

## Fortis Healthcare Holdings Private Limited

Rating Instrument	Amount	Rating Action June 2016
Non-convertible Debentures	Rs. 50 crore	[ICRA]A (Negative); assigned
Commercial Paper/Short-term Debt Programme	Rs. 500 crore	[ICRA] A1; outstanding
Non-convertible Debentures	Rs. 300 crore	[ICRA]A (Negative); outstanding

ICRA has assigned [ICRA]A rating to Rs. 50 crore non-convertible debenture programme of Fortis Healthcare Holdings Private Limited. The rating carries a negative outlook.

ICRA also has short-term rating of **[ICRA]A1** (pronounced ICRA A one) outstanding on Rs. 500 crore<sup>1</sup> Commercial Paper/ short-term borrowing programme and long-term rating of **[ICRA]A** (pronounced ICRA A) assigned to Rs. 300 crore long-term borrowing programme of Fortis Healthcare Holdings Private Limited (FHHPL)<sup>2</sup>. Outlook on long-term rating is **negative**.

FHHPL and RHC Holding Private Limited (RHC) are promoter holding companies of Mr. Malvinder Singh and Mr. Shivinder Singh. RHC is the key holding company for the group and has invested (in the form of debt / equity) in the group companies including Fortis Healthcare Limited (FHL), Religare Enterprise Limited (REL), Ligare Aviation Limited, Religare Wellness Limited, Dion Global Solutions Limited, SRL Limited, and Healthfore Technologies Limited. Besides, RHC has also made investments in real estate and extended loans to non-group companies. Proceeds from FHHPL's existing and proposed loans would be up-streamed to RHC to enable repayment of its loans and the funds would be given back by RHC to FHHPL when FHHPL's debt becomes payable.

The ratings draw comfort from FHHPL's strong promoters and FHHPL's status as the key holding companies for healthcare business of Mr. Malvinder Singh and Mr. Shivinder Singh. FHHPL is the holding company of Fortis Healthcare Limited {(FHL) {rated [ICRA]A+ (stable outlook)/[ICRA]A1+ by ICRA}}, which owns and operates one of the largest healthcare services network in the country spread across diagnostics, hospitals and pharmacies.

The negative outlook for FHHPL's long-term rating reflects significant increase in total debt of FHHPL and its parent, RHC, in FY2016 to support various subsidiaries and to meet rising financial costs. Combined debt of FHHPL and RHC stood at Rs.~4800 crore as on March 31, 2016, significantly higher as compared to Rs. 3831 crore as of June 2015. Large part of this debt is short-term in nature and in absence of any meaningful income from its subsidiaries, RHC remains exposed to asset-liability mismatch and is highly dependent on timely refinancing of its loans. ICRA has taken note of the management's intension to replace the short-term debt with long-term debt; however the same is likely to be possible only over the medium term.

The ratings continue to be constrained by FHHPL's high debt levels which coupled with absence of any stable revenue stream and short term maturity profile of debt exposes the company to high refinancing risks. Further, the prevailing slowdown in real estate sector has made it difficult for the company to liquidate its real estate investments thus delaying the overall deleveraging process. Also, the high level of shares pledged in Fortis Healthcare Limited and Religare Enterprises Limited, and the recent changes in guidelines issued by SEBI for restricting mutual fund exposure to overall promoter group has resulted in reduced financial flexibility available with the group as a whole.

Going forward, movement in overall indebtedness of holding entities of the group, performance of operating entities, liquidation of RHC's investments, and timely refinancing of loans will be the key rating sensitivities. Further, movement in promoters' pledge of shares in FHL and REL, which is currently at high levels, will be a key rating monitorable.

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating definition please refer to ICRA website [www.icra.in](http://www.icra.in) or any of the ICRA Rating Publications



### **Company Profile**

Fortis Healthcare Holdings Private Limited (FHHPL) is a holding/investment company, controlled by promoters of Religare Enterprises and Fortis Healthcare Limited, Mr Malvinder Mohan Singh and Shivinder Mohan Singh. FHHPL holds 99.83% promoters' shares and 71.22% of total shares in Fortis Healthcare Limited. FHHPL, is in turn held by RHC Holding Private Limited (RHC) and Oscar Investments Limited (OIL), both of which are promoter holding companies.

### **Recent Results**

In FY2016, the company reported operating income of Rs. 8.60 crore (provisional) and net loss of Rs. 3.01 crore (provisional) as against income of Rs.0.00 crore and net profit of Rs. 2.30 crore in FY2015.

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