

India's Fortis scoops up \$1b Parkway stake

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(SINGAPORE) Five years after a high-profile pursuit by private equity firm TPG Capital, Parkway Holdings is once again at the centre of a successful courtship - this time by India's Fortis Healthcare, which is paying almost \$1 billion for a major stake in the firm.

Fortis Healthcare, one of the largest hospital chain owners in India, is buying the whole of TPG Capital's 23.9 per cent interest in Parkway at \$3.56 per share. This is a 14 per cent premium over its last closing price of \$3.12 and will result in a deal size worth about US\$685.3 million (S\$958 million).

'This is a partnership between Fortis Healthcare and Parkway,' said Fortis Healthcare chairman Malvinder Mohan Singh, who is among the richest Indians in the world. 'When you look at the network and the two entities together, we truly become the largest Pan-Asian healthcare provider. Having said that, there's tremendous opportunity for growth.'

The deal will enable Fortis Healthcare to extend its reach beyond India and Mauritius. Founded in 1996, the India-listed firm owns a network of 62 hospitals which together can provide more than 10,000 beds. There are also another eight greenfield projects at various stages of construction. For the year ended March last year, Fortis Healthcare recorded total revenue of US\$140 million and has a current market capitalisation of US\$1.2 billion.

On the other hand, Parkway operates a network of 16 hospitals in Singapore, Malaysia, Brunei, India and China. Best known for its Mount Elizabeth, Gleneagles and East Shore hospitals in Singapore, the group is also a major provider of primary healthcare and nursing education services.

'The acquisition of a strategic stake in Parkway will give the combined entity the benefit of an unparalleled medical talent pool in Asia and also access to best-in-class practices, thus creating synergies that will help offer a global-quality healthcare experience across the region,' said Shivinder Mohan Singh, Fortis Healthcare managing director and brother to Malvinder.

The deal marks the largest cross-border investment made by an Indian healthcare firm.

Although the buyer has yet to carve out specific future plans, it sees potential synergies in the sharing of medical technologies, exchange of human talent, optimising of operational costs and the creation of high brand equity through integration of two premium healthcare names. Fortis Healthcare will be seeking four seats on Parkway's board, just as TPG Capital did when it first acquired Parkway.

Based on a rough calculation of the \$312 million TPG Capital paid for Parkway in 2005, the return for the buyout group is about three times. This is not counting the gains from the disposal of assets into a real estate investment trust (Reit), dividends, and rights issue.

TPG was said to have been approached by Fortis Healthcare, which was looking for a strategic investment to expand its network. Before buying into Parkway, Fortis Healthcare made several acquisitions in recent years, including the purchase of 10 Wockhardt hospitals in Bengaluru, Mumbai and Kolkata. It also acquired five Escort hospitals in 2005 and recently took over the O&M (operation and management) of SL Raheja Hospital in Mumbai.

The two Singh brothers collectively hold about 76.5 per cent stake in Fortis Healthcare. They are part of the family that founded Indian pharmaceutical giant Ranbaxy Laboratories. Their interest in Ranbaxy has since been sold to Japan's Daiichi Sankyo. According to the latest Forbes report, the brothers have a net worth of US\$3.2 billion.

'I think it is a great testament to Parkway that we can attract an investor of this stature, of this nature,' said Parkway chairman Richard Seow.

'I also think it's a tremendous testament to Singapore as a medical hub that they have come to invest here. And the opportunity for shareholders and stakeholders of Parkway moving forward, potentially looking at ways in which we can combine the strengths of Parkway and Fortis, are, I think, phenomenal.'