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/2023-24 **July 21, 2023**

The National Stock Exchange of India Ltd.
Scrip Symbol: FORTIS

BSE Limited
Scrip Code:532843

Sub: Regulation 30 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015- Update on Credit Ratings of the Company and its Subsidiaries

Dear Madam / Sir,

In compliance of Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, please note that CRISIL Ratings Limited has upgraded the rating of the Company and its subsidiaries, as under:

	Company	**Rating**
Long Term Rating	Fortis Healthcare Limited (Company) and its subsidiaries viz. Escorts Heart Institute and Research Centre Limited, Fortis Hospotel Limited, Fortis Hospitals Limited, International Hospital Limited and Agilus Diagnostics Limited.	CRISIL AA / Stable (Upgraded from CRISIL AA-/Positive)
Short Term rating	Fortis Healthcare Limited (Company) and its subsidiaries viz. Escorts Heart Institute and Research Centre Limited, Fortis Hospotel Limited, Fortis Hospitals Limited and International Hospital Limited.	CRISIL A1+ (Reaffirmed)

The detailed letters as issued by CRISIL Ratings Limited to the Company and aforesaid subsidiaries are enclosed for your reference and records.

Thanking you,
Yours sincerely,
For **Fortis Healthcare Limited**

Murlee Manohar Jain
Company Secretary
ICSI Membership: F9598

Encl: a/a

Rating Rationale

July 21, 2023 | Mumbai

Fortis Healthcare Limited

Long-term rating upgraded to 'CRISIL AA/Stable '; Short-term rating reaffirmed

Rating Action

Total Bank Loan Facilities Rated	**Rs.313.78 Crore**
Long Term Rating	**CRISIL AA/Stable (Upgraded from 'CRISIL AA-/Positive')**
Short Term Rating	**CRISIL A1+ (Reaffirmed)**

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its ratings on the bank facilities of Fortis Healthcare Ltd (FHL) to '**CRISIL AA/Stable'** from 'CRISIL AA-/Positive'. The short-term rating has been reaffirmed at 'CRISIL A1+'.

The rating action follows the sustained improvement in the business risk profile of Fortis Healthcare Ltd (FHL), driven by steady occupancy, better surgical mix, and greater share of international patients leading to higher average revenue per occupied bed (ARPOB). Financial risk profile is also expected to remain comfortable over the medium term on the back of strong capital structure and debt protection metrics, despite growth plans. On a consolidated basis, debt to earnings before interest, tax, depreciation and amortisation (Ebitda) ratio is likely to be below 1 time; the ratio was ~0.8 time as on March 31, 2023, against ~1.2 times as on March 31, 2022.

Consolidated operating revenue grew ~10% to ~Rs 6,298 crore on-year in fiscal 2023, driven by ~19% growth in the hospital business to ~Rs 4,967 crore; against this, the diagnostics business de-grew 18% to ~Rs 1,175 crore. The hospital business improved owing to occupancy level of ~67% (63% in fiscal 2022) and higher ARPOB per day of ~Rs 55,100 (~Rs 49,400), while diagnostics was affected by lower Covid test volumes, which accounted for just 4% of the topline in fiscal 2023 against 28% earlier. Non-Covid revenue increased 12% year-on-year led by higher collection centres leading to better volumes.

Consolidated reported operating EBITDA margin moderated to ~17.5% in fiscal 2023 from ~18.7% in fiscal 2022 because lower operating leverage led to a decline in the diagnostic division margin to ~17.7% from ~25.7%. Against this, margin of the hospital segment improved to ~16.9% from ~15.4%. Growth prospects remain robust over the medium term with regular bed additions in the hospital segment and increased volumes in the diagnostics division. Hence, the Ebitda margin is expected to sustain at 17-18%, thereby ensuring healthy cash generation.

Total debt (including lease liabilities) reduced to Rs 926 crore as on March 31, 2023, from 1,255 crore previous fiscal, while gross debt (including leases)/Ebitda stood at ~0.8 time against 1.2 times. Hence, gearing was comfortable at ~0.2 time as on March 31, 2023. FHL (on consolidated basis) has annual capital expenditure (capex) plan of ~Rs 1,000 crore, which is likely to be funded through mix of internal accrual and debt. This, along with steady term loan repayment, will ensure debt metrics remain robust. Any large, debt-funded capex or acquisition or any adverse ruling in existing litigations under dispute, necessitating significant payout, may impact financial risk profile and will remain a key monitorable.

The ratings had earlier been placed on watch due to pending legal issues. The Hon'ble Supreme Court of India had initiated suo moto contempt proceedings against FHL with regard to fund infusion by its promoter, IHH Healthcare Berhard (IHH), in the form of preferential allotment of fresh shares and purchase of assets of RHT Health Trust (RHT). CRISIL Ratings has undertaken a detailed discussion with the management subsequent to the Hon'ble Supreme Court judgement disposing off the suo moto contempt suits against FHL. The management does not anticipate any major implication on the day-to-day operations and future growth plans of the company on account of the remaining litigations. Furthermore, IHH has reiterated in multiple forums that FHL remains strategically important as India, along with Malaysia, Singapore and Turkey, remains its key market. The prospects for the healthcare sector in India remain strong over the medium term, and FHL is expected to be a key growth driver for IHH.

In its stock exchange announcement on September 23, 2022, FHL intimated that the Hon'ble Supreme Court, in its final judgement, held inter alia that the suo motu contempt petition and the connected proceedings (Special Leave Petition (Civil) No. 20417 of 2017 and the contempt petition No. 2120 of 2018 in SLP (C) No. 20417 of 2019) have been disposed of. The court has neither found nor indicated any wrongdoing by FHL related to the preferential allotment to Northern TK Ventures Pte Ltd (part of IHH) by FHL. The Hon'ble Supreme Court also observed that acquisition of the business portfolio of RHT by FHL appeared to be prima facie an acquisition of proprietary interest to subserve the business structure of FHL. However, the court has stated that the facts on record are not adequate to definitively evaluate issues concerning the acquisition and has issued certain directions including that the Hon'ble High Court of Delhi may consider issuing appropriate processes and appointing forensic auditor(s) to analyse the transactions entered into by FHL and RHT and other related transactions. The judgement further provides that it will be open to the Hon'ble Delhi High Court to pass such directions as the facts and circumstances presented before it, may justify.

The Securities and Exchange Board of India (SEBI) had, vide orders dated April 19, 2022, and May 5, 2022, imposed a penalty of Rs 1 crore each on Escorts Heart Institute and Research Centre Ltd (EHIRCL: rated 'CRISIL AA/Stable/CRISIL A1+') and FHL, and Rs 50 lakh on Fortis Hospitals Ltd (FHsL; rated 'CRISIL AA/Stable/CRISIL A1+') due to irregularities, inter alia, committed by the erstwhile promoters. FHL and FHsL have filed an appeal against the order of April 19, 2022, before the Securities Appellate Tribunal, Mumbai (SAT), which has directed SEBI to file its response and ordered that on deposit of 50% of the penalty amount, SEBI will not initiate recovery of further amounts. Against the order dated May 18, 2022, EHIRCL has filed an appeal before SAT, which has ordered that on deposit of 50% of penalty amount, SEBI will not initiate recovery of further amounts. The two appeals are sub judice, and a Serious Fraud Investigation Office investigation is underway.

The outcome of these proceedings before the Hon'ble High Court of Delhi that may have a bearing on the financial risk profile of FHL, will remain a monitorable.

The ratings reflect the established market position of the Fortis group with pan-India presence through its network of 27 hospitals, sound operational efficiency, and healthy financial risk profile, including adequate liquidity. These strengths are partially offset by pending litigations, the impact of which is not expected to be material; and exposure to regulatory risks associated with the hospital sector.

Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of FHL and its subsidiaries, joint ventures and associates because all these entities are under a common management and have strong business and financial linkages. Debt includes lease liabilities, following adoption of Ind AS 116. CRISIL Ratings has further amortised the goodwill arising out of acquisition of balance 50% stake in DDRC by Agilus Diagnostics Ltd (Agilus) during fiscal 2022 over a period of 10 years.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

Strong market position in the domestic healthcare space: FHL (on a consolidated basis) operates 27 hospitals (including joint ventures [JVs] and operations and maintenance facilities) across India (Haryana, Punjab, Delhi-National Capital Region, Karnataka, Rajasthan, Maharashtra, Chennai and West Bengal), which have a total of ~4,000 operational beds. Fortis is a well-known brand in the Indian healthcare space and the hospitals under it offer world-class services and attract international patients.

Agilus has established a strong brand in both the retail and B2B (business-to-business) diagnostics segments, managing over 479 labs (including JVs) with over 3,700 customer touch points across India. The strong market position should sustain over the medium term given the wide geographical footprint and diverse speciality mix.

While the brand of diagnostic subsidiary has changed to Agilus in May 2023, there is also a proposal to change the Fortis brand subject to various deliberations and requisite regulatory and corporate approvals. Transitioning to a new brand while maintaining market position will be a key monitorable.

Healthy and improving financial risk profile, aided by good operating performance: The company has a strong financial risk profile, driven by a strong capital structure and healthy debt protection metrics. Though the group plans to incur capex of Rs 800-1,000 crore per annum going forward over the next couple of years, healthy cash generation would ensure that gearing, debt (including lease liabilities)/EBITDA and interest coverage ratios remain at comfortable levels over the medium term. Any large, debt-funded capex or acquisition or any adverse ruling in existing litigations under dispute, necessitating significant payout, may impact the financial risk profile of FHL, and will remain a key monitorable.

Weaknesses:

Exposure to regulatory risk: The group, like other hospital chains, remains exposed to regulations. For instance, the performance of private hospitals was significantly impacted by price caps on cardiac stents and knee implants imposed in the last quarter of fiscal 2017. The cap on cash transactions up to Rs 2 lakh had also posed temporary challenges when introduced in fiscal 2018. Regulatory actions and their impact will remain monitorables.

Continuing litigations: While the recent directions of the Hon'ble Supreme Court have not had any adverse impact on the operations of the Fortis group, the apex court has directed the Hon'ble High Court of Delhi to look into matters involving the purchase of RHT assets by FHL, including undertaking a possible forensic audit. While the FHL management does not envisage any significant financial liability that may arise on this account, the timeframe by which the said legal issues may be resolved is uncertain. Furthermore, contingent liabilities of ~Rs 2,470 crore as on March 31, 2023, include matters of income tax, medical negligence, among others. Any adverse development related to these will remain a key monitorable.

Liquidity: Strong

On a consolidated basis, liquidity (cash equivalents of ~Rs 366 crore and undrawn working capital limit of Rs 355 crore) stood at ~Rs 721 crore as on March 31, 2023, against debt obligation of less than ~Rs 50 crore for fiscal 2024. Term Debt obligations of Rs 100-150 crore each in fiscals 2025 and 2026 and can be comfortably serviced from accrual, which will also partly fund annual capex of ~Rs 1,000 crore.

Environment, social and governance (ESG) profile

The ESG profile of FHL supports its already strong credit risk profile.

The hospital sector has a low impact on the environment owing to its lower emission, comparatively lesser waste generation and water consumption. This is because of low energy intensive nature of operations of hospitals. The sector also has a moderate social impact because of its large workforce across hospitals and value chain partners.

FHL has continuously focused on mitigating its environmental and social risks. The company has been enhancing its disclosure levels and is in the process of further strengthening this, going forward.

ESG highlights

1. Regular electricity supply at the hospitals ensures lower dependence on diesel generator (DG) sets. Scrubbers have been installed on DG sets to reduce emission of greenhouse gases. In many of the hospitals, water heating is undertaken via solar panels and heat pumps, thus reducing reliance on GHG emitting fuels.
2. Fortis has plants for treatment of sewage and effluents, as per guidelines of the Pollution Control Board and the capacity of the hospital. Wastewater gets treated for further utilisation in gardening and flushing systems.
3. The company continues to build a more diverse, inclusive and representative workforce with women constituting 57.7% of employees.
4. The company has undertaken various measures have to ensure a safe and healthy workplace. Measures include specific awareness workshops for fire safety, use of chemicals, infections, machine handling, and public handling, food and water audits, high cleaning standards for public areas and toilets and mental wellness workshops and helplines
5. The governance profile is marked by 36% of the board comprising independent directors, split between positions of Chairman and CEO, and a strong investor grievance redressal cell. It also has extensive disclosures.

There is growing importance of ESG among investors and lenders. FHL's commitment to ESG principles will play a key role in enhancing stakeholder confidence and ensure ease of raising capital from markets where ESG compliance is a key factor.

Outlook: Stable

The credit risk profile of FHL will continue to benefit from its established market position, supported by steady occupancy, high ARPOBs, and resumption of revenue from international patients, which will lead to high operating profitability. The comfortable debt metrics are likely to sustain over the medium term while pursuing organic and inorganic growth opportunities.

Rating Sensitivity factors

Upward factors

- Significant revenue growth while maintaining operating profitability above 16-18%, thereby benefitting cash generation
- Maintenance of strong financial risk profile, including robust debt metrics, and sustenance of gross debt (including lease liabilities) to Ebitda ratio within 1.2-1.5 times while pursuing organic and inorganic growth opportunities

Downward factors

- Sluggish operating performance leading to operating profitability below 12-14% on a sustained basis, thereby impacting cash generation
- Significant, debt-funded capex or investments or any unfavourable judgement in the ongoing litigations impacting debt metrics; with gross debt to Ebitda ratio sustaining above 2-2.5 times

About the Company

Incorporated in February 1996, FHL's first healthcare facility became operational at Mohali in Punjab in 2001. The company is an integrated healthcare services provider, present across hospitals, diagnostics, day care, and specialty facilities. It has both owned and managed hospitals. The diagnostics brand, Agilus, is among the leading chains in the country. FHL has entered the women and child health and well-being segments through the La Femme brand. It has a facility each in Jaipur; Greater Kailash and Shalimar Bagh (both in New Delhi); and in Bengaluru. The company has four hospitals accredited to the Joint Commission International (JCI), 21 accredited to the National Accreditation Board for Hospitals (NABH), 18 with NABH-accredited nursing programmes under its umbrella, and 9 NABH-accredited blood banks.

On February 15, 2018, shareholding of the erstwhile promoters, Mr Malvinder Mohan Singh and Mr Shivinder Mohan Singh, came down to less than 1% after the Hon'ble Supreme Court allowed lenders to invoke the pledge against shares of FHL held as security. Thereafter, the search for a new promoter began and bids were invited from investors. IHH was the winning bidder and became the new promoter, having invested around Rs 4,000 crore against fresh issuance of around 31.1% stake.

The board has provided the in-principle approval for change of the names, brands and logos of Fortis and it's diagnostic subsidiary, whose license agreements expired in April and May 2021, respectively. Subsequently, the diagnostics subsidiary has been renamed as Agilus Diagnostics Ltd since May 2023. The proposal to change the name, brand and logo of Fortis remains subject to various deliberations and requisite corporate and regulatory approvals.

For fiscal 2023, FHL had a net profit of Rs 633 crore (including an exceptional gain of Rs 74 crore pertaining to reversal of impairment in an associate company) and reported an operating revenue of around Rs 6,298 crore. This was in comparison to operating revenue of around Rs 5,718 crore and net profit of Rs 790 crore in fiscal 2022 (including exceptional gain of Rs 315 crore, pertaining to remeasurement of the previously held equity interest of Agilus in it's JV with DDRC at its fair value post-acquisition of the balance 50% stake in the said JV in April 2021).

