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## Acumen Fund: Valuing a Social Venture

### Introduction

“Your business sounds compelling, but we’re not sure if an investment makes sense for us right now,” said Varun Sahni, director of the India office at Acumen Fund. “We’ll need to first determine what the business is worth and whether it is aligned with our social mission.”

Sahni and his associate, Vikram Raman, had just finished up a meeting with the founders of Ziqitza Healthcare Limited (ZHL), a for-profit ambulance company in India. Launched in 2002 to create a network of ambulance services to meet the need of emergency medical services (EMS)<sup>1</sup> in urban centers throughout India, ZHL was seeking to raise \$1.5 million to purchase new ambulances. The founders of ZHL approached Sahni because they believed Acumen Fund would make a good investor and partner.

Before moving forward, however, Sahni and Raman called Brian Trelstad, chief investment officer of Acumen Fund, to discuss the potential deal. After the phone conversation, they all agreed that it was worthwhile to explore a possible investment and that the next step would be to perform a thorough due diligence. This involved clearly understanding ZHL’s business model and calculating the firm’s value. If the venture passed this initial vetting process, the next steps would be to draft a term sheet and present a clear case for an investment to Acumen Fund’s Investment Committee in New York.

### Acumen Fund

In 2001, Jacqueline Novogratz founded Acumen Fund with seed funding from the Rockefeller Foundation, Cisco, and a small group of individuals. Novogratz believed that there were opportunities to develop new and sustainable approaches to address the unmet needs of poor communities. With this vision, Acumen Fund was launched “to prove that small amounts of philanthropic capital, combined with large doses of business acumen, could build thriving enterprises that serve vast numbers of the poor.” By 2008, Acumen Fund had investments in India, Kenya, Pakistan, South Africa, and Tanzania.

Acumen Fund primarily supported ventures that delivered goods and services to the poor. This support involved using a variety of financial vehicles, such as debt and equity, to develop sustainable and scalable ventures. Additionally, Acumen Fund provided management support, ranging from taking board seats to bringing direct support through the short-term placement of staff or consultants with investees.

*Research Associate Moses Lee developed this case under the supervision of Professor Gautam Kaul. They thank Brian Trelstad and Varun Sahni of Acumen Fund for their assistance in developing this case. The financials have been modified significantly to prevent disclosure of sensitive corporate information. © 2009, The William Davidson Institute.*

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## The Founding of ZHL

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Shaffi Mather, Naresh Jain, Manish Sacheti, and Ravi Krishna incorporated ZHL with the mission to “assist saving human lives by becoming the leading network of basic life support ambulances in India.”<sup>2</sup> The name Ziqitza was taken from the Sanskrit<sup>3</sup> roots of *chikitsa*, which means “medical treatment,” and *zigyasa*, which means “quest for knowledge.”

The founders were well educated and had significant business management experience leading Indian corporations or start-ups (see **Appendix 1** for management bios). While all four of the founders were happy with their jobs, they always had it in their minds to eventually start a business that would directly address a pressing need in their home country of India.

In 2002, the four got together and decided to launch ZHL to address the lack of quality ambulance services in Mumbai. They saw this as not only a good business opportunity, but also a way to make a significant social impact. Having grown up in India, the four founders had first-hand experience with the acute need for quality ambulance services. Mather, for instance, once needed to be taken to a hospital in the early hours of the morning for emergency medical treatment. He tried calling various ambulance services. However, many did not respond, and those that did charged extremely high fees.

Though none of the four founders had experience working in healthcare services, all were committed to making the business successful. To show their commitment, all four quit their jobs and each invested 5 million rupees (~\$120,000; 42 rupees per US dollar) into ZHL. In starting the company, the founders set three goals:

- Reach long-run financial sustainability.
- Meet global service delivery standards.
- Provide services even to those who do not have the ability to pay.

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## EMS Industry

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In Mumbai, private ambulance owners, hospitals, NGOs, and government agencies were the main providers of ambulance services. Some services were for free, while others were not. However, most people in Mumbai did not use ambulances for medical emergencies. Instead, the majority used taxis or rickshaws, which were widely available and cost effective. (See “**Transportation Methods in Medical Emergencies - Mumbai**” below for a full list of transport methods available in medical emergencies.)

Other reasons contributing to low ambulance usage in Mumbai were the low quality of life-saving services offered by ambulances and a history of unreliability. Additionally, most health insurance plans did not cover EMS and the government did not view EMS as a priority. Based on ZHL’s founders’ research, ambulances served only 10% of the approximately 60,000 emergency cases per month in Mumbai.

## Transportation Methods in Medical Emergencies - Mumbai

### 1. Taxis / Three Wheeler Auto Rickshaws

The middle- to lower-middle-class population often used taxis or rickshaws for transportation to hospitals in medical emergencies. The primary reason for this was that taxis and rickshaws were available on very short notice and were in close proximity to most patients. In addition, they were the most economical.

Taxis and rickshaws, however, had many clear disadvantages:

- Rough manner of transportation on typically bumpy roads could aggravate a patient's medical condition.
- Limited availability at odd hours.
- Lack of on-board stabilization treatments.
- Lack of awareness by others on the road that a patient was being transported.

### 2. Private Vehicles

The middle- to upper-middle-class population generally used their own private vehicle (if they owned one) or their neighbor's for medical emergencies. This option had the same set of disadvantages as that of taxis or rickshaws, except that private vehicles were available on-demand.

### 3. Ambulances Operated by Government / Private Hospitals / NGOs

The majority of ambulances in Mumbai were operated by private/government-run hospitals or NGOs. These ambulances were primarily used in cases of mass casualties or disasters. However, there were many issues with these ambulances:

- Ambulance services were either inaccessible or unavailable on a regular basis. In many cases, customers had to repeatedly call multiple telephone numbers to connect with an ambulance operator.
- The time taken for an ambulance to arrive was often lengthy because ambulance teams were ill-prepared to depart on a moment's notice.
- Ambulances were in poor condition and without appropriate medical equipment or trained paramedics.

### 4. Ambulances Operated by Private Vendors

Several entrepreneurs ran ambulance services in Mumbai. These services had shortcomings similar to those of governments, private hospitals, or NGOs. Additionally, these ambulances charged higher rates that could be excessively high, depending on the nature of the emergency and the time of service.

### 5. Topslines' Subscription Service

Topslines Security services launched an Emergency Response Service (ERS) in Mumbai in 2004 using an annual subscription model. The service was launched using 20 trucks equipped to attend to different medical or non-medical emergencies, such as fire, burglary, or theft. Services were supplemented by a team of 50 first-responder motorcycles.

To access these services, subscribers had to pay an annual subscription of 1,495 rupees (~\$ 32.50) per person per year. The service was available to non-subscribers, but only following an advance payment of 6,000 rupees (~\$ 130) per trip with additional charges for services rendered. As of 2006, the service had been able to sign up about 20,000 subscribers, less than 0.1% of Mumbai's population.

By the early 2000s, a number of developments began catalyzing the growth of the EMS industry in Mumbai. First, there were an increasing number of secondary health care providers (i.e., health providers outside of hospitals) that wanted to provide EMS and could handle medical emergency cases. Second, the emergence of private health insurance companies was providing an avenue for EMS to be covered under traditional healthcare plans.

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## The ZHL Business Model

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At inception, the founders planned to differentiate ZHL from others by positioning it as a high-quality, efficient, and reliable EMS service provider for all. As part of its roll-out strategy, ZHL planned on proving the concept first in Mumbai, and then scaling operations out to other urban centers in India. The reason the founders targeted Mumbai initially was because it was the largest metropolis in India with over 1,000 hospitals serving a population of approximately 17.4 million. Moreover, approximately 40% of the population earned less than \$4 a day, providing ZHL the opportunity to serve the poor.

