

# FORTIS HEALTHCARE LIMITED

Regd. Office: Escorts Heart Institute And Research Centre, Okhla Road, New Delhi – 110 025



## NOTICE OF POSTAL BALLOT TO THE SHAREHOLDERS

(Pursuant to Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolutions by Postal Ballot) Rules, 2011)

Dear Member(s),

In terms of Section 192A of the Companies Act, 1956, as amended (the "Companies Act"), read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011, as amended (the "Postal Ballot Rules"), a listed company may propose any resolution to be passed through Postal Ballot in accordance with the provisions contained therein.

Your consideration and approval by Postal Ballot is sought to the enclosed Resolutions.

An Explanatory Statement pursuant to Section 173(2) read with Section 192A of the Companies Act, is annexed hereto. The Company has appointed Mr. Mukesh Manglik, Company Secretary in whole time practice, as the Scrutinizer to conduct the Postal Ballot process in a fair and transparent manner. This Notice is being sent to all the Members whose name appears in the Register of Members / list of Beneficial Owners as received from National Securities Depository Limited (NSDL) / Central Depository Services (India) Limited (CDSL) on **Saturday, March 30, 2013**.

You are requested to carefully read the instructions printed in the Form attached hereto, fill up the Form, give your assent or dissent on the resolution at the end of the Form and return the duly completed and signed Form (no other form or photocopy thereof is permitted) in the enclosed self-addressed postage pre-paid envelope so as to reach the Scrutinizer on or before the close of working hours (i.e. 6.00 p.m. IST) on **Friday, May 17, 2013**. Ballots received thereafter will be strictly treated as if no reply has been received from the Member.

The Company is pleased to offer **e-voting facility** as an alternate to its Members to enable them to cast their votes electronically instead of dispatching Postal Ballot Form. E-voting is optional.

The instructions for Members for e-voting are as under:-

**(a) In case of Members receiving e-mail from NSDL:**

- (i) Open e-mail and open PDF file viz; Fortis e-Voting.pdf with your Client ID or Folio No. as password. The said PDF file contains your user ID and password for e-voting. Please note that the password is an initial password.
- (ii) Launch internet browser by typing the following URL: <https://www.evoting.nsd.com/>
- (iii) Click on Shareholder – Login
- (iv) Put user ID and password as initial password noted in step (i) above. Click Login.
- (v) Password change menu appears. Change the password with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (vi) Home page of e-Voting opens. Click on e-Voting: Active Voting Cycles.
- (vii) Select EVEN of Fortis Healthcare Limited.
- (viii) Now you are ready for e-Voting as Cast Vote page opens.
- (ix) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
- (x) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/Authority Letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail: [fortisscrutinizer@gmail.com](mailto:fortisscrutinizer@gmail.com) or [secretarial@fortishealthcare.com](mailto:secretarial@fortishealthcare.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in).

**(b) In case of Members receiving Postal Ballot Form by Post:**

- (i) Initial password is provided at the bottom of the Postal Ballot Form.
  - (ii) Please follow all steps from Sl. No. (ii) to Sl. No. (x) as mentioned in (a) above, to cast vote.
- (c) In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-Voting User Manual for Shareholders, available at the download section of [www.evoting.nsd.com](http://www.evoting.nsd.com).
- (d) If you are already registered with NSDL for e-voting then you can use your existing User ID and Password for casting your vote.
- (e) You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).

Members who have registered their e-mail ids for receipt of documents in electronic mode under the Green Initiative of the Ministry of Corporate Affairs are being sent Notice of Postal Ballot by e-mail and others are sent by post along with Postal Ballot Form. Members have the option to vote either through e-voting or through Postal Ballot Form. Members who have received Postal Ballot Notice by e-mail and who wish to vote through Postal Ballot Form can seek Postal Ballot Form from Link Intime India Private Limited, Registrar & Transfer Agent, 44, Community Centre, 2nd Floor, Naraina Industrial Area, Phase - I, Near PVR Naraina, New Delhi - 110028.

The Scrutinizer will submit his final report as soon as possible after the last date for receipt of the Forms. The Results will be announced by any Director of your Company on **Monday, May 20, 2013** at the registered office of your Company at 4.00 p.m. The result of the Postal Ballot will also be displayed at

the registered office of your Company and communicated to the stock exchanges where your Company's shares are listed and intimated through a public notice in newspapers. The result will also be put on the Company's website i.e., [www.fortishealthcare.com](http://www.fortishealthcare.com). The resolutions, if approved, will be taken as passed effectively on the date of declaration of result.