Key Financial Indicators

As on / for the period ended March 31	Unit	2023	2022
Reported revenue	Rs crore	6,298	5718
Reported profit after tax (PAT)	Rs crore	633	790
Reported PAT margin	%	10.1	13.8
Debt (including leases)/adjusted networth*	Times	0.23	0.40
Adjusted interest coverage*	Times	8.78	7.40
Gross debt/ EBITDA	Times	0.8	1.2

**CRISIL Ratings-adjusted numbers. Net worth has been adjusted for intangible assets such as goodwill*

Any other information: Not applicable

Note on complexity levels of the rated instrument:
CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity levels	Rating assigned with outlook
NA	Term loan	NA	NA	Sep-25	25.8	NA	CRISIL AA/Stable
NA	Term loan	NA	NA	Jun-24	25	NA	CRISIL AA/Stable
NA	Term loan	NA	NA	Aug-26	29.75	NA	CRISIL AA/Stable
NA	Term loan	NA	NA	Jun-29	4	NA	CRISIL AA/Stable
NA	Term loan	NA	NA	Oct-30	48.18	NA	CRISIL AA/Stable
NA	Term loan	NA	NA	Aug-29$	111.05	NA	CRISIL AA/Stable
NA	Working capital facility#	NA	NA	NA	50	NA	CRISIL A1+
NA	Working capital facility#	NA	NA	NA	20	NA	CRISIL A1+

#Interchangeable with working capital demand loan, short-term loan and non-fund based limit
$tentative since the term loan is yet to be drawn

Annexure – List of entities consolidated

Names of entities consolidated	Extent of consolidation	Rationale for consolidation
Hiranandani Healthcare Pvt Ltd	Full	Consolidated being subsidiary
Fortis Hospotel Ltd	Full	Consolidated being subsidiary

Fortis Health Management Ltd	Full	Consolidated being subsidiary
Hospitalia Eastern Pvt Ltd	Full	Consolidated being subsidiary
International Hospital Ltd	Full	Consolidated being subsidiary
Escorts Heart and Super Speciality Hospital Ltd	Full	Consolidated being subsidiary
Adayu Mindfulness Limited	Full	Consolidated being subsidiary
Fortis Health Management (East) Ltd	Full	Consolidated being subsidiary
Fortis Cancer Care Ltd	Full	Consolidated being subsidiary
Fortis Healthcare International Ltd	Full	Consolidated being subsidiary
Escorts Heart Institute and Research Centre Ltd	Full	Consolidated being subsidiary
Fortis Malar Hospitals Ltd	Full	Consolidated being subsidiary
Fortis Hospitals Ltd	Full	Consolidated being subsidiary
Fortis Global Healthcare (Mauritius) Ltd	Full	Consolidated being subsidiary
Malar Stars Medicare Ltd	Full	Consolidated being subsidiary
Fortis Asia Healthcare Pte. Ltd	Full	Consolidated being subsidiary
Birdie & Birdie Realtors Pvt Ltd	Full	Consolidated being subsidiary
Fortis Emergency Services Ltd	Full	Consolidated being subsidiary
Stellant Capital Advisory Services Pvt Ltd	Full	Consolidated being subsidiary
RHT Health Trust Manager Pte Ltd	Full	Consolidated being subsidiary
Fortis Health Staff Ltd	Full	Consolidated being subsidiary
Agilus Diagnostics Ltd	Full	Consolidated being subsidiary
SRL Diagnostics Pvt Ltd #	Full	Consolidated being subsidiary
Agilus Pathlabs Reach Ltd	Full	Consolidated being subsidiary
Agilus Diagnostics FZ-LLC	Full	Consolidated being subsidiary
Mena Healthcare Investment Company Ltd	Full	Consolidated being subsidiary
Medical Management Company Ltd	Full	Consolidated being subsidiary
Fortis CSR Foundation	Full	Consolidated being subsidiary
Sunrise Medicare Pvt Ltd	Equity method (strike off w.e.f. August 17, 2021)	Equity method of consolidation
Lanka Hospital Corporation Plc	Equity method	Equity method of consolidation
Fortis Global Healthcare Infrastructure Pte Limited.	Equity method	Equity method of consolidation
RHT Health Trust	Equity method	Equity method of consolidation
Fortis Cauvery	Equity method	Equity method of consolidation
Fortis C-Doc Healthcare Ltd	Equity method	Equity method of consolidation
DDRC SRL Diagnostics Ltd #	Equity method (till April 4, 2021)	Equity method of consolidation (till April 4, 2021)
	Full (from April 5, 2021)	Consolidated being subsidiary (from April 5, 2021)
SRL Diagnostics (Nepal) Pvt Ltd #	Equity method	Equity method of consolidation

#name change process underway

Annexure - Rating History for last 3 Years

	Current			2023 (History)		2022		2021		2020		Start of 2020
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	ST/LT	313.78	CRISIL A1+ / CRISIL AA/Stable	01-02-23	CRISIL AA-/Positive / CRISIL A1+	29-12-22	CRISIL A1+/Watch Developing / CRISIL AA-/Watch Developing	29-11-21	CRISIL A1/Watch Developing / CRISIL A+/Watch Developing	10-12-20	CRISIL A/Watch Developing	--
			--		--	03-10-22	CRISIL A1+/Watch Developing / CRISIL AA-/Watch Developing	01-09-21	CRISIL A1/Watch Developing / CRISIL A+/Watch Developing	11-09-20	CRISIL A/Watch Developing	--

			--		--	04-08-22	CRISIL A1+/Watch Developing / CRISIL AA-/Watch Developing	26-07-21	CRISIL A+/Watch Developing	15-06-20	CRISIL A/Watch Developing	--
			--		--	26-05-22	CRISIL A1+/Watch Developing / CRISIL AA-/Watch Developing	26-03-21	CRISIL A/Watch Developing	17-03-20	CRISIL A/Watch Developing	--
			--		--	25-02-22	CRISIL A1+/Watch Developing / CRISIL AA-/Watch Developing	07-01-21	CRISIL A/Watch Developing	11-03-20	CRISIL A1/Watch Developing	--
Non-Fund Based Facilities	ST		--		--		--	01-09-21	Withdrawn	10-12-20	CRISIL A1/Watch Developing	--
			--		--		--	26-07-21	CRISIL A1/Watch Developing	11-09-20	CRISIL A1/Watch Developing	--
			--		--		--	26-03-21	CRISIL A1/Watch Developing	15-06-20	CRISIL A1/Watch Developing	--
			--		--		--	07-01-21	CRISIL A1/Watch Developing	17-03-20	CRISIL A1/Watch Developing	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Term Loan	**25.8**	**DBS Bank India Limited**	**CRISIL AA/Stable**
Term Loan	**217.98**	**The Hongkong and Shanghai Banking Corporation Limited**	**CRISIL AA/Stable**
Working Capital Facility&	**20**	**Axis Bank Limited**	**CRISIL A1+**
Working Capital Facility&	**50**	**DBS Bank India Limited**	**CRISIL A1+**

& - Interchangeable with working capital demand loan, short-term loan and non-fund-based limit

Criteria Details

Links to related criteria
[CRISILs Approach to Financial Ratios]
[CRISILs Bank Loan Ratings]
[Rating criteria for manufaturing and service sector companies]
[CRISILs Criteria for Consolidation]
[CRISILs Criteria for rating short term debt]

Media Relations	Analytical Contacts	Customer Service Helpdesk
Aveek Datta Media Relations **CRISIL Limited** M: +91 99204 93912 B: +91 22 3342 3000 AVEEK.DATTA@crisil.com **Prakruti Jani** Media Relations **CRISIL Limited** M: +91 98678 68976 B: +91 22 3342 3000 PRAKRUTI.JANI@crisil.com	Anuj Sethi Senior Director **CRISIL Ratings Limited** B:+91 44 6656 3100 anuj.sethi@crisil.com Poonam Upadhyay Director **CRISIL Ratings Limited** B:+91 22 3342 3000 poonam.upadhyay@crisil.com AKSHAY GOEL	Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301 For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com For Analytical queries: ratingsinvestordesk@crisil.com

Rutuja Gaikwad Media Relations **CRISIL Limited** B: +91 22 3342 3000 **Rutuja.Gaikwad@ext-crisil.com**	Senior Rating Analyst **CRISIL Ratings Limited** B:+91 22 3342 3000 AKSHAY.GOEL1@crisil.com	

About CRISIL Ratings Limited (A subsidiary of CRISIL Limited, an S&P Global Company)

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings Limited ('CRISIL Ratings') is a wholly-owned subsidiary of CRISIL Limited ('CRISIL'). CRISIL Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit www.crisilratings.com

About CRISIL Limited

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: TWITTER | LINKEDIN | YOUTUBE | FACEBOOK

DISCLAIMER

This disclaimer is part of and applies to each credit rating report and/or credit rating rationale ('report') that is provided by CRISIL Ratings Limited ('CRISIL Ratings'). To avoid doubt, the term 'report' includes the information, ratings and other content forming part of the report. The report is intended for the jurisdiction of India only. This report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the report is to be construed as CRISIL Ratings providing or intending to provide any services in jurisdictions where CRISIL Ratings does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this report does not create a client relationship between CRISIL Ratings and the user.

We are not aware that any user intends to rely on the report or of the manner in which a user intends to use the report. In preparing our report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the report is not intended to and does not constitute an investment advice. The report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind to enter into any deal or transaction with the entity to which the report pertains. The report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in

the US).

Ratings from CRISIL Ratings are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities/instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL Ratings assumes no obligation to update its opinions following publication in any form or format although CRISIL Ratings may disseminate its opinions and analysis. The rating contained in the report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way. CRISIL Ratings or its associates may have other commercial transactions with the entity to which the report pertains.

Neither CRISIL Ratings nor its affiliates, third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively, 'CRISIL Ratings Parties') guarantee the accuracy, completeness or adequacy of the report, and no CRISIL Ratings Party shall have any liability for any errors, omissions or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the report. EACH CRISIL RATINGS PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Ratings Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. Public ratings and analysis by CRISIL Ratings, as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any), are made available on its website, www.crisilratings.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee - more details about ratings by CRISIL Ratings are available here: www.crisilratings.com.

CRISIL Ratings and its affiliates do not act as a fiduciary. While CRISIL Ratings has obtained information from sources it believes to be reliable, CRISIL Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and/or relies on in its reports. CRISIL Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL Ratings has in place a ratings code of conduct and policies for managing conflict of interest. For details please refer to: https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html.

Rating criteria by CRISIL Ratings are generally available without charge to the public on the CRISIL Ratings public website, www.crisilratings.com. For latest rating information on any instrument of any company rated by CRISIL Ratings, you may contact the CRISIL Ratings desk at crisilratingdesk@crisil.com, or at (0091) 1800 267 1301.

This report should not be reproduced or redistributed to any other person or in any form without prior written consent from CRISIL Ratings.

CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011, to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: https://www.crisil.com/en/home/our-businesses/ratings/credit-ratings-scale.html

CRISIL Ratings

Rating Rationale

July 21, 2023 | Mumbai

Escorts Heart Institute and Research Centre Limited

Long-term rating upgraded to 'CRISIL AA/Stable'; Short-term rating reaffirmed

Rating Action

Total Bank Loan Facilities Rated	**Rs.12.8 Crore**
Long Term Rating	**CRISIL AA/Stable (Upgraded from 'CRISIL AA-/Positive')**
Short Term Rating	**CRISIL A1+ (Reaffirmed)**

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its rating on the long-term bank facilities of Escorts Heart Institute and Research Centre Ltd (EHIRC) to '**CRISIL AA/Stable'** from 'CRISIL AA-/Positive'; the short-term rating has been reaffirmed at 'CRISIL A1+'.

The rating factors in strong support received from the parent Fortis Healthcare Limited (FHL;CRISIL AA/Stable/A1+) and follows similar rating action on FHL. The rating action follows the sustained improvement in the business risk profile of Fortis Healthcare Ltd (FHL), driven by steady occupancy, better surgical mix, and greater share of international patients leading to higher average revenue per occupied bed (ARPOB). Financial risk profile is also expected to remain comfortable over the medium term on the back of strong capital structure and debt protection metrics, despite growth plans. On a consolidated basis, debt to earnings before interest, tax, depreciation and amortisation (Ebitda) ratio is likely to be below 1 time; the ratio was ~0.8 time as on March 31, 2023, against ~1.2 times as on March 31, 2022.

Consolidated operating revenue grew ~10% to ~Rs 6,298 crore on-year in fiscal 2023, driven by ~19% growth in the hospital business to ~Rs 4,967 crore; against this, the diagnostics business de-grew 18% to ~Rs 1,175 crore. The hospital business improved owing to occupancy level of ~67% (63% in fiscal 2022) and higher ARPOB per day of ~Rs 55,100 (~Rs 49,400), while diagnostics was affected by lower Covid test volumes, which accounted for just 4% of the topline in fiscal 2023 against 28% earlier. Non-Covid revenue increased 12% year-on-year led by higher collection centres leading to better volumes.

Consolidated reported operating EBITDA margin moderated to ~17.5% in fiscal 2023 from ~18.7% in fiscal 2022 because lower operating leverage led to a decline in the diagnostic division margin to ~17.7% from ~25.7%. Against this, margin of the hospital segment improved to ~16.9% from ~15.4%. Growth prospects remain robust over the medium term with regular bed additions in the hospital segment and increased volumes in the diagnostics division. Hence, the Ebitda margin is expected to sustain at 17-18%, thereby ensuring healthy cash generation.

Total debt (including lease liabilities) reduced to Rs 926 crore as on March 31, 2023, from 1,255 crore previous fiscal, while gross debt (including leases)/Ebitda stood at ~0.8 time against 1.2 times. Hence, gearing was comfortable at ~0.2 time as on March 31, 2023. FHL (on consolidated basis) has annual capital expenditure (capex) plan of ~Rs 1,000 crore, which is likely to be funded through mix of internal accrual and debt. This, along with steady term loan repayment, will ensure debt metrics remain robust. Any large, debt-funded capex or acquisition or any adverse ruling in existing litigations under dispute, necessitating significant payout, may impact financial risk profile and will remain a key monitorable.

The ratings had earlier been placed on watch due to pending legal issues. The Hon'ble Supreme Court of India had initiated suo moto contempt proceedings against FHL with regard to fund infusion by its promoter, IHH Healthcare Berhard (IHH), in the form of preferential allotment of fresh shares and purchase of assets of RHT Health Trust (RHT). CRISIL Ratings has undertaken a detailed discussion with the management subsequent to the Hon'ble Supreme Court judgement disposing off the suo moto contempt suits against FHL. The management does not anticipate any major implication on the day-to-day operations and future growth plans of the company on account of the remaining litigations. Furthermore, IHH has reiterated in multiple forums that FHL remains strategically important as India, along with Malaysia, Singapore and

Turkey, remains its key market. The prospects for the healthcare sector in India remain strong over the medium term, and FHL is expected to be a key growth driver for IHH.

