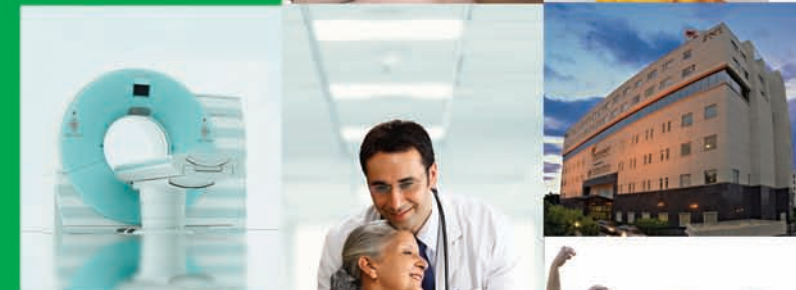


# GROWING THROUGH MEDICAL EXCELLENCE

14TH ANNUAL REPORT 2009-10



Regd. Office:  
Escorts Heart Institute and Research Centre Limited  
Okhla Road, New Delhi-110 025 (India)  
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# COMPANY INFORMATION

## BOARD OF DIRECTORS

Mr. Malvinder Mohan Singh, Chairman  
Mr. Shivinder Mohan Singh, MD  
Mr. Balinder Singh Dhillon  
Mr. Gurcharan Das  
Mr. Harpal Singh  
Dr. P. S. Joshi  
Mr. Rajan Kashyap  
Mr. Ramesh L. Adige  
Justice S. S. Sodhi  
Mr. Sunil Godhwani  
Lt. Gen. T. S. Shergill  
Mr. V. M. Bhutani

## CHIEF EXECUTIVE OFFICERS

Mr. Bhavdeep Singh  
Mr. Vishal Bali

## CHIEF FINANCIAL OFFICER

Mr. Yogesh Sareen

## COMPANY SECRETARY

Ms. Ruchi Mahajan

## AUDITORS

M/s S.R. Batliboi & Co.  
Chartered Accountants, New Delhi

## REGISTERED OFFICE

Escorts Heart Institute and Research Centre Limited  
Okhla Road, New Delhi-110 025 (India)  
Tel.: +91 - 11 - 2682 5000  
Fax: +91 - 11 - 4162 8435

# OUR VISION



“To create a world-class integrated healthcare delivery system in India, entailing the finest medical skill combined with compassionate patient care.”

- Late Dr. Parvinder Singh, Founder Chairman, Fortis Healthcare Limited

*January 1996*

# BOARD OF DIRECTORS



Left to Right: Lt. Gen. T. S. Shergill, Dr. P. S. Joshi, Mr. Gurcharan Das, Justice S. S. Sodhi, Mr. Rajan Kashyap, Mr. Shivinder Mohan Singh, Mr. Malvinder Mohan Singh, Mr. Sunil Godhwani, Mr. Harpal Singh, Mr. V. M. Bhutani, Mr. Balinder Singh Dhillon, Mr. Ramesh L. Adige



# LEADING THE WAY



Jasbir Grewal



Dr. Deepu Bannerjee



Dr. P.S. Maini



Shivinder Mohan Singh



Dr. A.K. Singh



Ashish Bhatia



Dr. Kaushal Malhan



Bhavdeep Singh



Dr. Rajen Ghadiok



Dr. Vivek Jawali



Vishal Bali



Yogesh Sareen



Dr. T.S. Mahant



Dr. Chandran Gnanamuthu



Dr. Ashok Seth



Dr. Shivaji Basu



Dr. Hasmukh Ravat



Daljit Singh



Dr. Sanjay Pai



Dr. Lloyd Nazareth



Dr. K.R. Balakrishnan



Dr. Narottam Puri

# MESSAGE FROM THE CHAIRMAN

## DEAR SHAREHOLDER,

We, at Fortis, remain steadfast in our vision of making Fortis a best-in-class, global healthcare services provider - an institution of excellence which operates on the principles of quality and ethics; a network that leverages learning across geographies, builds synergies to optimise cost and provides the finest medical service - all to the ultimate benefit of the patient.

