

C E L E B R A T I N G



YEARS OF UNPARALLELED GROWTH

15TH ANNUAL REPORT 2010-11

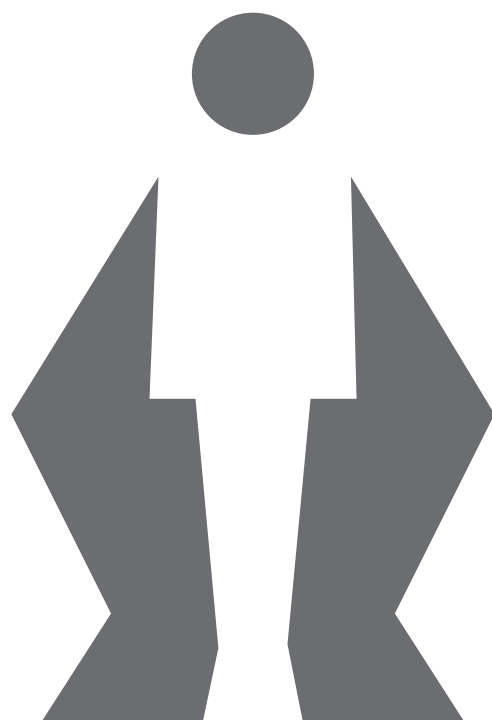
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## COMPANY INFORMATION

### BOARD OF DIRECTORS

Mr. Malvinder Mohan Singh, Chairman

Mr. Shivinder Mohan Singh, MD

Mr. Balinder Singh Dhillon

Dr. Brian Tempest

Mr. Gurcharan Das

Mr. Harpal Singh

Dr. P. S. Joshi

Mr. Rajan Kashyap

Justice S. S. Sodhi

Mr. Sunil Godhwani

Lt. Gen. T. S. Shergill

### CHIEF EXECUTIVE OFFICER

Mr. Aditya Vij

### 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

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## OUR VISION



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

- Late Dr. Parvinder Singh,  
Founder Chairman, Fortis Healthcare (India) Limited  
*January 1996*



## BOARD OF DIRECTORS



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



## MESSAGE FROM THE CHAIRMAN



### DEAR SHAREHOLDER,

As Fortis completes its first decade, I am filled with a sense of pride for what has been accomplished, but also a sense of purpose for what still needs to be done.

While our network of medical talent, spread over more than 60 hospitals, allows for us to be recognised as market leaders in healthcare delivery, the journey has just started.

The vision is to become the leading integrated healthcare services company in Asia within the next five years. In a creative model of healthcare delivery, Fortis is introducing stand-alone verticals, dedicated to select medical specialities. The acquisition of controlling interest in Super Religare Laboratories Ltd (SRL), India's leading diagnostics company, is another strategic step that enables the delivery of end-to-end healthcare services. We are providing, and

if required setting benchmarks for, standardised quality healthcare at an affordable price point to meet the needs of patients across healthcare verticals and geographies.

This will require for us to sustain and increase the focus on quality, to nurture and promote medical talent and to provide them with an environment to deliver their best. We will need to drive cost-effective innovation that makes for affordability and leverage our strengths, using technology as an enabler while at all times retaining our focus on the patient experience. We have shown it can be done and are confident that the coming years will see us do it better.

Even as the last year has seen us successfully cross a milestone with the integration of the Wockhardt acquisition and establishing a network presence of over 60 hospitals across India, the coming years are likely to be critical in establishing the foundation for a global healthcare company. Changing lifestyles, urban migration and the increased prevalence of chronic diseases continue to put pressure on health systems, social structures and economies. A historic economic expansion is also underway in the emerging markets of the world, as their populations join the middle class and their economies join the global marketplace.

As we forge ahead in FY 2011-12, Fortis will continue to focus on three areas: Talent, Execution and Growth. Our continued focus will be on aggressively driving our human talent strategy, building upon our execution capacity by creating unique capabilities in service excellence and prudently pursuing growth opportunities, while unlocking

value from scale. All these will build Fortis Healthcare into a truly respectable global brand, unlocking differential value for all its stakeholders.

In this journey it is imperative that we never lose sight of our social responsibility to the communities that we serve. We remain committed in this aspect.

I remain ever appreciative of the goodwill and support received from every Fortis stakeholder. I hope that you share my excitement as we prepare to enter an era of a promising future. Thank you for putting your faith in us. I remain beholden to the members of the Fortis Board and thank them for their guidance and encouragement. Finally, I express my gratitude to all the employees across the Fortis network for their unflagging commitment and resolute perseverance.