In its stock exchange announcement on September 23, 2022, FHL intimated that the Hon’ble Supreme Court, in its final judgement, held inter alia that the suo motu contempt petition and the connected proceedings (Special Leave Petition (Civil) No. 20417 of 2017 and the contempt petition No. 2120 of 2018 in SLP (C) No. 20417 of 2019) have been disposed of. The court has neither found nor indicated any wrongdoing by FHL related to the preferential allotment to Northern TK Ventures Pte Ltd (part of IHH) by FHL. The Hon’ble Supreme Court also observed that acquisition of the business portfolio of RHT by FHL appeared to be prima facie an acquisition of proprietary interest to subserve the business structure of FHL. However, the court has stated that the facts on record are not adequate to definitively evaluate issues concerning the acquisition and has issued certain directions including that the Hon’ble High Court of Delhi may consider issuing appropriate processes and appointing forensic auditor(s) to analyse the transactions entered into by FHL and RHT and other related transactions. The judgement further provides that it will be open to the Hon’ble Delhi High Court to pass such directions as the facts and circumstances presented before it, may justify.

The Securities and Exchange Board of India (SEBI) had, vide orders dated April 19, 2022, and May 5, 2022, imposed a penalty of Rs 1 crore each on Escorts Heart Institute and Research Centre Ltd (EHIRCL: rated ‘CRISIL AA/Stable/CRISIL A1+’) and FHL, and Rs 50 lakh on Fortis Hospitals Ltd (FHsL; rated ‘CRISIL AA/Stable/CRISIL A1+’) due to irregularities, inter alia, committed by the erstwhile promoters. FHL and FHsL have filed an appeal against the order of April 19, 2022, before the Securities Appellate Tribunal, Mumbai (SAT), which has directed SEBI to file its response and ordered that on deposit of 50% of the penalty amount, SEBI will not initiate recovery of further amounts. Against the order dated May 18, 2022, EHIRCL has filed an appeal before SAT, which has ordered that on deposit of 50% of penalty amount, SEBI will not initiate recovery of further amounts. The two appeals are sub judice, and a Serious Fraud Investigation Office investigation is underway.

The outcome of these proceedings before the Hon’ble High Court of Delhi that may have a bearing on the financial risk profile of FHL, will remain a monitorable.

The ratings factor in strong support received from the parent, Fortis Healthcare Ltd (FHL; rated ‘CRISIL AA/Stable/CRISIL A1+’) and the parent’s strong market position and financial risk profile. These strengths are partially offset by exposure to inherent regulatory risks faced by the healthcare industry.

The ratings also reflect the established market position of the Fortis group with pan-India presence through its network of 27 hospitals, sound operational efficiency, and healthy financial risk profile, including adequate liquidity. These strengths are partially offset by pending litigations, the impact of which is not expected to be material; and exposure to regulatory risks associated with the hospital sector.

Analytical Approach

CRISIL Ratings has applied its parent notch-up framework to factor in the strong operational, financial and managerial linkages that EHIRC shares with FHL. For arriving at FHL’s ratings, CRISIL Ratings has combined the business and financial risk profiles of FHL and its subsidiaries, joint ventures and associates because all these entities are under a common management with strong business and financial linkages.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

Strong support from the parent

As a wholly owned subsidiary of FHL, EHIRC receives strong operational, financial and managerial support from the parent. EHIRC owns the Fortis Escorts Heart Institute at Okhla Road in New Delhi, a well-established hospital that provides cardiac care to patients; it remains strategically important to the parent. FHL has complete management control over its subsidiary and has supported EHIRC through loans and also provided corporate guarantee for its loans. EHIRC will continue to receive strong support from the parent.

Strong market position of FHL in the domestic healthcare space

FHL (on a consolidated basis) operates 27 hospitals (including joint ventures [JVs] and operations and maintenance facilities) across India (Haryana, Punjab, Delhi-National Capital Region, Karnataka, Rajasthan, Maharashtra, Chennai and West Bengal), which have a total of ~4,000 operational beds. Fortis is a well-known brand in the Indian healthcare space and the hospitals under it offer world-class services and attract international patients.

Agilus has established a strong brand in both the retail and B2B (business-to-business) diagnostics segments, managing over 479 labs (including JVs) with over 3,700 customer touch points across India. The strong market position should sustain over the medium term given the wide geographical footprint and diverse speciality mix.

While the brand of diagnostic subsidiary has changed to Agilus in May 2023, there is also a proposal to change the Fortis brand subject to various deliberations and requisite regulatory and corporate approvals. Transitioning to a new brand while maintaining market position will be a key monitorable.

Healthy and improving financial risk profile of FHL, aided by good operating performance
The group has a strong financial risk profile, driven by a strong capital structure and healthy debt protection metrics. Though the group plans to incur capex of Rs 800-1,000 crore per annum going forward over the next couple of years, healthy cash generation would ensure that gearing, debt (including lease liabilities)/EBITDA and interest coverage ratios remain at comfortable levels over the medium term. Any large, debt-funded capex or acquisition or any adverse ruling in existing litigations under dispute, necessitating significant payout, may impact the financial risk profile of FHL, and will remain a key monitorable.

Weaknesses:
Exposure to regulatory risk
The group, like other hospital chains, remains exposed to regulations. For instance, the performance of private hospitals was significantly impacted by price caps on cardiac stents and knee implants imposed in the last quarter of fiscal 2017. The cap on cash transactions up to Rs 2 lakh had also posed temporary challenges when introduced in fiscal 2018. Regulatory actions and their impact will remain monitorables.

Continuing litigations
While the recent directions of the Hon'ble Supreme Court have not had any adverse impact on the operations of the Fortis group, the apex court has directed the Hon'ble High Court of Delhi to look into matters involving the purchase of RHT assets by FHL, including undertaking a possible forensic audit. While the FHL management does not envisage any significant financial liability that may arise on this account, the timeframe by which the said legal issues may be resolved is uncertain. Furthermore, contingent liabilities of ~Rs 2,470 crore as on March 31, 2023, include matters of income tax, medical negligence, among others. Any adverse development related to these will remain a key monitorable.

<u>Liquidity: Strong</u>
On a consolidated basis, liquidity (cash equivalents of ~Rs 366 crore and undrawn working capital limit of Rs 355 crore) stood at ~Rs 721 crore as on March 31, 2023, against debt obligation of less than ~Rs 50 crore for fiscal 2024. Term Debt obligations of Rs 100-150 crore each in fiscals 2025 and 2026 and can be comfortably serviced from accrual, which will also partly fund annual capex of ~Rs 1,000 crore.

<u>Outlook: Stable</u>
The credit risk profile of EHIRC will continue to benefit from FHL's established market position, supported by steady occupancy, high ARPOBs, and resumption of revenue from international patients, which will lead to high operating profitability. The comfortable debt metrics are likely to sustain over the medium term while pursuing organic and inorganic growth opportunities.

<u>Rating Sensitivity factors</u>
Upward factors
- Significant revenue growth while maintaining operating profitability above 16-18%, thereby benefitting cash generation
- Maintenance of strong financial risk profile, including robust debt metrics, and sustenance of gross debt (including lease liabilities) to Ebitda ratio within 1.2-1.5 times while pursuing organic and inorganic growth opportunities
- Revision in rating of the parent FHL, resulting in similar action on EHIRC

Downward factors
- Sluggish operating performance leading to operating profitability below 12-14% on a sustained basis, thereby impacting cash generation
- Significant, debt-funded capex or investments or any unfavourable judgement in the ongoing litigations impacting debt metrics; with gross debt to Ebitda ratio sustaining above 2-2.5 times
- Revision in rating of the parent FHL, resulting in similar action on EHIRC

<u>About the Company</u>
EHIRC was incorporated in 2000 and is a wholly owned subsidiary of FHL. It provides healthcare and related services, particularly cardiac care. The company owns the premier hospital Fortis Escorts Heart Institute at Okhla Road in New Delhi.

<u>About the Group</u>
Incorporated in February 1996, FHL's first healthcare facility became operational at Mohali in Punjab in 2001. The company is an integrated healthcare services provider, present across hospitals, diagnostics, day care, and specialty facilities. It has both owned and managed hospitals. The diagnostics brand, Agilus, is among the leading chains in the country. FHL has entered the women and child health and well-being segments through the La Femme brand. It has a facility each in Jaipur; Greater Kailash and Shalimar Bagh (both in New Delhi); and in Bengaluru. The company has four hospitals accredited to

the Joint Commission International (JCI), 21 accredited to the National Accreditation Board for Hospitals (NABH), 18 with NABH-accredited nursing programmes under its umbrella, and 9 NABH-accredited blood banks.

On February 15, 2018, shareholding of the erstwhile promoters, Mr Malvinder Mohan Singh and Mr Shivinder Mohan Singh, came down to less than 1% after the Hon'ble Supreme Court allowed lenders to invoke the pledge against shares of FHL held as security. Thereafter, the search for a new promoter began and bids were invited from investors. IHH was the winning bidder and became the new promoter, having invested around Rs 4,000 crore against fresh issuance of around 31.1% stake.

The board has provided the in-principle approval for change of the names, brands and logos of Fortis and it's diagnostic subsidiary, whose license agreements expired in April and May 2021, respectively. Subsequently, the diagnostics subsidiary has been renamed as Agilus Diagnostics Ltd since May 2023. The proposal to change the name, brand and logo of Fortis remains subject to various deliberations and requisite corporate and regulatory approvals.

For fiscal 2023, FHL had a net profit of Rs 633 crore (including an exceptional gain of Rs 74 crore pertaining to reversal of impairment in an associate company) and reported an operating revenue of around Rs 6,298 crore. This was in comparison to operating revenue of around Rs 5,718 crore and net profit of Rs 790 crore in fiscal 2022 (including exceptional gain of Rs 315 crore, pertaining to remeasurement of the previously held equity interest of Agilus in it's JV with DDRC at its fair value post-acquisition of the balance 50% stake in the said JV in April 2021).

Key Financial Indicators

As on / for the period ended March 31	Unit	2023	2022
Reported revenue	Rs crore	6,298	5718
Reported profit after tax (PAT)	Rs crore	633	790
Reported PAT margin	%	10.1	13.8
Reported debt/adjusted networth*	Times	0.23	0.4
Adjusted interest coverage	Times	8.78	7.4

**CRISIL Ratings-adjusted numbers. Networth has been adjusted for intangible assets such as goodwill*

Any other information: Not applicable

Note on complexity levels of the rated instrument:
CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity levels	Rating assigned with outlook
NA	Term loan	NA	NA	Sep-25	1.56	NA	CRISIL AA/Stable
NA	Term loan	NA	NA	Jun-29	9.24	NA	CRISIL AA/Stable
NA	Working capital facility**	NA	NA	NA	2	NA	CRISIL A1+

***Interchangeable with working capital facility and non-fund-based facilities*

Annexure - List of entities consolidated

Names of entities consolidated	Extent of consolidation	Rationale for consolidation
Hiranandani Healthcare Pvt Ltd	Full	Consolidated being subsidiary
Fortis Hospotel Ltd	Full	Consolidated being subsidiary
Fortis Health Management Ltd	Full	Consolidated being subsidiary
Hospitalia Eastern Pvt Ltd	Full	Consolidated being subsidiary
International Hospital Ltd	Full	Consolidated being subsidiary
Escorts Heart and Super Speciality Hospital Ltd	Full	Consolidated being subsidiary
Adayu Mindfulness Limited	Full	Consolidated being subsidiary
Fortis Health Management (East) Ltd	Full	Consolidated being subsidiary
Fortis Cancer Care Ltd	Full	Consolidated being subsidiary

Fortis Healthcare International Ltd	Full	Consolidated being subsidiary
Escorts Heart Institute and Research Centre Ltd	Full	Consolidated being subsidiary
Fortis Malar Hospitals Ltd	Full	Consolidated being subsidiary
Fortis Hospitals Ltd	Full	Consolidated being subsidiary
Fortis Global Healthcare (Mauritius) Ltd	Full	Consolidated being subsidiary
Malar Stars Medicare Ltd	Full	Consolidated being subsidiary
Fortis Asia Healthcare Pte. Ltd	Full	Consolidated being subsidiary
Birdie & Birdie Realtors Pvt Ltd	Full	Consolidated being subsidiary
Fortis Emergency Services Ltd	Full	Consolidated being subsidiary
Stellant Capital Advisory Services Pvt Ltd	Full	Consolidated being subsidiary
RHT Health Trust Manager Pte Ltd	Full	Consolidated being subsidiary
Fortis Health Staff Ltd	Full	Consolidated being subsidiary
Agilus Diagnostics Ltd	Full	Consolidated being subsidiary
SRL Diagnostics Pvt Ltd #	Full	Consolidated being subsidiary
Agilus Pathlabs Reach Ltd	Full	Consolidated being subsidiary
Agilus Diagnostics FZ-LLC	Full	Consolidated being subsidiary
Mena Healthcare Investment Company Ltd	Full	Consolidated being subsidiary
Medical Management Company Ltd	Full	Consolidated being subsidiary
Fortis CSR Foundation	Full	Consolidated being subsidiary
Sunrise Medicare Pvt Ltd	Equity method (strike off w.e.f. August 17, 2021)	Equity method of consolidation
Lanka Hospital Corporation Plc	Equity method	Equity method of consolidation
Fortis Global Healthcare Infrastructure Pte Limited.	Equity method	Equity method of consolidation
RHT Health Trust	Equity method	Equity method of consolidation
Fortis Cauvery	Equity method	Equity method of consolidation
Fortis C-Doc Healthcare Ltd	Equity method	Equity method of consolidation
DDRC SRL Diagnostics Ltd #	Equity method (till April 4, 2021)	Equity method of consolidation (till April 4, 2021)
	Full (from April 5, 2021)	Consolidated being subsidiary (from April 5, 2021)
SRL Diagnostics (Nepal) Pvt Ltd #	Equity method	Equity method of consolidation

#name change process underway

Annexure - Rating History for last 3 Years

	Current			2023 (History)		2022		2021		2020		Start of 2020
Instrument	**Type**	**Outstanding Amount**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Rating**
Fund Based Facilities	ST/LT	12.8	CRISIL A1+ / CRISIL AA/Stable	01-02-23	CRISIL AA-/Positive / CRISIL A1+	29-12-22	CRISIL A1+/Watch Developing / CRISIL AA-/Watch Developing	29-11-21	CRISIL A1/Watch Developing / CRISIL A+/Watch Developing	21-12-20	CRISIL A1/Watch Developing / CRISIL A/Watch Developing	--
			--		--	03-10-22	CRISIL A1+/Watch Developing / CRISIL AA-/Watch Developing	01-09-21	CRISIL A1/Watch Developing / CRISIL A+/Watch Developing		--	--
			--		--	04-08-22	CRISIL A1+/Watch Developing / CRISIL AA-/Watch Developing	26-07-21	CRISIL A1/Watch Developing / CRISIL A+/Watch Developing		--	--
			--		--	26-05-22	CRISIL A1+/Watch Developing / CRISIL AA-/Watch Developing	26-03-21	CRISIL A1/Watch Developing / CRISIL A/Watch Developing		--	--

			--		--	25-02-22	CRISIL A1+/Watch Developing / CRISIL AA-/Watch Developing	06-01-21	CRISIL A1/Watch Developing / CRISIL A/Watch Developing		--	--
Non-Fund Based Facilities	ST		--		--		--	01-09-21	Withdrawn	21-12-20	CRISIL A1/Watch Developing	--
			--		--		--	26-07-21	CRISIL A1/Watch Developing		--	--
			--		--		--	26-03-21	CRISIL A1/Watch Developing		--	--
			--		--		--	06-01-21	CRISIL A1/Watch Developing		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Term Loan	**1.56**	**DBS Bank India Limited**	**CRISIL AA/Stable**
Term Loan	**9.24**	**Hongkong & Shanghai Banking Co**	**CRISIL AA/Stable**
Working Capital Facility[&]	**2**	**DBS Bank India Limited**	**CRISIL A1+**

& - Interchangeable with working capital facility and non-fund-based facilities

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating criteria for manufaturing and service sector companies
Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support
CRISILs Criteria for Consolidation

Media Relations	Analytical Contacts	Customer Service Helpdesk
Aveek Datta Media Relations **CRISIL Limited** M: +91 99204 93912 B: +91 22 3342 3000 AVEEK.DATTA@crisil.com **Prakruti Jani** Media Relations **CRISIL Limited** M: +91 98678 68976 B: +91 22 3342 3000 PRAKRUTI.JANI@crisil.com **Rutuja Gaikwad** Media Relations **CRISIL Limited** B: +91 22 3342 3000 **Rutuja.Gaikwad@ext-crisil.com**	Anuj Sethi Senior Director **CRISIL Ratings Limited** B:+91 44 6656 3100 anuj.sethi@crisil.com Poonam Upadhyay Director **CRISIL Ratings Limited** B:+91 22 3342 3000 poonam.upadhyay@crisil.com Aashna Aggarwal Senior Rating Analyst **CRISIL Ratings Limited** B:+91 22 3342 3000 aashna.aggarwal@crisil.com	Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301 For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com For Analytical queries: ratingsinvestordesk@crisil.com

Note for Media:
This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper/magazine/agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL Ratings. However, CRISIL Ratings alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites and portals.

