

**Fortis Healthcare Limited**

Tower-A, Unitech Business Park, Block-F,
South City 1, Sector – 41, Gurgaon,
Haryana – 122 001 (India)

Tel : 0124 492 1033

Fax : 0124 492 1041

Emergency : 105010

Email : secretarial@fortishealthcare.com

Website : www.fortishealthcare.com

FHL/SEC/STEX/RR/2018-19

April 11, 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: Disclosure under Regulation 30- Intimation on revision in Credit Rating(s)

Dear Sir(s),

With reference to the provisions of the Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, it is hereby informed that there has been a change in the credit ratings by 'ICRA Limited' of the Company and following subsidiaries- M/s. Escorts Heart Institute and Research Centre Limited, M/s. Fortis Hospitals Limited and M/s. Hiranandani Healthcare Private Limited.

The report(s) from ICRA covering the rationale for revisions in credit ratings, are attached herewith.

We will keep the stock exchanges informed about any further updates in this regard.

This is for your information and records please.

Thanking you,

Yours Faithfully

For **Fortis Healthcare Limited**

**Rahul Ranjan
Company Secretary
ICSI Membership: ACS17035**

FORTIS HEALTHCARE LIMITED

Regd. Office : Fortis Hospital, Sector 62, Phase – VIII, Mohali – 160062

Tel : 0172-5096001, Fax : 0172-5096221, CIN : L85110PB1996PLC045933

Fortis Healthcare Limited

April 10, 2018

Summary of Rated Instruments:

Instrument	Previously Rated Amount(Rs. Crore)	Current Rated Amount(Rs. crore)	Rating Action
Non-convertible Debentures	250.00	250.00	[ICRA]C; downgraded from [ICRA]BBB-; rating removed from watch with negative implications
Commercial Paper/Short-term Debt	600.00	600.00	[ICRA]A4; downgraded from [ICRA]A3; rating removed from watch with negative implications
Fund-based Limits	105.00	105.00	[ICRA]C; downgraded from [ICRA]BBB-; rating removed from watch with negative implications
Term Loans	195.00	195.00	[ICRA]C; downgraded from [ICRA]BBB-; rating removed from watch with negative implications
Non-fund-based Limits	20.00	20.00	[ICRA]A4; downgraded from [ICRA]A3; rating removed from watch with negative implications
Total	1170.00	1170.00	

Rating action

The long term rating for Rs. 250 crore non-convertible debenture programme, Rs. 105 crore fund-based limits, and Rs. 195 crore term loans has been revised from [ICRA]BBB- (pronounced ICRA triple B minus) to [ICRA]C (pronounced ICRA C). Further, the short-term rating for Rs. 600 crore commercial paper programme and Rs. 20 crore non-fund-based facilities has been revised from [ICRA]A3 (pronounced ICRA A three) to [ICRA]A4 (pronounced ICRA A four). The ratings have been removed from watch with negative implications.

Rationale

The rating action takes into account delay in servicing of a loan not rated by ICRA. The delay was on account of stretched liquidity position of the company along with its inability to roll over or refinance the loan. The ratings continue to be constrained by concerns pertaining to recoverability of the advances extended to related parties, potential impact of various ongoing investigations/litigations, deterioration in operational performance and large payments being made to Religare Health Trust (RHT).

Outlook

Not applicable

Key rating drivers

Credit Strength

Established branded healthcare provider in India- FHL is one of the largest healthcare services provider in the country, with ~4600 beds spread across 45 healthcare facilities (including projects under development) and over 346 diagnostic centers

Presence across verticals- Company has diversified presence across multiple healthcare verticals, such as secondary care, tertiary care, quaternary care, and diagnostics

Positive outlook for the sector in long run- Positive demand outlook for healthcare services in the country, due to growing awareness of healthcare issues, under-served nature of the sector, better affordability through increasing per capita income, and widening medical insurance coverage

Favourable asset profile- Majority of the hospitals in the network are now mature and the company will benefit from high operating leverage of the hospital business. Further, the large network of mature hospitals is difficult to replicate over short-to-medium term

Credit weaknesses

Delay in repayment of a loan - the company has delayed the repayment of a loan not rated by ICRA; the loan was due for repayment on April 5, 2018