Warm Regards,

**Malvinder Mohan Singh**

Chairman



## MESSAGE FROM THE MD



### DEAR SHAREHOLDER,

At the end of our first decade we look back at a remarkable journey, through which we have risen to every challenge and exceeded every expectation! We started with the objective of being an institution engaged in nation building and the belief that India needs a robust, world-class healthcare system, committed to delivering the finest healthcare to a growing and aspiring nation. Our underlying conviction was that progress without good health would be a hollow achievement. On that commitment, your company has delivered in ample measure.

We have been guided by the principle of ethical practices and have abided by this principle in our dealings with associates, doctors, employees, suppliers and all those with whom we

engage. Our journey has been marked by the ambition to grow, while remaining exemplary in maintaining the highest standards. Aggressive growth with caution is now recognised as the Fortis approach and the industry acknowledges and respects the path we have followed. I hope you too will conclude that, at the end of our first decade, our values and principles have held us in good stead and will undoubtedly continue to be important determinants in our future growth strategy.

India is a vast nation of 1.2 billion people and must be mindful of the aspirations of its population, while playing an important role in the emerging world. How our country achieves its healthcare objectives is imperative for economic development. Unquestionably, the country must find a sustainable approach to healthcare delivery for all Indians, in a manner that is

fundamentally inclusive. We must protect and cover our marginalised populations and those disadvantaged in any way, be it by gender, caste, religion or other factors. Any company that aspires for pre-eminence in the Indian healthcare domain must be an active partner in delivering on the promise of inclusion.

An important step in this direction is our announcement of a second brand of hospitals that will bring affordable, quality healthcare to the masses of semi-urban India. This past year saw us extend our network beyond the large metros, to India's smaller towns and cities. It is by design that most new hospitals added to the Fortis network are located in a tier II or tier III Indian city. We will now be able to serve people with lesser ability to pay for health services, as compared to the better off citizens in metro cities. This commitment to meeting the needs of a much larger Indian population, with quality and affordability as prime objectives, will go a long way towards supporting the national agenda of inclusive growth. At the same time, we will retain our focus on the singular vision of creating a world-class integrated healthcare delivery system, respected for clinical excellence and distinctive patient care.

Advancing beyond our large cities, we are even more cognizant of our social responsibility to the communities that we serve and will strengthen our outreach programmes for the lesser privileged. Each Fortis facility remains committed to a sustained engagement with its surrounding populations. To supplement the present efforts, your Company has announced the launch of a nationwide Mother & Child programme, under the aegis of the Fortis Foundation, which will support Government efforts to improve infant and maternal mortality rates and specifically help raise awareness about the issues faced by girl children.

Every extraordinary corporate endeavour should have a unique purpose that must be deeply embedded in its DNA, in its culture and in its ethos. I believe that, for us at Fortis, deep concern for the patient is that sole and exclusive purpose. With this foundation, Fortis has built a solid national platform and has distinguished itself as a pan-India institution, positioned to deliver quality healthcare across the length and breadth of the country. With our monumental growth, guided by the principle of *Patient First*, we have raised the bar; generated new hope and amplified expectation. We will have to rise to meet this expectation and accept this responsibility, if we aspire to wear the leader's mantle.

All of this will only be possible with the steadfast dedication of every Fortisian and the Fortis leadership team. I am pleased to welcome our newly-appointed CEO, Aditya Vij, to lead the organisation going forward and guide us on the path ahead.

2010-2011 has been an eventful year for Fortis. We have added eight hospitals, with a capacity of over 1500 beds, to the national network. We also introduced new models of care delivery with dedicated diabetes/obesity centres and stand-alone dialysis facilities. The Company entered into meaningful partnerships with US entities SSI Inc. and Totipotent to introduce practices that are at the leading edge of global medicine; the former for complex robotic surgeries and the latter for stem cell therapy treatments. We have also acquired a controlling stake in reputed diagnostic company, Super Religare Laboratories Ltd (SRL), in an effort to deliver end-to-end healthcare services. Additionally, our business model continues to build on the strength of our accumulated experience and extensive domain knowledge.

We are justifiably proud of our exceptional story and we know that the chapters ahead will be even more compelling than those we have scripted in the past. From a modest start at Mohali, Punjab, back in 2001, Fortis has grown to become a countrywide network of over 60 hospitals in 10 short years. Today, we are proud to have the largest network and, more importantly, the highest number of quality-accredited hospitals in the country. We have earned the status of leaders in Indian healthcare delivery and are acknowledged as the fastest growing healthcare network in Asia.