About CRISIL Ratings Limited (A subsidiary of CRISIL Limited, an S&P Global Company)

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings Limited ('CRISIL Ratings') is a wholly-owned subsidiary of CRISIL Limited ('CRISIL'). CRISIL Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit www.crisilratings.com

About CRISIL Limited

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: TWITTER | LINKEDIN | YOUTUBE | FACEBOOK

CRISIL PRIVACY NOTICE

CRISIL respects your privacy. We may use your contact information, such as your name, address and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com.

DISCLAIMER

This disclaimer is part of and applies to each credit rating report and/or credit rating rationale ('report') that is provided by CRISIL Ratings Limited ('CRISIL Ratings'). To avoid doubt, the term 'report' includes the information, ratings and other content forming part of the report. The report is intended for the jurisdiction of India only. This report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the report is to be construed as CRISIL Ratings providing or intending to provide any services in jurisdictions where CRISIL Ratings does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this report does not create a client relationship between CRISIL Ratings and the user.

We are not aware that any user intends to rely on the report or of the manner in which a user intends to use the report. In preparing our report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the report is not intended to and does not constitute an investment advice. The report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind to enter into any deal or transaction with the entity to which the report pertains. The report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in

the US).

Ratings from CRISIL Ratings are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities/instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL Ratings assumes no obligation to update its opinions following publication in any form or format although CRISIL Ratings may disseminate its opinions and analysis. The rating contained in the report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way. CRISIL Ratings or its associates may have other commercial transactions with the entity to which the report pertains.

Neither CRISIL Ratings nor its affiliates, third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively, 'CRISIL Ratings Parties') guarantee the accuracy, completeness or adequacy of the report, and no CRISIL Ratings Party shall have any liability for any errors, omissions or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the report. EACH CRISIL RATINGS PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Ratings Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. Public ratings and analysis by CRISIL Ratings, as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any), are made available on its website, www.crisilratings.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee - more details about ratings by CRISIL Ratings are available here: www.crisilratings.com.

CRISIL Ratings and its affiliates do not act as a fiduciary. While CRISIL Ratings has obtained information from sources it believes to be reliable, CRISIL Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and/or relies on in its reports. CRISIL Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL Ratings has in place a ratings code of conduct and policies for managing conflict of interest. For details please refer to: https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html.

Rating criteria by CRISIL Ratings are generally available without charge to the public on the CRISIL Ratings public website, www.crisilratings.com. For latest rating information on any instrument of any company rated by CRISIL Ratings, you may contact the CRISIL Ratings desk at crisilratingdesk@crisil.com, or at (0091) 1800 267 1301.

This report should not be reproduced or redistributed to any other person or in any form without prior written consent from CRISIL Ratings.

CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011, to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: https://www.crisil.com/en/home/our-businesses/ratings/credit-ratings-scale.html

CRISIL Ratings

Rating Rationale

July 21, 2023 | Mumbai

Fortis Hospotel Limited

Long-term rating upgraded to 'CRISIL AA/Stable; Short-term rating reaffirmed

Rating Action

Total Bank Loan Facilities Rated	**Rs.30 Crore**
Long Term Rating	**CRISIL AA/Stable (Upgraded from 'CRISIL AA-/Positive')**
Short Term Rating	**CRISIL A1+ (Reaffirmed)**

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its rating on the long-term bank facility of Fortis Hospotel Ltd (FHTL) to '**CRISIL AA/Stable'** from 'CRISIL AA-/Positive'. The short-term rating has been reaffirmed at 'CRISIL A1+'.

The rating factors in strong support received from the parent Fortis Healthcare Limited (FHL;CRISIL AA/Stable/A1+) and follows similar rating action on FHL. The rating action follows the sustained improvement in the business risk profile of Fortis Healthcare Ltd (FHL), driven by steady occupancy, better surgical mix, and greater share of international patients leading to higher average revenue per occupied bed (ARPOB). Financial risk profile is also expected to remain comfortable over the medium term on the back of strong capital structure and debt protection metrics, despite growth plans. On a consolidated basis, debt to earnings before interest, tax, depreciation and amortisation (Ebitda) ratio is likely to be below 1 time; the ratio was ~0.8 time as on March 31, 2023, against ~1.2 times as on March 31, 2022.

Consolidated operating revenue grew ~10% to ~Rs 6,298 crore on-year in fiscal 2023, driven by ~19% growth in the hospital business to ~Rs 4,967 crore; against this, the diagnostics business de-grew 18% to ~Rs 1,175 crore. The hospital business improved owing to occupancy level of ~67% (63% in fiscal 2022) and higher ARPOB per day of ~Rs 55,100 (~Rs 49,400), while diagnostics was affected by lower Covid test volumes, which accounted for just 4% of the topline in fiscal 2023 against 28% earlier. Non-Covid revenue increased 12% year-on-year led by higher collection centres leading to better volumes.

Consolidated reported operating EBITDA margin moderated to ~17.5% in fiscal 2023 from ~18.7% in fiscal 2022 because lower operating leverage led to a decline in the diagnostic division margin to ~17.7% from ~25.7%. Against this, margin of the hospital segment improved to ~16.9% from ~15.4%. Growth prospects remain robust over the medium term with regular bed additions in the hospital segment and increased volumes in the diagnostics division. Hence, the Ebitda margin is expected to sustain at 17-18%, thereby ensuring healthy cash generation.

Total debt (including lease liabilities) reduced to Rs 926 crore as on March 31, 2023, from 1,255 crore previous fiscal, while gross debt (including leases)/Ebitda stood at ~0.8 time against 1.2 times. Hence, gearing was comfortable at ~0.2 time as on March 31, 2023. FHL (on consolidated basis) has annual capital expenditure (capex) plan of ~Rs 1,000 crore, which is likely to be funded through mix of internal accrual and debt. This, along with steady term loan repayment, will ensure debt metrics remain robust. Any large, debt-funded capex or acquisition or any adverse ruling in existing litigations under dispute, necessitating significant payout, may impact financial risk profile and will remain a key monitorable.

The ratings had earlier been placed on watch due to pending legal issues. The Hon'ble Supreme Court of India had initiated suo moto contempt proceedings against FHL with regard to fund infusion by its promoter, IHH Healthcare Berhard (IHH), in the form of preferential allotment of fresh shares and purchase of assets of RHT Health Trust (RHT). CRISIL Ratings has undertaken a detailed discussion with the management subsequent to the Hon'ble Supreme Court judgement disposing off the suo moto contempt suits against FHL. The management does not anticipate any major implication on the day-to-day operations and future growth plans of the company on account of the remaining litigations. Furthermore, IHH has reiterated in multiple forums that FHL remains strategically important as India, along with Malaysia, Singapore and Turkey, remains its key market. The prospects for the healthcare sector in India remain strong over the medium term, and FHL is expected to be a key growth driver for IHH.

In its stock exchange announcement on September 23, 2022, FHL intimated that the Hon'ble Supreme Court, in its final judgement, held inter alia that the suo motu contempt petition and the connected proceedings (Special Leave Petition (Civil) No. 20417 of 2017 and the contempt petition No. 2120 of 2018 in SLP (C) No. 20417 of 2019) have been disposed of. The court has neither found nor indicated any wrongdoing by FHL related to the preferential allotment to Northern TK Ventures Pte Ltd (part of IHH) by FHL. The Hon'ble Supreme Court also observed that acquisition of the business portfolio of RHT by FHL appeared to be prima facie an acquisition of proprietary interest to subserve the business structure of FHL. However, the court has stated that the facts on record are not adequate to definitively evaluate issues concerning the acquisition and has issued certain directions including that the Hon'ble High Court of Delhi may consider issuing appropriate processes and appointing forensic auditor(s) to analyse the transactions entered into by FHL and RHT and other related transactions. The judgement further provides that it will be open to the Hon'ble Delhi High Court to pass such directions as the facts and circumstances presented before it, may justify.

The Securities and Exchange Board of India (SEBI) had, vide orders dated April 19, 2022, and May 5, 2022, imposed a penalty of Rs 1 crore each on Escorts Heart Institute and Research Centre Ltd (EHIRCL: rated 'CRISIL AA/Stable/CRISIL A1+') and FHL, and Rs 50 lakh on Fortis Hospitals Ltd (FHsL; rated 'CRISIL AA/Stable/CRISIL A1+') due to irregularities, inter alia, committed by the erstwhile promoters. FHL and FHsL have filed an appeal against the order of April 19, 2022, before the Securities Appellate Tribunal, Mumbai (SAT), which has directed SEBI to file its response and ordered that on deposit of 50% of the penalty amount, SEBI will not initiate recovery of further amounts. Against the order dated May 18, 2022, EHIRCL has filed an appeal before SAT, which has ordered that on deposit of 50% of penalty amount, SEBI will not initiate recovery of further amounts. The two appeals are sub judice, and a Serious Fraud Investigation Office investigation is underway.

The outcome of these proceedings before the Hon'ble High Court of Delhi that may have a bearing on the financial risk profile of FHL, will remain a monitorable.

The ratings factor in strong support received from the parent, Fortis Healthcare Ltd (FHL; rated 'CRISIL AA/Stable/CRISIL A1+') and the parent's strong market position and financial risk profile. These strengths are partially offset by exposure to inherent regulatory risks faced by the healthcare industry.

The ratings also reflect the established market position of the Fortis group with pan-India presence through its network of 27 hospitals, sound operational efficiency, and healthy financial risk profile, including adequate liquidity. These strengths are partially offset by pending litigations, the impact of which is not expected to be material; and exposure to regulatory risks associated with the hospital sector.

Analytical Approach
CRISIL Ratings has applied its parent notch-up framework to factor in the strong operational, financial and managerial linkages that FHTL shares with FHL. For arriving at FHL's ratings, CRISIL Ratings has combined the business and financial risk profiles of FHL and its subsidiaries, joint ventures and associates because all these entities are under a common management with strong business and financial linkages.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description
Strengths:
Strong support from the parent
As a wholly owned subsidiary of FHL, FHTL receives operational, financial and managerial support from the parent. FHTL owns the real estate assets of the Gurgaon and Shalimar Bagh hospitals and is, therefore, strategically important to the parent. The parent has complete management control over FHTL and has extended corporate guarantee for the latter's loans.

Strong market position of FHL in the domestic healthcare space
FHL (on a consolidated basis) operates 27 hospitals (including joint ventures [JVs] and operations and maintenance facilities) across India (Haryana, Punjab, Delhi-National Capital Region, Karnataka, Rajasthan, Maharashtra, Chennai and West Bengal), which have a total of ~4,000 operational beds. Fortis is a well-known brand in the Indian healthcare space and the hospitals under it offer world-class services and attract international patients.

Agilus has established a strong brand in both the retail and B2B (business-to-business) diagnostics segments, managing over 479 labs (including JVs) with over 3,700 customer touch points across India. The strong market position should sustain over the medium term given the wide geographical footprint and diverse speciality mix.

While the brand of diagnostic subsidiary has changed to Agilus in May 2023, there is also a proposal to change the Fortis brand subject to various deliberations and requisite regulatory and corporate approvals. Transitioning to a new brand while maintaining market position will be a key monitorable.

Healthy, and improving, financial risk profile aided by strong operating performance
The group has a strong financial risk profile, driven by a strong capital structure and healthy debt protection metrics. Though the group plans to incur capex of Rs 800-1,000 crore per annum going forward over the next couple of years, healthy cash generation would ensure that gearing, debt (including lease liabilities)/EBITDA and interest coverage ratios remain at comfortable levels over the medium term. Any large, debt-funded capex or acquisition or any adverse ruling in existing litigations under dispute, necessitating significant payout, may impact the financial risk profile of FHL, and will remain a key monitorable.

Weaknesses:
Exposure to regulatory risk
The group, like other hospital chains, remains exposed to regulations. For instance, the performance of private hospitals was significantly impacted by price caps on cardiac stents and knee implants imposed in the last quarter of fiscal 2017. The cap on cash transactions up to Rs 2 lakh had also posed temporary challenges when introduced in fiscal 2018. Regulatory actions and their impact will remain monitorables.

Continuing litigations
While the recent directions of the Hon'ble Supreme Court have not had any adverse impact on the operations of the Fortis group, the apex court has directed the Hon'ble High Court of Delhi to look into matters involving the purchase of RHT assets by FHL, including undertaking a possible forensic audit. While the FHL management does not envisage any significant financial liability that may arise on this account, the timeframe by which the said legal issues may be resolved is uncertain. Furthermore, contingent liabilities of ~Rs 2,470 crore as on March 31, 2023, include matters of income tax, medical negligence, among others. Any adverse development related to these will remain a key monitorable.

Liquidity: Strong
On a consolidated basis, liquidity (cash equivalents of ~Rs 366 crore and undrawn working capital limit of Rs 355 crore) stood at ~Rs 721 crore as on March 31, 2023, against debt obligation of less than ~Rs 50 crore for fiscal 2024. Term Debt obligations of Rs 100-150 crore each in fiscals 2025 and 2026 and can be comfortably serviced from accrual, which will also partly fund annual capex of ~Rs 1,000 crore.

Outlook: Stable
The credit risk profile of FHTL will continue to benefit from FHL's established market position, supported by steady occupancy, high ARPOBs, and resumption of revenue from international patients, which will lead to high operating profitability. The comfortable debt metrics are likely to sustain over the medium term while pursuing organic and inorganic growth opportunities.