This vision positions us as thought leaders in an industry where the gap, between demand for quality healthcare and the facilities to meet that demand, remains enormous. Asian countries are becoming important markets for healthcare companies, as the demand for quality healthcare increases in parallel with economic growth. We recognise this opportunity

and are working towards becoming the institution of choice for healthcare services, not only in Asia but globally.

The year 2009-10 has seen your Company strengthen its base as it advances closer towards realising its ambitious vision. This has been an eventful year, with a significant acquisition on the domestic front, as well as an ambitious move overseas that clearly signaled our global ambition. Fortis continued its growth in India, with the acquisition of 10 facilities from Wockhardt Hospitals Limited, thereby creating a pan-Indian footprint with an ~8000 bed capacity across 48 hospitals. A strong presence across India



helped Fortis build a solid platform that has positioned us for international growth, in line with the Company's strategy to extend its presence globally.

Less than a year after the Indian expansion and in the final month of the fiscal, Fortis announced its acquisition of a strategic stake in Parkway Holdings, Asia's largest healthcare service provider. Our leadership team was clear on the rationale for this investment: to leverage Parkway's extensive network of quality hospitals in order to establish a pan Asian presence, and advance a step closer towards building a global healthcare business. Subsequent events and pricing of the asset made us reconsider the acquisition, and in the long term interest of our stakeholders, we eventually tendered our Parkway stake to a competing offer. However, this bid amply demonstrated our capability and strategic intent, and we will continue to explore other organic and inorganic growth opportunities to the benefit of our stakeholders, in alignment with our vision.

Fortis remains committed to building an institution with best-in-class medical capability. Here, the finest medical pool of over 1500 doctors and 5500 nurses is supported by state-of-the-art technology and the caring and compassionate approach of both medical and non-medical hospital staff. We maintain our focus on creating clinical excellence and Fortis has distinguished itself in every speciality, with cutting-edge medical procedures ranging from India's first wrist transplant and complex surgery for a complete

aortic dissection, to a caesarean section that gave life to an 800 gm premature baby. Our medical proficiency is complemented by a patient-centric approach to healthcare, an ideology that drives each member of the Fortis family.

At the end of this fiscal, Fortis has emerged even stronger and more prepared for the next year. In 2009-10, we conducted about 55000 successful cardiac interventions, 11000 bone & joint surgeries and 5100 brain & spine procedures, while attending to 4300 patients daily. We are confident about the future and grateful for the goodwill and support of our customers. I take this opportunity to thank all of you for your continuing support. I am also indebted to the members of the Fortis Board for their guidance and to the employees of the Fortis network for their untiring dedication and commitment.

Warm Regards,

Malvinder Mohan Singh

Chairman



# MESSAGE FROM THE MD

## DEAR SHAREHOLDER,

Two of the three pivotal dimensions of the Human Development Index are health and education. This underlines the fact that the growth and development of any country is largely dependent on the state of its health and education dispensing systems and structures. While advancements have been made by India in both these spheres, the potential for improvement still remains immense.



Recognising the importance of health in the process of economic and social development and in improving quality of life, the Indian government has launched various schemes. Apart from reforms on the public healthcare front, there are initiatives by the central government which have helped in promoting private participation in the healthcare sector. The government is giving tax incentives to hundred-bed hospitals to encourage private players to set up new greenfield hospitals across India.

Your Company is engaged in the business of improving and saving lives; it is humbling to think of the impact we make each day on the thousands of people that seek our care for themselves and their loved ones. Knowledge of the vastly inadequate healthcare infrastructure in our country (we have 0.9 hospital beds per 1000 people against a world average of 3.96, a million Indians die each year due to poor healthcare facilities and 700 million have no access to specialist care) only adds to the burden of responsibility we bear, as a leading healthcare provider in the country. We clearly have an integral role to play in India's development; and a duty to deliver quality healthcare, with a compassionate approach, in a caring environment, to those that need it.

