crores would be a primary amount that we will need as a significant sum of money. As you know, RHT's net proceeds will be about Rs. 3500 crores - Rs. 3600 crores which also includes about 1100 crores of debt that RHT has. So in a sense the equity proportion that we need is about Rs. 2,500 crores out of which Rs. 2,000-odd crores will come from this primary infusion into the merged entity. Kashyap, having said that, I have taken the entire group through the contours of the transaction, you have a lot of stuff in the presentation and it will take some time to go through it. So if you would kindly go through it and then we can take one on one with you please.

Kashyap Pujara: Sure, that is fine. And one more point was regarding the capital employed, could you let us know what is the total capital employed of the merged entity and when do we see a 20% ROC, what is the timeframe by which we can actually see a 15% - 20% ROC on the business?

Bhavdeep Singh: This is a 24 to 36 months window horizon here. And I think as we look forward I think getting deeper into our plan and start executing, I think we would start, but I think 24 to 26 months is the realization component for that. Thank you.

Moderator: Thank you. Our next question is from the line of Jigar Walia from OHM Group. Please go ahead.

Jigar Walia: Sir, just a clarification. Can you give the diluted equity capital of the combined entity?

Anurag Kalra: We will come back to you on that, we are working here we will just tell you.

Jigar Walia: And just to understand the cash that will be there in Fortis Healthcare will be this Rs. 720 crores plus the RHT stake and the dividend that will come, so which will kind of equivalent and after that will there be anything left in RHT?

Anurag Kalra: No.

Jigar Walia: So, these are acquiring RHT assets and the RHT will continue to remain listed, but with not any assets or eventually it will get delisted?

Anurag Kalra: Yes, that is right. Jigar, the total share capital will be approximately 17 crore shares of the merged entity, including the primary infusion.

Jigar Walia: 17 crores shares?

Anurag Kalra: That is right.

Jigar Walia: Okay. And for the Fortis stakeholders the effective stake will be about one-third?

- Anurag Kalra:** Yes, that is correct.
- Jigar Walia:** Is it almost exact one-third?
- Anurag Kalra:** Yes, one-third.
- Moderator:** Thank you. Our next question is from the line of Vibhor Rastogi from Motilal Ostwal Securities. Please go ahead.
- Vibhor Rastogi:** Just a couple of questions, one is, the debt shown on the slide is after the capital infusion of 39 million?
- Anurag Kalra:** Of the merged entity, yes.
- Vibhor Rastogi:** So after the capital infusion?
- Anurag Kalra:** Yes. So it will be the footnotes, we have clearly explained in footnote number five how that debt has been calculated, assuming what is required for the RHT acquisition as well, that is correct.
- Vibhor Rastogi:** But why have you said receipt from sell of SRL stake, because that will be in Fortis holdco, right, that should not flow into any of the combined entity?
- Anurag Kalra:** So the proceeds of SRL stake sale as well as discrete of dividends, both of them would have taken place before the merger, so you would have reduced the debt by that extent till the time of the merger becoming effective. So that is how it has been taken into account.
- Vibhor Rastogi:** So then the Fortis holdco will not have any cash, right?
- Anurag Kalra:** Yes. So at the time of merger becoming effective Fortis holdco will have only the stake in SRL and it will be debt free cash, that is what the estimate is.
- Vibhor Rastogi:** Thank you. Our next question is from the line of Neha Manpuria from JP Morgan. Please go ahead.
- Neha Manpuria:** So, just on the cash question, the net debt that we have mentioned, we have also said that the debt would include Rs. 2,600 crores from the acquisition of RHT, but this would be funded by equity right and debt as a part of the RHT will be only about Rs. 1,150 crores?
- Anurag Kalra:** Neha, the way this is going to work is that there could be a timing mismatch of the approval that we require for RHT and the consummation of this transaction. There could be a bridge funding that FHL will have to take and let's assume hypothetically we get approvals by September we consummate the RHT transaction and we get the approval for this transaction in December. The entire hospital business including RHT will then be demerged into Manipal Hospitals, there would be primary infusion into Manipal Hospital and hence the debt largely will be set off

against that, that is the way this is going to work from a timing perspective, this is for the best of our assessment I will be facing today.