Rating Sensitivity factors
Upward factors
- Significant revenue growth while maintaining operating profitability above 16-18%, thereby benefitting cash generation
- Maintenance of strong financial risk profile, including robust debt metrics, and sustenance of gross debt (including lease liabilities) to Ebitda ratio within 1.2-1.5 times while pursuing organic and inorganic growth opportunities
- Revision in rating of the parent FHL, resulting in similar action on FHTL

Downward factors
- Sluggish operating performance leading to operating profitability below 12-14% on a sustained basis, thereby impacting cash generation
- Significant, debt-funded capex or investments or any unfavourable judgement in the ongoing litigations impacting debt metrics; with gross debt to Ebitda ratio sustaining above 2-2.5 times
- Revision in rating of the parent FHL, resulting in similar action on FHTL

About the Company
FHTL was incorporated on January 23, 1990, as a wholly owned subsidiary of FHL. The company provides healthcare and related services and owns the real estate assets of the major facilities in Gurgaon, Haryana and Shalimar Bagh, New Delhi.

About the Group
Incorporated in February 1996, FHL's first healthcare facility became operational at Mohali in Punjab in 2001. The company is an integrated healthcare services provider, present across hospitals, diagnostics, day care, and specialty facilities. It has both owned and managed hospitals. The diagnostics brand, Agilus, is among the leading chains in the country. FHL has entered the women and child health and well-being segments through the La Femme brand. It has a facility each in Jaipur; Greater Kailash and Shalimar Bagh (both in New Delhi); and in Bengaluru. The company has four hospitals accredited to the Joint Commission International (JCI), 21 accredited to the National Accreditation Board for

Hospitals (NABH), 18 with NABH-accredited nursing programmes under its umbrella, and 9 NABH-accredited blood banks.

On February 15, 2018, shareholding of the erstwhile promoters, Mr Malvinder Mohan Singh and Mr Shivinder Mohan Singh, came down to less than 1% after the Hon'ble Supreme Court allowed lenders to invoke the pledge against shares of FHL held as security. Thereafter, the search for a new promoter began and bids were invited from investors. IHH was the winning bidder and became the new promoter, having invested around Rs 4,000 crore against fresh issuance of around 31.1% stake.

The board has provided the in-principle approval for change of the names, brands and logos of Fortis and it's diagnostic subsidiary, whose license agreements expired in April and May 2021, respectively. Subsequently, the diagnostics subsidiary has been renamed as Agilus Diagnostics Ltd since May 2023. The proposal to change the name, brand and logo of Fortis remains subject to various deliberations and requisite corporate and regulatory approvals.

For fiscal 2023, FHL had a net profit of Rs 633 crore (including an exceptional gain of Rs 74 crore pertaining to reversal of impairment in an associate company) and reported an operating revenue of around Rs 6,298 crore. This was in comparison to operating revenue of around Rs 5,718 crore and net profit of Rs 790 crore in fiscal 2022 (including exceptional gain of Rs 315 crore, pertaining to remeasurement of the previously held equity interest of Agilus in it's JV with DDRC at its fair value post-acquisition of the balance 50% stake in the said JV in April 2021).

Key Financial Indicators

As on / for the period ended March 31	Unit	2023	2022
Reported revenue	Rs crore	6,298	5718
Reported profit after tax (PAT)	Rs crore	633	790
Reported PAT margin	%	10.1	13.8
Reported debt/adjusted net worth*	Times	0.23	0.4
Adjusted interest coverage	Times	8.78	7.4

**CRISIL Ratings-adjusted numbers. Net worth has been adjusted for intangible assets such as goodwill*

Any other information: Not applicable

Note on complexity levels of the rated instrument:
CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity levels	Rating assigned with outlook
NA	Term loan	NA	NA	Sep-25	11.53	NA	CRISIL AA/Stable
NA	Term loan	NA	NA	Aug-26	3.47	NA	CRISIL AA/Stable
NA	Working capital facility*	NA	NA	NA	15	NA	CRISIL A1+

**Interchangeable with working capital facility and non-fund-based limit*

Annexure - List of entities consolidated

Names of entities consolidated	Extent of consolidation	Rationale for consolidation
Hiranandani Healthcare Pvt Ltd	Full	Consolidated being subsidiary
Fortis Hospotel Ltd	Full	Consolidated being subsidiary
Fortis Health Management Ltd	Full	Consolidated being subsidiary
Hospitalia Eastern Pvt Ltd	Full	Consolidated being subsidiary
International Hospital Ltd	Full	Consolidated being subsidiary
Escorts Heart and Super Speciality Hospital Ltd	Full	Consolidated being subsidiary
Adayu Mindfulness Limited	Full	Consolidated being subsidiary
Fortis Health Management (East) Ltd	Full	Consolidated being subsidiary
Fortis Cancer Care Ltd	Full	Consolidated being subsidiary

Fortis Healthcare International Ltd	Full	Consolidated being subsidiary
Escorts Heart Institute and Research Centre Ltd	Full	Consolidated being subsidiary
Fortis Malar Hospitals Ltd	Full	Consolidated being subsidiary
Fortis Hospitals Ltd	Full	Consolidated being subsidiary
Fortis Global Healthcare (Mauritius) Ltd	Full	Consolidated being subsidiary
Malar Stars Medicare Ltd	Full	Consolidated being subsidiary
Fortis Asia Healthcare Pte. Ltd	Full	Consolidated being subsidiary
Birdie & Birdie Realtors Pvt Ltd	Full	Consolidated being subsidiary
Fortis Emergency Services Ltd	Full	Consolidated being subsidiary
Stellant Capital Advisory Services Pvt Ltd	Full	Consolidated being subsidiary
RHT Health Trust Manager Pte Ltd	Full	Consolidated being subsidiary
Fortis Health Staff Ltd	Full	Consolidated being subsidiary
Agilus Diagnostics Ltd	Full	Consolidated being subsidiary
SRL Diagnostics Pvt Ltd #	Full	Consolidated being subsidiary
Agilus Pathlabs Reach Ltd	Full	Consolidated being subsidiary
Agilus Diagnostics FZ-LLC	Full	Consolidated being subsidiary
Mena Healthcare Investment Company Ltd	Full	Consolidated being subsidiary
Medical Management Company Ltd	Full	Consolidated being subsidiary
Fortis CSR Foundation	Full	Consolidated being subsidiary
Sunrise Medicare Pvt Ltd	Equity method (strike off w.e.f. August 17, 2021)	Equity method of consolidation
Lanka Hospital Corporation Plc	Equity method	Equity method of consolidation
Fortis Global Healthcare Infrastructure Pte Limited.	Equity method	Equity method of consolidation
RHT Health Trust	Equity method	Equity method of consolidation
Fortis Cauvery	Equity method	Equity method of consolidation
Fortis C-Doc Healthcare Ltd	Equity method	Equity method of consolidation
DDRC SRL Diagnostics Ltd #	Equity method (till April 4, 2021)	Equity method of consolidation (till April 4, 2021)
	Full (from April 5, 2021)	Consolidated being subsidiary (from April 5, 2021)
SRL Diagnostics (Nepal) Pvt Ltd #	Equity method	Equity method of consolidation

#name change process underway

Annexure - Rating History for last 3 Years

	Current			2023 (History)		2022		2021		2020		Start of 2020
Instrument	**Type**	**Outstanding Amount**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Rating**
Fund Based Facilities	ST/LT	30.0	CRISIL A1+ / CRISIL AA/Stable	01-02-23	CRISIL AA-/Positive / CRISIL A1+	29-12-22	CRISIL A1+/Watch Developing / CRISIL AA-/Watch Developing	29-11-21	CRISIL A1/Watch Developing / CRISIL A+/Watch Developing	21-12-20	CRISIL A/Watch Developing	--
			--		--	03-10-22	CRISIL A1+/Watch Developing / CRISIL AA-/Watch Developing	01-09-21	CRISIL A1/Watch Developing / CRISIL A+/Watch Developing		--	--
			--		--	04-08-22	CRISIL A1+/Watch Developing / CRISIL AA-/Watch Developing	26-07-21	CRISIL A+/Watch Developing		--	--
			--		--	26-05-22	CRISIL A1+/Watch Developing / CRISIL AA-/Watch Developing	26-03-21	CRISIL A/Watch Developing		--	--

			--		--	25-02-22	CRISIL A1+/Watch Developing / CRISIL AA-/Watch Developing	06-01-21	CRISIL A/Watch Developing		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Term Loan	**11.53**	**DBS Bank India Limited**	**CRISIL AA/Stable**
Term Loan	**3.47**	**The Hongkong and Shanghai Banking Corporation Limited**	**CRISIL AA/Stable**
Working Capital Facility&	**5**	**DBS Bank India Limited**	**CRISIL A1+**
Working Capital Facility&	**10**	**The Hongkong and Shanghai Banking Corporation Limited**	**CRISIL A1+**

& - Interchangeable with working capital facility and non-fund-based facilities

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating criteria for manufaturing and service sector companies
Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support
CRISILs Criteria for Consolidation

Media Relations	Analytical Contacts	Customer Service Helpdesk
Aveek Datta Media Relations **CRISIL Limited** M: +91 99204 93912 B: +91 22 3342 3000 AVEEK.DATTA@crisil.com **Prakruti Jani** Media Relations **CRISIL Limited** M: +91 98678 68976 B: +91 22 3342 3000 PRAKRUTI.JANI@crisil.com **Rutuja Gaikwad** Media Relations **CRISIL Limited** B: +91 22 3342 3000 **Rutuja.Gaikwad@ext-crisil.com**	Anuj Sethi Senior Director **CRISIL Ratings Limited** B:+91 44 6656 3100 anuj.sethi@crisil.com Poonam Upadhyay Director **CRISIL Ratings Limited** B:+91 22 3342 3000 poonam.upadhyay@crisil.com Aashna Aggarwal Senior Rating Analyst **CRISIL Ratings Limited** B:+91 22 3342 3000 aashna.aggarwal@crisil.com	Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301 For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com For Analytical queries: ratingsinvestordesk@crisil.com

About CRISIL Ratings Limited (A subsidiary of CRISIL Limited, an S&P Global Company)

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings Limited ('CRISIL Ratings') is a wholly-owned subsidiary of CRISIL Limited ('CRISIL'). CRISIL Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit www.crisilratings.com

About CRISIL Limited

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India’s foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: TWITTER | LINKEDIN | YOUTUBE | FACEBOOK

DISCLAIMER

This disclaimer is part of and applies to each credit rating report and/or credit rating rationale ('report') that is provided by CRISIL Ratings Limited ('CRISIL Ratings'). To avoid doubt, the term 'report' includes the information, ratings and other content forming part of the report. The report is intended for the jurisdiction of India only. This report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the report is to be construed as CRISIL Ratings providing or intending to provide any services in jurisdictions where CRISIL Ratings does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this report does not create a client relationship between CRISIL Ratings and the user.

We are not aware that any user intends to rely on the report or of the manner in which a user intends to use the report. In preparing our report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the report is not intended to and does not constitute an investment advice. The report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind to enter into any deal or transaction with the entity to which the report pertains. The report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in

the US).

Ratings from CRISIL Ratings are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities/instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL Ratings assumes no obligation to update its opinions following publication in any form or format although CRISIL Ratings may disseminate its opinions and analysis. The rating contained in the report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way. CRISIL Ratings or its associates may have other commercial transactions with the entity to which the report pertains.

Neither CRISIL Ratings nor its affiliates, third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively, 'CRISIL Ratings Parties') guarantee the accuracy, completeness or adequacy of the report, and no CRISIL Ratings Party shall have any liability for any errors, omissions or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the report. EACH CRISIL RATINGS PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Ratings Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. Public ratings and analysis by CRISIL Ratings, as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any), are made available on its website, www.crisilratings.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee - more details about ratings by CRISIL Ratings are available here: www.crisilratings.com.

CRISIL Ratings and its affiliates do not act as a fiduciary. While CRISIL Ratings has obtained information from sources it believes to be reliable, CRISIL Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and/or relies on in its reports. CRISIL Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL Ratings has in place a ratings code of conduct and policies for managing conflict of interest. For details please refer to: https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html.

Rating criteria by CRISIL Ratings are generally available without charge to the public on the CRISIL Ratings public website, www.crisilratings.com. For latest rating information on any instrument of any company rated by CRISIL Ratings, you may contact the CRISIL Ratings desk at crisilratingdesk@crisil.com, or at (0091) 1800 267 1301.

This report should not be reproduced or redistributed to any other person or in any form without prior written consent from CRISIL Ratings.

CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011, to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: https://www.crisil.com/en/home/our-businesses/ratings/credit-ratings-scale.html

Rating Rationale

July 21, 2023 | Mumbai

Fortis Hospitals Limited

Long-term rating upgraded to 'CRISIL AA/Stable'; Short-term rating reaffirmed

Rating Action

Total Bank Loan Facilities Rated	**Rs.333.3 Crore**
Long Term Rating	**CRISIL AA/Stable (Upgraded from 'CRISIL AA-/Positive')**
Short Term Rating	**CRISIL A1+ (Reaffirmed)**

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its rating on the long-term bank facility of Fortis Hospitals Limited (FHsL) to '**CRISIL AA/Stable'** from 'CRISIL AA-/Positive'; the short-term rating has been reaffirmed at 'CRISIL A1+'.

The rating factors in strong support received from the parent Fortis Healthcare Limited (FHL;CRISIL AA/Stable/A1+) and follows similar rating action on FHL. The rating action follows the sustained improvement in the business risk profile of Fortis Healthcare Ltd (FHL), driven by steady occupancy, better surgical mix, and greater share of international patients leading to higher average revenue per occupied bed (ARPOB). Financial risk profile is also expected to remain comfortable over the medium term on the back of strong capital structure and debt protection metrics, despite growth plans. On a consolidated basis, debt to earnings before interest, tax, depreciation and amortisation (Ebitda) ratio is likely to be below 1 time; the ratio was ~0.8 time as on March 31, 2023, against ~1.2 times as on March 31, 2022.

Consolidated operating revenue grew ~10% to ~Rs 6,298 crore on-year in fiscal 2023, driven by ~19% growth in the hospital business to ~Rs 4,967 crore; against this, the diagnostics business de-grew 18% to ~Rs 1,175 crore. The hospital business improved owing to occupancy level of ~67% (63% in fiscal 2022) and higher ARPOB per day of ~Rs 55,100 (~Rs 49,400), while diagnostics was affected by lower Covid test volumes, which accounted for just 4% of the topline in fiscal 2023 against 28% earlier. Non-Covid revenue increased 12% year-on-year led by higher collection centres leading to better volumes.

Consolidated reported operating EBITDA margin moderated to ~17.5% in fiscal 2023 from ~18.7% in fiscal 2022 because lower operating leverage led to a decline in the diagnostic division margin to ~17.7% from ~25.7%. Against this, margin of the hospital segment improved to ~16.9% from ~15.4%. Growth prospects remain robust over the medium term with regular bed additions in the hospital segment and increased volumes in the diagnostics division. Hence, the Ebitda margin is expected to sustain at 17-18%, thereby ensuring healthy cash generation.

Total debt (including lease liabilities) reduced to Rs 926 crore as on March 31, 2023, from 1,255 crore previous fiscal, while gross debt (including leases)/Ebitda stood at ~0.8 time against 1.2 times. Hence, gearing was comfortable at ~0.2 time as on March 31, 2023. FHL (on consolidated basis) has annual capital expenditure (capex) plan of ~Rs 1,000 crore, which is likely to be funded through mix of internal accrual and debt. This, along with steady term loan repayment, will ensure debt metrics remain robust. Any large, debt-funded capex or acquisition or any adverse ruling in existing litigations under dispute, necessitating significant payout, may impact financial risk profile and will remain a key monitorable.