Advances extended to related parties has significantly impacted the liquidity profile- ICRA had been deriving comfort from FHL's strong liquidity position; with these advances to related parties, the company's financial flexibility is expected to be severely restricted

Investigations by SEBI, SFIO & RoC and Ongoing Litigations- the company and its promoters are currently facing multiple investigations and litigations and any adverse ruling may impact FHL's management and operations

Deterioration in performance in 9MFY2018- Decline in performance of FHL in 9MFY2018 due to cap on prices of stents & knee implants and pricing pressure in diagnostic business

Significant outflows towards business trust fee- Though the quantum of fee paid to Business Trust will reduce after acquisition of economic interest in Fortis Hospotel Limited, it will continue to have significant impact on the cash flows and consequently the debt coverage indicators of the company

Financing risk for proposed buyout of assets of Business Trust (BT)- Although the proposed buyout of assets of BT has the potential to significantly improve the company's EBITDA, the funds for the buyout are yet to be tied up, exposing the transaction to funding risks

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Link to the applicable criteria

[Corporate Credit Ratings: A Note on Methodology](#)

[Impact of Parent or Group Support on an Issuer's Credit Rating](#)

[Rating Methodology for Hospitals](#)

[ICRA's Policy on Default Recognition](#)

About the company:

Fortis Healthcare Limited (FHL) was promoted by late Dr. Parvinder Singh. The company commenced its operations with opening of its first hospital at Mohali in 2001. Since, then the Company has expanded its operations via expansions and acquisitions. It now has 45 healthcare facilities, operational bed capacity of ~4600 beds and the potential to reach around 10,000 beds. Further, through its subsidiary, SRL Limited, the company operates 346 diagnostic centres in the country.

Key Financial Indicators (Audited)

	FY 2016	FY 2017
Operating Income (Rs. crore)	4331	4653
PAT (Rs. crore)	-4	72.00
OPBDIT/ OI (%)	6.5%	9.2%
RoCE (%)	2.7%	5.2%
Total Debt/ TNW (times)	0.28	0.35
Total Debt/ OPBDIT (times)	4.82	5.16
Interest coverage (times)	2.26	1.88
NWC/ OI (%)	7.5%	8.5%

Source: **FHL**, ICRA estimates; OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress); NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for last three years:

S · N O	Instru ment	Current Rating (FY2019)				Chronology of Rating History for the past 3 years											
		Type	Am oun t Rat ed (Rs. Cr.)	Amou nt Outst andin g (Rs. Cr.)	Date(s) & Rati ng(s)	Date (s) & Rati ng(s)	Date (s) & Rati ng(s)	Date (s) & Rati ng(s)	Date (s) & Rati ng(s)	Date (s) & Rati ng(s)	Date (s) & Rati ng(s) FY20 17	Date (s) & Rati ng(s) FY20 17	Date (s) & Rati ng(s) FY20 17	Date (s) & Rati ng(s) FY20 16	Date (s) & Rati ng(s) FY20 16	Date (s) & Rati ng(s) FY20 16	Date (s) & Rati ng(s) FY20 14
					Apr- 18	Mar- 18	Feb- 18	Feb- 18	Sep- 17	Jul- 17	Mar- 17	Sep- 16	Jun- 16	Mar- 16	Sep- 15	Apr- 15	Mar- 14
1	Non- conve rtible Deben tures	Long Term	250	0	[ICR A]C	[ICRA]BBB- @	[ICR A]A- @	[ICR A]A+ @	[ICR A]A+ &	[ICR A]A+ &	[ICR A]A+ (Sta ble)	[ICR A]A+ (stab le)	[ICR A]A+ &	[ICR A]A+ (Sta ble)	[ICR A]A+ (Posi tive)	[ICR A]A+ (Sta ble)	[ICR A]A+ (Sta ble)
2	Comm ercial Paper /Short -term Debt	Shor t Term	600	0	[ICR A]A 4	[ICRA]A3 @	[ICR A]A2 + @	[ICR A]A1 + @	[ICR A]A1 + &	[ICR A]A1 + &	[ICR A]A1 +	[ICR A]A1 +	[ICR A]A1 + &	[ICR A]A1 +	[ICR A]A1 +	[ICR A]A1 +	[ICR A]A1 +
3	Fund- based Limits	Long Term	105	95	[ICR A]C	[ICRA]BBB- @	[ICR A]A- @	[ICR A]A+ @	[ICR A]A+ &	[ICR A]A+ &	[ICR A]A+ (stab le)	[ICR A]A+ (stab le)	[ICR A]A+ &	[ICR A]A+ (stab le)	[ICR A]A+ (Posi tive)	[ICR A]A+ (stab le)	[ICR A]A+ (stab le)
4	Term Loans	Long Term	195	195	[ICR A]C	[ICRA]BBB- @	[ICR A]A- @	[ICR A]A+ @	[ICR A]A+ &	[ICR A]A+ &	[ICR A]A+ (Sta ble)						
5	Non- fund- based Limits	Shor t Term	20	25	[ICR A]A 4	[ICRA]A3 @	[ICR A]A2 + @	[ICR A]A1 + @	[ICR A]A1 + &	[ICR A]A1 + &	[ICR A]A1 +						