For the first two years, the founders researched successful and failed ambulance service models around the world. They spent considerable time observing, studying, and asking questions to management at the London Ambulance Service, the New York Presbyterian Ambulance Service, Centralized Accident and Trauma Service in Delhi, and the Apollo Hospital Ambulance Service in India. At the conclusion of their research in 2004, the founders decided to use the London Ambulance Service as its guiding business model. The founders believed that this model would create a viable and scalable EMS platform that would be fully capable of addressing the EMS needs in urban India, particularly in the top 20 cities.

In April 2005, using their own private capital, the founders began their first year of operation with 10 ambulances and a state-of-the-art call center in Mumbai. The ambulances were equipped with sophisticated, life-saving medical devices, allowing doctors and paramedics to administer oxygen and monitor, shock, and pace a patient's heart (see **Appendix 2**). The round-the-clock call center was designed with features such as a detailed digital mapping of the city, an ambulance tracking system, and an advanced medical priority dispatch software.

Following its first full year of operation, ZHL serviced an average of 34 calls a day, of which 20% were emergency calls. ZHL's implied market share in Mumbai was approximately 3.4% (see **Appendix 3**).

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## ZHL's Business Operations

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### Ambulance Services

The main goal of any EMS was to reach a patient in the shortest possible time. By international standards, reaching a patient in eight minutes was considered good. For ZHL, the founders set a long-term goal of reaching a patient in 15 minutes, given the infrastructure and traffic conditions of Mumbai. Most Indian cities suffered from heavy traffic congestion, which made even the 15-minute goal a challenging one. To accomplish this goal, the founders estimated that ZHL needed at least 70 ambulances in-service.

During its first year, ZHL provided the following two services through its ambulances:

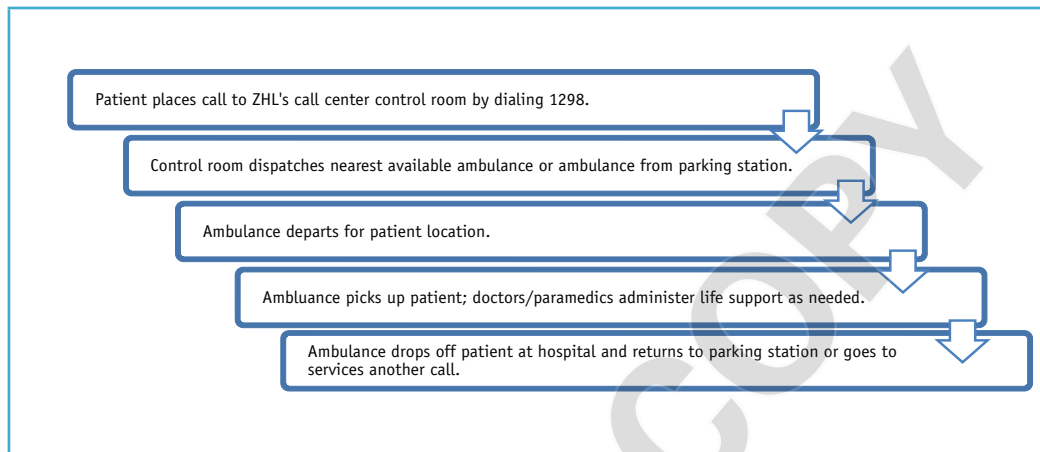
- **Basic life support:** Administer oxygen, treat splint fractures, control bleeding, perform cardiopulmonary resuscitation (CPR).
- **Advanced life support:** Monitor, shock, and pace a patient's heart.

The advanced call center and ambulances were equipped with global systems for mobile communication (GSM), allowing doctors and paramedics to communicate with emergency rooms about the ongoing condition of an incoming patient. Doctors and paramedics who administered the support were trained to United States and United Kingdom standards in a six-month postgraduate diploma program in EMS.

To make ambulance service highly accessible, ZHL branded its service as “1298,” the number needed to dial for an ambulance. The founders hoped that this number would become synonymous with EMS, similar to how the number 911 was perceived in the United States. For Indians, the concept of single-number calling for ambulance service was nonexistent.

**Figure 1** shows ZHL’s overall process for delivering EMS to patients.

**Figure 1**  
**ZHL’s Process Flow Chart**



### Pricing

ZHL charged a standard fee of 275 rupees for basic life support and 675 rupees for advanced life support services. In order to serve all categories of customers in a community, ZHL employed a tiered-pricing structure based on ability to pay: high-income populations paid the standard fee, the underprivileged paid a subsidized rate (generally 50% of the standard fee), and accident victims and the really poor received services for free.

The type of customer was determined by the hospital to which patients were taken. Patients taken to reputable, full-service hospitals were charged the standard rates; those taken to general wards in government hospitals were charged subsidized rates; accident victims and those who declared an inability to pay were transported free.

### Marketing

To address the fact that EMS was new to the Indian market, the founders developed and planned to launch a marketing campaign in Mumbai. This campaign would target both healthcare professionals and the general public. To fund the effort, ZHL budgeted 5 million rupees over a two-year period.

For healthcare professionals, ZHL would launch special training programs for hospital staff on the importance of using properly equipped ambulances in cases of medical emergencies. Additionally, ZHL planned to print and distribute leaflets containing detailed reference material about EMS for hospital staff.

To educate the general public, ZHL planned to use electronic and print media (i.e. radio ads, posters, stickers) to build brand recognition and awareness. Additionally, ZHL would sponsor educational programs at various schools, colleges, and clubs on the importance of EMS in emergencies.

### Staff Training

In order to provide quality services, ZHL's business model depended on recruiting and retaining qualified paramedics and doctors. To develop its existing staff, ZHL partnered with LifeSupporters Institute of Health Sciences (LIHS), an emergency care training center, to provide training modules on EMS. Additionally, ZHL's strong ties with London Ambulance Service provided the ability to disseminate professional insight and the latest knowledge in EMS to the staff.

Recruiting trained paramedics and doctors was a significant challenge in India. Although some universities did provide specialized courses related to EMS, training was not available on a large scale. This made it difficult for ZHL to develop a recruiting strategy for the long-term.

### Government Support

In addition to their strong ties to the business community, the founders of ZHL were very well connected to prominent government officials in India. They believed that this was a source of competitive advantage, because the government controlled most healthcare services throughout India.

When starting the company, the founders spent considerable time seeking advice from this network of government officials. For instance, Sam Pitroda, chairman of the Knowledge Commission and a highly influential Indian policymaker, was a supporter, mentor, and advisor to the founders, providing insights on implementation and business strategy.

### Social Impact

By employing a tiered-pricing strategy, ZHL was able to provide high-quality EMS to the significant urban population that lived in poverty. According to a World Resources Institute report, approximately 924 million Indians lived below \$3,000 in annual local purchasing power, of which 22% lived in urban communities.<sup>4</sup> ZHL's founders estimated that more than 50% of the population in Mumbai, or approximately 8.7 million people, lived in poverty.

In its first year of operation, ZHL provided free services to approximately 2,500 patients (see **Appendix 4**). In addition to providing access to EMS for the poor, ZHL created social value in Mumbai by providing high-quality healthcare services in emergency situations — in both a timely and cost-effective manner. The founders believed that many fatalities were avoided due to the availability of EMS in emergency situations.

### Business Risks

The founders were optimistic about the future of ZHL, but were also aware of the many business risks that it faced. They identified the following four significant risks:

- **Demand:** Most Indians were skeptical of EMS; they did not see the need for, or value of, such services. This was largely due to a lack of EMS education in India and previous unpleasant experiences. Additionally, many medical professionals viewed non-hospital-based EMS to be of poor quality and unreliable. This view impacted doctors' recommendations about private EMS. If ZHL's marketing campaign failed to gain traction, demand for services could remain weak.
- **Competition:** Though the EMS industry was highly fragmented, there were competitors that sought more efficient, larger-scale impact, such as Topline Subscription Service and Emergency Ambulance Service 108 (EAS108). EAS108 was a grant-based ambulance service that was run by the Emergency Research Institute of India and funded by the Raju brothers, founders of Satyam Computers. Similar

to ZHL, EAS108 used state-of-the-art ambulances. However, unlike ZHL, all services were free-of-charge. EAS108 covered 50 locations in the state of Andhra Pradesh. EAS108 would clearly pose a serious threat to ZHL if it launched an operation in Mumbai.