The ratings had earlier been placed on watch due to pending legal issues. The Hon'ble Supreme Court of India had initiated suo moto contempt proceedings against FHL with regard to fund infusion by its promoter, IHH Healthcare Berhard (IHH), in the form of preferential allotment of fresh shares and purchase of assets of RHT Health Trust (RHT). CRISIL Ratings has undertaken a detailed discussion with the management subsequent to the Hon'ble Supreme Court judgement disposing off the suo moto contempt suits against FHL. The management does not anticipate any major implication on the day-to-day operations and future growth plans of the company on account of the remaining litigations. Furthermore, IHH has reiterated in multiple forums that FHL remains strategically important as India, along with Malaysia, Singapore and Turkey, remains its key market. The prospects for the healthcare sector in India remain strong over the medium term, and FHL is expected to be a key growth driver for IHH.

In its stock exchange announcement on September 23, 2022, FHL intimated that the Hon'ble Supreme Court, in its final judgement, held inter alia that the suo motu contempt petition and the connected proceedings (Special Leave Petition (Civil) No. 20417 of 2017 and the contempt petition No. 2120 of 2018 in SLP (C) No. 20417 of 2019) have been disposed of. The court has neither found nor indicated any wrongdoing by FHL related to the preferential allotment to Northern TK Ventures Pte Ltd (part of IHH) by FHL. The Hon'ble Supreme Court also observed that acquisition of the business portfolio of RHT by FHL appeared to be prima facie an acquisition of proprietary interest to subserve the business structure of FHL. However, the court has stated that the facts on record are not adequate to definitively evaluate issues concerning the acquisition and has issued certain directions including that the Hon'ble High Court of Delhi may consider issuing appropriate processes and appointing forensic auditor(s) to analyse the transactions entered into by FHL and RHT and other related transactions. The judgement further provides that it will be open to the Hon'ble Delhi High Court to pass such directions as the facts and circumstances presented before it, may justify.

The Securities and Exchange Board of India (SEBI) had, vide orders dated April 19, 2022, and May 5, 2022, imposed a penalty of Rs 1 crore each on Escorts Heart Institute and Research Centre Ltd (EHIRCL: rated 'CRISIL AA/Stable/CRISIL A1+') and FHL, and Rs 50 lakh on Fortis Hospitals Ltd (FHsL; rated 'CRISIL AA/Stable/CRISIL A1+') due to irregularities, inter alia, committed by the erstwhile promoters. FHL and FHsL have filed an appeal against the order of April 19, 2022, before the Securities Appellate Tribunal, Mumbai (SAT), which has directed SEBI to file its response and ordered that on deposit of 50% of the penalty amount, SEBI will not initiate recovery of further amounts. Against the order dated May 18, 2022, EHIRCL has filed an appeal before SAT, which has ordered that on deposit of 50% of penalty amount, SEBI will not initiate recovery of further amounts. The two appeals are sub judice, and a Serious Fraud Investigation Office investigation is underway.

The outcome of these proceedings before the Hon'ble High Court of Delhi that may have a bearing on the financial risk profile of FHL, will remain a monitorable.

The ratings factor in strong support received from the parent, Fortis Healthcare Ltd (FHL; rated 'CRISIL AA/Stable/CRISIL A1+') and the parent's strong market position and financial risk profile. These strengths are partially offset by exposure to inherent regulatory risks faced by the healthcare industry.

The ratings also reflect the established market position of the Fortis group with pan-India presence through its network of 27 hospitals, sound operational efficiency, and healthy financial risk profile, including adequate liquidity. These strengths are partially offset by pending litigations, the impact of which is not expected to be material; and exposure to regulatory risks associated with the hospital sector.

Analytical Approach

CRISIL Ratings has applied its parent notch-up framework to factor in the strong operational, financial and managerial linkages that FHsL shares with FHL. For arriving at FHL's ratings, CRISIL Ratings has combined the business and financial risk profiles of FHL and its subsidiaries, joint ventures and associates because all these entities are under a common management with strong business and financial linkages.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

Strong support from the parent

As a wholly-owned subsidiary of FHL, FHsL receives strong operational, financial and managerial support from the parent. FHsL operates 15 of the 27 hospitals under FHL and is, therefore, strategically important to it. FHL has complete management control over its subsidiary, which it has supported through inter-corporate deposits and by providing corporate guarantee for its loans. The support should continue.

Strong market position of FHL in the domestic healthcare space

FHL (on a consolidated basis) operates 27 hospitals (including joint ventures [JVs] and operations and maintenance facilities) across India (Haryana, Punjab, Delhi-National Capital Region, Karnataka, Rajasthan, Maharashtra, Chennai and West Bengal), which have a total of ~4,000 operational beds. Fortis is a well-known brand in the Indian healthcare space and the hospitals under it offer world-class services and attract international patients.

Agilus has established a strong brand in both the retail and B2B (business-to-business) diagnostics segments, managing over 479 labs (including JVs) with over 3,700 customer touch points across India. The strong market position should sustain over the medium term given the wide geographical footprint and diverse speciality mix.

While the brand of diagnostic subsidiary has changed to Agilus in May 2023, there is also a proposal to change the Fortis brand subject to various deliberations and requisite regulatory and corporate approvals. Transitioning to a new brand while maintaining market position will be a key monitorable.

Healthy and improving financial risk profile of FHL, aided by good operating performance

The group has a strong financial risk profile, driven by a strong capital structure and healthy debt protection metrics. Though the group plans to incur capex of Rs 800-1,000 crore per annum going forward over the next couple of years, healthy cash generation would ensure that gearing, debt (including lease liabilities)/EBITDA and interest coverage ratios remain at comfortable levels over the medium term. Any large, debt-funded capex or acquisition or any adverse ruling in existing litigations under dispute, necessitating significant payout, may impact the financial risk profile of FHL, and will remain a key monitorable.

Weaknesses:
Exposure to regulatory risk
The group, like other hospital chains, remains exposed to regulations. For instance, the performance of private hospitals was significantly impacted by price caps on cardiac stents and knee implants imposed in the last quarter of fiscal 2017. The cap on cash transactions up to Rs 2 lakh had also posed temporary challenges when introduced in fiscal 2018. Regulatory actions and their impact will remain monitorables.

Continuing litigations
While the recent directions of the Hon'ble Supreme Court have not had any adverse impact on the operations of the Fortis group, the apex court has directed the Hon'ble High Court of Delhi to look into matters involving the purchase of RHT assets by FHL, including undertaking a possible forensic audit. While the FHL management does not envisage any significant financial liability that may arise on this account, the timeframe by which the said legal issues may be resolved is uncertain. Furthermore, contingent liabilities of ~Rs 2,470 crore as on March 31, 2023, include matters of income tax, medical negligence, among others. Any adverse development related to these will remain a key monitorable.

Liquidity: Strong
On a consolidated basis, liquidity (cash equivalents of ~Rs 366 crore and undrawn working capital limit of Rs 355 crore) stood at ~Rs 721 crore as on March 31, 2023, against debt obligation of less than ~Rs 50 crore for fiscal 2024. Term Debt obligations of Rs 100-150 crore each in fiscals 2025 and 2026 and can be comfortably serviced from accrual, which will also partly fund annual capex of ~Rs 1,000 crore.

Outlook: Stable
The credit risk profile of FHL will continue to benefit from its established market position, supported by steady occupancy, high ARPOBs, and resumption of revenue from international patients, which will lead to high operating profitability. The comfortable debt metrics are likely to sustain over the medium term while pursuing organic and inorganic growth opportunities.

Rating Sensitivity factors
Upward factors
- Significant revenue growth while maintaining operating profitability above 16-18%, thereby benefitting cash generation
- Maintenance of strong financial risk profile, including robust debt metrics, and sustenance of gross debt (including lease liabilities) to Ebitda ratio within 1.2-1.5 times while pursuing organic and inorganic growth opportunities
- Revision in rating of the parent FHL, resulting in similar action on FHsL

Downward factors
- Sluggish operating performance leading to operating profitability below 12-14% on a sustained basis, thereby impacting cash generation
- Significant, debt-funded capex or investments or any unfavourable judgement in the ongoing litigations impacting debt metrics; with gross debt to Ebitda ratio sustaining above 2-2.5 times
- Revision in rating of the parent FHL, resulting in similar action on FHsL

About the Company
FHsL was incorporated on June 18, 2009, as a wholly owned subsidiary of FHL. It promotes, maintains, manages, operates, and undertakes healthcare and related services. It also provides consultancy for the establishment of healthcare services. The company operates around 15 major facilities in various locations such as Gurugram, Haryana; Mulund in Mumbai; BG Road in Bengaluru; Noida and Faridabad, Uttar Pradesh; Anandpur in, Kolkata; and Jaipur.

About the Group
Incorporated in February 1996, FHL's first healthcare facility became operational at Mohali in Punjab in 2001. The company is an integrated healthcare services provider, present across hospitals, diagnostics, day care, and specialty facilities. It has both owned and managed hospitals. The diagnostics brand, Agilus, is among the leading chains in the country. FHL has entered the women and child health and well-being segments through the La Femme brand. It has a facility each in Jaipur; Greater Kailash and Shalimar Bagh (both in New Delhi); and in Bengaluru. The company has four hospitals accredited to the Joint Commission International (JCI), 21 accredited to the National Accreditation Board for Hospitals (NABH), 18 with NABH-accredited nursing programmes under its umbrella, and 9 NABH-accredited blood banks.

On February 15, 2018, shareholding of the erstwhile promoters, Mr Malvinder Mohan Singh and Mr Shivinder Mohan Singh, came down to less than 1% after the Hon'ble Supreme Court allowed lenders to invoke the pledge against shares of FHL held as security. Thereafter, the search for a new promoter began and bids were invited from investors. IHH was the winning bidder and became the new promoter, having invested around Rs 4,000 crore against fresh issuance of around 31.1% stake.

The board has provided the in-principle approval for change of the names, brands and logos of Fortis and it's diagnostic subsidiary, whose license agreements expired in April and May 2021, respectively. Subsequently, the diagnostics subsidiary has been renamed as Agilus Diagnostics Ltd since May 2023. The proposal to change the name, brand and logo of Fortis remains subject to various deliberations and requisite corporate and regulatory approvals.

For fiscal 2023, FHL had a net profit of Rs 633 crore (including an exceptional gain of Rs 74 crore pertaining to reversal of impairment in an associate company) and reported an operating revenue of around Rs 6,298 crore. This was in comparison to operating revenue of around Rs 5,718 crore and net profit of Rs 790 crore in fiscal 2022 (including exceptional gain of Rs 315 crore, pertaining to remeasurement of the previously held equity interest of Agilus in it's JV with DDRC at its fair value post-acquisition of the balance 50% stake in the said JV in April 2021).

Key Financial Indicators

As on / for the period ended March 31	Unit	2023	2022
Reported revenue	Rs crore	6,298	5718
Reported profit after tax (PAT)	Rs crore	633	790
Reported PAT margin	%	10.1	13.8
Reported debt/adjusted networth*	Times	0.23	0.4
Adjusted interest coverage	Times	8.78	7.4

**CRISIL Ratings-adjusted numbers. Networth has been adjusted for intangible assets such as goodwill*

Any other information: Not applicable

Note on complexity levels of the rated instrument:
CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity levels	Rating assigned with outlook
NA	Term Loan	NA	NA	Jun-29	18.93	NA	CRISIL AA/Stable
NA	Term Loan	NA	NA	1-Dec-25	6.05	NA	CRISIL AA/Stable
NA	Term Loan	NA	NA	Jun-29	150	NA	CRISIL AA/Stable
NA	Term Loan	NA	NA	Aug-28	83.32	NA	CRISIL AA/Stable
NA	Working capital facility#	NA	NA	NA	75	NA	CRISIL A1+

#Interchangeable with working capital facility and non-fund-based limit

Annexure - List of entities consolidated

Names of entities consolidated	Extent of consolidation	Rationale for consolidation
Hiranandani Healthcare Pvt Ltd	Full	Consolidated being subsidiary
Fortis Hospotel Ltd	Full	Consolidated being subsidiary
Fortis Health Management Ltd	Full	Consolidated being subsidiary
Hospitalia Eastern Pvt Ltd	Full	Consolidated being subsidiary
International Hospital Ltd	Full	Consolidated being subsidiary
Escorts Heart and Super Speciality Hospital Ltd	Full	Consolidated being subsidiary
Adayu Mindfulness Limited	Full	Consolidated being subsidiary
Fortis Health Management (East) Ltd	Full	Consolidated being subsidiary
Fortis Cancer Care Ltd	Full	Consolidated being subsidiary

Fortis Healthcare International Ltd	Full	Consolidated being subsidiary
Escorts Heart Institute and Research Centre Ltd	Full	Consolidated being subsidiary
Fortis Malar Hospitals Ltd	Full	Consolidated being subsidiary
Fortis Hospitals Ltd	Full	Consolidated being subsidiary
Fortis Global Healthcare (Mauritius) Ltd	Full	Consolidated being subsidiary
Malar Stars Medicare Ltd	Full	Consolidated being subsidiary
Fortis Asia Healthcare Pte. Ltd	Full	Consolidated being subsidiary
Birdie & Birdie Realtors Pvt Ltd	Full	Consolidated being subsidiary
Fortis Emergency Services Ltd	Full	Consolidated being subsidiary
Stellant Capital Advisory Services Pvt Ltd	Full	Consolidated being subsidiary
RHT Health Trust Manager Pte Ltd	Full	Consolidated being subsidiary
Fortis Health Staff Ltd	Full	Consolidated being subsidiary
Agilus Diagnostics Ltd	Full	Consolidated being subsidiary
SRL Diagnostics Pvt Ltd #	Full	Consolidated being subsidiary
Agilus Pathlabs Reach Ltd	Full	Consolidated being subsidiary
Agilus Diagnostics FZ-LLC	Full	Consolidated being subsidiary
Mena Healthcare Investment Company Ltd	Full	Consolidated being subsidiary
Medical Management Company Ltd	Full	Consolidated being subsidiary
Fortis CSR Foundation	Full	Consolidated being subsidiary
Sunrise Medicare Pvt Ltd	Equity method (strike off w.e.f. August 17, 2021)	Equity method of consolidation
Lanka Hospital Corporation Plc	Equity method	Equity method of consolidation
Fortis Global Healthcare Infrastructure Pte Limited.	Equity method	Equity method of consolidation
RHT Health Trust	Equity method	Equity method of consolidation
Fortis Cauvery	Equity method	Equity method of consolidation
Fortis C-Doc Healthcare Ltd	Equity method	Equity method of consolidation
DDRC SRL Diagnostics Ltd #	Equity method (till April 4, 2021)	Equity method of consolidation (till April 4, 2021)
	Full (from April 5, 2021)	Consolidated being subsidiary (from April 5, 2021)
SRL Diagnostics (Nepal) Pvt Ltd #	Equity method	Equity method of consolidation