@: rating watch with negative implications; &: rating watch with developing implications

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	September 2015	--	December 2019	45	[ICRA]C
NA	Term Loan	January 2017	--	January 2022	50	[ICRA]C
NA	Term Loan	March 2017	--	March 2022	100	[ICRA]C
NA	Non-convertible	--	--	--	250	[ICRA]C
NA	Commercial Paper	--	--	--	600	[ICRA]A4
NA	Fund-based Limits	--	--	--	105	[ICRA]C
NA	Non-fund-based Limits	--	--	--	20	[ICRA]A4

&: on watch with developing implications; @: on watch with negative implications; Source: FHL

ANALYST CONTACT

Mr. Shubham Jain

+91-124-4545306

shubhamj@icraindia.com

Mr. Kapil Banga

+91-124-4545391

Kapil.banga@icraindia.com

RELATIONSHIP CONTACT

Mr. L Shiv Kumar

+91-22- 30470005

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

naznin.prodhani@icraindia.com

Helpline for business queries:

+91-124-2866928 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87
Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
Bangalore + (91 80) 2559 7401/4049
Ahmedabad+ (91 79) 2658 4924/5049/2008
Hyderabad + (91 40) 2373 5061/7251
Pune + (91 20) 6606 9999

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Escorts Heart Institute and Research Centre Limited

April 10, 2018

Summary of Rated Instruments:

Instrument	Previously rated amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loans	78.0	78.0	[ICRA]B+ (Negative); downgraded from [ICRA]BBB- (rating removed from watch with negative implications and negative outlook assigned)
Fund-based Limits	20.0	20.0	[ICRA]B+ (Negative); downgraded from [ICRA]BBB- (rating removed from watch with negative implications and negative outlook assigned)
Non-fund-based Limits	5.0	5.0	[ICRA]A4; downgraded from [ICRA]A3 (rating removed from watch with negative implications)
Total	103.0	103.0	

Rating action

The long term rating for Rs. 78.0 crore term loans and Rs. 20.0 crore fund-based limits have been downgraded from [ICRA]BBB- (pronounced ICRA triple B minus) to [ICRA]B+ (pronounced ICRA B plus). Further, the short-term rating for Rs. 5.0 crore non-fund-based facilities has been downgraded from [ICRA]A3 (pronounced ICRA A three) to [ICRA]A4 (pronounced ICRA A four). The ratings have been removed from watch with negative implications and a negative outlook has been assigned to long term rating.

Rationale

Rating action on EHIRCL's debt follows revision of ratings on rated instruments of Fortis Healthcare Limited (FHL¹; parent company of EHIRCL) due to strong operational, financial and managerial linkage between FHL and EHIRCL.

Outlook: Negative

ICRA has assigned negative outlook due to stretched liquidity position, concerns pertaining to recoverability of the advances extended to related parties, potential impact of various ongoing investigations/litigations, deterioration in operational performance and large payments being made to Religare Health Trust (RHT).