Neha Manpuria: So in that case the debt will then be higher if there is a timing mismatch, because there is a debt of about Rs. 1,150 crores.

Anurag Kalra: For a period of time that is a possibility, for a very short period of time that is a possibility. But you should also not forget that even if that is debt funded you are still getting a Rs. 4,000 crores asset base into FHL with a Rs. 300 crores plus EBITDA incrementally.

Neha Manpuria: So, in that case the valuation that we have used for Fortis to calculate the swap ratio does not include the RHT asset, that is one of the existing Fortis Hospital asset, correct?

Anurag Kalra: Yes, that is correct. Because the funding for the entire RHT is also being brought in by the merged into.

Moderator: Thank you. Our next question is from the line of Dhiresh Pathak from Goldman Sachs. Please go ahead.

Dhiresh Pathak: I am just referring to slide 24, so this net debt of Rs. 3563 crores this would not include the amount that you would have to pay to buy 30% of the private equity stake in SRL, right, this is just assuming 20% of the stake that you would buy from Fortis?

Anurag Kalra: Yes.

Dhiresh Pathak: Okay. And based on the pro-forma numbers it seems that the merged entity would have very high net debt to EBITDA if you buy another 30% then it will increase further. So does it look okay?

Anurag Kalra: So, 30% has already been bought.

Dhiresh Pathak: This 3563...

Anurag Kalra: Out of the total Rs 3900 Cr that is infused there is 51% stake in SRL has been acquired, so that that leaves you with around Rs. 2,100 crores, which has been used to fund RHT. And therefore out of the 4600 crores of total RHT acquisition price the remaining has been debt funded for the intervening period that is around 2500 crores. So that is how the funds have been utilized, so you do not have to pay anything incrementally for acquiring 31% in SRL.

Dhiresh Pathak: Okay. But even without that it looks 745 crores of EBITDA and 3563 crores of net debt, so it looks like 4.5 times net debt to EBITDA.

Anurag Kalra: Dhiresh, we can take those calculations off-line, we will come back to you.

Moderator: Thank you. Our next question is from the line of Amit Jain from Samsung Asset Management. Please go ahead.

Amit Jain: Can you sort of explain the logic of keeping the 36.5% of SRL within Fortis after all this transaction is consummated?

Bhavdeep Singh: There is a couple of different ways to think about it and a couple of different ways we thought about the transaction. This is an opportunity, so you are going to take hospital will be coming out of the FHL's existing entity and merge into the new Manipal entity, that you are obviously aware of. What is left behind is the investment nested out and the platform, a healthcare growth platform for healthcare investments. So, there is a detailed plan that has been put together just exactly this entity will do, and again happy to share that one of the things that we are going to do is CEO of this new entity is going to be named in the next 90 days and again a detailed plan has been worked just in terms of what other investments, what other forays we will be able to make in the space of healthcare. So I think the opportunity here actually is to give couple of different platform from a growth perspective and from a shareholder return perspective as well. Again, there is a lots more we can discuss on it but probably more appropriate as and when we meet with all of you one on one we will be happy to share the details around it. But net-net it is about creating two growth engines and giving additional opportunities for shareholders as well.

Moderator: Thank you. Our next question is from the line of Deepak Malik from Edelweiss. Please go ahead.

Deepak Malik: Sir, my first question is that you said that Fortis valuation was Rs. 5,000 crores and that is 30 times the EBITDA. So, EBITDA in the sheet has been shared to 39 for Fortis, so which does not show it is Rs.5,000 crores, so how have you calculated this Rs. 5,000 crores?

Anurag Kalra: Deepak, allow me to explain that please. We have this 239 which includes 100% of FHTL, as you know that we only 51% of FHTL, that needs to be adjusted in this EBITDA number, you need to add the debt and then the minority interest component related to FHTL and then calculate it on the EBITDA basis. So just to simplify, if I am talking about 5,000 crores valuation or equity valuation, add debt of 1311 crores which is mentioned in the sheet, add minority interest of FHTL approximately Rs. 1,000 crores, you will have an easy of 7,300 crores odd. That basis the 239 crores EBITDA will give you a 30x multiple. If you do a similar calculation for Manipal hospitals you will have the multiple at a similar level, that is the way it is calculated.

