

**Fortis Healthcare Limited**

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FHL/SEC/STEX/RR/2018-19

May 6, 2018

**The National Stock Exchange of India Ltd.
Corporate Communications Department
“Exchange Plaza”, 5th Floor, Bandra-Kurla
Complex, Bandra (East), Mumbai - 400051
Scrip Symbol: FORTIS**

**BSE Limited
Corporate Services Department,
Phiroze Jeejeebhoy Towers Dalal
Street, Mumbai – 400 001
Scrip Code:532843**

Sub: Regulation 30 Update – TPG-Manipal’s New Offer

Dear Sir(s),

This is in continuation to our letter Ref. No. FHL/SEC/STEX/RR/2018-19 dated April 25, 2018 whereby, it was informed that the Board of Directors of Fortis Healthcare Limited (“**the Company**”) has received Revised Offer from Manipal and TPG with a proposal to invest in the Company.

It is hereby informed that the Company today i.e. May 6, 2018, has received a New Offer, as attached herewith.

We will keep the stock exchanges updated/informed in terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This is for your information and records please. We assure you of our full cooperation at all times.

You are kindly requested to take the same on record.

Thanking you,

Yours faithfully

For **Fortis Healthcare Limited**

RAHUL
RANJAN
Digitally signed by
RAHUL RANJAN
Date: 2018.05.06
12:30:57 +05'30'

Rahul Ranjan
Company Secretary
M. No. ACS 17035
Encl: a/a

FORTIS HEALTHCARE LIMITED

Regd. Office : Fortis Hospital, Sector 62, Phase – VIII, Mohali – 160062
Tel : 0172-5096001, Fax : 0172-5096221, CIN : L85110PB1996PLC045933



May 6, 2018

Strictly Private and Confidential

To
**The Board of Directors,
Fortis Healthcare Limited**
3rd Floor, Tower A,
Unitech Business Park,
South City 1, Block F, Sector 41,
Gurgaon – 122001

Copy to:
Deepak Kapoor, Expert Advisory Committee
Lalit Bhasin, Expert Advisory Committee
Bhavdeep Singh, CEO, Fortis Healthcare Limited
Rahul Ranjan, Company Secretary, Fortis Healthcare Limited

Dear Directors,

Subject: Binding offer to revise terms of the transactions with Fortis Healthcare Limited ("FHL")

At the outset, we would like to re-iterate our commitment towards FHL and all its stakeholders, which is evidenced by the considerable time, effort and resources spent by us over the last eighteen months in conducting due diligence, negotiating and working with FHL to come up with a strategy that uniquely combines the strengths of two leading healthcare services businesses in the country, being Manipal Health Enterprises Private Limited ("**MHEPL**") and FHL, to create the largest healthcare services company and a highly synergistic platform. Our commitment has been unwavering even in the wake of the plethora of challenges faced by FHL in recent times and we would like to emphasize that we were the only parties to have executed binding transaction documents with FHL despite FHL having approached various investors.

FHL's and our efforts culminated into the terms agreed in the Implementation Agreement (*as defined hereinafter*) which, amongst other things, imposes certain exclusivity obligations on FHL in favour of MHEPL, Manipal Global Health Services ("**MGHS**") and TPG Asia VI SF Pte. Ltd. ("**TPG VI**") and TPG Asia VII SF Pte. Ltd. ("**TPG VII**") (collectively, "**TPG**"). Such exclusivity obligations, however, are subject to an exception which gives the ability to the board of directors of FHL ("**FHL Board**") to consider binding offers received from other persons provided that, prior to taking any decision to proceed in relation to any such binding offer, MHEPL, MGHS and TPG are given the right for a period of not less than 5 (five) days to present a revised financial proposal to the FHL Board. In exercising our right as enumerated above, we hereby submit a new proposal, the details of which are set out hereunder.