By Order of the Board  
For Fortis Healthcare Limited

Place : New Delhi  
Date : March 26, 2013

**Rahul Ranjan**  
Company Secretary

Encl : 1. Postal Ballot Form  
2. Postage- prepaid envelope

## PROPOSED RESOLUTIONS

### SPECIAL BUSINESSES

#### Item No. 1

#### Variation in terms of appointment including remuneration of Mr. Malvinder Mohan Singh, Executive Chairman

#### To consider, and if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED THAT subject to the approval of the Central Government and in accordance with the provisions of Section 198, 268, 269, 309 and 310 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, if any, (including any statutory modification or re-enactment thereof, for the time being in force) and of Articles of Association of the Company and further subject to applicable regulatory and other approvals, consents and permissions as may be necessary in this regard and subject to such conditions as may be imposed by any authority while granting such approval(s), consent(s) and permission(s) and as may be agreed to by the Board of Directors of the Company (which term shall be deemed to include any Committee thereof which may have been constituted or may hereinafter be constituted by the Board of Directors of the Company, or any director/officer authorized by the Board of Directors/Committee for this purpose), the approval of the Members of the Company be and is hereby accorded to the variation of the terms of appointment of Mr. Malvinder Mohan Singh, Whole-time Director of the Company, designated as "Executive Chairman", with effect from April 1, 2013 for a period of three years, on the following terms and conditions:-

A. Total Remuneration: Not exceeding 2% of Net Profits of the Company computed in accordance with Section 198 of the Act, or upto an amount not exceeding Rs. 15,00,00,000 (Rupees Fifteen Crores only) per annum whichever is higher, with the authority granted to the Human Resources and Remuneration Committee to determine the total remuneration and revise it from time to time within the limits stipulated in this Resolution.

Besides the above, Mr. Malvinder Mohan Singh shall also be entitled to the following facilities which shall not be included in the computation of ceiling on total remuneration subject to the Company's policy in this regard from time to time:

- i. Provision of Company maintained Car(s) for use along with chauffeur;
- ii. Telephone and other communication facilities at residence;
- iii. Hospitalization and Accident Insurance as per the policy of the Company;
- iv. Encashment of Earned Leave at the end of the tenure;
- v. Entitlement for travel (Class / Mode) shall be as per the Company Policy from time to time, expenses for which will be borne by the Company on actual cost basis.

Apart from the above, Mr. Singh shall be entitled to reimbursement of any other business related expenses on actual cost basis.

The value of Allowances & Perquisites shall be taken as per Income Tax Rules, wherever applicable. In the absence of any applicable rules, the Allowances & Perquisites shall be valued at actual cost.

In addition to the above, Mr. Malvinder Mohan Singh will also be entitled to the following benefits as per the policy/rules of the Company in force from time to time:

- i. Company's contribution to Provident Fund;
- ii. Payment of Gratuity and other retirement benefits

and these may not be included in the computation of ceiling on total remuneration to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

Notwithstanding anything herein above and subject to the terms of the approval of the Ministry of Corporate Affairs, Central Government, where in any financial year during the currency of tenure of Mr. Malvinder Mohan Singh, the Company has no profits or its profits are inadequate, the Company shall pay to Mr. Singh the same remuneration as specified above as minimum remuneration.

#### Sitting Fee:

He shall not be paid any sitting fee for attending Meetings of the Board and/or any of its Committee(s).

#### General:

He shall be eligible for other facilities and benefits etc. as per rules of the Company from time to time.

He shall be subject to the other service conditions, rules and regulations of the Company from time to time.

He shall not be liable to retire by rotation.

B. Subject to the superintendence, control and direction of the Board, Mr. Malvinder Mohan Singh shall perform such duties and functions as would be commensurate with his position as Executive Chairman of the Company and as may be delegated to him by the Board from time to time.

RESOLVED FURTHER THAT the Board of Directors and the Company Secretary of the Company be and are hereby severally authorized to do all such acts, deeds and things and to sign, execute and file and/or modify or withdraw all such applications, forms, papers and documents as may be considered necessary or expedient including appointing attorney(s) or authorized representatives, to give effect to this Resolution."