Deepak Malik: Okay. And in this how many hospitals have been considered and how many beds have been considered for this, because there are certain hospitals and beds are part of the RHT? Total beds that you have mentioned is somewhere around 4465, and if I reduce 883 those are O&M beds, so remaining is 3700 beds. So out of that how many are part of Fortis and how many are part of RHT?

Bhavdeep Singh: So broadly Deepak, as we have discussed 75% to 80% of our beds belong on the RHT side, the rest are owned by us or leased. So RHT today has close to about 2,800 to 2,900 beds.

Moderator: Thank you. Our next question is from the line of Kumar Saurabh from Motilal Ostwal Securities. Please go ahead.

Kumar Saurabh: Just two things, A, the sequence of events, I was assuming that first the new entity commission will happen and then the equity infusion will happen and then RHT buyback will happen. But it seems like that in the current entity in the Fortis entity only the equity infusion will happen, is it correct? And then the current entity will buy that RHT, is this the right assessment?

Anurag Kalra: Saurabh, see there is an approval required and the timing of this is subject to regulatory authorities that are required for this. So there are two ways to look at this, in case the RHT approval comes through first we will have the funding ready as a bridge funding for a very short period of time and do the RHT acquisition. If we are able let's say for whatever reason we can either expedite the approval of this transaction and both of them coincide then that possibility could be considered. But as of now the way we are looking at it is that FHL will probably have to raise short-term debt which will be backed up by the EBITDA and the assets that RHT brings into the Fortis fold, and then there would be a primary infusion into the merged entity to set the debt off that has been taken at the

Kumar Saurabh: How much is the cash burn the current entity for next one year can do, because we are talking about Rs. 1,700 crores of new cash which will come in the current entity and the debt number is not matching, Rs. 3,500 crores of debt in the new entity when we are talking about it is still unclear, if you can help how much the cash burn is happening and how much the debt repayment you guys are planning to do in the current entity?

Gagandeep Bedi: So, Saurabh, we will have around 500 to 600 cash basically including repayment of debt and so that is what envisaged in the Fortis.

Kumar Saurabh: Rs. 500 crores to Rs. 600 crores?

Gagandeep Bedi: Yes.

Kumar Saurabh: So the current entity will still have around 1000 crores of cash sitting post demerger, is this the right understanding?

Gagandeep Bedi: No, I think we will have to take you through the numbers separately.

Moderator: Thank you very much. Ladies and Gentlemen, that was the last question. I now hand the conference over to the management for closing comments. Over to you.

Bhavdeep Singh: Thank you very much. Ladies and Gentlemen, thank you very much. We appreciate that all of you were able to join this morning. I am sure, as I had mentioned in the opening comments that there are multiple questions that any of you might have or discussion points of thoughts and idea, we welcome all of them. And the team and myself would make ourselves available as and when

appropriate. We will be obviously meeting any potential partners from India, but happy to go to the various locations as well and that is exactly what we would be doing over the next two, three weeks. But look, we think we have a great story here, we think it is a very, very solid case here from every perspective. When I stand by I stand by what I said in my opening comments that if we all step back I don't think any of us success mergers I remember being in New York when AOL and Time Warner was announced and everybody thought it is a great thing, and subsequent it has generated the worst merger in the history of merges. But looking to assess these things on 10 minutes or 10 days or 10 weeks, I think it was stepping and saying just exactly what happened. And I think that the leadership position, the value creation for others to make a difference in our industry I do not you have the right to exist without making a difference. And I think all three, you can now just check the box, you can check it in a very, very strong and committed voice that yes this works on all fronts. So, we think again a very compelling story, we look forward to meeting with all of you, look forward to engaging dialog, discussion. And again I think we have a great future ahead. So, thank you very much for your time and look forward to seeing and connecting with all of you very, very soon to continue this discussion. Thank you folks. Have a great day.

Moderator:

Thank you very much. Ladies and Gentlemen, on behalf of Fortis Healthcare that concludes today's conference. Thank you for joining us and you may now disconnect your lines.