

PRESS RELEASE

Fortis Healthcare announces demerger of its Hospital Business into Manipal Hospitals

- Creates the largest hospital services provider in the country by revenue
- Infuses INR 3,900 Crs of fresh capital from Manipal Hospital's Dr. Ranjan Pai and TPG Capital Asia to complete RHT transaction and to fund growth initiatives
- Provides a strong promoter and shareholder base to both FHL's hospitals businesses and SRL
- Offers significant growth potential and compelling business synergies
- Provides Fortis with INR 700+ Crs from sale of partial stake in SRL

Gurugram, 27 March, 2018: The Board of Directors of Fortis Healthcare Limited ("FHL") has approved the demerger of its hospitals business ("Fortis Hospitals") into Manipal Hospital Enterprises Private Limited ("Manipal Hospitals") today. The Board has also approved sale of its 20% stake in SRL Limited ("SRL") to Manipal Hospitals. The resultant entity Manipal Hospitals will be a publicly traded company listed on NSE and BSE. The remaining FHL will be an investment holding company with 36.6% stake in SRL.

As part of the proposed transaction, Dr. Ranjan Pai and TPG will invest INR 3,900 Crs into Manipal Hospitals. The funds will be utilized by Manipal Hospitals to finance the acquisition of 50.9% stake in SRL (20.0% from FHL and 30.9% from other investors for which discussions are currently underway). In addition, the investment will support the proposed acquisition of hospital assets owned by RHT Health Trust ("RHT") and the growth of the hospitals and the diagnostics businesses.

Manipal Hospitals, part of Manipal Education and Medical Group ("MEMG"), is owned by Dr. Ranjan Pai and has been backed by TPG, a leading global alternative asset firm and experienced healthcare investor, since 2015. It is the 4th largest hospital chain in the country with a strong presence in South India and has significant growth potential. Manipal Hospitals has built a strong brand over the past 65+ years and currently owns and operates 11 hospitals (including one in Malaysia) with c. 2,900+ beds and employs c. 1,600+ doctors. It also manages operations of c. 3,400+ beds across multiple teaching hospitals with c. 1,300+ doctors.

FHL is the 2nd largest hospital chain in the country currently encompassing both the hospitals and the diagnostics businesses. It operates a network of 34 hospitals with c. 4,600+ beds employing c. 2,600+ doctors and c. 6,500+ nurses. It operates its healthcare delivery services in India, Dubai, Mauritius and Sri Lanka.

The combination of Manipal Hospitals and Fortis Hospitals will result in the creation of the largest provider of healthcare services in India by revenue with 41 hospitals in India and 4 hospitals overseas and c.11,000+ installed bed capacity (including teaching hospital beds of Manipal Hospitals). It will provide a talented staff pool consisting of c. 4,200+ doctors, c. 9,300+ nurses and c. 11,400+ other employees across India. The hospitals' complementary geographic footprints and combined clinical strengths will provide significant scale, revenue and cost synergies.

The proposed transaction is subject to shareholders' approval, creditors' approval, applicable regulatory approvals (including Competition Commission of India, SEBI, stock exchanges and National Company Law Tribunal (NCLT)) and other customary conditions precedent.

Supporting Quotes:

Commenting on the transaction, Bhavdeep Singh, FHL CEO said *“As an organization we are thrilled with this transaction as it enables us to take the next bold step into our future. Much has transpired over the past 12 - 18 months at Fortis and in the healthcare industry at large; it’s now time to get back to working with our doctors and nurses to saving and enriching lives. We believe Manipal has built a terrific franchise and team and the coming together of our two organisations will be transformational for the healthcare industry.”*

Quote by Dr. Ranjan Pai, Chairman MEMG: *“The companies make a compelling strategic fit in terms of complementary geographies, clinical strengths as well as a shared commitment to providing outstanding patient care. As the largest hospital operator in India, this will be a platform benefiting all, from the communities we serve, to our capable employees and our investors. We have an excellent opportunity to leverage this strength to expand coverage and service delivery, in response to the burgeoning demand for world class healthcare.”*

Merger Terms:

Upon obtaining all approvals, when the demerger becomes effective, for every 100 shares of FHL held by a shareholder, the shareholder will receive 10.83 shares in Manipal Hospitals (i.e. the resultant combined hospitals business).

Walker Chandiok & Co LLP, the independent valuer jointly appointed by FHL and Manipal Hospitals, has recommended the share exchange ratio, which has been accepted by the respective boards of FHL and Manipal Hospitals. Karvy Investor Services Limited provided a Fairness Opinion to FHL on the share exchange ratio given the underlying value.

In light of the proposed transaction, and post the shareholders approval, the current scheme of demerger of SRL will be withdrawn. Manipal Hospitals will acquire a 50.9% stake in SRL (c.20.0% stake from FHL and c. 30.9% stake from other investors in SRL for which discussions are currently underway). FHL will continue to hold 36.6% of SRL and the remaining 12.5% stake in SRL will be held by existing investors (including management).

Strategic Rationale

Combination of Manipal and Fortis Hospitals can create significant value for all stakeholders:

- Strengthens hospitals business through complementary geographic footprint and clinical strengths
- Accelerates growth potential given significant recent investment by both entities in new hospitals
- Promotes excellence in delivery of healthcare services
- Cements leadership position in core markets

Employees

We believe this combination is a huge positive for the employees as it enables career growth and learning opportunities. Both organizations take a great deal of pride in having strong cultures and employee best practices. This combined entity will now be enabled to work towards imbibing these and building a world-class organization.

About the Companies

Fortis Healthcare Limited is today amongst the leading healthcare delivery chains in the country currently encompassing both hospitals and diagnostics businesses. It operates a network of 34 hospitals across the

country and internationally with c.4,600+ capacity beds and employs c. 2,600+ doctors and 13,200+ support staff which catered to c. 2.6+mn patients in FY17. It also has presence in Dubai, Mauritius and Sri Lanka.

Manipal Hospital Enterprises Private Limited is a leading healthcare delivery business with strong presence in South India across 11 hospitals including one hospital in Malaysia and operates 6,300+ beds (including c. 3,400 beds in teaching hospitals). It provides world-class infrastructure across new hospitals and recently renovated mature hospitals, and operates a network of 2,900+ doctors (including c.1,300+ doctors in teaching hospitals) and c.7,500+ support staff which catered to c. 1.3+ mn patients during FY17.

SRL Limited, a subsidiary of FHL is primarily involved in providing diagnostics services and is amongst the leading diagnostics chains in India with a significant market share in the organized diagnostics segment. It conducted over 37.5mn tests in LTM Dec 2017 and had a network of 356 laboratories and 5,245 collection points as of FY17. FHL currently owns a fully diluted stake of 56.6% in SRL.

Key advisors to the transaction

	Fortis Healthcare	Manipal Hospitals – TPG
Fairness Opinion	Karvy Investor Services Limited	-
Valuation Report	Walker Chandiook & Co LLP	Walker Chandiook & Co LLP
Financial Advisors	Standard Chartered Bank	Allegro Capital, Goldman Sachs, Kotak Investment Banking
Legal Advisors	Cyril Amarchand Mangaldas	AZB Partners

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