Registered Office

Manipal Health Enterprises Pvt Ltd

The Annexe, #98/2, Rustom Bagh Road, Off HAL Airport Road, Bengaluru 560 017 P +91 80 4936 0300 www.manipalhospitals.com
CIN: U85110KA2010PTC052540

1. Background

- 1.1 On March 27, 2018, the following transactions were approved by and between, *inter alios*, FHL and us:
- (a) the composite scheme of arrangement by and between FHL, MHEPL, Fortis Hospitals Limited and La Femme Limited pursuant to which the hospitals business of FHL ("**FHL Hospital Business**") would be demerged into MHEPL (such scheme, the "**Composite Scheme**");
 - (b) the implementation agreement by and between MHEPL, FHL, MGHS and TPG, in order to effect the Composite Scheme and regulate the rights and obligations of the respective parties in relation to all the matters connected with the same ("**Implementation Agreement**"); and
 - (c) the binding term sheet between SRL Limited ("**SRL**"), MHEPL and FHL, for the sale of 15,983,992 equity shares of SRL, representing 20% of the share capital of SRL, by FHL to MHEPL for a consideration of approximately INR 720 crores ("**FHL SRL TS**").
- 1.2 On March 28, 2018, MHEPL, SRL, FHL and certain private equity investors of SRL ("**SRL PE Investors**") also executed a binding term sheet for the sale of 24,718,275 equity shares of SRL, representing 30.93% of the share capital of SRL ("**PE SRL Stake**"), by such SRL PE Investors to MHEPL for a consideration of approximately INR 1,113.4 crores ("**PE Investors SRL TS**").

The transactions contemplated under the Composite Scheme, the Implementation Agreement, the FHL SRL TS and the PE Investors SRL TS are hereinafter referred to as the "**Proposed Transactions**".

- 1.3 MHEPL subsequently proposed revisions to some of the key terms of the Proposed Transactions, vide its letters dated April 10, 2018 and April 24, 2018 (collectively, the "**Revised Proposals**"), to the FHL Board, which Revised Proposals automatically expired on April 20, 2018 and April 28, 2018, respectively.

2. New Offer

2.1 Preferential Allotment in FHL

- 2.1.1 We understand that the FHL group has short term liquidity concerns and needs funding for, *inter alia*, repayment of existing loans and payment for the acquisition of the relevant Indian entities from Religare Health Trust ("**RHT**"). In view of the same, MGHS, TPG VI and/or TPG VII (either by themselves or through their respective affiliates) ("**Subscriber(s)**") will, by way of preferential allotment, subscribe to equity shares of FHL for an amount of INR 2100,00,00,000 for a price per equity share of INR 160 ("**Preferential Allotment**").
- 2.1.2 The Preferential Allotment shall be conditional on the following:
- (a) receipt of all regulatory approvals required for the Preferential Allotment including receipt of approval from the Competition Commission of India ("**CCI**") for all the transactions required to be notified to the CCI;
 - (b) receipt of approval of the shareholders of FHL ("**FHL Shareholders**") for the Preferential Allotment, as required by applicable laws; and
 - (c) receipt of (i) a preliminary approval of a majority (in number) and three-fourths (in value) of the FHL Shareholders, for the Merger (*as defined hereinafter*); and (ii) in-principle approval for withdrawal of the existing scheme of demerger among FHL, SRL and Fortis Malar Hospitals Limited filed before the Chandigarh NCLT.

For clarity, it is our intention that when FHL issues the notice to the FHL Shareholders for their approval for the Preferential Allotment, a separate resolution seeking the in-principle approval of the FHL Shareholders for the Merger (as per the terms set out below in paragraph 2.3) will also be included in the said notice to the FHL Shareholders. If the FHL Shareholders reject the resolution for the Merger, the Subscriber(s) will not be required to complete the Preferential Allotment.

- 2.1.3 The proceeds from the Preferential Allotment will be used by FHL towards repayment of existing loans, working capital purposes and partly to fund the acquisition of relevant Indian entities from RHT.
- 2.1.4 With a view to overseeing the use of proceeds of the Preferential Allotment, the Subscriber(s) shall, after completion of the Preferential Allotment, have the right to appoint such number of non-executive directors *pro rata* to their shareholding after the Preferential Allotment (with a fractional number being rounded up to the nearest whole number) subject to the FHL Board comprising a minimum of 7 directors.

It is clarified that the Preferential Allotment is being undertaken only to provide immediate liquidity to FHL by way of a minority investment in FHL. The Preferential Allotment and the ability to appoint directors as aforesaid, shall not vest control in the Subscriber(s) and accordingly, no open offer is required to be made.