**Item No. 2****Variation in terms of appointment including remuneration of Mr. Balinder Singh Dhillon, Executive Director****To consider, and if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution:**

"RESOLVED THAT subject to the approval of the Central Government and in accordance with the provisions of Section 198, 268, 269, 309 and 310 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, if any, (including any statutory modification or re-enactment thereof, for the time being in force) and of Articles of Association of the Company and further subject to applicable regulatory and other approvals, consents and permissions as may be necessary in this regard and subject to such conditions as may be imposed by any authority while granting such approval(s), consent(s) and permission(s) and as may be agreed to by the Board of Directors of the Company (which term shall be deemed to include any Committee thereof which may have been constituted or may hereinafter be constituted by the Board of Directors of the Company, or any director/officer authorized by the Board of Directors/Committee for this purpose), approval of the Members of the Company be and is hereby accorded to the variation of the terms of appointment of Mr. Balinder Singh Dhillon, Whole-time Director of the Company, designated as "Executive Director", with effect from April 1, 2013 for a period of three years, on the following terms and conditions:-

- A. Total Remuneration: An amount not exceeding Rs. 5,00,00,000 (Rupees Five Cores only) per annum, with the authority granted to the Human Resources and Remuneration Committee to determine the total remuneration and revise it from time to time within the limits stipulated in this Resolution.

Besides the above, Mr. Balinder Singh Dhillon shall also be entitled to the following facilities which shall not be included in the computation of ceiling on total remuneration subject to the Company's policy in this regard from time to time:

- i. Provision of Car for use on Company's business;
- ii. Telephone and other communication facilities at residence;
- iii. Hospitalization and Accident Insurance as per the policy of the Company;
- iv. Encashment of Earned Leave at the end of the tenure.
- v. Entitlement for travel (Class / Mode) shall be as per the Company Policy from time to time, expenses for which shall be borne by the Company on actual cost basis.

Apart from the above, Mr. Dhillon shall be entitled to reimbursement of any other business related expenses on actual cost basis.

The value of Allowances & Perquisites shall be taken as per Income Tax Rules, wherever applicable. In the absence of any applicable rules, the Allowances & Perquisites shall be valued at actual cost.

In addition to the above, Mr. Balinder Singh Dhillon will also be entitled to the following benefits as per the policy/rules of the Company in force from time to time:-

- i. Company's contribution to Provident Fund;
- ii. Payment of Gratuity and other retirement benefits

and these may not be included in the computation of ceiling on total remuneration to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

Notwithstanding anything herein above and subject to the terms of the approval of the Ministry of Corporate Affairs, Central Government, where in any financial year during the currency of tenure of Mr. Balinder Singh Dhillon, the Company has no profits or its profits are inadequate, the Company shall pay to Mr. Dhillon the same remuneration as specified above as minimum remuneration.

**Sitting Fee:**

He shall not be paid any sitting fee for attending Meetings of the Board and/or any of its Committee(s).

**General:**

He shall be eligible for other facilities and benefits etc. as per rules of the Company from time to time.

He shall be subject to the other service conditions, rules and regulations of the Company from time to time.

He shall not be liable to retire by rotation.

- B. Subject to the superintendence, control and direction of the Board, Mr. Balinder Singh Dhillon shall perform such duties and functions as would be commensurate with his position as Executive Director of the Company and as may be delegated to him by the Board from time to time.

RESOLVED FURTHER THAT the Board of Directors and the Company Secretary of the Company be and are hereby severally authorized to do all such acts, deeds and things and to sign, execute and file and/or modify or withdraw all such applications, forms, papers and documents as may be considered necessary or expedient including appointing attorney(s) or authorized representatives, to give effect to this Resolution."

**Item No. 3****Alteration in objects clause of the Memorandum of Association of the Company****To consider, and if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution:**

"RESOLVED THAT pursuant to the provisions of Section 16, 17, 192A and other applicable provisions, if any, of the Companies Act, 1956, the approval of the Members of the Company be and is hereby accorded to alter Clause III (A) - 'Main Objects to be pursued by the Company on its incorporation' of the Memorandum of Association of the Company, by inserting below mentioned new sub-clause 6 after the existing sub-clause 5:

6. To establish, run, promote and make investment in, educational institutions, schools, colleges, technical educational institutes for imparting medical and healthcare education and management training including in the fields of medicine, nursing, physical medicine and rehabilitative medicine, pharmacy and allied medical administration and management of such medical institutions including Health and Hospital Management Training and Development, Pharmaceutical Management, Hospitality, Programmes for skills and competency development, Training and certification of professionals.