- **Trained Workers:** Providing EMS required ZHL to have trained paramedics or doctors on board its ambulances. Achieving scale was contingent upon having sufficient trained paramedics. ZHL had not yet developed a systematic talent pipeline to ensure the availability of adequately trained doctors and paramedics. Another concern for ZHL was attrition. During the first half of 2006, ZHL experienced 17% attrition (see **Appendix 5**).
- **Free Service Volume:** A high proportion of free or subsidized calls would exert financial pressure on ZHL's operations. The founders believed that the current business model could support about a 40% proportion of free transports. If free transports exceeded the 40% threshold, ZHL would need to seek support from outside donors.

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## Scaling Up

Upon entering the second year of operation, the founders set goals for growing market share, profitability, and efficiency. This meant closely monitoring a growing set of key operating metrics, such as trips per day per ambulance, average charge per trip, and the proportion of emergency services to basic services. However, the founders also knew that ZHL needed to acquire more ambulances to fully leverage the ambulance network and call-center infrastructure and to meet their social goals.

Ambulance Access for All Foundation (AAA Foundation), a not-for-profit that sought to make EMS widely available in India, planned to donate six ambulances to ZHL to help with its scale-up plans. To reach the goal of 70 ambulances in Mumbai, however, ZHL needed to raise funds from an outside investor. In looking for one, the founders knew that the typical investor would not suffice. A potential ZHL investor needed to value both ZHL's business model and its social objective of providing EMS access to all.

A ZHL investment advisor suggested to the founders that they approach Acumen Fund, a company with a reputation for making social investments. Acumen Fund provided risk capital and business advisory services for its investees, which the advisor believed could help strengthen ZHL's operations. The investment advisor introduced the founders to Sahni in the Acumen Fund India office and they set up a meeting to begin discussing a possible equity investment.

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## Acumen Fund's Value-Add

Since its founding in 2001, Acumen Fund had supported its investees in a number of ways, from helping them build appropriate information systems to providing talent management advice. Additionally, Acumen Fund helped investees negotiate with financial institutions for better debt-funding terms and provided investees access to its global philanthropic networks, such as the Schwab Foundation and Bill and Melinda Gates Foundation.

Before making an investment, Acumen Fund performed a very thorough due diligence, using a framework derived from the venture capital industry. This involved evaluating the management team, the business model, firm value, and exit strategies. Acumen Fund had also developed a methodology to evaluate social impact. (See "**Best Available Charitable Option**" on the next page for more on evaluating social impact.)

A site visit was conducted to confirm assumptions of the business model and to meet and assess the entire management team. If a potential investee met Acumen Fund's initial investment criteria, a preliminary term sheet – a document summarizing a potential investment with the enterprise – was drafted and reviewed by legal counsel.

### Best Available Charitable Option

To evaluate social impact, Acumen Fund developed a tool called the Best Available Charitable Option (BACO), which compared a social venture with other charitable options delivering comparable products and services. The tool measured a social venture's impact on people's lives on a dollar-for-dollar basis compared to a charitable marketplace benchmark and gave donors a sense of where their donations would be most effectively placed. In cases where there was no relevant benchmark, Acumen Fund developed plausible alternative scenarios based on market information. (See **Appendix 6** for more on the BACO calculation.)

Before an investment was made, Acumen Fund's Investment Committee was required to approve the transaction. The Investment Committee was composed of Acumen Fund's CEO, CIO, and CAO, and three board members who had extensive private equity and venture capital experience. Deals that were approved by the Investment Committee often had contingencies, such as making specific management or organizational changes. Upon approval, the deal structure was finalized through a process of intense negotiation with the entrepreneur and extensive consultation with legal counsel. Only after this whole process was completed were funds disbursed.

## Valuing ZHL

To support Acumen Fund in its valuation analysis, ZHL's founders provided Acumen Fund with projected income statements, balance sheets, cash flows, and operating metrics (see **Appendices 7-10**). The founders anticipated that ZHL's marketing campaign and quality service would lead to an increase in the number of trips a day per ambulance and a higher proportion of cardiac emergency calls. Additionally, the founders expected the percentage of advertising revenues to total revenues to fall over time, as EMS operations improved and market share increased.

For a discount rate, the founders calculated a cost of equity of 15%. In a memo to Acumen Fund, the founders justified the 15% by the following:

The annual interest yield on government bonds for maturities between 5 to 10 years is in the range of 7.9% to 8.05%. We have assumed a risk premium of nearly 100% over the risk-free rate to adjust for the risk that an investor takes to invest in a business. In addition, the long-term return (~10 years) of equity listed on the NYSE (US) and BSE Sensex (India) is in the range of 15%. The return that we have assumed excluded dividend returns, which the company is confident to delivering over a period of time.<sup>5</sup>

Though ZHL did not have any debt at the end of its first year, the company expected to borrow funds in its second year to acquire more ambulances. When including debt, ZHL calculated a weighted average cost of capital (WACC) of 12%.

When using comparables, the founders valued their company assuming a P/E ratio of 15x as of March 2012. This ratio was considered to be conservative because the average P/E ratio of the Bombay Stock Exchange Sensex index (top 30 companies) was about 19x. Unfortunately, there was no direct company comparison available in India to determine if this P/E ratio was reasonable.

One comparison that ZHL did have was Rural Metro, a US-based EMS company that was listed on the NASDAQ. The P/E ratio of Rural Metro was 2.3x as of March 31, 2006. The market capitalization/revenue ratio was 0.3x. However, there were reasons to use a higher P/E for ZHL. In the United States, the EMS market was mature, making it difficult for a single EMS provider to record high growth rates. The market in India, however, was nascent and highly fragmented. This provided great growth potential for a professional service such as ZHL.

## Exit Strategy

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After discussions with the founders, Acumen Fund determined there were three possible exit options for an equity investment in ZHL:

### 1. Initial Public Offering

ZHL's management expected to launch an initial public offering (IPO) by June 2012. A year prior to the expected IPO date, ZHL planned to start consultation with merchant bankers in preparation to comply with all regulations for listing on the Bombay Stock Exchange. IPO rules in India required that a company issue at least a 25% share of the company through a combination of primary and secondary shares.

### 2. Strategic Sale

For an equity stake to be sold to a strategic buyer, ZHL's management would want assurances that the buyer would not dilute the original mission and vision of ZHL. At the time Acumen Fund was considering the equity investment, there were no obvious potential strategic buyers.

### 3. Convertible Preferred Shares

Instead of an equity investment, Acumen Fund could consider making an investment in the form of convertible preferred shares. The key features of this structure were:<sup>6</sup>

- Preferred shares would carry a 7.5% cumulative dividend, payable in arrears.
- The shares would carry an option to convert into equity (including the value of any unpaid dividends).
- These shares would not be redeemable prior to the completion of five years from the date of issue.
- In the event of liquidation, these shares would rank above equity, but below debt.
- Holders of these preferred shares would vote with holders of common stock on any matter on which common stock holders were entitled to vote.

In addition, the option to convert to equity could be based on ZHL achieving performance milestones in line with projections. Some of the parameters that could be considered were:

- Number of ambulances rolled out
- Trips per day
- Ratio of free calls to total calls
- Ratio of EBITDA/revenue

If ZHL fell behind in operating performance, Acumen Fund could simply not exercise the option to convert to equity and look for periodic returns on its preference shares.