¹ ICRA has revised [ICRA]BBB-/ [ICRA]A3 ratings to [ICRA]C/[ICRA]A4 for borrowing programmes of FHL while removing the watch with negative implications

Key rating drivers

Credit Strength

Established branded healthcare provider in India- EHIRCL is part of Fortis healthcare group, which is one of the largest healthcare services provider in the country, with ~4600 beds spread across 45 healthcare facilities (including projects under development) and over 346 diagnostic centers

Positive outlook for the sector in long run- Positive demand outlook for healthcare services in the country, due to growing awareness of healthcare issues, under-served nature of the sector, better affordability through increasing per capita income, and widening medical insurance coverage

Favourable asset profile- EHIRCL's hospital is mature and the company will benefit from high operating leverage of the hospital business

Credit weaknesses

Delay in repayment of a loan by parent- the parent, Fortis Healthcare Limited, has delayed the repayment of a loan not rated by ICRA; the loan was due for repayment on April 5, 2018

Investigations by SEBI, SFIO & RoC and Ongoing Litigations- the group and its promoters are currently facing multiple investigations and litigations and any adverse ruling may impact FHL's management and operations

Deterioration in performance in 9MFY2018- Decline in performance of the group in 9MFY2018 due to cap on prices of stents & knee implants and pricing pressure in diagnostic business

Significant outflows towards business trust fee- Though the quantum of fee paid to Business Trust will reduce after acquisition of economic interest in Fortis Hospotel Limited, it will continue to have significant impact on the cash flows and consequently the debt coverage indicators of the group

Financing risk for proposed buyout of assets of Business Trust (BT)- Although the proposed buyout of assets of BT has the potential to significantly improve the group's EBITDA, the funds for the buyout are yet to be tied up, exposing the transaction to funding risks

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Link to the applicable criteria

[Corporate Credit Ratings: A Note on Methodology](#)

[Impact of Parent or Group Support on an Issuer's Credit Rating](#)

[Rating Methodology for Hospitals](#)

About the company:

Escorts Heart Institute and Research Centre Limited (EHIRCL) owns and operates one hospital in Delhi and one in Raipur (Chhattisgarh). EHIRCL was established in 2000 and was acquired by Fortis Healthcare Limited (FHL) in 2005. The hospital in Delhi is located in Okhla and has 294 operational beds. The hospital in Chhattisgarh is located in Raipur and has 40 beds. 100% stake in EHIRCL is owned by Fortis Healthcare Limited.

Fortis Healthcare Limited (FHL) was promoted by late Dr. Parvinder Singh. The company commenced its operations with opening of its first hospital at Mohali in 2001. Since, then the Company has expanded its operations via expansions and acquisitions. It now has 45 healthcare facilities, operational bed capacity of ~4600 beds and the potential to reach around 10,000 beds. Further, through its subsidiary, SRL Limited, the company operates 346 diagnostic centres in the country.

Key Financial Indicators (Audited)

	FY 2016	FY 2017
Operating Income (Rs. crore)	372.27	432.55
PAT (Rs. crore)	61.39	10.90
OPBDIT/ OI (%)	11.32%	9.78%
RoCE (%)	12.23%	3.74%
Total Debt/ TNW (times)	0.13	0.15
Total Debt/ OPBDIT (times)	2.46	2.85
Interest coverage (times)	2.26	2.69
NWC/ OI (%)	63.88%	-29.70%

Source: **EHIRCL**, ICRA estimates; OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress); NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for last three years:

S. No	Current Rating (FY2019)					Chronology of Rating History for the past 3 years				
	Instrument	Type	Amount Rated (Rs. Cr.)	Amount Outstanding (Rs. Cr.)	Date(s) & Rating(s)	Date(s) & Rating(s) FY2018				
					Apr-18	Mar-18	Feb-18	Jul-17	Apr-17	
1	Term Loan	Long Term	78.0	78.0	[ICRA]B+ (Negative)	[ICRA]BBB-@	[ICRA]A-@	[ICRA]A+&	[ICRA]A+ (stable)	
2	Fund-based Limits	Long Term	20.0	20.0	[ICRA]B+ (Negative)	[ICRA]BBB-@	[ICRA]A-@	[ICRA]A+&	[ICRA]A+ (Stable)	
3	Non-Fund-based Limits	Short Term	5.0	5.0	[ICRA]A4	[ICRA]A3 @	[ICRA]A2+@	[ICRA]A1+&	[ICRA]A1+	

@: rating watch with negative implications; &: rating watch with developing implications