Fortis, through its various upcoming projects, will add considerably to the nation's bed capacity in the coming years. These projects, on commissioning, would offer the latest in healthcare technology along with medical care, benchmarked against international standards. The soon-to-be-commissioned Shalimar Bagh hospital will have 350 beds and offer several super-speciality healthcare services. Gurgaon project will become the multi super-speciality flagship hospital of the Company. This hospital will eventually have a bed capacity of 1000 along with "Centres of Excellence" in multiple disciplines. The 414 bed Kolkata project serves to extend the Fortis network into Eastern India.

Patients form the core of Fortis' business approach. It is this unwavering patient-centric focus that has made your Company a preferred choice in the healthcare space. Fortis continues to bring in the finest talent and explore newer ways of offering the very best in healthcare service. Your Company believes in delivering results by employing the best technology and setting industry benchmarks in the process. Fortis Hospital Noida's Cancer Centre, formed in collaboration with International Oncology Services Private Limited (IOSPL), bears testimony to our ongoing endeavour towards providing the best medical treatment and advanced patient care. The state-of-the-art infrastructure includes an Open PET CT Scan for diagnostic purposes, the latest radiation equipment from Varian Medical Systems (RapidArc using Trilogy HD and 3D-Brachytherapy), and a Medical Oncology Daycare and Anti-Neoplastic drug delivery setup. This, for your Company, was just another step forward in its relentless pursuit of the next level of medical capability. Your Company's ultimate goal is to create an integrated healthcare network, across India and beyond. Fortis successfully accomplished the acquisition of the greenfield hospitals division of Wockhardt Hospitals Limited, comprising 10 hospitals in Mumbai, Bengaluru and Kolkata (including two under construction), on a going-concern basis. This acquisition augments bed capacity by 1902 beds (including 534 beds in the two under-construction projects), and helps us have a significant presence in Southern, Western and Eastern India. Two of the acquired Wockhardt hospitals have the coveted international accreditation by JCI (Joint Commission International), which means Fortis now has 4 JCI accredited hospitals in its network. This positions Fortis strongly as a quality destination of choice, for Medical Value Travel.

While our emphasis remains on growth in the domestic market, we clearly have ambitions of taking the Fortis value proposition international. The stake in Parkway

Holdings, Singapore was a step in that direction. Our subsequent decision on Parkway demonstrates the management's clarity that value creation for our shareholders must remain our foremost objective; and this was manifest in our ability to exit an investment, when it no longer made financial sense. We will continue to explore other opportunities abroad, as we pursue our ambition to become a pan Asian healthcare company. We are convinced that the benefits realised from such platforms are many, including access to a wider talent pool, cost savings on account of economies of scale and an environment of cross-pollination in terms of learning and experience.

In summary, 2009-10 has been an eventful year: with a significant domestic acquisition resulting in a pan-Indian presence, which forms a strong foundation for future international growth. Your Company continues to invest in strong operating systems, robust processes and talented people, with an unwavering focus on medical excellence and patient-centric healthcare. Our business model builds the strength of our accumulated experience and extensive domain knowledge of the sector. We continue to evolve as we walk the path of ever-improving quality, with an eye on delivering reliable, accessible and affordable healthcare of a global standard.

As I come to the end of this message, I must express my deepest gratitude to all of you, our shareholders. It is your belief in us that has given us the confidence to come this far and your faith in us makes us ever stronger.

Warm Regards,

Shivinder Mohan Singh

Managing Director



# MESSAGE FROM THE CEOs

## DEAR SHAREHOLDER,

It is my privilege to share Fortis Healthcare's performance with you. It has been a good year for the organisation on all fronts and we are pleased with our ongoing progress.