RESOLVED FURTHER THAT the Board of Directors and the Company Secretary of the Company be and are hereby severally authorised to do all such acts, deeds, matters and things as may be necessary, expedient and usual to implement this Resolution."

## EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) READ WITH SECTION 192A OF THE COMPANIES ACT, 1956

### Item No. 1

Mr. Malvinder Mohan Singh, one of the promoter Directors of the Company, was appointed as a Whole-time Director of the Company designated as the Executive Chairman for a period of 5 years w.e.f. January 11, 2012, not drawing any remuneration, subject to the approval of the Central Government pursuant to the provisions of Section 269 and 637AA of the Companies Act. Subsequently, the Central Government also conferred its approval for the appointment of Mr. Singh as the Executive Chairman of the Company.

In recognition of the valuable services rendered by Mr. Singh, the Board of Directors had, in its meeting held on March 26, 2013, approved the variation to the terms of appointment including payment of remuneration for a period of three years w.e.f. April 1, 2013 upon the recommendation of the Human Resources and Remuneration Committee, subject to the approval of Members of the Company and the Central Government under Sections 198, 269, 309, 310 read with Schedule XIII of the Companies Act.

It may please be noted that:

- No Stock Options have been granted to Mr. Malvinder Mohan Singh under "Employee Stock Options Plan-2007" and "Employee Stock Options Plan - 2011" of the Company.
- Severance fees, as per the applicable terms and conditions of the Company shall be payable to Mr. Malvinder Mohan Singh in case of termination of his appointment by the Company.

As such the Board of Directors recommends the resolution at Item No. 1 for approval of the members.

None of the Directors except Mr. Shivinder Mohan Singh (being related to Mr. Malvinder Mohan Singh) and Mr. Malvinder Mohan Singh himself, is interested in the proposed resolution.

This may also be treated as an abstract under Section 302 of the Companies Act.

**The additional information as required by Schedule XIII to the Companies Act is given below:**

#### I. General Information

- Nature of Industry: Business of providing healthcare services and running multi-specialty hospitals.
- Date or expected date of commencement of commercial production: The Company was incorporated on February 28, 1996.
- In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: NOT APPLICABLE
- Financial performance (on standalone basis) based on given indicators as per Audited Financial Results for the year ended March 31, 2012 and for nine months ended December 31, 2012:

(Rs. in Millions)

Particulars	For the year ended 31.03.2012 (Audited)	For the Nine Months ended 31.12.2012 (Unaudited)
Turnover and other income	5,927.59	4,136.00
Net profit after tax	2,013.86	263.00

- Export Performance and net foreign exchange collaborations: NOT APPLICABLE
- Foreign investments or collaborations, if any: NOT APPLICABLE.

#### II. Information about the appointee

##### (i) Background details:

Mr. Malvinder Mohan Singh, aged 40 years, earned his MBA from the Fuqua School of Business, Duke University, USA and is a graduate in Economics. He is an accomplished industry leader and is widely recognized nationally and internationally as a flag-bearer of Indian business.

In Healthcare, Mr. Malvinder Mohan Singh incubated and established Fortis Healthcare Limited, in the late 1990's. Since then, he has been instrumental in transforming it into a leading healthcare delivery company in India and more recently in Asia. Mr. Malvinder Mohan Singh was Chairman, CEO and Managing Director of Ranbaxy Laboratories Limited. He led the expansion of Ranbaxy through a series of strategic partnerships and acquisitions resulting in Ranbaxy becoming a top 10 generic pharmaceutical company, globally. With a focus on affordability and accessibility to life saving medicines in emerging and under developed countries; he channeled resources towards innovation, to reduce the cost of ARV medication and for the development of a new low cost synthetic anti-malarial drug. He keenly supports initiatives to provide curative and preventive healthcare through various foundations and trusts.

Mr. Malvinder Mohan Singh is a member of the Board of Visitors at the Fuqua School of Business (Duke University, USA) and the Board of the Indian Council for Research on International Economic Relations (ICRIER). He is the Chairman for the Northern Region for CII (2012-13), the Premier Industry Association, in India.

Widely regarded for his business acumen, he is credited with an astute understanding of the global and Indian economy as much as he is for his demonstrated ability to steer companies always keeping the best interests of its stakeholders in mind.

