



“Fortis Healthcare FY18 and Q4FY18 Post Results Conference Call”

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(INVESTOR RELATIONS)**

Moderator: Ladies and Gentlemen, Good day and Welcome to the FY18 and Q4 FY18 Post Results Conference Call of Fortis Healthcare Limited. 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, sir.

Anurag Kalra: Ta, Stanford. A very Good morning and Good afternoon, Ladies and Gentlemen. Welcome to Fortis Healthcare Q4 FY18 and FY18 Results Call. The call today is being lead by Mr. Ravi Rajagopal –Chairman of the Board of Directors at Fortis. With him is our Chief Executive Officer – Mr. Bhavdeep Singh. We have our Chief Financial Officer – Mr. Gagandeep Bedi. From the SRL Team we are joined by Mr. Arindam Halder –CEO of SRL and Mr. Srivatsan – President (Commercial).

We will begin this call with some opening comments by Mr. Ravi Rajagopal, post which Mr. Bhavdeep Singh will give his view on the hospital business; and Mr. Arindam will provide his comments on the diagnostics business. Subsequent to that we will then open the call for question-and-answers. Over to Mr. Ravi Rajagopal.

Ravi Rajagopal: Thank you, Anurag. And good evening, good morning, good afternoon to all of you, and welcome to the call. I just want to cover a few things, as a new Member of the Board and Chairman of Fortis would like to share some views with you before I hand over to Bhavdeep.

I think there were three of us who came on to the board end of April, and since then we have been spending a lot of our time understanding many of the legacy issues, particularly a lot of the promoter related issues that lead to the investigation being carried out by the Luthra, the law firm. And we had received a report in the first week of June, but even prior to that we were trying to get the grips with and understand the controls and the transactions relating to the promoters, group companies, the related parties, and it has taken a fair bit of time. And understandably, once the report came out to digest its findings and to assess the way it should be reflected in the accounts and disclosures, both for the management and for the auditors has understandably taken a lot of time. In a way, regrettably, it has taken more time than we would have liked, but it has been the nature of the unknown where it was difficult to assess what exactly were the consequences and where to sort of draw the line.

Now, we were fully intending to release the unaudited financials on Monday, but what we have had to do is as a result of the conversation with the auditors we have had to, or rather the board has had to take a much more involved effort in really understanding the controls and process framework within the company and make sure and directly certify to the auditors that apart from the promoter override issues that were the substance of the Luthra investigation report, the board was otherwise reasonably assured that control systems everywhere were working very well. Now, you can understand this process would take a matter of not weeks but some days, which

is why we decided that in the best interest of everyone, including our investors it was prudent to release a set of unaudited results which we did early this morning. But having said that, as we have declared in our results, we have clearly said that this is also to facilitate the bidding process which I will touch upon in a moment, and also the fact that we do not expect any material change in the final set of numbers. Now we have said that with some degree of confidence, having seen the extent of audit which has been completed which has been near complete I would say, but for this assurance the directors are seeking personally around the robustness or controls, and we have taken an abundant cautionary view here and reflecting pretty much all the issues that have come out of the investigation. And which is why you would see a fairly large number below the line.

So, that is one part of it. Now the other related part is that we do realize that what has happened in the last four, five months of various events in the company there is a clear need to restore a morale within the organization there is a need to rebuild the reputation of the company as a company that seems to be transparent and having very rigorous systems and governance standards with other leading companies. And this is an effort that we will be spending a lot of our time on as a board along with the management.

A couple of steps we have outlined in our disclosure this morning include but is not limited to carrying out a further enquiry, which will be done by Luthras, in terms of just establishing or clarifying employee involvement. That is number one. Number two, we are in the process of appointing an external firm to once again do a thorough review of the control framework within the organization and prove to us that these are systemically strong, but of course where there are gaps we will strengthen it, we are also getting in an IT person to make sure again the possibility of management override on the single instance kind of ERP the company has are indeed not there. And we are also doing, with the help of Luthra's again, a further review of all group company issues to make sure there are no related party overhangs and making sure that all transactions are arms length, whereas there are related party remnants still there then we would have that much more of a rigorous review of that and come to the right sort of conclusion.

So, the point here is to say that focus of this new board has not stopped with the release of the unaudited results this week or the audited very, very soon. But this is something I can see that for the next four to six months is what a lot of our efforts are going to be engaged in. So that is around our focus and our objective to get the governance standards back to where it should have been.

The second thing is, on the question of the audited results itself, what I can say is that it should be out fairly soon, I wish I could commit a date, we do have a date which we are working towards, but I can tell you it is not in the nature of weeks but it is going to be fairly soon. And I am hoping we will have more clarity on it in the coming days. Again, as I have said earlier, the audit is substantially over, barring for this piece of work which needs to be done. And hopefully the numbers are not going to show any material change when they ultimately come out.

The second area is around the bidding process, you are all aware what the timetable is, clearly as per the original time table the audited results was to have been out on Monday which was the 25th, today is the 27th therefore given that slippage of few days we will have to factor that in and hopefully readjust our timelines, so we are again talking of the bidding timelines being relatively on track, barring for this few days delay that we have just had. So again, we hope to be coming out with a more formal sort of announcement very, very soon, but we are talking of this whole process getting back on track fairly soon again.