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISI N	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	March 2013	10.5%	March 2019	28.0	[ICRA]B+ (Negative)
NA	Term Loan	May 2016	10%	May 2021	25.0	[ICRA]B+ (Negative)
NA	Term Loan	March 2017	9.45%	March 2021	25.0	[ICRA]B+ (Negative)
NA	Overdraft/ Working Capital Demand Loans	May 2016	9.80%		20.0	[ICRA]B+ (Negative)
NA	Non-fund-based Limits	--	--		5.0	[ICRA]A4

&: on watch with developing implications; @: on watch with negative implications; Source: EHIRCL

ANALYST CONTACT

Mr. Shubham Jain

+91-124-4545306

shubhamj@icraindia.com

Mr. Kapil Banga

+91-124-4545391

Kapil.banga@icraindia.com

RELATIONSHIP CONTACT

Mr. L Shiv Kumar

+91-22- 30470005

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

naznin.prodhani@icraindia.com

Helpline for business queries:

+91-124-2866928 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87
Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
Bangalore + (91 80) 2559 7401/4049
Ahmedabad+ (91 79) 2658 4924/5049/2008
Hyderabad + (91 40) 2373 5061/7251
Pune + (91 20) 6606 9999

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Fortis Hospitals Limited

April 10, 2018

Summary of Rated Instruments:

Instrument	Previously rated amount(Rs. crore)	Current Rated Amount(Rs. crore)	Rating Action
Term Loans	417.8	417.8	[ICRA]B+ (Negative); reassigned from [ICRA]BBB-(SO) (rating removed from watch with negative implications and negative outlook assigned)
Fund-based Limits	235	235	[ICRA]B+ (Negative); reassigned from [ICRA]BBB-(SO) (rating removed from watch with negative implications and negative outlook assigned)
Non-fund-based Limits	97.2	97.2	[ICRA]A4; reassigned from [ICRA]A3(SO) (rating removed from watch with negative implications)
Total	750.0	750.0	

Rating action

The long-term rating for Rs. 417.8 crore term loans programme and Rs. 235.0 crore fund-based limits have been reassigned from [ICRA]BBB-(SO) (pronounced ICRA triple B minus structured obligation) to [ICRA]B+ (pronounced ICRA B plus). Further, the short-term rating for Rs. 97.2 crore non-fund-based facilities has been reassigned from [ICRA]A3 (SO) (pronounced ICRA A three structured obligation) to [ICRA]A4 (pronounced ICRA A three structured obligation). The ratings have been removed from watch with negative implications and a negative outlook has been assigned to long term rating.

Rationale

The ratings assigned to FHsL were backed by the guarantee provided by the parent company, Fortis Healthcare Limited (FHL). The reassignment in ratings for FHsL follows the revision in ratings assigned to FHL from [ICRA]BBB- / [ICRA]A3 to [ICRA]C / [ICRA]A4 (while removing the watch with negative implications), owing to delays in servicing of rated debt obligations not rated by ICRA. The ratings continue to factor in strong operational, financial and managerial linkage between FHL and FHsL.

Outlook: Negative

ICRA has assigned negative outlook due to stretched liquidity position, concerns pertaining to recoverability of the advances extended to related parties, potential impact of various ongoing investigations/litigations, deterioration in operational performance and large payments being made to Religare Health Trust (RHT).

Key rating drivers

Credit Strength

Established branded healthcare provider in India- FHsL is part of Fortis healthcare group, which is one of the largest healthcare services provider in the country, with ~4600 beds spread across 45 healthcare facilities (including projects under development) and over 346 diagnostic centers

Positive outlook for the sector in long run- Positive demand outlook for healthcare services in the country, due to growing awareness of healthcare issues, under-served nature of the sector, better affordability through increasing per capita income, and widening medical insurance coverage

Favourable asset profile- Majority of the hospitals in the network are now mature and the company will benefit from high operating leverage of the hospital business. Further, the large network of mature hospitals is difficult to replicate over short-to-medium term

Credit weaknesses

Delay in repayment of a loan by parent- the parent, Fortis Healthcare Limited, has delayed the repayment of a loan not rated by ICRA; the loan was due for repayment on April 5, 2018

Investigations by SEBI, SFIO & RoC and Ongoing Litigations- the group and its promoters are currently facing multiple investigations and litigations and any adverse ruling may impact the management and operations

Deterioration in performance in 9MFY2018- Decline in performance of the group in 9MFY2018 due to cap on prices of stents & knee implants and pricing pressure in diagnostic business