At the end of this message, I express my deepest gratitude to all of you, our shareholders. Your belief and confidence in Fortis strengthens our resolve to grow ever stronger. I am also deeply thankful to the members of the Fortis Board, for their constant guidance and support. Finally, I express my gratitude to all my fellow Fortisians for their enduring commitment and unwavering determination. *Individually we are one drop, but together we are an ocean.*

Warm Regards,

**Shivinder Mohan Singh**

Managing Director





## LEADING THE WAY



Left to Right:

**Front:** Dr. Vivek Jawali, Mr. Varun Khanna, Dr. Ashok Kumar, Mr. Jasbir Grewal, Dr. Narottam Puri, Dr. Anoop Misra, Mr. Aditya Vij, Mr. Shivinder Mohan Singh, Dr. K. R. Balakrishnan, Prof. (Dr.) Upendra Kaul, Mr. Harshvendra Soin, Dr. T. S. Mahant, Dr. T S Kler

**Back:** Dr. Anant Kumar, Dr. Shivaji Basu, Dr. S. C. Tiwari, Mr. Ashish Bhatia, Dr. Anil Kumar Singh, Dr. P.S. Maini, Mr. Daljit Singh, Dr. Ashok Seth, Mr. Yogesh Sareen, Dr. Lloyd Nazareth, Dr. Amit Varma, Dr. Harshwardhan Hegde, Dr. Anil Karlekar





## INTERVIEW WITH THE CEO



Mr. Aditya Vij, Chief Executive Officer

As Fortis Healthcare completed a decade, it also marked a new milestone in its journey – the appointment of Aditya Vij as CEO. Vij, who brings rich management experience spanning three decades, articulated his vision for Fortis.

**Q. Mr. Chief Executive, What is your road map for the next three years?**

A. Now that we have established a presence in most of the large Indian cities, we expect to expand into

India's tier II and tier III towns over the next three years. Most of these facilities will be part of a second brand that offers a different value proposition. Currently we have projects coming up in Ludhiana, Jabalpur, Indore and Kangra, among others.

All our major hospitals in the main cities across the country will take steps to distinguish themselves in various super-specialities and become referral centres in their respective regions. These hospitals will support all the new smaller hospitals that fall under the second

brand. The second brand in turn will bring the promise of 'Fortis care' a lot closer to many more people in the country. People must know there is no need to travel too far, because there is a Fortis hospital in the vicinity.

Standardisation of clinical and non-clinical processes across our facilities forms a focus area for us. We will strive to create a uniform *Fortis experience*. While our two brands will differ in presence and positioning, both brands will offer patients quality medicine, delivered with care and consideration.

Clinical excellence and innovation will remain the bedrock of all our operations. Expect Fortis to use the most advanced technologies, medical therapies and innovations combined with the fine skills needed to deliver these superior treatments. We will not restrict ourselves only to therapeutics, but hope to go beyond into preventive care and general well-being.

**Q. Which are the next major focus areas for Fortis?**

A. This year we have launched 'Medex Transformers', an initiative to create medical excellence through processes and people. This signals our continued emphasis and commitment to clinical excellence.

The four focus areas specific to this year are clinical excellence, process orientation, people emphasis and customer satisfaction. We have identified projects in each of these areas. For instance, we've challenged ourselves to roll out a best-in-class emergency response and ambulance system starting with the NCR in the first phase. On the people front, we are taking specific actions on a survey conducted last year to understand the satisfaction and motivation levels of our employees and address their concerns. We have 10 such projects planned for the year.

**Q. Could you tell us something more about the second brand that you spoke about?**

A. Ideally, we would like to create a *Nano* for healthcare, by developing a business model that delivers care at a low cost. While the clinical quality will be of Fortis standard, we may not launch the most complex of medical programmes at these hospitals. Hence a heart transplant or liver transplant may still call for moving the patient to a metropolis.

The second brand will always be supported by the clinical expertise and full range of facilities available at the closest Fortis hospital.

**Q. Will inorganic growth continue to be the strategy?**

A. Fortis has grown both organically and inorganically over the last decade. It has been our stated policy. If faced with a choice between conservative financial management and growth, we shall choose growth. We actively seek growth opportunities and have developed significant expertise in running hospitals across the country. Most of our mature hospitals have healthy financial and operating parameters. At the same time, long-term growth and value creation comes from additions to the network.

**Q. What challenges do you foresee?**

A. Oh several! Healthcare in India will continue to grow rapidly. We must find the resources, in terms of manpower and management time, to continue this scorching pace of growth.

Over the last 10 years, Fortis has earned the reputation for medical excellence delivered with considerate care. People's expectations in smaller locations have also gone up and they expect the same level of service that someone known to them may have experienced at Fortis Mohali or Fortis Escorts Heart Institute. The



challenge is to deliver the same level of care wherever we go and from the moment we commence operations. This could be in terms of medicine, non-clinical patient care, food and beverage, billing, services for attendants and so on.