#name change process underway

Annexure - Rating History for last 3 Years

	Current			2023 (History)		2022		2021		2020		Start of 2020
Instrument	**Type**	**Outstanding Amount**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Rating**
Fund Based Facilities	ST/LT	333.3	CRISIL A1+ / CRISIL AA/Stable	01-02-23	CRISIL AA-/Positive / CRISIL A1+	29-12-22	CRISIL A1+/Watch Developing / CRISIL AA-/Watch Developing	29-11-21	CRISIL A1/Watch Developing / CRISIL A+/Watch Developing	10-12-20	CRISIL A/Watch Developing	Withdrawn
			--		--	16-11-22	CRISIL A1+/Watch Developing / CRISIL AA-/Watch Developing	01-09-21	CRISIL A1/Watch Developing / CRISIL A+/Watch Developing	11-09-20	CRISIL A/Watch Developing	Withdrawn
			--		--	03-10-22	CRISIL A1+/Watch Developing / CRISIL AA-/Watch Developing	26-07-21	CRISIL A+/Watch Developing	15-06-20	CRISIL A/Watch Developing	--
			--		--	04-08-22	CRISIL A1+/Watch Developing / CRISIL AA-/Watch Developing	26-03-21	CRISIL A/Watch Developing	17-03-20	CRISIL A/Watch Developing	--

			--		--	26-05-22	CRISIL A1+/Watch Developing / CRISIL AA-/Watch Developing	07-01-21	CRISIL A/Watch Developing	11-03-20	CRISIL A1/Watch Developing	--
			--		--	25-02-22	CRISIL A1+/Watch Developing / CRISIL AA-/Watch Developing		--		--	--
Non-Fund Based Facilities	ST		--		--		--	01-09-21	Withdrawn	10-12-20	CRISIL A1/Watch Developing	--
			--		--		--	26-07-21	CRISIL A1/Watch Developing	11-09-20	CRISIL A1/Watch Developing	--
			--		--		--	26-03-21	CRISIL A1/Watch Developing	15-06-20	CRISIL A1/Watch Developing	--
			--		--		--	07-01-21	CRISIL A1/Watch Developing	17-03-20	CRISIL A1/Watch Developing	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Term Loan	**6.05**	**DBS Bank India Limited**	**CRISIL AA/Stable**
Term Loan	**83.32**	**Axis Bank Limited**	**CRISIL AA/Stable**
Term Loan	**150**	**ICICI Bank Limited**	**CRISIL AA/Stable**
Term Loan	**18.93**	**The Hongkong and Shanghai Banking Corporation Limited**	**CRISIL AA/Stable**
Working Capital Facility[&]	**5**	**DBS Bank India Limited**	**CRISIL A1+**
Working Capital Facility[&]	**55**	**Axis Bank Limited**	**CRISIL A1+**
Working Capital Facility[&]	**15**	**ICICI Bank Limited**	**CRISIL A1+**

& - Interchangeable with working capital facility and non-fund based limits

Criteria Details

Links to related criteria
[CRISILs Approach to Financial Ratios]
[Rating criteria for manufaturing and service sector companies]
[CRISILs Bank Loan Ratings - process, scale and default recognition]
[Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support]
[CRISILs Criteria for Consolidation]

Media Relations	Analytical Contacts	Customer Service Helpdesk
Aveek Datta Media Relations **CRISIL Limited** M: +91 99204 93912 B: +91 22 3342 3000 AVEEK.DATTA@crisil.com **Prakruti Jani** Media Relations **CRISIL Limited** M: +91 98678 68976 B: +91 22 3342 3000 PRAKRUTI.JANI@crisil.com	Anuj Sethi Senior Director **CRISIL Ratings Limited** B:+91 44 6656 3100 anuj.sethi@crisil.com Poonam Upadhyay Director **CRISIL Ratings Limited** B:+91 22 3342 3000 poonam.upadhyay@crisil.com Aashna Aggarwal	Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301 For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com For Analytical queries: ratingsinvestordesk@crisil.com

Rutuja Gaikwad Media Relations **CRISIL Limited** B: +91 22 3342 3000 **Rutuja.Gaikwad@ext-crisil.com**	Senior Rating Analyst **CRISIL Ratings Limited** B:+91 22 3342 3000 aashna.aggarwal@crisil.com	

Note for Media:
This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper/magazine/agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL Ratings. However, CRISIL Ratings alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites and portals.

About CRISIL Ratings Limited (A subsidiary of CRISIL Limited, an S&P Global Company)

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings Limited ('CRISIL Ratings') is a wholly-owned subsidiary of CRISIL Limited ('CRISIL'). CRISIL Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit www.crisilratings.com

About CRISIL Limited

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: TWITTER | LINKEDIN | YOUTUBE | FACEBOOK

CRISIL PRIVACY NOTICE

CRISIL respects your privacy. We may use your contact information, such as your name, address and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com.

DISCLAIMER

This disclaimer is part of and applies to each credit rating report and/or credit rating rationale ('report') that is provided by CRISIL Ratings Limited ('CRISIL Ratings'). To avoid doubt, the term 'report' includes the information, ratings and other content forming part of the report. The report is intended for the jurisdiction of India only. This report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the report is to be construed as CRISIL Ratings providing or intending to provide any services in jurisdictions where CRISIL Ratings does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this report does not create a client relationship between CRISIL Ratings and the user.

We are not aware that any user intends to rely on the report or of the manner in which a user intends to use the report. In preparing our report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the report is not intended to and does not constitute an investment advice. The report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind to enter into any deal or transaction with the entity to which the report pertains. The report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in

the US).

Ratings from CRISIL Ratings are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities/instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL Ratings assumes no obligation to update its opinions following publication in any form or format although CRISIL Ratings may disseminate its opinions and analysis. The rating contained in the report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way. CRISIL Ratings or its associates may have other commercial transactions with the entity to which the report pertains.

Neither CRISIL Ratings nor its affiliates, third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively, 'CRISIL Ratings Parties') guarantee the accuracy, completeness or adequacy of the report, and no CRISIL Ratings Party shall have any liability for any errors, omissions or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the report. EACH CRISIL RATINGS PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Ratings Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. Public ratings and analysis by CRISIL Ratings, as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any), are made available on its website, www.crisilratings.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee - more details about ratings by CRISIL Ratings are available here: www.crisilratings.com.

CRISIL Ratings and its affiliates do not act as a fiduciary. While CRISIL Ratings has obtained information from sources it believes to be reliable, CRISIL Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and/or relies on in its reports. CRISIL Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL Ratings has in place a ratings code of conduct and policies for managing conflict of interest. For details please refer to: https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html.

Rating criteria by CRISIL Ratings are generally available without charge to the public on the CRISIL Ratings public website, www.crisilratings.com. For latest rating information on any instrument of any company rated by CRISIL Ratings, you may contact the CRISIL Ratings desk at crisilratingdesk@crisil.com, or at (0091) 1800 267 1301.

CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011, to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: https://www.crisil.com/en/home/our-businesses/ratings/credit-ratings-scale.html

CRISIL Ratings

Rating Rationale

July 21, 2023 | Mumbai

International Hospital Limited

Long-term rating upgraded to 'CRISIL AA/Stable; Short-term rating reaffirmed

Rating Action

Total Bank Loan Facilities Rated	**Rs.35 Crore**
Long Term Rating	**CRISIL AA/Stable (Upgraded from 'CRISIL AA-/Positive')**
Short Term Rating	**CRISIL A1+ (Reaffirmed)**

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its rating on the long-term bank facility of International Hospital Ltd (IHL) to '**CRISIL AA/Stable'** from 'CRISIL AA-/Positive'; the short-term rating has been reaffirmed at 'CRISIL A1+'.

The rating factors in strong support received from the parent Fortis Healthcare Limited (FHL;CRISIL AA/Stable/A1+) and follows similar rating action on FHL. The rating action follows the sustained improvement in the business risk profile of Fortis Healthcare Ltd (FHL), driven by steady occupancy, better surgical mix, and greater share of international patients leading to higher average revenue per occupied bed (ARPOB). Financial risk profile is also expected to remain comfortable over the medium term on the back of strong capital structure and debt protection metrics, despite growth plans. On a consolidated basis, debt to earnings before interest, tax, depreciation and amortisation (Ebitda) ratio is likely to be below 1 time; the ratio was ~0.8 time as on March 31, 2023, against ~1.2 times as on March 31, 2022.

Consolidated operating revenue grew ~10% to ~Rs 6,298 crore on-year in fiscal 2023, driven by ~19% growth in the hospital business to ~Rs 4,967 crore; against this, the diagnostics business de-grew 18% to ~Rs 1,175 crore. The hospital business improved owing to occupancy level of ~67% (63% in fiscal 2022) and higher ARPOB per day of ~Rs 55,100 (~Rs 49,400), while diagnostics was affected by lower Covid test volumes, which accounted for just 4% of the topline in fiscal 2023 against 28% earlier. Non-Covid revenue increased 12% year-on-year led by higher collection centres leading to better volumes.

Consolidated reported operating EBITDA margin moderated to ~17.5% in fiscal 2023 from ~18.7% in fiscal 2022 because lower operating leverage led to a decline in the diagnostic division margin to ~17.7% from ~25.7%. Against this, margin of the hospital segment improved to ~16.9% from ~15.4%. Growth prospects remain robust over the medium term with regular bed additions in the hospital segment and increased volumes in the diagnostics division. Hence, the Ebitda margin is expected to sustain at 17-18%, thereby ensuring healthy cash generation.

Total debt (including lease liabilities) reduced to Rs 926 crore as on March 31, 2023, from 1,255 crore previous fiscal, while gross debt (including leases)/Ebitda stood at ~0.8 time against 1.2 times. Hence, gearing was comfortable at ~0.2 time as on March 31, 2023. FHL (on consolidated basis) has annual capital expenditure (capex) plan of ~Rs 1,000 crore, which is likely to be funded through mix of internal accrual and debt. This, along with steady term loan repayment, will ensure debt metrics remain robust. Any large, debt-funded capex or acquisition or any adverse ruling in existing litigations under dispute, necessitating significant payout, may impact financial risk profile and will remain a key monitorable.

The ratings had earlier been placed on watch due to pending legal issues. The Hon'ble Supreme Court of India had initiated suo moto contempt proceedings against FHL with regard to fund infusion by its promoter, IHH Healthcare Berhard (IHH), in the form of preferential allotment of fresh shares and purchase of assets of RHT Health Trust (RHT). CRISIL Ratings has undertaken a detailed discussion with the management subsequent to the Hon'ble Supreme Court judgement disposing off the suo moto contempt suits against FHL. The management does not anticipate any major implication on the day-to-day operations and future growth plans of the company on account of the remaining litigations. Furthermore, IHH has reiterated in multiple forums that FHL remains strategically important as India, along with Malaysia, Singapore and Turkey, remains its key market. The prospects for the healthcare sector in India remain strong over the medium term, and FHL is expected to be a key growth driver for IHH.

In its stock exchange announcement on September 23, 2022, FHL intimated that the Hon'ble Supreme Court, in its final judgement, held inter alia that the suo motu contempt petition and the connected proceedings (Special Leave Petition (Civil) No. 20417 of 2017 and the contempt petition No. 2120 of 2018 in SLP (C) No. 20417 of 2019) have been disposed of. The court has neither found nor indicated any wrongdoing by FHL related to the preferential allotment to Northern TK Ventures Pte Ltd (part of IHH) by FHL. The Hon'ble Supreme Court also observed that acquisition of the business portfolio of RHT by FHL appeared to be prima facie an acquisition of proprietary interest to subserve the business structure of FHL. However, the court has stated that the facts on record are not adequate to definitively evaluate issues concerning the acquisition and has issued certain directions including that the Hon'ble High Court of Delhi may consider issuing appropriate processes and appointing forensic auditor(s) to analyse the transactions entered into by FHL and RHT and other related transactions. The judgement further provides that it will be open to the Hon'ble Delhi High Court to pass such directions as the facts and circumstances presented before it, may justify.

The Securities and Exchange Board of India (SEBI) had, vide orders dated April 19, 2022, and May 5, 2022, imposed a penalty of Rs 1 crore each on Escorts Heart Institute and Research Centre Ltd (EHIRCL: rated 'CRISIL AA/Stable/CRISIL A1+') and FHL, and Rs 50 lakh on Fortis Hospitals Ltd (FHsL; rated 'CRISIL AA/Stable/CRISIL A1+') due to irregularities, inter alia, committed by the erstwhile promoters. FHL and FHsL have filed an appeal against the order of April 19, 2022, before the Securities Appellate Tribunal, Mumbai (SAT), which has directed SEBI to file its response and ordered that on deposit of 50% of the penalty amount, SEBI will not initiate recovery of further amounts. Against the order dated May 18, 2022, EHIRCL has filed an appeal before SAT, which has ordered that on deposit of 50% of penalty amount, SEBI will not initiate recovery of further amounts. The two appeals are sub judice, and a Serious Fraud Investigation Office investigation is underway.

The outcome of these proceedings before the Hon'ble High Court of Delhi that may have a bearing on the financial risk profile of FHL, will remain a monitorable.

The ratings factor in strong support received from the parent, Fortis Healthcare Ltd (FHL; rated 'CRISIL AA/Stable/CRISIL A1+') and the parent's strong market position and financial risk profile. These strengths are partially offset by exposure to inherent regulatory risks faced by the healthcare industry.

The ratings also reflect the established market position of the Fortis group with pan-India presence through its network of 27 hospitals, sound operational efficiency, and healthy financial risk profile, including adequate liquidity. These strengths are partially offset by pending litigations, the impact of which is not expected to be material; and exposure to regulatory risks associated with the hospital sector.

Analytical Approach

CRISIL Ratings has applied its parent notch-up framework to factor in the strong operational, financial and managerial linkages that IHL shares with FHL. For arriving at FHL's ratings, CRISIL Ratings has combined the business and financial risk profiles of FHL and its subsidiaries, joint ventures and associates because all these entities are under a common management with strong business and financial linkages.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

Strong support from the parent

As a wholly owned subsidiary of FHL, IHL receives strong operational, financial and managerial support from the parent. IHL owns real estate assets for some of the critical hospitals of the parent and is therefore strategically important to it. The parent has complete management control over its subsidiary, which it has supported through non-convertible debentures. Such financial aid is expected to continue.

Strong market position of FHL in the domestic healthcare space

FHL (on a consolidated basis) operates 27 hospitals (including joint ventures [JVs] and operations and maintenance facilities) across India (Haryana, Punjab, Delhi-National Capital Region, Karnataka, Rajasthan, Maharashtra, Chennai and West Bengal), which have a total of ~4,000 operational beds. Fortis is a well-known brand in the Indian healthcare space and the hospitals under it offer world-class services and attract international patients.

Agilus has established a strong brand in both the retail and B2B (business-to-business) diagnostics segments, managing over 479 labs (including JVs) with over 3,700 customer touch points across India. The strong market position should sustain over the medium term given the wide geographical footprint and diverse speciality mix.

While the brand of diagnostic subsidiary has changed to Agilus in May 2023, there is also a proposal to change the Fortis brand subject to various deliberations and requisite regulatory and corporate approvals. Transitioning to a new brand while maintaining market position will be a key monitorable.

Healthy and improving financial risk profile of FHL, aided by good operating performance
The group has a strong financial risk profile, driven by a strong capital structure and healthy debt protection metrics. Though the group plans to incur capex of Rs 800-1,000 crore per annum going forward over the next couple of years, healthy cash generation would ensure that gearing, debt (including lease liabilities)/EBITDA and interest coverage ratios remain at comfortable levels over the medium term. Any large, debt-funded capex or acquisition or any adverse ruling in existing litigations under dispute, necessitating significant payout, may impact the financial risk profile of FHL, and will remain a key monitorable.