Significant outflows towards business trust fee- Though the quantum of fee paid to Business Trust will reduce after acquisition of economic interest in Fortis Hospotel Limited, it will continue to have significant impact on the cash flows and consequently the debt coverage indicators of the company

Financing risk for proposed buyout of assets of Business Trust (BT)- Although the proposed buyout of assets of BT has the potential to significantly improve the group's EBITDA, the funds for the buyout are yet to be tied up, exposing the transaction to funding risks

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Link to the applicable criteria

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[Rating Methodology for Hospitals](#)

About the company:

Fortis Hospitals Limited (FHsL) was incorporated on June 18, 2009, as a 100 per cent subsidiary of Fortis Healthcare Limited (FHL). FHsL acquired 10 Wockhardt in FY2010, for Rs. 909 crore. In FY2014, Fortis Health Management (North) Limited (FHMNL) was amalgamated with FHsL. FHsL currently manages the operations of majority of the hospitals in FHL's network.

Fortis Healthcare Limited (FHL) was promoted by late Dr. Parvinder Singh. The company commenced its operations with opening of its first hospital at Mohali in 2001. Since, then the Company has expanded its operations via expansions and acquisitions. It now has 45 healthcare facilities, operational bed capacity of ~4600 beds and the potential to reach around 10,000 beds. Further, through its subsidiary, SRL Limited, the company operates 346 diagnostic centres in the country.

Key Financial Indicators (Audited)

	FY 2016	FY 2017
Operating Income (Rs. crore)	2153	2337
PAT (Rs. crore)	-152	-170
OPBDIT/ OI (%)	4.14%	1.58%
RoCE (%)	-0.1	1.3%
Total Debt/ TNW (times)	2.01	1.96
Total Debt/ OPBDIT (times)	14.30	45.73
Interest coverage (times)	0.54	0.21
NWC/ OI (%)	11.6%	7.0%

Source: **FHsL**, ICRA estimates; OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress); NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for last three years:

S. No			Current Rating (FY2019)			Chronology of Rating History for the past 3 years											
	Instrument	Type	Amount Rated (Rs. Cr.)	Outstanding Amount (Rs. Cr.)	Date(s) & Rating(s)	Date(s) & Rating(s)	Date(s) & Rating(s)	Date(s) & Rating(s)	Date(s) & Rating(s)	Date(s) & Rating(s)	Date(s) & Rating(s)	Date(s) & Rating(s)	Date(s) & Rating(s)	Date(s) & Rating(s)	Date(s) & Rating(s)	Date(s) & Rating(s)	
					Apr-18	Mar-18	Feb-18	Sep-17	Jul-17	Apr-17	Dec-16	Sep-16	Jun-16	Apr-16	Aug-15	Apr-15	
1	Term Loan	Long Term	417.8	417.8	[ICRA] B+ (Negative)	[ICRA] BBB-(SO) @	[ICRA] A-(SO) @	[ICRA] A+(SO) &	[ICRA] A+(SO) &	[ICRA] A+(SO) (Stable)	[ICRA] A+(SO) (Stable)	[ICRA] A+(SO) (Stable)	[ICRA] A+(SO) &	[ICRA] A+(SO) (Stable)	[ICRA] A+(SO) (Stable)	[ICRA] A+(SO) (Stable)	
2	Overdraft/ Working Capital Demand Loans	Long Term	235.0	235.0	[ICRA] B+ (Negative)	[ICRA] BBB-(SO) @	[ICRA] A-(SO) @	[ICRA] A+(SO) &	[ICRA] A+(SO) &	[ICRA] A+(SO) (Stable)	[ICRA] A+(SO) (Stable)	[ICRA] A+(SO) (Stable)	[ICRA] A+(SO) &	[ICRA] A+(SO) (Stable)	[ICRA] A+(SO) (Stable)	[ICRA] A+(SO) (Stable)	
3	Non-Fund-based Limits	Short Term	97.2	97.2	[ICRA] A4	[ICRA] A3 (SO) @	[ICRA] A2+ (SO) @	[ICRA] A1+ (SO) &	[ICRA] A1+ (SO) &	[ICRA] A1+ (SO)	[ICRA] A1+ (SO)	[ICRA] A1+ (SO)	[ICRA] A1+ (SO) &	[ICRA] A1+ (SO)	[ICRA] A1+ (SO)	[ICRA] A1+ (SO)	