##### (ii) Past remuneration drawn:

During the financial year 2012-13, in terms of Central Government approval, Mr. Malvinder Mohan Singh did not draw any remuneration from the Company.

##### (iii) Recognition and Awards/Achievements:

- Indian Business Leader of the Year (2010)
- Dynamic Entrepreneur of the year (2009)

- India Today's 50 most Power people (2009)
- BW – Ten People to watch in 2009
- Financial Chronicle (FC) Business Man of the Year 2008
- Pharma 40 (2008)
- Golden Peacock Award for Business Leadership (2008)
- Amity Leadership Award (2008)
- Most Consistent Wealth Creator (2006)
- CNBC TV18 India Business Leadership Award (2006)
- Pharma Excellence Award (2006-2007)
- Most Promising Young Corporate Leader (2006)
- Young Turks of India Inc. (2006)
- Rajiv Gandhi Award (2005)
- Delhi Ratna Award (2005)
- Udyog Ratna (2005)

**(iv) Job profile and suitability**

- As Executive Chairman of the Board, he is responsible for ensuring that the Board of Directors and its members conduct Board business effectively and efficiently ensuring highest standards of Corporate Governance.
- As Executive Chairman he leads Strategy planning for business development and oversees the implementation of the same through Senior Management team.
- Due to his intensive experience on healthcare front which includes global experience he provides lead direction to effectively manage the growth of the organization.
- Helps in formulating HR Strategies, leads Corporate Communications, strengthening of Fortis Brand and public image of the organization.
- Responsible for the efficient functioning of the Organization for achieving its corporate objectives and performance parameters.

The Company has made consistent progress under the Chairmanship of Mr. Malvinder Mohan Singh, who has successfully established Fortis brand as synonymous with quality healthcare and service excellence and demonstrated his ability to steer his companies, always keeping the best interests of its stakeholders in mind.

**(v) Remuneration proposed:**

2% of Net Profits of the Company computed in accordance with Section 198 of the Companies Act or Rs. 15,00,00,000 (Rupees Fifteen Crores only) per annum, whichever is higher, with the authority granted to the Human Resources and Remuneration Committee to determine the total remuneration, from time to time within the limits stipulated in the proposed Resolution.

**(vi) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin):**

The proposed remuneration of Mr. Malvinder Mohan Singh, who is professional, possessing invaluable and rich knowledge, experience and insights complemented with the vast business experience, is comparable with Executive Directors of other Companies and is in parity with the Industry Standards for such a responsible position.

**(vii) Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any:**

Mr. Malvinder Mohan Singh directly holds 11,508 Equity Shares of the Company and being one of the promoters of the Company, holds 81.34% of the paid up capital indirectly. He is also related to Mr. Shivinder Mohan Singh, Executive Vice Chairman. Except proposed remuneration as stated above, Mr. Malvinder Mohan Singh does not have any other pecuniary relationship with the Company and its managerial personnel.

**III. Other information:**

**(i) Reasons for loss or inadequate profits:**

During the Financial Year 2011-12, the Company posted a Net Profit of Rs. 201.39 Crores as against a Net Profit of Rs. 141.81 Crores during Financial Year 2010-11.

The profitability of the Company (FHL) is dependent upon the following factors:

1. The dependence of business on Professionals: With rising competition in the field of healthcare, the demand for professional doctors/nurses/paramedical staff has gone up and the supply is limited. Costs for retention of talent therefore continually move up.
2. Given the capital intensive nature of the business, gestation periods are long and new healthcare facilities take time to breakeven and turn profitable. Hence, during the initial time period profitability margins are subdued and as the new facility stabilizes and matures, it begins to exhibit a steady and healthy growth in performance.
3. The Company has followed an aggressive growth strategy through organic and inorganic means, utilizing borrowings / loans as a result of which profitability margins were under pressure. With better operational performance in existing facilities and synergistic benefits from acquisitions that are expected to accrue over a period of time, the performance going forward is expected to improve.
4. The Indian healthcare market lacks the availability of good quality and affordable healthcare services. India's total healthcare spending as a percentage of GDP stands at approximately 5% currently. This is higher than some other emerging economies, but much lower than the developed economies where healthcare spend accounts for an average of around 12% of GDP. Coupled with favorable demographics, rising income levels and medical insurance coverage and changing disease patterns, the market provides a huge opportunity for growth to private players.