So, these are the few messages that I wanted to share with you. What I can maybe as a closing comment I can say once again, and I will reiterate, that this Board is committed to restoring the morale of this organization which has gone through very tough times. The management has had to put up with a lot of adversity and treasures, some of which you would have even read in the disclosures today, that are the words that investigation firm has put out themselves. And there is a need to bring this organization back to where it should be. The second thing I talked about transparency and governance standards, and that will be a key focus. And the third, equally if not more important, is to make sure that with the results release this morning we have displayed confidence to the potential bidders on the one hand, and also to our financial institutions because there has been liquidity pressures as you may well know, and this release signals the fact that we stand by the numbers that we have done today. There may be a bit of uncertainty but hopefully that will come to an end very soon.

So with that, let me hand over to Bhavdeep.

Bhavdeep Singh:

Thank you very much, Ravi. Good afternoon, Good morning to everyone. It has clearly been a very interesting quarter, and quite honestly it has been quite an interesting year as well. I think as an organization what we have gone through for different reasons has been quite significant, quite substantial. Apart from the fact that you are all aware that the Indian health industry today is facing some significant headwinds with respect to whether it is regulation, whether it is the public's perception on healthcare, public's perception on doctors, the whole debate around the value proposition around healthcare, clearly there has been a lot of significance and substantial amount of noise around that, and that is something that all of our partners in the healthcare industry are also dealing with and it is a topic of most forums that take place today around the industry and around healthcare specifically.

Then I think what else happened closer to home over the second half of the year, we have a situation with various hospitals in the country between Max Hospital, BL Kapoor, Medanta, Fortis itself, we had high profile cases that got us a tremendous amount of attention and a lot of scrutiny and we all went through that as well. But in addition to that, while the industry has been going through these things and I can tell you that most of our colleagues in the industry would tell you that the last 12 months have been quite trying and quite challenging, we have had our own internal challenges as well and that has just been a lot more that has come on the organization. So, I would not go into all the details, you are familiar with what has happened.

I will talk a little on what has been the outcome and where do we go from here, because I think that is the most important thing. Now you have seen in the numbers today, our performance in quarter four was okay, I would be lying and be extremely sincere if I told you that I thought it was a great quarter, it wasn't, it was okay, it was okay considering the environment considering everything that is happening. Having said that, you have noticed that we have some one-time activities that are taking place in this quarter, function of some other things that Ravi just alluded to, function of some legacy issue that I think as an organization we have made a decision that we need to move forward, we need to have a fresh start, we need to take this organization and make sure that we are in every shape and form doing everything we can for every single patient and every single hospital in our network and we have made some decisions around and clearly obviously you are aware of that. There are also some impairments and generally speaking in the context of India while impairments are very frequent accounting entry in most parts, I think it is something that we will see a lot more of in India in terms of organizations recognizing that they have to take a true look at whatever assets might be on the books, and we have done that as well, and I think that is just a good responsible business. So, I think we have made the right decision there as well.

For all of that said, where we are today, again coming out of a challenging quarter and coming into a challenging environment, we are very pleased that we have a new board, our stint over last six, seven weeks has been one that has been highly collaborative, highly transparent and collectively working together to make sure that we do things the way that should be done and we move forward to ensure that the organization has continuous improvement. We have also in the same period of time gone through difficult period of time, because as you are well aware the organization had some liquidity issues. And by virtue of that we have had some challenges with respect to being able to do everything that we need to do about our hospitals when it comes to fulfilling our promise to our patients and to our attendance.

So, with that said, I think as we look forward I think we have a lot of opportunities, we are looking forward to the audited results and that should be coming out as Ravi said fairly shortly, and in good order. We have also been giving great deal of thought that what happens now, so we have an audit component, we have the quarter end component that we are talking about, we have industry headwinds that we are referencing, and then we have a potential transaction, potential meaning from a timing perspective that is going to be taking place very soon.

Now with the transaction coming up and with everything that the organization has gone through, we have taken a great deal of time and put together a build back plan that we will share with you in the coming weeks and months in terms of how do you take the organization from where it is now, recognize and please keep in mind that up until the first half of the year we actually had a very solid first half, EBITDA was approaching Rs. 280 crores and we were actually on mark headed towards high 500s or 600s type of EBITDA for the year. So that is the kind of performance we had and we are moving in the right direction. We have had multiple challenges by virtue of which we are where we are today, so we have put together a build back plan just exactly what we need to do going forward, whether it is from a internal organization perspective,

whether from a talent perspective, whether it is from a investment perspective, marketing perspective. So we have put together a detailed plan quarter-by-quarter just to look at how exactly what we need to do get our business back, because I think the most important thing for us now, lot has happened, lot of work under the bridge, lots of challenges that we have dealt with, lots of challenges that we have overcome. But quite honestly, as I look around, the opportunity is huge for us, the Indian healthcare market continues to be underserved, we still get very, very good feedback from our patients, from people who come to Fortis in terms of the doctors that we have, the nurses we have, the medical clinical protocols that we have, and our outcomes are amongst the very, very best in the industry.

So lot's and lot's of opportunity, it has been a challenging year, it has been interesting time, we have all gone through quite a bit of things that we have never seen before, but I think at the end of the day it has put us in a very strong position, and I look forward to what lies ahead. Having said that, none of it is going to be easy, none of it is going to be overnight, but I do see us moving forward quite substantially and quite significantly with better results and far more better performances while going ahead.

So on that note, thank you all very much. We will certainly take questions, but I will ask Arindam to give some quick comments on SRL and then we will open it up. Arindam?

