

SRL Diagnostics Private Limited

	Amount (Rs. Crore)	Rating Action September 2016
CC	15.00	[ICRA]A- rating watch removed and stable outlook assigned
STL/LC	(15.0)	[ICRA]A2+ rating watch removed
Total	15.0	

ICRA has removed the long-term rating of '[ICRA]A-' (pronounced ICRA A minus) and short term rating of '[ICRA]A2+' (pronounced ICRA A two plus) for the Rs.15.0 crore bank facilities of SRL Diagnostics Pvt. Ltd from "rating watch with developing implications". The Outlook on the long-term rating is "Stable".

The ratings were put on "Rating watch with Developing implications" after considering the change in the rating of its parent company - SRL Limited (SRL – owns 100% stake in SRLD) and ultimate parent company Fortis Healthcare Limited (FHL- owns 56.4% diluted stake in SRL), where in their ratings of [ICRA]A+/A1+ had been put on 'rating watch with developing implications'. However, ICRA has now removed the ratings of [ICRA]A+/A1+ of SRL Limited and Fortis Healthcare Limited from 'rating watch with developing implications'. The rating action on Fortis Healthcare Limited has been taken post the High Court of Delhi set aside the earlier order of the special committee formed by Government of National Capital Territory of Delhi (GNCTD) imposing a penalty of Rs. 503 crore on FHL's subsidiary, Escorts Heart Institute and Research Centre Limited (EHIRCL). The fine was imposed in June 2016 for alleged violation of the land allotment agreement wherein free treatment (upto a predetermined limit) has to be provided to patients from Economically Weaker Section (EWS), following which the ratings were place on watch by ICRA. The order has been set aside by court as GNCTD has agreed to provide a fresh hearing to the company. ICRA will continue to monitor the development closely and assess its impact on credit risk profile of the company once more clarity emerges on the issue.

Company Profile

SRL Diagnostics Private Limited (SRLD), formerly known as Piramal Diagnostic Services Pvt. Ltd., is one of the larger chains of clinical diagnostic centres in India. It is a wholly owned subsidiary of SRL Limited, which in turn is 57.8% owned by the Fortis Group on a diluted basis. SRLD is one of the few diagnostic centre chains that offer both pathology and radiology pan-India. Most centres in addition, offer Echocardiography, ECG, Stress Tests, Pulmonary Function Test, Audiometry and Body Composition Tests besides the pathology and radiology tests. SRL Diagnostics operates 76 diagnostic centres and 43 collection centres as on 31st March 2015. Additionally, through their joint venture DDRC SRL Diagnostic Services, they operate 62 laboratories and six collection centres in the state of Kerala.

Recent Development

On 19th August 2016, Fortis Healthcare Limited, subject to High Court Approval, announced the demerger of SRL Limited (owns 100% stake in SRL Diagnostics) from Fortis Healthcare Limited (owns 56.4% diluted stake in SRL Limited) and subsequent amalgamation of the former with Fortis Malar Hospitals Limited (62.4% step-down subsidiary of Fortis Healthcare Limited). The new company shall be rechristened as SRL. Further, Fortis Malar Hospitals Limited's Chennai Hospital would be sold to Fortis Healthcare Limited on slump basis for Rs. 43 crore. The proposed scheme of transfer of businesses is expected to provide the focus to the different business units (hospital and diagnostic) and simplify the organization structure that would provide investors to easily assess the companies separately.

Recent Results

As per Audited financials, SRLD's Operating Income stood at Rs. 270.5 crore, consolidated operating profit before depreciation, interest and tax was at Rs. 64.2 crore and net loss of Rs. 4.9 crore in FY2016.

September 2016



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