## Next Steps

After completing the due diligence, Sahni and Raman shared their analysis with Trelstad and they all felt comfortable moving forward to present the possible investment to Acumen Fund's Investment Committee. Trelstad and Sahni worked together to draft an initial term sheet (see **Appendix 11**) with legal counsel. Under the initial terms, Acumen Fund would make a \$1.5 million equity injection into ZHL in two tranches:

- **Tranche 1:** \$600,000 by the end of 2006
- **Tranche 2:** \$900,000 by the middle of 2007

The funds would be used by ZHL according to **Table 1**.

**Table 1**  
**Planned Uses of Acumen Fund's Equity Investment**

<i>(in millions of USD)</i>	Tranche 1	Tranche 2	Total
Equity Investment	0.6	0.9	1.5
Uses:			
Capital expenditure	0.39	0.9	1.29
Marketing launch expenses	0.16	-	0.16
Working capital needs	0.05	-	0.05
<b>Total Uses</b>	<b>0.6</b>	<b>0.9</b>	<b>1.5</b>

To get the investment approved, Trelstad and Sahni needed to provide the Investment Committee with a reasonable valuation of the company, a description of the different valuation methodologies used, a proposed term sheet, and a clear rationale for why the investment would fit into Acumen Fund's portfolio.

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## Appendices

### Appendix 1 Management Bios

#### Shaffi Mather (CEO)

- Vice President & Head, Retail Roll-out/Start-up, Reliance Webworld/Infocomm
- Chief Officer & Vice President, Retail & Games, Essel/Zee TV Group
- CEO, Esplanade Shopping Mall/Mather Projects Ltd.
- AVP, Marketing & Sales, Westex International, USA
- Senior Scholar in Leadership and Excellence, London School of Economics
- MBA, University of Pittsburgh
- Master's in Finance, University of Bridgeport
- B Com, Mahatma Gandhi University, Kerala, India
- Country Representative, India, World Trade Centers Assn., New York
- Member, CII CEO Forum on Retailing
- Member, CII National Committee on Retailing
- Member, CII National Committee on Young Business & Entrepreneurs
- Treasurer, Indo American Chamber of Commerce, Kerala

#### Naresh Jain (COO)

- Promoter Director, Suncity Synthetics Limited
- Director, Salawas Metals Pvt. Ltd.
- MBA, University of Maryland
- Duke of Edinburgh Medal

#### Manish Sacheti (CFO)

- Portfolio Manager, NRI Investors (South East Asia)
- Partner, Anuradha International Logistics-Mumbai
- Finance Director, Oxy Metals Industries Pvt. Ltd., Mumbai
- Finance Manager, Indophil Textile Mills Inc., AV Birla Group, Manila
- MBA, University of Pittsburgh
- BS, Illinois Institute of Technology, Chicago

#### Ravi Krishna (Chief Technology Officer & Head – Legal)

- Director, IT, Legal & Corporate Affairs, EMPEE Group, Madras
- Associate, M. Ratna Singh & Associates, Cochin
- LLM, University of Pennsylvania
- LLB, Mahatma Gandhi University

## Appendix 2

### ZHL Ambulances



#### Features of a ZHL ambulance

- Defibrillator
- Cardiac Monitor
- Portable Ventilator
- Suction machine
- Resuscitation kit
- Electrocardiogram
- Emergency Medicines
- Oxygen
- Pulse Oxymeter

Each ambulance has air-conditioning and mild sound proofing. It also has a collapsible trolley stretcher and a stair chair. The ambulance crew consists of a paramedic, a helper, and a driver.



### Appendix 3

#### Mumbai Market Share Analysis

	2005-06	Projected					
		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Emergency cases / month in Mumbai *	60,000	63,000	69,300	76,230	83,853	92,238	101,462
Emergency cases / day..... (a)	2,000	2,100	2,310	2,541	2,795	3,075	3,382
Handled by ambulances (if remaining constant at 10% of emergency cases) ..... (b)	200	210	231	254	280	307	338
No. of 1298 ambulances operating in Mumbai EoY	10	10	19	61	70	70	70
No. of calls / day / 1298 ambulance	3.4	6	8	9	9	10	11
No. of calls / day by 1298	34	60	143	526	664	731	767
Proportion of emergency calls to total	0.2	0	0	0	0	0	0
No. of emergency calls / day by 1298..... (c)	6.8	12	36	132	166	183	192
Implied market share of 1298 - of total emergency cases..... (c / a)	0.34%	0.57%	1.54%	5.18%	5.94%	5.94%	5.67%
Implied market share of 1298 - of emergency calls handled by ambulances..... (c / b)	3.40%	5.71%	15.42%	51.76%	59.40%	59.40%	56.70%

Source: ZHL

### Appendix 4

#### ZHL Call Summary (2005-2006)

Month	Calls attended	Free calls	% Free
April	225	13	5.78%
May	529	52	9.83%
June	571	77	13.49%
July	519	160	30.83%
August	659	165	25.04%
September	638	190	29.78%
October	853	230	26.96%
November	1193	346	29.00%
December	1110	320	28.83%
January	1213	345	28.44%
February	1265	285	22.53%
March	1193	322	26.99%
<b>Total</b>	<b>9968</b>	<b>2505</b>	<b>25.13%</b>

Source: ZHL

## Appendix 5

### First Half 2006 Attrition Rates

Staff	Recruitment and Attrition				Attrition %
	January	Resignations	Recruitments	June	
Back Office	7	1	3	9	11.1%
Control Rm	3	1	1	3	33.3%
Sales	9	2	4	11	18.2%
Drivers	11	2	3	12	16.7%
Doctors	8	2	6	12	16.7%
Helpers	12	2	3	13	15.4%
Office Boys	3	1	2	4	25.0%
<b>Total</b>	<b>53</b>	<b>11</b>	<b>22</b>	<b>64</b>	<b>17.2%</b>

Source: ZHL

## Appendix 6

### BACO Calculation

The BACO (Best Available Charitable Option) calculation is driven by three key factors:

**Financial Leverage:** This factor measures how far a dollar will go based on the type of financial instrument used. Acumen Fund seeks a financial return on its equity and debt financing whereas typical philanthropic grants are 100% sunk costs. In most cases, the administering and servicing costs of grants are lower than those of equity or debt financing due to their complexity and management oversight; however, returns on investment via equity and debt financing often more than offset these differences and provide for a lower overall cost of investment.

**Enterprise Efficiencies:** Organizational efficiency is a measure of the cost per unit of output of an enterprise. The implementation of private-sector business strategies and market-based incentives to enterprises often leads to a higher likelihood of achieving scale efficiencies compared to nonprofit or public-sector-based strategies or systems.

**Technology Leverage:** Technology improvements can dramatically increase output per unit. The technologies employed by an enterprise play a significant role in social impact and are taken into consideration in investment evaluation.