@: rating watch with negative implications; &: rating watch with developing implications

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	March 2013	10.50%	October 2023	417.8	[ICRA]B+(Negative)
NA	Overdraft/ Working Capital Demand Loans	--	--		235.0	[ICRA]B+(Negative)
NA	Non-fund-based Limits	--	--		97.2	[ICRA]A4

Source: FHSI

ANALYST CONTACT

Mr. Shubham Jain

+91-124-4545306

shubhamj@icraindia.com

Mr. Kapil Banga

+91-124-4545391

Kapil.banga@icraindia.com

RELATIONSHIP CONTACT

Mr. L Shiv Kumar

+91-22- 30470005

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

naznin.prodhani@icraindia.com

Helpline for business queries:

+91-124-2866928 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87
Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
Bangalore + (91 80) 2559 7401/4049
Ahmedabad+ (91 79) 2658 4924/5049/2008
Hyderabad + (91 40) 2373 5061/7251
Pune + (91 20) 6606 9999

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Hiranandani Healthcare Private Limited

April 10, 2018

Summary of rated instruments

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loans	42.98	42.98	[ICRA]B+ (Negative); reassigned from [ICRA]BBB-(SO) (rating removed from watch with negative implications and negative outlook assigned)
Overdraft	3.00	3.00	[ICRA]B+ (Negative); reassigned from [ICRA]BBB-(SO) (rating removed from watch with negative implications and negative outlook assigned)
Non-funds-based Limits	0.02	0.02	[ICRA]A4; reassigned from [ICRA]A3(SO) (rating removed from watch with negative implications)
Total	46.00	46.00	

Rating action

ICRA has reassigned the long-term rating for the Rs. 42.98-crore term loans and Rs. 3.00 crore fund-based limits of Hiranandani Healthcare Private Limited (HHPL) from [ICRA]BBB-(SO) (pronounced ICRA triple B minus structured obligation) to [ICRA]B+ (pronounced ICRA B plus). Further, ICRA has also reassigned the short-term rating for the Rs. 0.02 crore non-fund-based limits of HHPL from [ICRA]A3 (SO) (pronounced ICRA A three structured obligation) to [ICRA]A4 (pronounced ICRA A three structured obligation)¹. The ratings have been removed from watch with negative implications and a negative outlook has been assigned to long term rating.

Rationale

The ratings assigned to HHPL were backed by the guarantee provided by the parent company, Fortis Healthcare Limited (FHL). The reassignment in ratings for HHPL follows the revision in rating assigned to FHL from [ICRA]BBB- / [ICRA]A3 to [ICRA]C / [ICRA]A4 (while removing the watch with negative implications), owing to delays in servicing of debt not rated by ICRA.

Outlook: Negative

ICRA has assigned negative outlook due to stretched liquidity position, concerns pertaining to recoverability of the advances extended to related parties, potential impact of various ongoing investigations/litigations, deterioration in operational performance and large payments being made to Religare Health Trust (RHT). The ratings continue to factor in strong operational, financial and managerial linkage between FHL and HHPL.

¹ The rated instrument does not involve a structured payment mechanism

Key rating drivers

Credit Strength

Established branded healthcare provider in India- HHPL is part of Fortis healthcare group, which is one of the largest healthcare services provider in the country, with ~4600 beds spread across 45 healthcare facilities (including projects under development) and over 346 diagnostic centers

Positive outlook for the sector in long run- Positive demand outlook for healthcare services in the country, due to growing awareness of healthcare issues, under-served nature of the sector, better affordability through increasing per capita income, and widening medical insurance coverage

Favourable asset profile- HHPL's hospital is mature and the company will benefit from high operating leverage of the hospital business

Credit weaknesses

Delay in repayment of a loan by parent- the parent, Fortis Healthcare Limited, has delayed the repayment of a loan not rated by ICRA; the loan was due for repayment on April 5, 2018

Investigations by SEBI, SFIO & RoC and Ongoing Litigations- the group and its promoters are currently facing multiple investigations and litigations and any adverse ruling may impact FHL's management and operations

Deterioration in performance in 9MFY2018- Decline in performance of the group in 9MFY2018 due to cap on prices of stents & knee implants and pricing pressure in diagnostic business