Our results are strong, and many key business indicators demonstrate a record-breaking performance. After turning profitable for the first time in the previous year, we have shown robust growth in our net profits this year and recorded a consolidated net profit of Rs. 70 Crores, up 234% over the previous year. Our revenue grew from Rs. 659 Crores to Rs. 988 Crores this year, up 49% over the previous year. Our results reflect solid growth and we can take pride in knowing that this growth is across the system on all counts; additionally, all indications make us confident of maintaining this performance over the short and long terms.

Now let us take a look at the story behind the numbers: clearly, the growth story continues at Fortis. Apart from new locations and new collaborations, the organisation grew in its existing



facilities as well; by adding beds, improving infrastructure and enhancing capabilities through technology and new medical equipment. We take pride in knowing that some of the best doctors in the world are practicing at Fortis. A high level of clinical competence augmented with enabling infrastructure is bound to create a positive result. 2009-10 saw us leading the way in Cardiac Sciences, Orthopaedics, Nephrology, Neurosciences and Diabetes as well as other significant specialities - a new entrant being Cancer care. The Oncology block of Fortis hospital, Noida started in January 2010, offers services in medical & surgical Oncology and radiation therapy, and there are plans to provide international-standard bone marrow transplants. Apart from these major specialities, we continue our focus on multi-speciality disciplines.

The Company has sharpened its focus on quality and building a quality agenda in Indian healthcare. Apart from several NABH accreditation initiatives, our Fortis Escorts Heart Institute in Okhla received JCI accreditation. Training programmes for doctors, administrators, nurses and technicians were conducted on a range of subjects including NABH awareness, Basic Cardiac Life Support training, and communication with critically ill patients and their relatives. We are working closely with the Quality Council of India to prepare an NABH auditors training module to maintain quality standards even after the accreditation process. Fortis continues to drive internationally standardised quality metrics and offer the best level of medical service in India.

No commentary on the business can be complete without reflecting on our most cherished asset - our people. Our workforce plays a pivotal role in delivering positive clinical outcomes and a great healthcare experience. We continue to invest in upgrading the skills of our people and stay committed to building great teams at all levels within the organisation.

These are exciting times at Fortis and the future is bright. I extend my gratitude to our 11,000 plus employees and thank them for their passion for excellence in healthcare. I also thank you sincerely for the unwavering trust you place in your Company. We are confident that, with your steadfast support, we will continue to grow and set the bar ever-higher for healthcare excellence.

Warm regards,

Bhavdeep Singh  
Chief Executive Officer  
Fortis Healthcare Limited

## DEAR SHAREHOLDER,

On December 17, 2009 your Company created history, when it acquired 10 Wockhardt Hospitals, located across the metro cities of Mumbai, Bengaluru and Kolkata. This asset assumed the identity of Fortis Hospitals Limited and embarked on a new trajectory of growth. 3800 of us joined the Fortis family. Your Company has continually demonstrated its core strength in creating inorganic growth and the 'zero attrition' achieved during this acquisition was a true reflection of this competence. In the subsequent quarter, the Company created value by clocking a 15% qoq growth coupled with EBITDA margin improvement. We have achieved cost-saving synergies very rapidly along with our parent company and have implemented several initiatives to improve productivity. These will continue to strengthen the earnings performance of the Company, going forward.



During the January-March timeframe, the Company embarked on a high decibel brand transition exercise and transited completely to the 'Fortis' name.

Simultaneously your Company also invested in new technology and the enhancement of clinical skills to strengthen the core specialities of Cardiology, Orthopaedics, Neurosciences and Minimal Access Surgery. Our strategy remains firmly focused on creating new benchmarks in each of these specialities, by innovating new modalities of patient treatment and offering patients a unique value proposition. To enable and enhance this process we are

strengthening our systems and protocols and investing resources to improve the competencies of our people. We have strengthened the existing talent base of the Company with new appointments across all verticals, as well as in the senior management team. We recognise that our brand of healthcare delivery is entirely dependent on the standard of service we provide to our patients and their families. A new services vertical, which will focus its energy entirely on enhancing customer experience, has been added to enable the organisation to meet and exceed their expectations.