The BACO ratio is calculated by comparing the net cost per person impacted by a social program of an Acumen Fund investment to the best alternative traditional charitable donation. The metric is devised to capture the relative cost-effectiveness of an Acumen Fund investment. For example:

BACO Analysis of Investment in A to Z, an Insecticide-Treated Bed-Net Enterprise:

	Acumen Fund Investment	Traditional Charity
<b>Financial Cost</b>	\$325,000 loan (6% interest) + \$130,000 in-kind support - \$422,500 loan payment + interest = \$32,500 Net Cost	\$325,000 grant
<b>Social Impact</b>	7 million long-lasting insecticide nets produced	92,857 traditional nets produced
<b>Result<sup>a</sup></b>	\$0.02 to supply a person with a year of malaria protection	\$0.84 to supply a person with a year of malaria protection.
<b>BACO Ratio</b>	42	

<sup>a</sup> Results take into consideration product efficacy, or the number of effective years of malaria protection given product quality due to technology leverage

Source: Acumen Fund Roadshow Document

In order to reach a realistic and more balanced ratio, a sensitivity matrix is compiled along the financial return and social output dimensions. The financial return scale is made up of the following scenarios: full return on investment (principal plus interest); return of only the principal; and complete loss. The social impact scale is made up of the following scenarios: initial projections from the original investment plan; conservative projections; and revised projections updated on a real-time basis using actual impact data. Acumen Fund generally uses the revised projections line of the matrix to determine the appropriate BACO ratio to use.<sup>7</sup> The following matrix shows the continuum of the various financial and social possibilities:

		Financial Return		
		3) Complete Loss	2) Return of Principal Only	1) Return of Principal + Interest
Social Impact	(A) Initial projections	Higher Social / Low Financial	Higher Social / Moderate Financial	Optimistic Results
	(B) Conservative projections	Moderate Social / Low Financial	Moderate Social / Moderate Financial	Moderate Social / High Financial
	(C) Revised projections	Pessimistic Results	Lower Social / Moderate Financial	Lower Social / High Financial

The BACO methodology has inherent limitations. The metric neither captures the long-term impact of development work nor the systemic and structural changes created in local communities. Additionally, the selection of an appropriate benchmark charitable alternative is often a nebulous process. When relevant benchmarks are not readily available, the challenge is to make the right assumptions and extrapolate data and information correctly. Finally, comparing investments using BACO ratios is often misleading because these ratios are not complete measures of social impact; if one investment choice has a higher BACO ratio than an alternative option it does not necessarily imply that it has a greater overall social impact. Investment decisions and evaluations must therefore take into consideration other quantitative and qualitative data.

### ZHL BACO Calculation

ZHL BACO Analysis				
SUMMARY of BACO Results				
		Financial Return		
		Return on Principal	Return of Principal	Loss
Output		\$ 2,762,250	\$ 1,500,000	\$ (1,500,000)
	Initial Plan, 2006 Projections	NA	8	2
	Revised Projections	-	8	2
		-	8	2

Note: Projections/Revised Projections to be done later, based on actual data accumulated over the course of the investment.

## Assumption: Return on Principal

Name of Organization	Units			
Investment Type		Grant		Equity
\$ Committed		\$1,500,000		\$1,500,000
Cost of Management	10%	\$150,000	20%	\$300,000
Cost of Disbursement	10%	\$150,000	20%	\$300,000
\$ Leveraged		\$ -		\$ -
Risk		Low		Medium
Expected % Return		0%		16.6%
Repayment Time Frame				5.5
Expected \$ Return		(\$1,500,000)		\$2,872,800
<b>Net Income (Cost)</b>		<b>(\$1,800,000)</b>		<b>\$772,800</b>
Comparable Product Cost		\$ 26.35		
Project Time Frame	years	5.5		5.5
Total Output		56,925		807,480
AF Investment as % of Total Capital		100%		30%
AF Output		56,925		242,244
Impact Factor		1		1
Total Impact	people served	56,925		242,244
BOP as % of Total Impact		100%		60%
Social Impact	people served	56,925		145,346
Product Efficacy		1		1
<b>Total Social Impact</b>	people served	<b>56,925</b>		<b>145,346</b>
<b>Net Income (Cost) / Social Impact</b>	\$/person served	<b>\$ (31.62)</b>		<b>\$ 5.32</b>
<b>Cost Effectiveness Multiple</b>				<b>NA</b>

## Assumption: Return of Principal

Cost and Impact Analysis	Units	BACO		Acumen Fund
Investment Type		Grant		Equity
\$ Committed		\$1,500,000		\$1,500,000
Cost of Management	10%	\$150,000	20%	\$300,000
Cost of Disbursement	10%	\$150,000	20%	\$300,000
\$ Leveraged		\$ -		\$ -
Risk		Low		Medium
Expected % Return		0%		16.6%
Repayment Time Frame				5.5
Expected \$ Return		(\$1,500,000)		\$1,500,000
<b>Net Income (Cost)</b>		<b>(\$1,800,000)</b>		<b>(\$600,000)</b>
Comparable Product Cost		\$ 26.35		
Project Time Frame		5.5		5.5
Total Output		56,925		807,480
AF Investment as % of Total Capital		100%		30%
AF Output		56,925		242,244
Impact Factor		1		1
Total Impact	people served	56,925		242,244
BOP as % of Total Impact		100%		60%
Social Impact	people served	56,925		145,346
Product Efficacy		1		1
<b>Total Social Impact</b>	people served	<b>56,925</b>		<b>145,346</b>
<b>Net Income (Cost) / Social Impact</b>	\$/person served	<b>\$ (31.62)</b>		<b>\$ (4.13)</b>
<b>Cost Effectiveness Multiple</b>				<b>8</b>

## Assumption: Financial Loss

<b>Cost and Impact Analysis</b>	<b>Units</b>	<b>BACO</b>	<b>BACO</b>	<b>Acumen Fund</b>	<b>Acumen Fund</b>
Investment Type		Grant		Equity	
\$ Committed		\$1,500,000		\$1,500,000	
Cost of Management	10%	\$150,000	20%	\$300,000	20%
Cost of Disbursement	10%	\$150,000	20%	\$300,000	20%
\$ Leveraged		\$ -		\$ -	
Risk		Low		Medium	
Expected % Return		0%		16.6%	
Repayment Time Frame				5.5	
Expected \$ Return		(\$1,500,000)		(\$1,500,000)	
<b>Net Income (Cost)</b>		<b>(\$1,800,000)</b>		<b>(\$2,100,000)</b>	
Comparable Product Cost		\$ 26.35			
Project Time Frame	Years	5.5		5.5	
Total Output		56,925		807,480	
AF Investment as % of Total Capital		100%		30%	
AF Output		56,925		242,244	
Impact Factor		1		1	
Total Impact	people served	56,925		242,244	
BOP as % of Total Impact		100%		60%	
Social Impact	people served	56,925		145,346	
Product Efficacy		1		1	
<b>Total Social Impact</b>	people served	56,925		145,346	
<b>Net Income (Cost) / Social Impact</b>	\$/person served	<b>\$ (31.62)</b>		<b>\$ (14.45)</b>	
<b>Cost Effectiveness Multiple</b>				<b>2.19</b>	

## Appendix 7

### ZHL Projected Income Statement

For the Full Year Ending March 31

<i>(All figures are in rupees)</i>						
<i>(in rupees)</i>	<b>Projected</b>					
	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
<b>Revenue from Operations</b>						
Total revenue from EMS business	4,139,100	11,395,419	26,239,960	51,393,228	74,635,229	80,366,584
Advertisement Revenues	5,000,000	9,500,000	17,500,000	27,500,000	35,000,000	35,000,000
<b>Total Revenues</b>	<b>9,139,100</b>	<b>20,895,419</b>	<b>43,739,960</b>	<b>78,893,228</b>	<b>109,635,229</b>	<b>115,366,584</b>
<b>Operating Cost Details</b>						
Repairs & Maintenance	352,800	670,671	1,236,094	1,943,452	2,474,780	2,476,077
Salary to Ambulance Staff	2,603,700	4,949,622	9,122,503	14,342,873	18,264,132	18,273,702
Call center expenses	283,000	283,031	283,063	506,094	506,126	506,157
Administration Exps	27,000	61,732	129,223	233,077	323,900	340,832
Insurance Cost	103,500	245,355	372,985	1,159,379	1,054,079	783,924
Corporate Office Expenses	5,566,400	5,569,317	5,572,235	5,575,155	5,578,076	5,580,999
Diesel cost	820,000	1,947,500	4,125,625	7,131,438	9,984,013	10,483,213
Mobile Phone	47,000	47,242	47,485	47,729	47,974	48,221
Radio trunking	18,528	18,538	18,547	18,557	18,567	18,577
Marketing Expenses	2,167,621	2,681,740	3,317,798	4,104,716	5,078,277	6,282,748
Consumables and Supplies	70,300	70,841	71,386	71,935	72,488	73,046
<b>Total of all operating costs</b>	<b>12,059,849</b>	<b>16,545,589</b>	<b>24,296,943</b>	<b>35,134,406</b>	<b>43,402,412</b>	<b>44,867,496</b>
<b>EBITDA</b>	<b>(2,920,749)</b>	<b>4,349,829</b>	<b>19,443,017</b>	<b>43,758,822</b>	<b>66,232,817</b>	<b>70,499,088</b>
<b>EBITDA as % to Total Income</b>	<b>-32%</b>	<b>21%</b>	<b>44%</b>	<b>55%</b>	<b>60%</b>	<b>61%</b>
Interest on Loan	653,400	548,483	432,026	302,758	159,271	-
Depreciation	5,416,250	8,429,000	25,984,063	23,854,859	17,305,207	12,978,905
Miss. Expenses written-off	-	-	-	-	-	-
<b>Pre-operative expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Profit Before Tax</b>	<b>(8,990,399)</b>	<b>(4,627,654)</b>	<b>(6,973,072)</b>	<b>19,601,204</b>	<b>48,768,339</b>	<b>57,520,183</b>
Tax	(2,966,832)	(1,527,126)	(2,301,114)	6,468,397	16,093,552	18,981,660
<b>Profit After Tax</b>	<b>(6,023,567)</b>	<b>(3,100,528)</b>	<b>(4,671,958)</b>	<b>13,132,807</b>	<b>32,674,787</b>	<b>38,538,522</b>