Significant outflows towards business trust fee- Though the quantum of fee paid to Business Trust will reduce after acquisition of economic interest in Fortis Hospotel Limited, it will continue to have significant impact on the cash flows and consequently the debt coverage indicators of the group

Financing risk for proposed buyout of assets of Business Trust (BT)- Although the proposed buyout of assets of BT has the potential to significantly improve the group's EBITDA, the funds for the buyout are yet to be tied up, exposing the transaction to funding risks

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Ratings: A Note on Methodology](#)

[Impact of Parent or Group Support on an Issuer's Credit Rating](#)

[Rating Methodology for Hospitals](#)

About the company:

Hiranadani Healthcare Private Limited (HHPL) owns and operates a tertiary care hospital- Fortis Hiranandani. Established in 2007, the hospital is located at Mini Sea Shore Road, Vashi, Navi Mumbai. It is a tertiary care, multi-specialty hospital equipped with 149 beds and spread over an area of 1,20,000 sq. ft. Fortis Hiranandani is accredited by the National Accreditation Board of Hospitals (NABH). 100% stake in HHPL is owned by Fortis Healthcare Limited.

Fortis Healthcare Limited (FHL) was promoted by late Dr. Parvinder Singh. The company commenced its operations with opening of its first hospital at Mohali in 2001. Since, then the Company has expanded its operations via expansions and acquisitions. It now has 45 healthcare facilities, operational bed capacity of ~4600 beds and the potential to reach around 10,000 beds. Further, through its subsidiary, SRL Limited, the company operates 346 diagnostic centres in the country.

Key Financial Indicators (Audited)

	FY 2016	FY 2017
Operating Income (Rs. crore)	139.10	134.18
PAT (Rs. crore)	13.91	7.01
OPBDIT/ OI (%)	23.76%	16.44%
RoCE (%)	39.86%	23.17%
Total Debt/ TNW (times)	1.96	1.21
Total Debt/ OPBDIT (times)	1.48	1.76
Interest coverage (times)	4.55	3.82
NWC/ OI (%)	9%	9%

Source: HHPL's Annual Report, ICRA estimates

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Chronology of Rating History for the past 3 years													
Current Rating (FY2019)					Chronology of Rating History for the past 3 years								
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating Apr 2018	Date & Rating in FY2018				Date & Rating in FY2017			Date & Rating in FY2016 Sep 2015	
					Mar 2018	Feb 2018	Jan 2018	Jul 2017	Dec 2016	Sep 2016	Jun 2016		
1	Term Loan	42.98	42.98	[ICRA] B+ (negative)	[ICRA] BBB- (SO) @	[ICRA] A- (SO) @	[ICRA] A+ (SO) &	[ICRA] A+ (SO) &	[ICRA] A+ (SO) (Stable)	[ICRA] A+ (SO) (Stable)	[ICRA] A &	[ICRA] A (Stable)	
2	Overdraft /WCDL	3.00	3.00	[ICRA] B+ (negative)	[ICRA] BBB- (SO) @	[ICRA] A- (SO) @	[ICRA] A+ (SO) &	[ICRA] A+ (SO) &	[ICRA] A+ (SO) (Stable)	[ICRA] A+ (SO) (Stable)	[ICRA] A &	[ICRA] A (Stable)	
3	Non-Fund Based Limits	0.02	0.02	[ICRA] A4	[ICRA] A3 (SO) @	[ICRA] A2 + (SO) @	[ICRA] A1+ (SO) &	[ICRA] A1 + (SO) &	[ICRA] A1 + (SO)				
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Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	July 2016	NA	July 2021	42.98	[ICRA]B+ (Negative)
NA	Overdraft/WCDL	NA	NA	NA	3.00	[ICRA]B+ (Negative)
NA	Non-Fund Based Limits	NA	NA	NA	0.02	[ICRA]A4

Source: Hiranandani Healthcare Private Limited

ANALYST CONTACTS

Mr. Shubham Jain

+91-124-4545306

shubhamj@icraindia.com

Kapil Banga

+91 124 4545 391

Kapil.banga@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

naznin.prodhani@icraindia.com

Helpline for business queries:

+91-124-2866928 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87
Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
Bangalore + (91 80) 2559 7401/4049
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