Arindam Haldar:

Thank you, Bhavdeep. And wish everyone joining on the call a very Good afternoon, Good morning. My name is Arindam Haldar, I am the CEO for SRL Limited. I would like to start by stating that the year 2017-2018 was actually a watershed year for SRL in more ways than one. We actually started the year with a new operating leadership, with a new CEO and a revamped leadership, coming to effect between the months March and July 2017. Also, basis some of the learning that was available with us, basis the business deep dive and analysis that was done by an external consultant. who did a project with us in late 2016, we undertook a very key and long-term strategic initiative which I am very sure will bear fruits for us in the coming days and years.

Some of the key ones that we did over the last 12 months was, we redid our operating structure by having geographic business units, because clearly as a learning thing diagnostics is a very local business, there are very few national levers that are available. So we broke the business into geographic business units. We made the new go-to-market plan, developed a new grand plan and signed on the new marketing investment strategy. We also worked on our governance models, the KRAs and the efficiency metrics. Last but not the least, we started a structured process of capturing net promoter score board for customer and internal employees so that you get a sense of how we stand on our service levels as well as employee engagement.

If I look at the year, of course we saw some serious business headwinds, we lost some business, customers, people in the early part of the year. And while the business still grew by 7.4% it was clearly shot of our internal expectations as well as what is the true potential fo SRL.

Quickly, as we look forward, and we are focused on our few key areas on how to unlock the growth challenges so that we go back to our high growth days in future, we have a detailed plan on expansions of our channel partners, our brand strategy is in place, as well as we are trying to see how to improve the overall image as well as reach of SRL in the coming days.

With that, I would like to straight away go to the Q&A session.

Anurag Kalra: Thank you, Arindam. Ladies and Gentlemen, we will not be taking you through the financial presentation. Both the financial presentation and the press release are on the website of the company. So in the interest of time we will now open the floor for question-and-answers.

Moderator: Thank you very much, sir, Ladies and Gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Adi Desai from York Capital. Please go ahead.

Adi Desai: Two questions, on the financials and the operations. One, I guess if I look at the quarterly results, one thing that stood out was the other expenses. Generally, we have run at about Rs. 3.4 billion and this quarter it went up to Rs. 4 billion, could you break that down a bit more as to where the increase came really and whether it is more of a one-off nature due to effectively like transaction happening, etc, or is it more recurring? That was question one. And the other question was really on the performance, I wanted to understand the SRL EBITDA decline we saw this quarter, honestly I expected the hospital business to have lot more EBITDA decline this quarter because of lot of one-off issues and industry issues we have mentioned, but hospitals actually came across quite alright and SRL saw a bit more of decline in operations. So I wanted to understand that? But these are the two main questions I have.

Anurag Kalra: So, Adi, on your first question, when you look at the SEBI set of results the other expense like has certain items which in the management results or the investor presentation shows separately. For example, the FOREX losses are accounting wise shown in the other expense line, but when you look at the investor presentation it is shown as below the line, that is an amount of about Rs. 20 crores to Rs. 22 crores. There is other exceptional of another Rs. 20-odd crores which relates to some write-off on TDS recoverable and due diligence expenses that we have been incurring over the last year or so, the quarter's portion also comes in this. If you are to exclude these two then you will find that the other expense line does not show that much of an increase, that is the difference between SEBI and the management presentation that we have sent you.

Adi Desai: And the second question on SRL performance.

Arindam Haldar: As far as SRL is concerned, the numbers included between compared with last year, the GST regulation was introduced sometime in July this year which had an impact of about Rs. 2 crores in terms of the expenses going up. The second big change was, as you are aware, Fortis has been running a process along with SRL in terms of going into fund raising and a bunch of other things, for which we incurred legal and professional expenses which was about Rs. 3 crores. There was

a provision for doubtful debts for about 1 crores, that was largely lead by the fact that we have moved out of the Uttar Pradesh PPP where we had certain non-recoverables or doubtful recoverable which we provided. The last piece is a certain bunch of equipments was under comprehensive maintenance until last year, as the equipments move out of those maintenance and they get into normal AMC's you do have a charge to the P&L. So those were the four big hits. Of this if you were to really single out and call out what are the one-offs, the one-offs would be the legal and professional expenses and the provision for debtors which we do not expect to be on an ongoing basis.

Adi Desai: Got it. And one other question, I think the question is for Ravi, in terms of the bidding process, I know you have said you will come with a formal announcement, but should we be expecting the process to come now post the audited results or is it something that from the results we have just announced? And again, I understand that we need to make the formal announcement.

Ravi Rajagopal: What I meant was we will be realigning the timetables that will take into account the release of the audited accounts. As I said we expect the audited accounts to be released fairly soon, if not pretty soon, and that is the assessment we are making which will have in it when we receive the bids the audited accounts with the earlier schedules that we had released and something that could happen post the audited accounting itself. So, I think it is best to just watch this space, fairly soon we will come out with a more clarity on this. But all I can say is this is not too far out into the distant future, but much more in kind of near-term.

Moderator: Thank you. Our next question is from the line of Neha Manpuria from JP Morgan. Please go ahead.

Neha Manpuria: First on the operational performance of the hospital business, from what I understand there could probably three reasons for this, one FMRI disruption, second probably liquidity issues and third could be distraction or loss of certain doctors because of the ongoing noise around Fortis. Now if I look at the FMRI numbers quarter-on-quarter they do not seem to have deteriorated, so I am just trying to understand what were the factors which lead to this decline quarter-on-quarter. And if it is liquidity or distraction, is it fair to assume that things would remain tough on operational basis for the hospital business for a couple of more quarters till we get a new buyer on board?