## Appendix 8 Projected Balance Sheet

At March 31

<i>(in rupees)</i>	Projected					
Year	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
<b>Sources of Finance</b>						
Equity Share Capital and share premium	97,780,000	97,780,000	97,780,000	97,780,000	97,780,000	97,780,000
Other Reserves & Surplus	(6,023,567)	(9,124,096)	(13,796,054)	(663,247)	32,011,540	70,550,063
<b>Networth</b>	<b>91,756,433</b>	<b>88,655,904</b>	<b>83,983,946</b>	<b>97,116,753</b>	<b>129,791,540</b>	<b>168,330,063</b>
Sponsorship for Ambulances	-					
Term loan	4,986,212	3,927,508	2,752,346	1,447,917	-	-
<b>Capital Employed</b>	<b>96,742,645</b>	<b>92,583,413</b>	<b>86,736,293</b>	<b>98,564,670</b>	<b>129,791,540</b>	<b>168,330,063</b>
<b>Assets</b>						
Gross Fixed Assets	21,665,000	38,351,000	116,219,000	132,905,000	132,905,000	132,905,000
Less: Accu. Dep..	5,416,250	13,845,250	39,829,313	63,684,172	80,989,379	93,968,284
<b>Net Fixed Assets</b>	<b>16,248,750</b>	<b>24,505,750</b>	<b>76,389,688</b>	<b>69,220,828</b>	<b>51,915,621</b>	<b>38,936,716</b>
Debtors / other current assets	913,910	2,089,542	4,373,996	7,889,323	10,963,523	11,536,658
Cash & Bank Balances	81,250,379	67,742,035	7,814,219	23,388,210	68,942,772	119,988,582
Current liabilities	1,670,394	1,753,914	1,841,610	1,933,690	2,030,375	2,131,894
<b>Net Current Assets</b>	<b>80,493,895</b>	<b>68,077,663</b>	<b>10,346,605</b>	<b>29,343,842</b>	<b>77,875,919</b>	<b>129,393,347</b>
<b>Total Assets</b>	<b>96,742,645</b>	<b>92,583,413</b>	<b>86,736,293</b>	<b>98,564,670</b>	<b>129,791,541</b>	<b>168,330,063</b>

## Asset Depreciation Schedule

Item	Unit Cost	Projections					
		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Number of Vehicles		10	19	61	70	70	70
Vehicle Cost	1,854,000	18,540,000	30,591,000	100,811,250	92,294,438	69,220,828	51,915,621
Gross Fixes Assets		21,665,000	38,351,000	116,219,000	132,905,000	132,905,000	132,905,000
Depreciation Charges	25%	4,635,000	7,647,750	25,202,813	23,073,609	17,305,207	12,978,905
Number of Call Centers		1	1	1	1	1	1
Call Centre Equipment	3,125,000	3,125,000	2,343,750	1,562,500	781,250	-	-
Depreciation Charges	25%	781,250	781,250	781,250	781,250	-	-
<b>Total Depreciation</b>		<b>5,416,250</b>	<b>8,429,000</b>	<b>25,984,063</b>	<b>23,854,859</b>	<b>17,305,207</b>	<b>12,978,905</b>
<b>Accumulated Depreciation</b>		<b>5,416,250</b>	<b>13,845,250</b>	<b>39,829,313</b>	<b>63,684,172</b>	<b>80,989,379</b>	<b>93,968,284</b>

## Appendix 9

## Projected Cash Flows

For the Full Year Ending March 31

<i>(in rupees)</i>	Projected					
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Opening cash	10,780,000	81,250,379	67,742,035	7,814,219	23,388,210	68,942,772
<b>Sources</b>						
Capital & share premium	87,000,000	-	-	-	-	-
Term loan	5,940,000	-	-	-	-	-
Net cash accruals	(607,317)	5,328,472	21,312,104	36,987,666	49,979,994	51,517,428
	92,332,683	5,328,472	21,312,104	36,987,666	49,979,994	51,517,428
<b>Uses</b>						
Increase in Working capital	(756,484)	1,092,112	2,196,758	3,423,246	2,977,516	471,617
Purchase of fixed assets	21,665,000	16,686,000	77,868,000	16,686,000	-	-
Term loan repayment	953,788	1,058,704	1,175,162	1,304,429	1,447,917	-
	21,862,303	18,836,816	81,239,920	21,413,676	4,425,432	471,617
<b>Closing Cash</b>	<b>81,250,379</b>	<b>67,742,035</b>	<b>7,814,219</b>	<b>23,388,210</b>	<b>68,942,772</b>	<b>119,988,582</b>

## Loan Repayment Schedule

Loan amount	5,940,000					
Interest	11%					
Loan Period in Years	5					
			<b>Outstanding</b>	<b>Annual</b>		
<b>Years</b>	<b>Loan Balance</b>	<b>Interest</b>	<b>Balance</b>	<b>Repayment</b>	<b>Loan Repaid</b>	
2006-07	5,940,000	653,400	6,593,400	1,607,188	953,788	
2007-08	4,986,212	548,483	5,534,696	1,607,188	1,058,704	
2008-09	3,927,508	432,026	4,359,534	1,607,188	1,175,162	
2009-10	2,752,346	302,758	3,055,105	1,607,188	1,304,429	
2010-11	1,447,917	159,271	1,607,188	1,607,188	1,447,917	

## Appendix 10

## Projected Operating Milestones

For the Full Year Ending March 31

<i>(in rupees)</i>	Projections					
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
No of trips a day per ambulance	6.0	7.5	8.6	9.5	10.4	11.0
No. of fully paid trips a day per ambulance	3.6	4.5	5.2	5.7	6.3	6.6
Average charge per trip	315.0	365.2	396.9	449.7	466.5	478.4
Revenue per day per ambulance	1,134.0	1,643.2	2,054.0	2,560.1	2,921.1	3,145.5
Annual Revenue per Ambulance	413,910.0	599,758.9	749,713.1	934,422.3	1,066,217.6	1,148,094.1
Number of Ambulances	10.0	19.0	35.0	55.0	70.0	70.0
Annual Revenue from Total Trips	4,139,100.0	11,395,418.6	26,239,959.9	51,393,227.7	74,635,228.5	80,366,583.7
Growth rate in trips per day	N/A	25%	15%	10%	10%	5%
Charge per Basic call	275.0	299.8	326.7	349.6	370.6	370.6
Growth rate in charge per Basic call	N/A	9%	9%	7%	6%	0%
Charge per Cardiac (emergency) call	675.0	735.8	794.6	850.2	850.2	909.7
Growth rate in charge per Cardiac call	N/A	9%	8%	7%	0%	7%
Proportion of Basic call	90%	85%	85%	80%	80%	80%
Proportion of Cardiac (emergency) calls	10%	15%	15%	20%	20%	20%
Average rate per call	315.0	365.2	396.9	449.7	466.5	478.4
Advert Revenue for all vehicles	5,000,000	9,500,000	17,500,000	27,500,000	35,000,000	35,000,000
Percent of Total Revenue from Adverts	30%	20%	20%	20%	20%	20%
<b>Revenue from Advert &amp; EMS</b>	<b>9,139,100</b>	<b>20,895,419</b>	<b>43,739,960</b>	<b>78,893,228</b>	<b>109,635,229</b>	<b>115,366,584</b>

