

November 19, 2019

Fortis Hospitals Limited - Update on Material Event

Summary of Rated Instrument:

Instrument	Rated Amount (Rs. crore)	Rating Outstanding
Fund-based limits	194.82	[ICRA]BBB+&; on watch with developing implications
Term Loans	530.18	[ICRA]BBB+&; on watch with developing implications
Non-fund based limits	25.00	[ICRA]A2&; on watch with developing implications
Total	750.00	

Material Event

On November 15, 2019, the Honourable Supreme Court of India (SC) passed a judgement on the case Vinay Prakash Singh v. Sameer Gehlaut & others. As part of the order, the SC has also issued notice to Fortis Healthcare Limited (Fortis¹)- parent company of Fortis Hospitals Limited, to show cause why it should not be punished for contempt.

Impact of the Material Event

ICRA has maintained the ratings at [ICRA]BBB+/[ICRA]A2 and the ratings continue to be on watch with developing implications.

ICRA has taken note of the judgement and the show cause notice issued by SC to Fortis; the court has provided time to the company till February 3, 2020, to show cause why it should not be punished for contempt. ICRA notes that the court order and the abovementioned notice are not expected to immediately impact the company's cash flows and its operating and financial metrics. Further, IHH Healthcare Bhd. (IHH), being FHL's largest shareholder and new promoter (through their Subsidiary NTK Ventures Pte Ltd), will continue to remain so, till a final decision is taken by the court. Additionally, the new management has been able to successfully improve the performance and liquidity position of the company, as is also reflected in its improving quarterly performance. This, coupled with the reduction in debt, has led to significant improvement in debt protection indicators.

Although, post Dec-2018 "status quo" order and this order by SC, IHH will not be able to raise its stake in Fortis through the proposed open offer; this delay in open offer is not expected to impact Fortis' cashflows and credit risk profile as the proceeds were to be paid to minority shareholders for increasing IHH's stake in Fortis. However, ICRA notes that the order could impact the ongoing process of sale of stake by existing private equity (PE) investors in SRL Limited; in case Fortis is required to buy the stake of the existing PE investors by leveraging its balance sheet, Fortis' financial risk profile will be adversely impacted. ICRA will continue to monitor these developments closely and take necessary rating action as and when more clarity emerges.

The previous detailed rating rationale is available on the following link: [Click here](#)

¹ ICRA has taken consolidated view of Fortis Healthcare Limited (Fortis) and all its subsidiaries, that are involved in healthcare business.

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