2.2 Purchase of shares held by private equity investors in SRL

- 2.2.1 With a view to resolving FHL's obligation of providing an exit to the SRL PE Investors, MGHS, TPG VI and/or TPG VII and/or any of their respective affiliates (the person(s) acquiring such shares, the "**Acquirer(s)**") will purchase the PE SRL Stake on the terms set out in the PE Investors SRL TS (which was executed as part of the Proposed Transactions), which include the purchase price calculated on the basis of an equity valuation of 100% of SRL of INR 3,600 crores. However, given that the PE Investors SRL TS has now expired, the purchase of the PE SRL Stake by the Acquirer(s) on the aforesaid terms will be subject to agreement with the SRL PE Investors.
- 2.2.2 Post the acquisition of the PE SRL Stake as set out above, a new shareholders agreement will be entered into between FHL, SRL and the Acquirer(s) to regulate the *inter se* rights and obligations of the shareholders of SRL in relation to the business and management of SRL and pursuant to which: (a) the board of directors of SRL ("**SRL Board**") will be restructured so as to ensure that no member of the promoter group of FHL is part of the SRL Board; and (b) the Acquirer(s) shall, *inter alia*, have the ability to appoint a majority of the directors on the SRL Board until the completion of the Merger. Post the consummation of the Merger, the Acquirers will have a right to appoint such number of directors on the SRL Board that is *pro rata* to their shareholding in SRL. All appropriate corporate approvals of SRL and FHL shall be obtained to give effect to the above.

2.3 Merger

- 2.3.1 With the objective of creating one of the leading healthcare platforms in India and to unlock synergies between FHL and MHEPL, we propose to merge MHEPL into FHL on the basis of the valuation set out in paragraph 2.3.2 below ("**Merger**").
- 2.3.2 For the purposes of the Merger, we propose a value of INR 8,358 crores to be attributed to FHL and a value of INR 6,070 crores to be attributed to MHEPL (being the same value of MHEPL as had been originally determined by the independent valuers for purposes of the Proposed Transactions). A value of INR 8,358 crores for FHL shall translate into a per share value of INR 160 per equity share (being the same price per equity share as offered for the Preferential Allotment).

If the independent valuation of FHL, determined for purposes of the Merger, is higher than INR 8,358 crores or the independent valuation of MHEPL, determined for purposes of the Merger, is lower than INR 6070 crores, the Merger would be subject to our approval and confirmation.

If the independent valuation of FHL, determined for purposes of the Merger, is lower than INR 8,358 crores, the value of FHL shall be taken to be INR 8,358 crores or if the independent valuation of MHEPL, determined for purposes of the Merger, is higher than INR 6,070 crores, the valuation of MHEPL shall be taken to be INR 6,070 crores.

- 2.3.3 Upon the Merger becoming effective, the shareholders of MHEPL as on the record date (to be fixed for purposes of the Merger) shall be issued equity shares in FHL in accordance with the swap ratio for the Merger.

2.4 Funding for RHT acquisition

- 2.4.1 FHL shall, after the completion of the Merger, undertake a rights issue to raise additional capital for the combined entity's business, while giving the public shareholders an opportunity to also participate in the capital raise and benefit further from the long term value creation in FHL.
- 2.4.2 As mentioned above, part of the proceeds of the Preferential Allotment will be used towards the acquisition of assets from RHT and the balance will be paid through debt funding from third party lenders and the proceeds from the rights issue will be used to repay such debt funding.

3. **Key Advantages of New Offer**

While evaluating the binding bids received by the FHL Board and/or the expert advisory committee constituted by the FHL Board ("**Committee**"), we request the Committee and the FHL Board to take into account the obvious benefits and long term objectives of the proposals made in paragraph 2 above ("**New Offer**") and the synergies that an Indian healthcare company like MHEPL with a successful, multi-decade experience of operating hospitals in India can offer to FHL. Not only does the New Offer provide a solution to FHL as regards all its pressing concerns, it also offers long term stability to FHL's stakeholders. No amount of interim funding (whether debt or equity) can provide the value proposition that the New Offer makes.

- (a) No further due diligence: The implementation of the New Offer does not require any further due diligence to be conducted by us and we are ready to work with FHL and its management to ensure swift execution of the steps required to be taken to implement the New Offer.
- (b) Short Term Liquidity: We understand that FHL has short term liquidity concerns and we have, time and again, in our discussions with the FHL Board and FHL's management team, indicated that we are prepared to support and work with FHL in order to address its immediate liquidity requirements and arrange financial assistance, either by way of debt financing or by way of guarantees/comfort letters to the lenders of FHL.