Getting the trained people needed to deliver this quality of care and meet the expectations, both clinical and otherwise, is crucial. It's a known fact that we don't have enough colleges in the country to graduate the doctors and nurses needed. Moreover, motivating people to serve in tier II and tier III towns is a difficulty that needs to be resolved. To some extent, Fortis has managed this by developing intensive training and leadership programmes for all levels of employees across clinical and administrative areas.

While we talk of manpower in this fiercely competitive space, it's very important that we take care of our people. As an organisation, we need to better understand what our employees need and how to keep them engaged. To serve our patients and keep them happy, we must first have a dedicated and motivated team.

It has taken Fortis 10 years of toil and sweat to reach where we are today. We have to safeguard this reputation. We have partnerships with several service providers and will have several more in the future. When we form such alliances, the credibility of our brand is at stake and linked with the performance of our associates. We must continue to exercise as much discretion and conduct a thorough due diligence while selecting our partners in the future, as we've done in the past.

Then there is the issue of the financial viability of the sector, considering the long gestation periods and

capital costs. There is a lot of technology available out there for diagnostic and therapeutic purposes, but much of it is extremely expensive. How to place such equipment in our hospitals and make it available to our patients at affordable prices is a challenge we need to grapple with. We have addressed some of these challenges by signing back-to-back deals with vendors on a pay-per-use basis, adopting an asset light model.

Finally, we must continue to deliver value to our shareholders while expanding the reach of our services.

**Q. How crucial is medical tourism for you and what do you propose to do about it in the future?**

A. Medical value travel today contributes ~6% of our operating revenues and has been growing at a rapid pace. Access to affordable and quality healthcare is proving to be a challenge in several countries. Indian hospitals provide world-class care at a fraction of the cost in developed countries.

Our overseas patients come to us for the quality, care and overall hospitality. Fortis is well poised to benefit from these mobile patients with the availability of medical expertise, equipment, clinical protocols and infection rates that match the standards of the West.

Over the last few months that I've been part of the Fortis family, I've heard anecdotes from my colleagues about the smiles of relief on the faces of these patients, when they know their doctors are accessible 24x7 on their mobile phones, even on holidays.

As a hospital system, we understand that nobody really enjoys a long flight to a hospital. We try and take care of administrative hassles like accommodation for relatives, registration with government authorities and

transportation. We provide every possible assistance needed.

We are proud of the number of foreign patients we've sent back home, healthy and happy. We expect this segment to grow. We also have a presence in several African countries. Many of our doctors conduct OPDs in Africa and we work closely with some leading hospitals in these countries. Looking ahead, we will increase our presence in more countries by launching OPDs and running certain departments with partner hospitals, on a case-by-case basis.

While we are in the market to serve the needs of the Indian population, we welcome all nationalities and provide every patient the best possible care. Fortis as an organisation will continue to design its medical programmes, hospitals and services, keeping in mind the Indian customer.

**Q. Given the restrictive costs, how will Fortis bring quality healthcare within the reach of more people?**

A. There are probably no ready-made solutions to that question. We believe that the private sector and the State Governments need to work together to make quality healthcare accessible to the masses. There is a lot to do in healthcare, starting with awareness, safe drinking water, sanitation, primary care, immunisation and emergency services, all of which are in the Government domain. I do see a need to build more trust between the private and public sectors, to make Public Private Partnership (PPP) initiatives a real success and thus take quality healthcare to people in a collaborative manner.

On our part, the second brand of hospitals announced by Fortis is meant to take quality healthcare to people

in tier II and tier III cities. The offering here would be largely primary and secondary care. When we compare the cost-benefit for patients, we also need to be mindful of the fact that presently these patients have to travel to metros and other medical hubs. There they avail of medical care at the prevailing price points, in addition to incurring considerable expense on travel and accommodation.

Roughly 85% of the healthcare expenditure in our country is on out-patient expenses. We need to ask ourselves, "What can we do to increase access to healthcare to improve or extend lives?" More than the financial metrics, beds and occupancy; we at Fortis focus on the lives we touch and we expect to treat more than two million patients in fiscal 2011-12. That's a growth of one million in three years.

**Q. From automobiles to defence and nuclear infrastructure, you've had a diverse career. What attracted you to healthcare?**

A. Undoubtedly it is a major change, but I have always had the desire to contribute to healthcare and education in India, two of the pillars required to support our fast growing populous country.

Fortis is a rapidly growing organisation, which has established its credentials with its clinical excellence and patient-centric approach. I am honoured to be leading Fortis and contributing towards shaping its future. In the process, I hope to be able to make a difference in the fast-evolving healthcare landscape of our country.

**Q. Thank you, Mr. Chief Executive for your time.**

A. It's been a pleasure and a privilege for me to share some of my thoughts and ideas with our investors, early on during my tenure at Fortis.