Bhavdeep Singh: So, Neha, one thing to look at is the way the business, when you look at FMRI over the prior year I think we look at a growing environment like FMRI we actually track quarter-on-quarter how we are doing. So we compare the kind of growth we had in the first half of the year versus the second half, there is clearly a tail off there. So that is one. I think the second thing is that, as you rightly said the industry has been facing some headwinds, we had as I mentioned earlier six or seven major high-profile incidence that took place between October and December, our hospital we had a earlier case you may be aware of Max had the case of twins babies, we had BL Kapoor, you had Medanta a 7-year-old boy. So there were a lot of these cases and that certainly impacted certain parts of the country more than others, and we clearly felt an impact there as well. But with all that said, the reality is that industry headwinds, generic things

happening in the environment is economic, whatever else this might be, we had our own issues as well. And I think it is a combination of everything like we said, whether it is liquidity issues, whether it is function of the fact. So while I am very proud of the fact that it is still recent, we have actually not lost any senior clinician at all, but it has hampered our ability to bring new talent in. And that matters a lot, because in our industry you continue to because we are not a steady state industry, we are an industry quite honestly in India still at infancy stage, we are still growing, we are still trying to figure out what the finish line looks like. And I think by virtue of that the life blood of our business is continuing to expand the complexity of medical procedures, add new medical specialties, bring new talent in. And we have had a challenge on that front being able to bring new doctors on, because quite honestly anybody who is thinking about doing something in life, something different you want to know that the organization you are to, whether it is stable, whether it is growing, whether there is some clarity around what is going on. So I think if you add all of those things in it has impacted us. Now with all of that said, I would say that we are not out of the woods yet, I think we still have some challenges, I think that we need while I have the good fortune, and when I say I have the good fortune many of us who are closely aligned with the activities around the transaction we have a good fortune of working with our new board, we have a sense of what is coming. If you are still at 17,000 people working in our hospital, you have another 7,000 - 8,000 SRL who are still wondering and waiting to hear what is going to happen and how does the story play out. And quite honestly, that matters a lot. So I do expect, I do think that we need to close this transaction, I think we need to close the transaction from a couple of different fronts, number one from a clarity and a clear deduction and a clear path going forward. Number two, from a liquidity perspective. Number three, you can actually start implementing from a CAPEX perspective, ideation perspective you can start moving forward. So I think we need the transaction to happen, I think post the transaction happening I think that rebuild plan, and that is the kind of thing that we will be happy to discuss and share, I think that is when we start kicking that in the place. And the plan takes into account all the various things, starting with our employees all the way to investment and implementation execution inside the hospital. So broadly speaking, Neha, I think you have nailed it. I think the impact again things are going to mitigate it, I couldn't be any more proud of the organization and the team that we have. We haven't lost a single member of senior management with respect to the people that we believe we want to have here, people that should be here and the organization quite honestly has held up extremely well, remarkably I think this is the kind of situation where we are just waiting to get some gas in the tank and I think as soon as we do, I think we are going to take off and do really well. well. But right now, we stalled a bit but its temporary.

Neha Manpuria:

You don't think it is going to get worse before it gets better from here?

Bhavdeep Singh:

I think these things are a bit unpredictable but I would tell you that I can't sitting in my position and I don't think you do want me to I started worrying about what is going to happen this afternoon, or next week or the day after, I can tell you that when I look 3, 6, 9, 12 months out I think that the organization comes back and comes back very-very strong on a very steady

platform growing so does it mean that today being Wednesday, tomorrow may be worse it is very possible but an year from now we will be in a hell of a better position and I think six months from now we will be moving in the right direction and I think long-term we have would have the great story to tell yet to play out.

Neha Manpuria:

And my second question on the balance sheet. First, we also had an investment in global dynamic fund which we were in the process of redeeming, but it doesn't seem as if that's come back, what's the update on that? And second now that we have taken a provision for the ICDs, what is our plan to recover that amount from promoters? There was some news flow today the promoters asking for the brand value that they are supposed to get for the Fortis brand to be offset through this recoverable, your view there?

Gagandeep Bedi:

Neha this is Gagan here. On the first question, the investment is still on the books as on 31 March 2018; however, the investment was redeemed in the month of April and we have received the monies. So that's the first one. Now on the second question in terms of the ICDs and the recoverability, we are taking all actions around so the current assets off the three companies that are pledged to us so we are going after that when taking legal action to go and realized that and yes, there is the element of the brand also in there but that also we are taking action towards basically securing the brand.

Bhavdeep Singh:

I just want to add on we are taking a very aggressive approach to this and as you rightly mentioned with reference in the information we shared this morning, three entities anything else I think from a legal perspective every possible road, every possible path we can take, we are taking and we intent to be very vigilant about it. as appropriate we will keep you folks updated but to be very clear and to be very straight forward about it our plans to be and we had it is not something we are starting today to be absolutely aggressive and get the full recovery to whatever extent possible.

Neha Manpuria:

Arindam on SRL, we have been disappointed by the fact that SRL has struggled to grow even its revenue and we have been talking about the initiatives we have taken for quite some time. When do you see revenue growth peaking up for SRL based on the initiatives that we have taken over the last year?