The Preferential Allotment will help address all such short term liquidity concerns as a portion of the proceeds will be used to repay outstanding third party loans of the FHL group, as may be identified by the management of FHL.

- (c) RHT: We recognize the significance of the acquisition of assets from RHT. The New Offer and specifically the Preferential Allotment will help FHL to partly fund the acquisition of assets from RHT in terms of the master share purchase agreement dated February 12, 2018 entered into by FHL.

Any further funding that may be required by FHL for purposes of completing the said acquisition can be procured by way of debt funding from third party sources, as may be required. Any such third party financing may be repaid from the capital raised by FHL in the rights issue after the Merger (as set out in paragraph 2.4).

- (d) Exit for the SRL PE Investors: As you are aware, FHL is under an obligation to provide the SRL PE Investors with an exit from SRL. The New Offer provides a clean and upfront all-cash solution for the exit of the SRL PE Investors from SRL.
- (e) Long term value for the stakeholders of FHL: The New Offer offers long term value creation for the FHL Shareholders and other stakeholders of FHL by creating a leading integrated healthcare delivery service provider with a pan-India presence with significant synergy potential and upside. With a stronger balance sheet, the combined entity will offer greater stability to FHL's business and a better future to the employees of FHL and MHEPL.

4. Binding Nature and Validity

- 4.1 The New Offer is binding in its entirety and remains valid for acceptance by the FHL Board within a period of 9 days from the date of this letter, i.e. by 11:59 p.m. (Indian Standard Time) on May 15, 2018 ("**Validity Period**"). FHL and/or the FHL Board must communicate in writing their acceptance of the New Offer to us within the Validity Period. If FHL or the FHL Board fails to accept the New Offer within the Validity Period, the New Offer shall stand automatically (and without the need for further notice) revoked and terminated, unless we unilaterally or mutually agree to extend such Validity Period.
- 4.2 Please note that neither FHL nor the FHL Board shall be entitled to accept the New Offer on a piece-meal basis and rejection/non-acceptance by FHL and/or the FHL Board of any part of the New Offer shall be considered a rejection of the entire New Offer (unless otherwise agreed by us). It is clarified that the New Offer is being provided on a stand-alone basis and shall not be read in conjunction with the Proposed Transactions and/or the Revised Proposals.
- 4.3 The original Implementation Agreement and the Composite Scheme shall continue to be in full force and effect notwithstanding the New Offer being made in this letter (unless terminated earlier in accordance with the terms of the Implementation Agreement and/or in accordance with the terms of our letter dated April 28, 2018).

If and when the New Offer is accepted by the FHL Board, suitable amendments will be made to the Composite Scheme and the Implementation Agreement to reflect the relevant terms of the New Offer, as applicable and in order to increase deal certainty shall also comprise amendments to certain clauses of the Implementation Agreement (which will be separately circulated to the FHL Board).

This letter has been issued further to our rights under the Implementation Agreement, various subsequent correspondence issued to you and the clarification filed by you with the stock exchange on April 28, 2018.

In the meantime, if you have any questions or need any clarifications, please feel free to contact Mr. Shyam Powar of Allegro Capital.

Thank you.

Yours sincerely,

Manipal Health Enterprises Private Limited
Authorized Signatory

A handwritten signature in black ink, appearing to read 'Sameer Agarwal', written over a horizontal line.

Name: SAMEER AGARWAL
Title: CFO

Manipal Global Health Services
Authorized Signatory

A handwritten signature in black ink, appearing to read 'Harinarayan', written over a horizontal line.

Name: HARINARAYAN SHARMA
Title: AUTHORIZED SIGNATORY.

TPG Asia VI SF Pte. Ltd.
Authorized Signatory

A handwritten signature in black ink, appearing to read 'Michael LaGatta', written over a horizontal line.

Name: Michael LaGatta
Title: Authorized Signatory

TPG Asia VII SF Pte. Ltd.
Authorized Signatory

A handwritten signature in black ink, appearing to read 'Michael LaGatta', written over a horizontal line.

Name: Michael LaGatta
Title: Authorized Signatory