**(ii) Steps taken or proposed to be taken for improvement:**

1. The Company and its subsidiaries have been continuously evaluating various business models to raise long-term financial resources by capitalising upon the expertise of the Fortis Group. Consequently, the Company has undergone an internal corporate restructuring, whereby the businesses of certain identified hospitals of the Fortis Group have been divided into (i) Clinical Establishments Division; and (ii) Medical Services Division.
2. Consistent with its asset light strategy, the Company transferred certain clinical establishments and operating hospitals to Religare Health Trust (RHT), which raised gross issue proceeds of SGD 511.0 million pursuant to its initial public offering and listed on the Main Board of the Singapore Stock Exchange (SGX-ST) in October, 2012. Subsequent to the listing, the issue proceeds were primarily used for repayment of outstanding loans owed to the Company and its subsidiaries and payment of consideration to the Company and its subsidiaries for transfer of their shareholding and interest in its certain subsidiaries. This move enabled the Company to move towards an asset light model and thereby enhance focus on its core activities of providing medical healthcare services. Further this provided the Company with an additional source of long term capital for continued expansion.
3. The Company focuses on providing high-end quality healthcare services through service excellence, technology improvement, imbibement of best practices and clinical protocols designed to cut down the collateral damages through minimal invasive and such improved techniques; for reducing the average length of stay (ALOS) of the inpatients thereby increasing the average revenue per bed in use and thus, improving the asset turnover ratios.
4. The Company strives to maximise efficiencies through the greater integration of its healthcare facilities through various programs and systems developed for this purpose which include Fortis Operating System (FOS) (a patient management system that seeks to enhance patient care services through the establishment of standardised non-clinical processes and the implementation of performance management methodology) and Global Purchase Supply Management Program (to improve the procurement methodology and minimise costs associated with the supply chain by implementing standardisation of consumables, medical equipments and other items across facilities).
5. The Company anticipates considerable potential for growth in demand for quality healthcare services in under-served markets such as Tier-II and Tier-III cities in India and is in the process of expanding its geographical reach in these markets through the provision of secondary and tertiary care medical services, with adherence to its quality standards and internal protocols. The Company is focusing on cost effective technology, standardising medical treatments and fixed lengths of stay in a hospital. It also believes that this emphasis on providing appropriate levels of medical care across a wider geographical area will enable it to broaden the customer base and the scope of its healthcare service activities.

**Item No. 2**

Mr. Balinder Singh Dhillon, one of the Directors of the Company, was appointed as a Whole-time Director of the Company designated as Executive Director for a period of five years w.e.f. January 11, 2012, not drawing any remuneration, subject to the approval of the Central Government pursuant to the provisions of Section 269 and 637AA of the Companies Act. Subsequently, the Central Government also conferred its approval for the appointment of Mr. Dhillon as Executive Director of the Company.

In recognition of the valuable services rendered by Mr. Dhillon, the Board of Directors had, in its meeting held on March 26, 2013, approved the variation to the terms of appointment including payment of remuneration for a period of three years w.e.f. April 1, 2013 upon the recommendation of the Human Resources and Remuneration Committee, subject to the approval of Members of the Company and the Central Government under Sections 198, 269, 309, 310 read with Schedule XIII of the Companies Act.

It may please be noted that:

- 4,00,000 Stock Options have been granted to Mr. Dhillon under "Employee Stock Options Plan - 2011" of the Company.
- Severance fees, as per the applicable terms and conditions of the Company shall be payable to Mr. Dhillon in case of termination of his appointment by the Company.

As such the Board of Directors recommends the resolution at Item No. 2 for approval of the members.

None of the Directors except Mr. Balinder Singh Dhillon himself, is interested in the proposed resolution.

This may also be treated as an abstract under Section 302 of the Companies Act.

**The additional information as required by Schedule XIII to the Companies Act is given below:**

**I. General Information**

- (i) Nature of Industry: Business of providing healthcare services and running multi-specialty hospitals.
- (ii) Date or expected date of commencement of commercial production: The Company was incorporated on February 28, 1996.
- (iii) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: NOT APPLICABLE
- (iv) Financial performance (on standalone basis) based on given indicators as per Audited Financial Results for the year ended March 31, 2012 and for nine months ended December 31, 2012:

Particulars	(Rs. in Millions)	
	For the year ended 31.03.2012 (Audited)	For the Nine Months ended 31.12.2012 (Unaudited)
Turnover and other income	5,927.59	4,136.00
Net profit after tax	2,013.86	263.00

- (v) Export Performance and net foreign exchange collaborations: NOT APPLICABLE
- (vi) Foreign investments or collaborations, if any: NOT APPLICABLE.