Arindam Haldar:

As we have started the last year beginning the loss some customers and businesses which we try to recover over the years. As far as investments and plans are concerned, most of it is around marketing and brand investments and furthering our preventive part of the business, we are entrenched in that work. Yes, some of these investments do not see results pretty much the next day so the way I look at it is clearly the future looks brighter. Does it mean that immediately our growth will start coming in? No. there has been a little bit of low and headwind that has been there. What Srivatsan also spoke about is we went out of the UP PPP, the Uttar Pradesh PPP business effective March. So on a like-to-like basis there will be growth but obviously there will be affect of the UP PPP. But apart from that at an overall basis, we do feel that in a few months' time, the growth will come back.

- Moderator:** Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.
- Sarvesh Gupta:** Sir, if you can throw some more color on the issue with the brand and are we having all the requisite formalities in terms of having that brand with the company and not with the promoters, so what is the current status on who owns the brand?
- Bhavdeep Singh:** On the brand, the brand is still owned by the promoter company and we have a licensing agreement which basically carries on, so that is the status on the brand.
- Sarvesh Gupta:** How much license fee do we pay every year for this brand?
- Gagandeep Bedi:** For the hospital business, it is I think around 50 lakhs per year.
- Sarvesh Gupta:** Okay, but is it like an agreement which will extend for a while or in terms of the term of the agreement for having the brand licensed to us, what is the term of this agreement, till when can we enjoy having the brand and has the promoter got discretion in terms of revoking that license agreement?
- Gagandeep Bedi:** Currently, the brand agreement is, we had an agreement for nine years out of which we are approaching the third year and that is extendable, so that is where basically.
- Bhavdeep Singh:** The brand agreement is not like many brand agreements, we pay a fee which Gagan just talked about, we also pay a fee for the SRL brand as well, combined for the two brand is approximately 3 crores a year, and right now we have brand licensing agreement for both the brands and we are not anticipating any change with respect to that anytime soon.
- Sarvesh Gupta:** My second question was on the terms of reference for this Luthra investigation, if I read the terms of reference it looks more like the specific terms was relating to the investigation on the ICD itself, so as shareholders can we be sure of the fact that what Luthra has already investigated encapsulates all outstanding issues which may be there apart from the ICD issue?
- Bhavdeep Singh:** If you look at the terms of reference, you rightly said it hones on the ICD, but quite honestly they are related components to it as well, that is number one. Number two is having the findings of the report are not solely focused on it because quite honestly A leads to B, B leads to C, C leads to D, and we end up looking at multiple things as well, so I think that the investigation has not focused solely on the ICD. On the contrary, it is focused on a lot more than that up and down especially, that is number one. Number two is keep in mind that obviously we have internal audits team as well and then we have the statutory audits, Deloitte piece that was referenced a little while back by Ravi with respect to what they are doing and we expect to again in short order, we are able to announce audited results as well.

The other piece that I guess I would share is that by virtue of the fact that we have been in discussion with so many different respective bidders, we have had diligence done from left to right and top to center by multiple people and when you have the likes without going into specifics, without talking about specifics companies or names, but these are the names that you are familiar with some of the top strategic partners, top private equity people in the World, they have come in here, they have kicked the tire, they have looked around, they have gone through just about everything you can imagine from regulatory, statutory compliance perspective, so I think that at this stage, yes, Luthra started with ICD, but quite honestly it expanded beyond that, number one. Number two, clearly anybody who is doing an audit here is putting in a lot of diligence to ensure we are good and happy about, and thirdly, I think the fact that we have had an audit environment by virtue of all the diligence that has taken place in the hospital, I think that I would say to you I would submit to you that there is a lot of kicking, a lot of checking, lot of looks and piece that have taken place that I would place our faith and value in our future.

Moderator: Thank you. The next question is from the line of Anand Agarwal from BlackRock. Please go ahead.

Anand Agarwal: I missed most of the opening remarks, so some of it might be repetition from that, firstly, could you talk a bit about, given us an update on the Arcot Road Hospital, what is happening there?

Bhavdeep Singh: Anand, the Arcot Road Hospital just for everyone's information, this is a hospital we are really excited about. It took us quite some time to get our licenses in place, we got our license about seven to eight months back and we are very, very excited because up until now, we had one hospital in Tamil Nadu which is the Malar Hospital and the Arcot Hospital is a 180 bedded hospital, which is in a great location there, so the plan for the hospital is we are making India's first multi-organ transplant center and quite honestly it is one of the first multi-organ transplant Centres in Asia, and we are very, very excited about it. We have Dr. Balakrishnan who is in Chennai who does more heart transplants than anybody in Asia and the third most number of heart transplants in the world. He will be running that hospital, it will be under his guidance, under his mentorship and we will have everything from cardiac heart transplant to liver transplant to renal transplant to bone marrow transplant, so we would build the first multi-organ transplant centre and actually have a Centre of Excellence around it, so the hospital we have had some issues around having the appropriate amount of funds to get the hospital going, we have now allocated some funds, we are starting to move there and I believe that hospital should be opened by the end of the year and again I think when this hospital opens this is going to put us on a global map with respect to transplant and complexity and very, very specific activities that has taken place inside Fortis Healthcare, so coming soon the clear path we have done a detailed plan around it in terms of what we are going to do, how we are going to do.