## Appendix 11

### ZHL Term Sheet

For Issuance of and Subscription for Series A Preference Shares and Equity Shares

<b>Nature of this document</b>	This term sheet (the "Term Sheet") is non-binding and is subject to, among other things, fulfillment of the conditions set forth in the "Conditions Precedent" section below.
<b>Issuer</b>	Ziqitza Healthcare Limited, a public limited company organized under the laws of India ("ZHL" or the "Company")
<b>Investor</b>	Acumen Fund, Inc., a not-for-profit corporation organized under the laws of New York, United States of America ("Acumen Fund")
<b>Issue Amount</b>	The value of the Offering will be INR 69 million (the "Issue Amount")
<b>Date of Issue</b>	The share issuance contemplated by this Term Sheet (the "Offering") is anticipated to occur on or before Jan. 15, 2007
<b>Amount of Offering</b>	The Offering will consist of [5,982,638] Series A senior cumulative compulsorily convertible participating preference shares (the "Series A Preference Shares") with a par value of INR 10 per share and a subscription price of INR 10 per share, and 10,000 equity shares with a subscription price of INR 917.36 per share (with a par value of INR 10 and a premium of INR 907.36 per share).
<b>Existing Shareholding</b>	The existing shareholding of the Company consists of the following: <ul style="list-style-type: none"> <li>• 50,000 equity shares issued and paid up at face value of INR 10 per share; and</li> <li>• 175,647 equity shares issued and paid up at INR 100 (with a face value of INR 10 plus a premium of INR 90 per share), as further described in Appendix A attached hereto.</li> </ul>
<b>Valuation of the Company</b>	INR < > million prior to the investment contemplated by this Term Sheet and INR < > million after the conversion of the investment contemplated by this Term Sheet
<b>Use of Issue Amount</b>	The Issue Amount will be utilized by the Company to: <ul style="list-style-type: none"> <li>• Acquire 31 Advanced Life Support Ambulances (including prefabrication work and medicinal equipment) and 1 call center at an aggregate estimated cost of INR 61.50 million; and</li> <li>• Fund marketing expenses in the amount of INR 7.50 million.</li> </ul> Or in any manner that the Board deems appropriate subject to prior written approval (which shall not be unreasonably withheld) of Acumen Fund
<b>Conditions Precedent</b>	Acumen Fund's investment in the Company pursuant to this Term Sheet will be subject to customary conditions, including, without limitation, the following: <ol style="list-style-type: none"> <li>a) The completion of legal due diligence by Acumen Fund and the resolution of any issues arising therefrom in a manner satisfactory to Acumen Fund;</li> <li>b) The approval of such investment by the Investment Committee of Acumen Fund;</li> <li>c) The execution of a Shareholders' Agreement by and among the existing shareholders of the Company and Acumen Fund (the "Shareholders' Agreement"); and</li> <li>d) Government of India regulations and norms, as applicable.</li> </ol>
<b>Preference</b>	Dividends for Series A Preference Shares will be declared and paid, or sufficient monies set aside for such payment, before payment of dividends to any other shareholders or class of shareholder, including, without limitation, all equity shares. Series A Preference Shares will have a liquidation preference over all other shares of the Company, including, without limitation, all equity shares, with respect to payment or distribution of assets upon liquidation in the amount of the Liquidation Value per share. For the purposes hereof, "Liquidation Value" means the amount for which the relevant shares were issued plus accrued dividends plus declared but unpaid dividends.
<b>Series A Preference Shares Dividend Policy</b>	A dividend of < %> per annum, payable half-yearly in arrears on October 15 and April 15 of each year (each, a "Dividend Payment Date"), will be paid on the Series A Preference Shares. Dividends will accrue on shares of the Company from the date on which such shares were issued. Any dividends accrued but remaining unpaid on any Dividend Payment Date will be cumulated with, and become payable along with, dividends payable on subsequent Dividend Payment Dates.

<p><b>Merger, Consolidation or Sale of Substantially All of the Assets of the Company</b></p>	<p>Unless waived by the holders of Series A Preference Shares, the following events will be deemed a liquidation of the Company for the purposes of determining such holders' liquidation preference:</p> <p>(i) Any consolidation or merger of the Company with or into any other corporation or other entity, or any other corporate reorganization, in which the shareholders of the Company immediately prior to such consolidation, merger or reorganization, own less than fifty percent (50%) of the Company's voting power immediately after such consolidation, merger or reorganization, or any transaction or series of related transactions in which in excess of fifty percent (50%) of the Company's voting power is transferred or in which management control is transferred; and/or</p> <p>(ii) Any sale, lease or other disposition of all or substantially all of the property, assets and/or business of the Company.</p>
<p><b>Conversion</b></p>	<p>At any time prior to the fourth anniversary of the date of issue thereof, Acumen Fund will have the right but not the obligation to convert all or part of its Series A Preference Shares into fully paid equity shares based on a conversion rate that would, if applied to all Series A Preference Shares issued pursuant to this Offering, result in Acumen Fund holding the number of equity shares equal to &lt;X%&gt; of all equity shares in the Company. On the fourth anniversary of the date of issue thereof, any and all Series A Preference Shares not converted into equity shares by Acumen Fund will be compulsorily converted into the number of fully paid equity shares that would result in Acumen Fund holding the number of equity shares equal to &lt;X%&gt; of all equity shares in the Company.</p>
<p><b>Governance</b></p>	<p>Except as otherwise required by applicable law, the overall management and operational control of the Company shall be exercised exclusively by the Board of Directors or similar governing body of the Company (the "Board"). The maximum size of the Board will be seven (7) directors. Any increase in the number of directors on the Board will require the prior written approval (which shall not be unreasonably withheld) of Acumen Fund.</p> <p>The shareholders agree that the Board will at all times include at least one (1) director appointed by Acumen Fund; such director shall be non-retiring.</p>
<p><b>Voting</b></p>	<p>Holders of equity shares will be entitled to one vote per equity share.</p> <p>Holders of Series A Preference Shares will be entitled to one vote for each equity share issuable upon conversion of its Series A Preference Shares. Holders of Series A Preference Shares will be entitled to vote on any matter which the holders of equity shares are entitled to vote and the holders of Series A Preference Shares and the holders of equity shares will vote as a single class. Except as otherwise required by applicable law or agreed by the shareholders of the Company, all decisions of the shareholders of the Company will require the affirmative vote of shareholders holding not less than 51% of the equity shares of the Company, including the equity shares issuable upon conversion of the Series A Preference Shares.</p>
<p><b>Voting for Certain Actions</b></p>	<p>An affirmative vote of the Investor will be required for the Company to:</p> <ul style="list-style-type: none"> <li>(a) Liquidate, dissolve or wind up the affairs of the Company;</li> <li>(b) Alter or change the rights of the Series A Preference Shares in any way;</li> <li>(c) Increase or decrease the authorized number of equity shares or preference shares;</li> <li>(d) Create any new class of shares;</li> <li>(e) Redeem/buy back equity shares;</li> <li>(f) Effect any merger, other corporate reorganization, sale of control, or any transaction in which all or substantially all of the assets of the Company are sold;</li> <li>(g) Amend or waive any provision of the Company's Memorandum or Articles of Association;</li> <li>(h) Appoint any statutory or internal auditor; or</li> <li>(i) Make any decision or take any action that may adversely affect the rights or voting power of the Series A Preference Shares.</li> </ul>