## II. Information about the appointee

### (i) Background details:

Mr. Balinder Singh Dhillon, aged 46 years, holds a Masters of Law degree from McGill University, Canada. He is also a Graduate from Punjab University, a member of the Institute of Company Secretaries of India and the Bar Council of India. As a member of the Law Society of Upper Canada, he completed his accreditation under a Certificate of Qualification equivalent to a Graduate of Law through the Law Faculty, University of Toronto, Canada.

Having worked as counsel in practice and with corporate houses such as Hindustan Unilever Limited and INTRIA Items Inc., (a wholly owned subsidiary of CIBC Bank, Canada), he has more than 21 years of experience in corporate law, governance, risk management and strategic planning and implementation.

Mr. Balinder Singh Dhillon has in the past been a valuable member of corporate boards including those of Ranbaxy Laboratories Ltd, an India listed multi-billion dollar multinational pharmaceutical company and Parkway Holdings Ltd, a Singapore listed healthcare services company.

### (ii) Past remuneration drawn:

During the financial year 2012-13, in terms of Central Government approval, Mr. Balinder Singh Dhillon did not draw any remuneration from the Company.

### (iii) Job profile and suitability

- Works along with the Executive Chairman towards ensuring effective operation of the Board and its committees in conformity with the highest standards of corporate governance.
- Promulgates and implements execution of the Governance strategies including areas of Risk, Audit, Legal and Compliance including implementation and evaluation of specific governance policies and procedures, evaluation of risks, tests for compliance besides supervising governance training and education.
- In addition to the functional responsibilities under the Governance category Mr. Dhillon assists in reviewing the strategic planning process and provides guidance on the strategic plans, directions and priorities as presented by the management (through the executive committee or directly by management). In discharging this responsibility he ensures alignment with the corporate risk appetite, emerging trends and competitive environment.
- As lead on the Policy and Compliance Frameworks he has the responsibility for organizing the issuance of the compliance guidelines evaluating the design suitability and operational effectiveness of the management procedure and guidelines as also providing guidance to employees for ensuring adherence to applicable laws, regulations and rule appropriately.
- Reviews adherence to Company policies, procedures and guidelines and assisting the business and functional lines to systemize (organize) and amend such policies, procedures and guidelines in order to ensure the said policies, procedures and guidelines are in accordance with the requirements of laws, regulations and rules.

Mr. Balinder Singh Dhillon has been shouldering onerous responsibilities and is experienced and adept at overseeing and streamlining the Corporate Governance Structure in the organization.

### (iv) Remuneration proposed:

An amount not exceeding Rs. 5,00,00,000 (Rupees Five Crores only) per annum, with the authority granted to the Human Resources and Remuneration Committee to determine the total remuneration, from time to time within the limits stipulated in this Resolution.

### (v) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin):

The proposed remuneration of Mr. Balinder Singh Dhillon, who is a thorough Professional, possessing invaluable and rich knowledge, experience and insights complemented with the vast business experience, is comparable with Executive Directors of other Companies and is in parity with the Industry Standards for such a responsible position.

### (vi) Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any:

Mr. Balinder Singh Dhillon, holds 22,000 Equity Shares in the Company. Except proposed remuneration as stated above, Mr. Balinder Singh Dhillon does not have any pecuniary relationship with the Company and its managerial personnel.

## III. Other information:

### (i) Reasons for loss or inadequate profits:

During the Financial Year 2011-12, the Company posted a Net Profit of Rs. 201.39 Crores as against a Net Profit of Rs.141.81 Crores during Financial Year 2010-11.

The profitability of the Company (FHL) is dependent upon the following factors:

1. The dependence of business on Professionals: With rising competition in the field of healthcare, the demand for professional doctors/nurses/ paramedical staff has gone up and the supply is limited. Costs for retention of talent therefore continually move up.
2. Given the capital intensive nature of the business, gestation periods are long and new healthcare facilities take time to breakeven and turn profitable. Hence, during the initial time period profitability margins are subdued and as the new facility stabilizes and matures, it begins to exhibit a steady and healthy growth in performance.
3. The Company has followed an aggressive growth strategy through organic and inorganic means, utilizing borrowings / loans as a result of which profitability margins were under pressure. With better operational performance in existing facilities and synergistic benefits from acquisitions that are expected to accrue over a period of time, the performance going forward is expected to improve.