We have doctors knocking on our door, they are one of the leading liver transplant surgeons in the country who has come to us and said, listen you are going to do this, I want to be a part of this. We have a bone marrow transplant Gentlemen who is doing the, he is one of the top five bone marrow transplant doctors in the country is knocking on our door, so this is going to be a

very, very exciting hospital and I imagine the next time we talk, we will have more of an update, but couple of quarters down the line will be I am sharing with you the kick-off and hopefully what a great job that Dr. Bala and team are doing there.

Anand Agarwal: What has been our investment till date in this hospital, how much have we already spent on this?

Bhavdeep Singh: With resource and equipments, I would say somewhere in the range of 140 to 150 crores.

Anand Agarwal: Second on RHT, any update on the timelines to the transaction and where do things stand?

Bhavdeep Singh: You are aware I am sure that our initial timeline was September and while we are keeping that in mind, there is a correlation between a transaction and what happens with RHT. Having said that, we recognize that and we have an understanding with RHT as well that if there is a slight extension from a time perspective, we have till the end of the year, we can take it till the end of the year if necessary, so as far as we are concerned there is a dependency on the transaction. I can tell you that every bidder, everybody who we are talking about who is interested in Fortis Healthcare, RHT is a piece of the puzzle and for all the reasons which I am sure you are aware of it is an exciting part of the puzzle because it has a significant improvement in the EBITDA once the transaction is done, so from our perspective we are still excited about it dependency on the transaction, but I do not think too far down the line.

Anand Agarwal: When does the transaction go to the shareholders of RHT for vote and what is it contingent on?

Anurag Kalra: Currently, Anand, there is a to and fro going on between RHT and the SGX, only when there is a certain level of comfort I believe that the SGX gets can go to unit holders, but like we were saying that this is also kind of dependent on the visibility of funds or the plan that we will eventually get from the proposed bidder how do you get RHT into the fold.

Anand Agarwal: I do not know if you talked about it, can you talk about the present liquidity position and how we are managing it and how will we continue to manage it let us say for the next two to three months, I do not know how long it will take even after the bids come through for the transaction to be completed, how are we looking to manage the liquidity position in the interim?

Gagandeep Bedi: We have recently taken up a debt and that has eased the liquidity a little bit. About 125 crores we have just taken up. Alongside that when we had free security which was the RHT shares, we have another line of around 340 crores which we are discussing and that should once we are able to get that through which is the discussion we are having that should tide us through the period that we would have towards the transaction.

Bhavdeep Singh: The other piece I just want to make a comment on is that because there was some speculation about RHT, we are up to from a payment perspective in terms of part payment, we are completely up-to-date with respect to any external outstanding payments of RHT, so that happened about 10 days back and as Gagan rightly said, we have got little bit of boost on liquidity with the recent

funding that we got and we continue to talk to banks, look it is no secret that there is once again a little bit of dependency on what happens with respect to the transaction, but we are managing the whole, there has been unfortunately too much chatter about the fact that with salaries and things like that, we have not had anything, every single employee is paid every single salary, so it is a little tight and challenging for sure. I cannot tell you that we are running the organization exactly the way we like, there are some limitations around it, it has been hurting us but again we need to get our transaction done, so we just started doing what we do best, take care of patients and heal and save people's lives.

Moderator: Thank you. The next question is from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.

Shyam Srinivasan: The first one on ARPOB growth I think this has been the slowest we have seen and if you have seen historically revenue have kind of been helped by ARPOB growing, are we reaching some kind of limits into how much we can actually price some of the services, and the relative question on fixed pricing and stuff, if you can just give some color on this one?

Bhavdeep Singh: Couple of things Shyam, one is obviously your observation is exactly right. The growth that we have seen is not we have been accustomed to. You and I have spoken many times about high single digit and low double-digit, I stand by that statement even now and feel strongly about the fact that is exactly what we can do. However, having said that, for all the reasons that we have delved upon far too much quite honestly, we have had some challenges, just now in the earlier conversation we talked about the liquidity challenges that we have been having, so it has been a bit of a struggle. As I said about half an hour back, I cannot even tell you that we are completely out of the woods here, I think it is a little bit of a challenge right now, but having said that I do see, there is a roadmap in terms of how we get out of here, there is a roadmap in terms of how we get the revenue back to where we need it to be or we think it should be and there is clearly roadmap from profitability perspective.

Now, if I talk about roadmap, pricing is a good segway because there are some challenges around it. The way we think about pricing just indulge me for 30 seconds, couple of different things. One is that are there pricing opportunities in the Indian healthcare market, the answer is absolutely yes. Is it what it was five years ago, we could just 10%, 10%, 10% across the board, you cannot do that, I think it needs to be very specific about it. I always looked at pricing as a science and not an art, it is not random at all and we have actually developed a complete pricing to understand just from a demand perspective, from a talent perspective and availability perspective and the elasticity model around it, so I think there is an opportunity there, but I also think there are headwinds there because our industry is starting to see a lot of transparency in terms of pricing, in terms of everything that happens inside, so having said that I do not think that is going to be a big hurt for us, I think on the contrary I think it is an ability to drive revenue further, drive margins value of rupee high. I think on ARPOB perspective, our ARPOB will continue to grow. While I think the pricing is going to stabilize a little bit and potentially not go up as much as it is in the past, I think that medical procedures complexity, the fact that there are

number of transplants, for example, we do a LVAD or the robotics procedures that we are doing today, I think by virtue of that the ticket size, the Average Revenue Per Occupied Bed will continue to go up. Our Revenue Per Occupied Bed is almost 1.5 crores per bed, it is the highest in the industry and if you ask me what I think it will be a year from now, I think it will be higher than this, not 20%-30% higher but certainly higher, but I think it will continue to do well as we go forward.