<b>Affirmative Covenants</b>	<p>The Company will:</p> <ul style="list-style-type: none"> <li>• Maintain at its registered office complete and accurate corporate, financial and tax books and records in accordance with Indian GAAP. The Company will provide Acumen Fund with documents that it may reasonably request in order for it to prepare its financial statements or tax filings with regulatory authorities;</li> <li>• Provide access to its premises, books of account and other corporate, financial and tax books and records to each of its shareholders during normal business hours;</li> <li>• Maintain adequate insurance, including, without limitation, customary directors' and officers' indemnification insurance;</li> <li>• Comply with applicable law;</li> <li>• Take actions to preserve (i) its corporate existence, (ii) its rights, franchises, and privileges, and (iii) all properties necessary or useful to the proper conduct of its business; and</li> <li>• Reimburse all reasonable Company-related expenses of its Directors within India.</li> </ul>
<b>Initial Public Offering</b>	<p>(a) The Company and the Promoter Group will perform all such acts and deeds and do all such things as may be necessary to ensure that an initial public offering of the Company's shares (the "IPO") is made and that such shares are listed on the Bombay Stock Exchange or National Stock Exchange on or before June 30, 2012 (or such later date as Acumen Fund may, in its sole discretion, approve in writing, such approval not being unreasonably withheld);</p> <p>(b) In completing the IPO, the Company will seek out and utilize the advice of a reputed investment banker unanimously approved by the Board; and</p> <p>(c) The shares of the Company offered to the public pursuant to the IPO may be new shares, existing shares or any combination of the foregoing, as Acumen Fund may approve in writing (such approval not being unreasonably withheld). Acumen Fund will have the right (but not the obligation), at its sole discretion, to FIRST offer to sell all or any portion of the equity shares held by it as part of the IPO, subject to a limit of 50% of the IPO dilution.</p> <p>Strategic sale: If the Company does not effect an IPO by June 30, 2012, Acumen Fund will have the right to sell all of its equity shares in the Company to any person, after granting the right of first refusal to the promoter group. If, however, the company has not effected the IPO by June 30, 2014, Acumen Fund will, based upon its sole discretion, have the right to cause each other equity shareholder to sell 100% of its equity shares in the Company to any such person purchasing 100% of Acumen Fund's equity shares in the Company.</p>
<b>Anti-Dilution</b>	<p>In the event that the Company issues any equity shares, or any rights, options, warrants or instruments entitling the holder to receive any equity shares of the Company, including, without limitation, share splits, share dividends and recapitalizations (each, a "Dilution Instrument"), Acumen Fund will be entitled to acquire such number of Dilution Instruments as would enable it to maintain its proportion of shareholding in the Company after all such equity shares are issued and all Dilution Instruments and all Series A Preference Shares are converted into equity shares. Acumen Fund will be entitled to acquire any such Dilution Instruments on terms no less favorable than those offered by the Company to any other person.</p>
<b>Management Lock-In</b>	<p>The Promoter Group will not be entitled to, and will not, transfer or create any lien or encumbrance over or dispose of any equity shares or other securities in the Company or any interest in such securities save and except with the prior written approval (which shall not be unreasonably withheld) of Acumen Fund and on such terms and conditions as Acumen Fund may specify.</p> <p>Until the fourth anniversary of the date of the Offering, the Promoter Group will not be entitled to, and will not, transfer or create any lien or encumbrance over or dispose of any equity shares or other securities in the Company or any interest in such securities save and except with Acumen Fund's prior written approval (which shall not be unreasonably withheld), and on such terms and conditions, including a valuation not less than INR &lt; &gt; .</p>
<b>Representations and warranties</b>	<p>The Shareholders Agreement will contain a detailed section on representations and warranties to be provided by the Company and the Promoters.</p>
<b>External Auditor</b>	<p>The shareholders of the Company will select and appoint an external auditor based on an arm's-length commercial considerations. The external auditor will perform such functions as the Board may direct.</p>
<b>Governing Law</b>	<p>The Shareholders Agreement will be governed by, and construed in accordance with, the laws of the Republic of India.</p>

<b>Disputes</b>	In the event of any dispute arising out of the Shareholders' Agreement or any subsequent agreement related to the Company, the shareholders of the Company will attempt in good faith to resolve the dispute amicably. Any dispute which cannot be resolved within sixty (60) days from the date such dispute has arisen shall, at the option of any party to the dispute, be finally settled under the Rules of Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the said Rules. The status of the arbitration will be Mumbai (unless the parties agree otherwise) and the arbitration proceeding will be conducted in the English language only. The shareholders of the Company agree that arbitration will be the exclusive method for resolution of disputes between the parties hereto arising out of or in connection with the Offering and the Shareholders' Agreement. The arbitrators will have the power to grant any remedy or relief that they deem just and equitable, including but not limited to injunctive relief, whether interim and/or final, and any provisional measures ordered by the arbitrators may be specifically enforced by any court of competent jurisdiction. The award rendered in connection with such arbitration will be final and binding upon the shareholders of the Company and may be entered in any court having jurisdiction thereof.
<b>Confidentiality</b>	Each of the shareholders of the Company will keep all non-public information received in the course of the negotiation or conclusion of the present transaction, or any subsequent agreement related to the Company, confidential in accordance with customary confidentiality arrangements.

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The current shareholding pattern of major shareholders of ZHL

	Shareholder	As on 03/31/05	Alloted on 03/31/06	As on 03/31/06	Group Total	Group Shareholding %
<b>Group A</b>	Executive A	22,375	2,500	24,875	52,725	23.37%
	Family A-1	500	-	500		
	Family A-2	27,350	-	27,350		
<b>Group B</b>	Executive B	200	-	200	56,145	24.88%
	Family B-1	47,445	8,500	55,945		
<b>Group C</b>	Executive C	5,477	412	5,889	56,139	24.88%
	Family C-1	12,700	-	12,700		
	Family C-2	15,000	-	15,000		
	Family C-3	22,550	-	22,550		
<b>Group D</b>	Executive D	11,000	-	11,000	60,138	26.65%
	Family D-1	7,000	-	7,000		
	Family D-2	32,375	9,763	42,138		
<b>Others</b>	Individual A	100	-	100	500	0.22%
	Individual B	100	-	100		
	Individual C	100	-	100		
	Individual D	200	-	200		
	<b>Total</b>	<b>204,472</b>	<b>1,175</b>	<b>225,647</b>	<b>225,647</b>	<b>100.00%</b>

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## Endnotes

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- <sup>1</sup> EMS refers to the provision of services to patients with medical emergencies. The purpose is to minimize the physical and emotional impact of injuries and illnesses.
- <sup>2</sup> "About Us." Dial 1298 for Ambulance. 19 February 2009. <[http://www.1298.in/about\\_us.htm#5](http://www.1298.in/about_us.htm#5)>.
- <sup>3</sup> A classical Indo-Aryan language and one of the 22 official languages of India.
- <sup>4</sup> Hammond, Al et al. "The Next 4 Billion: Market Size and Business Strategy at the Base of the Pyramid." The World Resources Institute, IFC. Washington, DC: 2007.
- <sup>5</sup> Acumen Fund Investment Memo: 1298. September 2006.
- <sup>6</sup> This was the approximate 10-year treasury rate in India.
- <sup>7</sup> Acumen Fund Concept Paper: BACO.

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