4. The Indian healthcare market lacks the availability of good quality and affordable healthcare services. India's total healthcare spending as a percentage of GDP stands at approximately 5% currently. This is higher than some other emerging economies, but much lower than the developed economies where healthcare spend accounts for an average of around 12% of GDP. Coupled with favorable demographics, rising income levels and medical insurance coverage and changing disease patterns, the market provides a huge opportunity for growth to private players.

**(ii) Steps taken or proposed to be taken for improvement:**

1. The Company and its subsidiaries have been continuously evaluating various business models to raise long-term financial resources by capitalising upon the expertise of the Fortis Group. Consequently, the Company has undergone an internal corporate restructuring, whereby the businesses of certain identified hospitals of the Fortis Group have been divided into (i) Clinical Establishments Division; and (ii) Medical Services Division.
2. Consistent with its asset light strategy, the Company transferred certain clinical establishments and operating hospitals to Religare Health Trust (RHT), which raised gross issue proceeds of SGD 511.0 million pursuant to its initial public offering and listed on the Main Board of the Singapore Stock Exchange (SGX-ST) in October, 2012. Subsequent to the listing, the issue proceeds were primarily used for repayment of outstanding loans owed to the Company and its subsidiaries and payment of consideration to the Company and its subsidiaries for transfer of their shareholding and interest in its certain subsidiaries. This move enabled the Company to move towards an asset light model and thereby enhance focus on its core activities of providing medical healthcare services. Further this provided the Company with an additional source of long term capital for continued expansion.
3. The Company focuses on providing high-end quality healthcare services through service excellence, technology improvement, imbibement of best practices and clinical protocols designed to cut down the collateral damages through minimal invasive and such improved techniques; for reducing the average length of stay (ALOS) of the inpatients thereby increasing the average revenue per bed in use and thus, improving the asset turnover ratios.
4. The Company strives to maximise efficiencies through the greater integration of its healthcare facilities through various programs and systems developed for this purpose which include Fortis Operating System (FOS) (a patient management system that seeks to enhance patient care services through the establishment of standardised non-clinical processes and the implementation of performance management methodology) and Global Purchase Supply Management Program (to improve the procurement methodology and minimise costs associated with the supply chain by implementing standardisation of consumables, medical equipments and other items across facilities).
5. The Company anticipates considerable potential for growth in demand for quality healthcare services in under-served markets such as Tier-II and Tier-III cities in India and is in the process of expanding its geographical reach in these markets through the provision of secondary and tertiary care medical services, with adherence to its quality standards and internal protocols. The Company is focusing on cost effective technology, standardising medical treatments and fixed lengths of stay in a hospital. It also believes that this emphasis on providing appropriate levels of medical care across a wider geographical area will enable it to broaden the customer base and the scope of its healthcare service activities.

**Item No. 3**

Apart from carrying out the present business activities, it was found desirable that the Company pursue the activity of establishing, running, promoting Medical/Para Medical and allied educational and training institutions etc.

The Board is of the opinion that the proposed activity under the existing circumstances can be conveniently or advantageously be combined with the existing businesses of the Company in accordance with Section 17(1)(d) of the Companies Act.

For enabling the Company to pursue the proposed activity, it is necessary that the Memorandum of Association of the Company allows undertaking of such activity. Accordingly, it is proposed that the Main Objects of the Memorandum of Association of the Company be amended to include the proposed activity.

Section 17 of the Companies Act stipulates that the Objects Clause of the Memorandum of Association of a Company can be altered by a Special Resolution passed by the Members of the Company. Also Section 192A of the Companies Act read with Postal Ballot Rules stipulates that the consent of the Members of the Company for this matter is required to be obtained through Postal Ballot Mechanism.

As such the Board of Directors recommends the resolution at Item No. 3 for approval of the members.

None of the Directors is interested in the proposed resolution.

A copy of (a) the existing Memorandum and Articles of Association of the Company; and (b) the Memorandum of Association and Articles of Association incorporating the proposed alterations thereto, will be available for inspection for the Members on any working day during 11:00 A.M. to 1:00 P.M. upto the date of declaration of result of postal ballot at the Registered Office of the Company.

By Order of the Board  
For **Fortis Healthcare Limited**

**Rahul Ranjan**  
Company Secretary

Place : New Delhi  
Date : March 26, 2013