Shyam Srinivasan: My second question is on the top 10 hospitals, I think we have seen like I know you talked about North India where there were issues, but we have seen like something like Mulund and stuff also declined, so I am assuming some of this is driven by volume decline rather ARPOB clearly has been flat maybe right, so is there any kind of an action plan where we will be looking at some of these top hospitals to see what is happening there, some of it could be related to the North Indian kind of issues that we had late December, but I am just saying is there something else that is structurally getting impaired in some of the other hospitals?

Bhavdeep Singh: Shyam, in terms of the hospital, yes, as we said the headwinds and most of the hospitals have had that kind of an impact on the revenue and the growth side. There have been some of them the standout for instance Shalimar Bagh as well as the FMRI they have not declined, but like Mulund, yes, there is a catch up that needs to be done, so as Bhavdeep said earlier, we have built out a build-back plan and that build-back plan will need to go across most of the hospitals especially on the top few that make the difference and we have chalked that out and growth is going to be because typically what has happened is that the revenue growth is being the challenge, so yes, there is a build-back plan that we have. We are going through a certain phase that we will then claw back by implementing the plan, which will come pretty soon.

Shyam Srinivasan: I am just looking at Slide 17, my last question, this T plus 365 is after closure of the deal, is that the way to look at it, I am just trying to see going from 64%?

Bhavdeep Singh: Yes.

Bhavdeep Singh: That is the build-back plan, that is exactly right and we have talked about just exactly what happened, we started with our occupancy where the occupancy is today and where we see it going and this is you have heard we reference it a couple of times on the build back plan, so we talked about what we need to do, the four buckets are from a clinical perspective brand and brand does not mean marketing campaign brand talks about everything that represents the brand that a patient sees or family sees. For example, we see digital and web being a significant piece of it and so we have built it out in various buckets and this is our plan going forward to get us back, so the way we have looked at it, we said that every person occupancy represents anywhere between 4 to 5 crores in revenue per month and that is the way we have looked at it and that is something that we have worked backwards, watched it back, watched it forward and this is the way we see it happen, so yes, you hit it right on the head, this is the way we see it happening and obviously the key is shareholder's approval of a deal and from that point on we go forward, so

this is for everyone the points that you see under each one of these verticals, each one of them has a detailed plan behind it, very specifically in terms of what we are going to do.

I will tell you something very anecdotal, I mentioned earlier that one of the things that has happened to us is our inability to recruit clinical talent. I can tell you right now that we have seven to eight doctors right now that quite honestly are just waiting, out of these seven to eight doctors, there to four of them actually came knocking on our doors, so get your deal done, tell us you have a clear path forward, tell us that you are back to which you want to be, what you need to be and what you are going to be at Fortis and we are really enjoying this. These seven to eight doctors represent anywhere between 15 to 18 crores of revenue per month. We are talking about 200 crores a month, which potentially is 80 to 90 crores of EBITDA coming right to the bottom line, so this is not when we say this when we talk about clinical talent hiring for example, this is not some random thing, I can if you and I were sitting face-to-face, I can tell you name by name, doctor by doctor, location by location and why we think this is going to do what it is going to do, so there is a solid plan behind this, but again we have had some challenges around it, we need to get back some. The build-back plan is the way we are thinking about it and in the way and in the sequence in a way we thought about it as well and that is how we are aligning our resources, we can actually start implementing it.

Moderator: Thank you. The next question is from the line of Rohan Dalal from B&K Securities. Please go ahead.

Rohan Dalal: I was just looking into SRL aside from that the hospital questions many of have already been answered, I really wanted to just understand what is happening with the SRL competition because there has been a decrease in South India quite dramatically, also the average revenue per test has also gone down substantially, so I was just wondering aside from the various concerns that I have already mentioned, what initiatives is the company taking and what kind of competition are you exactly seeing?

Arindam Haldar: Just to talk about SRL with reference to post what you talked about in the test and the price mix as well as reference to South India, yes, our growth rate has been as I said in the beginning lower than what our expectation and I would not say that we are on a high growth part as we speak. Saying that, in terms of our mix has been adversely affected, some of our lower price test has grown little faster than our high-priced test, so that has been one of the effect. Diagnostics obviously is competition from the local players, so in South of India which is the smallest of our current regions, we have few strong regional players and as of now we have not been able to put up a very good fight on this thing. We have put in a new team over there, we have a very detailed plan that is in place. We have a detailed plan of opening collection centres, and then as we speak over the next 100 days, we are talking about opening 100 odd collection centres, so we are going to increase our brand points across our South, that is the one thing that we are clearly focused on because our current presence in South is pretty weak. With that in mind and the focus marketing investment that we are going on air starting end of next month, we do hope to see our growth coming back over the next few months.

Rohan Dalal: The competition that you are seeing is that coming in a big way in any other regions except for South or we have seen a decline in competition basically in diagnostic so far?

Arindam Haldar: I would not actually say it is actually on the reverse. We have seen strong regional as well as national competition pretty much in all the regions, so South India definitely there are both new players, significantly new players as well as existing players becoming aggressive. We do have competition in the West as well, which is our most competitive market I would say where it still remains almost competitive market. We have seen an increase of competition in East as well from one of the diagnostic players.