Our projects team will deliver two new projects in the early part of the ensuing fiscal. The 414 bed Kolkata Hospital is in its final leg of completion and scheduled for commencement in September. The launch of this hospital gives your Company its first hospital in Eastern India and completes the Fortis presence across the four zones of the country. The 335 bed expansion at the Mulund Hospital in Mumbai, which includes a 120 bed Oncology service, is opening its doors to patients in August. Both these projects have been completed on schedule, showcasing your Company's strong project-execution skills.

As we move forward we will continue to strengthen the synergy between our distinctive clinical talent and the acumen of our paramedical personnel. We will back this with strong management principles to deliver on the vision of excellence in patient care that drives us. Your Company has the right combination of ambition, innovation and agility to compete and excel in the ever-changing world of modern healthcare.

We ask you, our shareholders and investors, for your ongoing support and guidance and sincerely thank all our team members, whose abilities and skill are the group's greatest asset.

Warm Regards,

Vishal Bali  
Chief Executive Officer  
Fortis Hospitals Limited

# OPERATIONS REVIEW

## FINANCIAL DISCUSSION: a healthy growth

The past fiscal was a historic one for the Company as it went about consolidating its position as the leading provider of healthcare services in the country and the broader Asia region. We completed a landmark acquisition in the domestic market, namely the acquisition of eight running hospitals and two hospital projects from Wockhardt Hospitals Limited as well as the acquisition of a strategic stake in Parkway Holdings, Singapore in the fourth quarter.

The Wockhardt acquisition firmly establishes Fortis as a pan-India hospital network, with a presence in all the major cities. The Company’s hub and spoke model allows us to serve most of the cities and towns. The next wave of growth for the Company now lies in expanding operations to foreign shores. The Company made a start in 2009 when it inaugurated the Fortis Clinique Darne in Mauritius. That

start was bolstered with the strategic investment in Parkway Holdings, Singapore. The Asia Pacific region provides immense opportunities for the Company to spread its wings overseas.

The large Indian diaspora and the centuries-old trade links that exist with the countries of the Middle East and South-East Asia make these regions natural and logical options for growth. The cultural ties that exist between India and these countries also make it easier to integrate the operations of the acquired entity.

The Asia Pacific countries and member nations of the Gulf Co-operation will be focus areas for the international expansion of the Company. The business conditions over the last few quarters have contributed to the softening of prices of several lucrative assets in these markets. Fortis will aggressively continue to seek assets at the right valuations.

The Company believes that its international ventures will allow for the sharing of best practices and create symbiotic



*"The Company retained its growth momentum and recorded a consolidated net profit of Rs. 700 million, a growth of 294%."*

*Yogesh Kumar Sareen,  
Chief Financial Officer*

synergies. India has proven to the world the existence of a low-cost, sustainable, scalable and highly productive model for healthcare delivery. The availability of highly skilled doctors and nurses, along with a large patient population, allows Indian healthcare providers to better-utilise their assets and human capital and spread the costs of this capital-intensive industry across a larger base, thereby lowering the overall cost of service delivery. A larger network will also bring in economies of scale in purchase processes and reduce the cost of operations even further.