Rohan Dalal: Just aside from that on a whole structural basis, I wanted to know about these various plans that are coming up these collection point plans in SRL and various hospitals that are being opened aside from 125 crores of funding that has been gotten, how exactly will liquidity be taken, I know it has been answered, but I just wanted a little more clarity on it because there are so many different plans that are in place and I was just wondering how exactly they are going to be executed?

Arindam Haldar: I will just talk about the SRL part of it, it is actually nothing linked with liquidity, all these collection points first of all are franchise and we do not have a liquidity concern and none of this collection points come with any investment from our end.

Rohan Dalal: Perfect for SRL, and in terms of hospital, Sir?

Arindam Haldar: Your question is in terms of hospitals on the liquidity?

Rohan Dalal: Overall, in general there are lot of expansion plans and new Ludhiana facility and there are various types of upgradations that has been spoken of in the call and I know it has been answered, but I just wanted a little more clarity as to what kind of liquidity processes are in place right now, working capital has also gone down substantially, so I was just wondering how exactly things are going to go forward, is there going to be some equity raising or something?

Gagandeep Bedi: Currently, our growth plans are Brownfield led and basically we do have existing capacity to utilize. On the liquidity side as I said earlier, we have been able to raise a debt and that has eased out our working situation. In addition, we do have another line which we have bid for another 340 crores which we are working on to fund.

Rohan Dalal: This whole CAPEX that will be required to fund this build-back plan as in the presentation, the launch of the new La Femme facility, the new block in BG Road, the new bed additions, the Gamma knife introduction, the liver transplant centre, all this how much would it come to like, just approximately, like what is the estimate so far with the management, just because we have ideas to whether it is executable?

Bhavdeep Singh: They are all very much executable number one. Number two is that, so Gamma knife is a piece of equipment that we have to procure, so there is a cost attached to that probably about 25 crores as an example. The other thing that you talked about already work in progress and a good bit of capital has already been spent, so the balance of this work we talk about BG road for example, a good chunk of the work has been done. In Noida, we have a liver transplant block and that a good chunk of that is done as well, so I would say somewhere between 60 to 80 crores, possibly approaching 100 crores, but we recognize, keep in mind that we are talking about a transaction taking place here which certainly one of the things we are looking to solve is some of the liquidity challenges we have and I think we would be take it forward, thank you very much to your question.

Moderator: Thank you. Ladies and Gentlemen, we take the last question from the line of Arjun Bhattacharya from Perpetuity Investment. Please go ahead.

Arjun Bhattacharya: My question is on your hospital business which used to do an EBITDAC of around 140 odd crores per quarter kind of a run rate which has now come down to around 100 to 110 crores per quarter, so my question is by when do you anticipate this EBITDAC to sort of come back to your previous run rate of around 140-150 crores per quarter?

Bhavdeep Singh: I think it is going to take a couple of quarters. The bad news is that the numbers have fallen off, but the good news is that at this stage when you have the expense structure that we have most at certain point in revenue, we have a 60% stream rate to the bottom line, so for us to drop, if our EBITDAC goes down 10 crores a month, we do not have to do a 100 crores a month and make it back, if we do 18 to 20 crores a month we get our EBITDAC back, you heard we referenced just a few minutes ago the fact that we have doctors who want to join the organization, who upon joining the organization can bring revenue in the range of 200 crores, that is 80 to 90 crores to the bottom line, there is your 8 to 9 crores a month number that you are talking about, so I think it is going to take a couple of quarters, I do not think it is a overnight thing, I do not think it is a quick fix, but I do not think it is going to take us two to three years either. The other thing is that as recently as the first half of the year, our EBITDAC in the first half of this year was approaching 280 crores, run rate of 560 and if you had asked me before all the industry headwinds, for all the challenges inside the organization, before all the other the various things that we have been hit with, quite honestly I would have thought we would approach 600 this year, it has just been a function of one-time challenges we have had that we have a little bit of struggle, but I do not think it is years and years away, I do not think it is tomorrow, quite honestly as I mentioned earlier, for Quarter-1, it is going to take a little bit of time. I would be lying to you if I thought that Quarter-1 is going to display a massive recovery that would be great, but I think it is going to take a bit longer, but I do not think it is that far away.

Moderator: Thank you. Ladies and Gentlemen, that was the last question. I now hand the conference over to Mr. Bhavdeep Singh for closing comments.

Bhavdeep Singh:

Thank you very much and thank you all for joining the call today. As we started the call, you heard from Ravi with respect to what is happening in the organization and the whole notion of governance and we look forward to, the Management team look forwards to working with the Board and ensuring that we have an exceptionally well-run system. I think there is a lot, we are facing some challenging times right now, it has been a tough road. Again, I have said this before, but I commend the organization because I think the people in the organization have just done a masterful job in taking care of our patients, continue to do what we do best. We still have wonderful clinical things happening inside our hospital, surgery, first-time surgery, people's lives is being influenced to save every single day, so there is a lot to be excited about. We are looking forward to the transaction being complete, you heard me earlier reference the fact that the RHT transaction, which should be happening fairly quickly as I mentioned while it is an interdependency, we see it happening in the next couple of months and again the transaction complete somewhere around August-September, so that certainly bodes well for the organization as well, so I think looking ahead it has been a challenging year. Having said that, I think we are entering a point of stability and I think that is important because we need to get a steady state and from that point on we will try to grow. Thank you all very much, thank you for your continued support and we look forward to talking to you again soon.

Moderator:

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