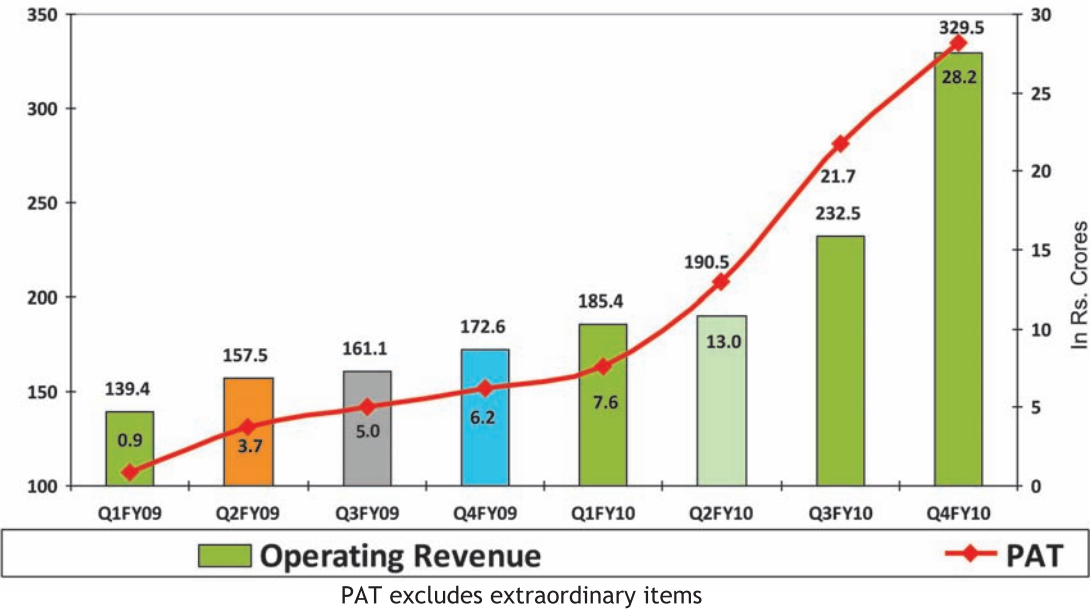
Medical value travel is expected to be one of the major revenue drivers for the Company in the future. The pressures of aging populations in several countries, along with exorbitant healthcare costs and lack of adequate facilities, make medical tourism an optimal value proposition for medical travellers and operators in the Asia Pacific region. Fortis is keen to leverage this opportunity and will aggressively look at acquisitions that offer good prospects for medical value travel.

The Wockhardt acquisition, completed at a cost of Rs. 8895 million, adds an additional 3800 healthcare professionals and 1902 beds to the Fortis network. The total number of hospital beds now stands at ~8000. All the hospitals acquired from Wockhardt currently operate under the aegis of "Fortis Hospitals Limited". The acquisition significantly boosts India’s presence in Southern, Western and Eastern India.

The Company acquired a strategic stake (23.9%) in Parkway Holdings, Singapore, in a landmark deal valued at US\$ 685.3 million on March 11, 2010. This made the Company the largest shareholder of Parkway Holdings, one of Asia’s premier healthcare providers. Fortis offered to acquire 100% stake in the Company in response to a partial offer made by Khazanah (a sovereign Malaysian fund), to increase its shareholding and thereby acquire a controlling stake. However, in a key decision taken subsequently, Fortis decided to opt out of Parkway and sold its entire stake as the valuation rose to uneconomical levels. Fortis will continue to explore other organic and inorganic growth opportunities in the region and remains committed to its vision of creating a global healthcare delivery network.

After reporting its first ever profit last year, the Company retained its growth momentum and recorded a consolidated net profit of Rs. 700 million, a growth of 294%. The revenue during the corresponding period last year increased 50% and stood at Rs. 9880 million. The organic growth in revenue stood at 26%. The Company has grown at a CAGR of 64% over the last eight quarters ever since it turned PAT positive.

The EBITDA margins of the Company improved to 19.3% during the fiscal, up from 17.3% in the previous year. Gross margins have also improved by more than 2% and are currently at 73% of gross revenue. This has been caused



*"The Wockhardt acquisition firmly establishes Fortis as a pan-India hospital network. The Company’s hub and spoke model allows us to serve most of the cities and towns."*

*Daljit Singh,  
President - Strategy &  
Organisational Development*