Weaknesses:
Exposure to regulatory risk
The group, like other hospital chains, remains exposed to regulations. For instance, the performance of private hospitals was significantly impacted by price caps on cardiac stents and knee implants imposed in the last quarter of fiscal 2017. The cap on cash transactions up to Rs 2 lakh had also posed temporary challenges when introduced in fiscal 2018. Regulatory actions and their impact will remain monitorables.

Continuing litigations
While the recent directions of the Hon’ble Supreme Court have not had any adverse impact on the operations of the Fortis group, the apex court has directed the Hon’ble High Court of Delhi to look into matters involving the purchase of RHT assets by FHL, including undertaking a possible forensic audit. While the FHL management does not envisage any significant financial liability that may arise on this account, the timeframe by which the said legal issues may be resolved is uncertain. Furthermore, contingent liabilities of ~Rs 2,470 crore as on March 31, 2023, include matters of income tax, medical negligence, among others. Any adverse development related to these will remain a key monitorable.

Liquidity: Strong
On a consolidated basis, liquidity (cash equivalents of ~Rs 366 crore and undrawn working capital limit of Rs 355 crore) stood at ~Rs 721 crore as on March 31, 2023, against debt obligation of less than ~Rs 50 crore for fiscal 2024. Term Debt obligations of Rs 100-150 crore each in fiscals 2025 and 2026 and can be comfortably serviced from accrual, which will also partly fund annual capex of ~Rs 1,000 crore

Outlook: Stable
The credit risk profile of IHL will continue to benefit from FHL’s established market position, supported by steady occupancy, high ARPOBs, and resumption of revenue from international patients, which will lead to high operating profitability. The comfortable debt metrics are likely to sustain over the medium term while pursuing organic and inorganic growth opportunities

Rating Sensitivity factors
Upward factors
- Significant revenue growth while maintaining operating profitability above 16-18%, thereby benefitting cash generation
- Maintenance of strong financial risk profile, including robust debt metrics, and sustenance of gross debt (including lease liabilities) to Ebitda ratio within 1.2-1.5 times while pursuing organic and inorganic growth opportunities
- Revision in rating of the parent FHL, resulting in similar action on IHL

Downward factors
- Sluggish operating performance leading to operating profitability below 12-14% on a sustained basis, thereby impacting cash generation
- Significant, debt-funded capex or investments or any unfavourable judgement in the ongoing litigations impacting debt metrics; with gross debt to Ebitda ratio sustaining above 2-2.5 times
- Revision in rating of the parent FHL, resulting in similar action on IHL

About the Company
IHL owns eight properties and land across Amritsar and Anandpur in Punjab; Bannerghatta Road in Bengaluru; Faridabad, Haryana; Noida, Uttar Pradesh; and Mulund and Kalyan in Maharashtra. It has only one operational facility at Rajajinagar in Bengaluru. On January 15, 2019, FHL became the holding company of IHL.

About the Group
Incorporated in February 1996, FHL’s first healthcare facility became operational at Mohali in Punjab in 2001. The company is an integrated healthcare services provider, present across hospitals, diagnostics, day care, and specialty facilities. It has both owned and managed hospitals. The diagnostics brand, Agilus, is among the leading chains in the country. FHL has entered the women and child health and well-being segments through the La Femme brand. It has a facility each in Jaipur; Greater Kailash and Shalimar Bagh (both in New Delhi); and in Bengaluru. The company has four

hospitals accredited to the Joint Commission International (JCI), 21 accredited to the National Accreditation Board for Hospitals (NABH), 18 with NABH-accredited nursing programmes under its umbrella, and 9 NABH-accredited blood banks.

On February 15, 2018, shareholding of the erstwhile promoters, Mr Malvinder Mohan Singh and Mr Shivinder Mohan Singh, came down to less than 1% after the Hon'ble Supreme Court allowed lenders to invoke the pledge against shares of FHL held as security. Thereafter, the search for a new promoter began and bids were invited from investors. IHH was the winning bidder and became the new promoter, having invested around Rs 4,000 crore against fresh issuance of around 31.1% stake.

The board has provided the in-principle approval for change of the names, brands and logos of Fortis and it's diagnostic subsidiary, whose license agreements expired in April and May 2021, respectively. Subsequently, the diagnostics subsidiary has been renamed as Agilus Diagnostics Ltd since May 2023. The proposal to change the name, brand and logo of Fortis remains subject to various deliberations and requisite corporate and regulatory approvals.

For fiscal 2023, FHL had a net profit of Rs 633 crore (including an exceptional gain of Rs 74 crore pertaining to reversal of impairment in an associate company) and reported an operating revenue of around Rs 6,298 crore. This was in comparison to operating revenue of around Rs 5,718 crore and net profit of Rs 790 crore in fiscal 2022 (including exceptional gain of Rs 315 crore, pertaining to remeasurement of the previously held equity interest of Agilus in it's JV with DDRC at its fair value post-acquisition of the balance 50% stake in the said JV in April 2021).

Key Financial Indicators

As on / for the period ended March 31	Unit	2023	2022
Reported revenue	Rs crore	6,298	5718
Reported profit after tax (PAT)	Rs crore	633	790
Reported PAT margin	%	10.1	13.8
Reported debt/adjusted networth*	Times	0.23	0.37
Adjusted interest coverage	Times	8.78	7.59

**CRISIL Ratings-adjusted numbers. Networth has been adjusted for intangible assets such as goodwill*

Any other information: Not applicable

Note on complexity levels of the rated instrument:
CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity levels	Rating assigned with outlook
NA	Term Loan	NA	NA	Sep-25	4.41	NA	CRISIL AA/Stable
NA	Term Loan	NA	NA	Aug-30$	25.59	NA	CRISIL AA/Stable
NA	Working Capital Facility*	NA	NA	NA	5	NA	CRISIL A1+

**Interchangeable with working capital facility and non-fund-based limit*
$tentative since the term loan is yet to be drawn

Annexure - List of entities consolidated

Names of entities consolidated	Extent of consolidation	Rationale for consolidation
Hiranandani Healthcare Pvt Ltd	Full	Consolidated being subsidiary
Fortis Hospotel Ltd	Full	Consolidated being subsidiary
Fortis Health Management Ltd	Full	Consolidated being subsidiary
Hospitalia Eastern Pvt Ltd	Full	Consolidated being subsidiary
International Hospital Ltd	Full	Consolidated being subsidiary
Escorts Heart and Super Speciality Hospital Ltd	Full	Consolidated being subsidiary
Adayu Mindfulness Limited	Full	Consolidated being subsidiary

Fortis Health Management (East) Ltd	Full	Consolidated being subsidiary
Fortis Cancer Care Ltd	Full	Consolidated being subsidiary
Fortis Healthcare International Ltd	Full	Consolidated being subsidiary
Escorts Heart Institute and Research Centre Ltd	Full	Consolidated being subsidiary
Fortis Malar Hospitals Ltd	Full	Consolidated being subsidiary
Fortis Hospitals Ltd	Full	Consolidated being subsidiary
Fortis Global Healthcare (Mauritius) Ltd	Full	Consolidated being subsidiary
Malar Stars Medicare Ltd	Full	Consolidated being subsidiary
Fortis Asia Healthcare Pte. Ltd	Full	Consolidated being subsidiary
Birdie & Birdie Realtors Pvt Ltd	Full	Consolidated being subsidiary
Fortis Emergency Services Ltd	Full	Consolidated being subsidiary
Stellant Capital Advisory Services Pvt Ltd	Full	Consolidated being subsidiary
RHT Health Trust Manager Pte Ltd	Full	Consolidated being subsidiary
Fortis Health Staff Ltd	Full	Consolidated being subsidiary
Agilus Diagnostics Ltd	Full	Consolidated being subsidiary
SRL Diagnostics Pvt Ltd #	Full	Consolidated being subsidiary
Agilus Pathlabs Reach Ltd	Full	Consolidated being subsidiary
Agilus Diagnostics FZ-LLC	Full	Consolidated being subsidiary
Mena Healthcare Investment Company Ltd	Full	Consolidated being subsidiary
Medical Management Company Ltd	Full	Consolidated being subsidiary
Fortis CSR Foundation	Full	Consolidated being subsidiary
Sunrise Medicare Pvt Ltd	Equity method (strike off w.e.f. August 17, 2021)	Equity method of consolidation
Lanka Hospital Corporation Plc	Equity method	Equity method of consolidation
Fortis Global Healthcare Infrastructure Pte Limited.	Equity method	Equity method of consolidation
RHT Health Trust	Equity method	Equity method of consolidation
Fortis Cauvery	Equity method	Equity method of consolidation
Fortis C-Doc Healthcare Ltd	Equity method	Equity method of consolidation
DDRC SRL Diagnostics Ltd #	Equity method (till April 4, 2021)	Equity method of consolidation (till April 4, 2021)
	Full (from April 5, 2021)	Consolidated being subsidiary (from April 5, 2021)
SRL Diagnostics (Nepal) Pvt Ltd #	Equity method	Equity method of consolidation

#name change process underway

Annexure - Rating History for last 3 Years

	Current			2023 (History)		2022		2021		2020		Start of 2020
Instrument	**Type**	**Outstanding Amount**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Rating**
Fund Based Facilities	ST/LT	35.0	CRISIL A1+ / CRISIL AA/Stable	01-02-23	CRISIL AA-/Positive / CRISIL A1+	29-12-22	CRISIL A1+/Watch Developing / CRISIL AA-/Watch Developing	29-11-21	CRISIL A1/Watch Developing / CRISIL A+/Watch Developing	10-12-20	CRISIL A/Watch Developing	--
			--		--	03-10-22	CRISIL A1+/Watch Developing / CRISIL AA-/Watch Developing	01-09-21	CRISIL A1/Watch Developing / CRISIL A+/Watch Developing	11-09-20	CRISIL A/Watch Developing	--
			--		--	04-08-22	CRISIL A1+/Watch Developing / CRISIL AA-/Watch Developing	26-07-21	CRISIL A+/Watch Developing	15-06-20	CRISIL A/Watch Developing	--
			--		--	26-05-22	CRISIL A1+/Watch Developing	26-03-21	CRISIL A/Watch Developing	17-03-20	CRISIL A/Watch Developing	--

							/ CRISIL AA-/Watch Developing					
			--		--	25-02-22	CRISIL A1+/Watch Developing / CRISIL AA-/Watch Developing	07-01-21	CRISIL A/Watch Developing	11-03-20	CRISIL A1/Watch Developing	--
Non-Fund Based Facilities	ST		--		--		--	01-09-21	Withdrawn	10-12-20	CRISIL A1/Watch Developing	--
			--		--		--	26-07-21	CRISIL A1/Watch Developing	11-09-20	CRISIL A1/Watch Developing	--
			--		--		--	26-03-21	CRISIL A1/Watch Developing	15-06-20	CRISIL A1/Watch Developing	--
			--		--		--	07-01-21	CRISIL A1/Watch Developing	17-03-20	CRISIL A1/Watch Developing	--
			--		--		--		--	11-03-20	CRISIL A1/Watch Developing	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Term Loan	**4.41**	**DBS Bank India Limited**	**CRISIL AA/Stable**
Term Loan	**25.59**	**Axis Bank Limited**	**CRISIL AA/Stable**
Working Capital Facility&	**5**	**DBS Bank India Limited**	**CRISIL A1+**

& - Interchangeable with Working capital facility and Non-fund based limits

Criteria Details

Links to related criteria
[CRISILs Approach to Financial Ratios]
[Rating criteria for manufaturing and service sector companies]
[CRISILs Bank Loan Ratings - process, scale and default recognition]
[Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support]
[CRISILs Criteria for Consolidation]

Media Relations	Analytical Contacts	Customer Service Helpdesk
Aveek Datta Media Relations **CRISIL Limited** M: +91 99204 93912 B: +91 22 3342 3000 AVEEK.DATTA@crisil.com **Prakruti Jani** Media Relations **CRISIL Limited** M: +91 98678 68976 B: +91 22 3342 3000 PRAKRUTI.JANI@crisil.com **Rutuja Gaikwad** Media Relations **CRISIL Limited** B: +91 22 3342 3000 **Rutuja.Gaikwad@ext-crisil.com**	Anuj Sethi Senior Director **CRISIL Ratings Limited** B:+91 44 6656 3100 anuj.sethi@crisil.com Poonam Upadhyay Director **CRISIL Ratings Limited** B:+91 22 3342 3000 poonam.upadhyay@crisil.com Aashna Aggarwal Senior Rating Analyst **CRISIL Ratings Limited** B:+91 22 3342 3000 aashna.aggarwal@crisil.com	Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301 For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com For Analytical queries: ratingsinvestordesk@crisil.com

Note for Media:
This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper/magazine/agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL Ratings. However, CRISIL Ratings alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites and portals.

About CRISIL Ratings Limited (A subsidiary of CRISIL Limited, an S&P Global Company)

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings Limited ('CRISIL Ratings') is a wholly-owned subsidiary of CRISIL Limited ('CRISIL'). CRISIL Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit www.crisilratings.com

About CRISIL Limited

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: TWITTER | LINKEDIN | YOUTUBE | FACEBOOK

CRISIL PRIVACY NOTICE

CRISIL respects your privacy. We may use your contact information, such as your name, address and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com.

DISCLAIMER

This disclaimer is part of and applies to each credit rating report and/or credit rating rationale ('report') that is provided by CRISIL Ratings Limited ('CRISIL Ratings'). To avoid doubt, the term 'report' includes the information, ratings and other content forming part of the report. The report is intended for the jurisdiction of India only. This report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the report is to be construed as CRISIL Ratings providing or intending to provide any services in jurisdictions where CRISIL Ratings does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this report does not create a client relationship between CRISIL Ratings and the user.

We are not aware that any user intends to rely on the report or of the manner in which a user intends to use the report. In preparing our report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the report is not intended to and does not constitute an investment advice. The report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind to enter into any deal or transaction with the entity to which the report pertains. The report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in

the US).

Ratings from CRISIL Ratings are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities/instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL Ratings assumes no obligation to update its opinions following publication in any form or format although CRISIL Ratings may disseminate its opinions and analysis. The rating contained in the report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way. CRISIL Ratings or its associates may have other commercial transactions with the entity to which the report pertains.

Neither CRISIL Ratings nor its affiliates, third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively, 'CRISIL Ratings Parties') guarantee the accuracy, completeness or adequacy of the report, and no CRISIL Ratings Party shall have any liability for any errors, omissions or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the report. EACH CRISIL RATINGS PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Ratings Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. Public ratings and analysis by CRISIL Ratings, as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any), are made available on its website, www.crisilratings.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee - more details about ratings by CRISIL Ratings are available here: www.crisilratings.com.

CRISIL Ratings and its affiliates do not act as a fiduciary. While CRISIL Ratings has obtained information from sources it believes to be reliable, CRISIL Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and/or relies on in its reports. CRISIL Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL Ratings has in place a ratings code of conduct and policies for managing conflict of interest. For details please refer to: https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html.

Rating criteria by CRISIL Ratings are generally available without charge to the public on the CRISIL Ratings public website, www.crisilratings.com. For latest rating information on any instrument of any company rated by CRISIL Ratings, you may contact the CRISIL Ratings desk at crisilratingdesk@crisil.com, or at (0091) 1800 267 1301.

This report should not be reproduced or redistributed to any other person or in any form without prior written consent from CRISIL Ratings.

CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011, to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: https://www.crisil.com/en/home/our-businesses/ratings/credit-ratings-scale.html

Rating Rationale

July 21, 2023 | Mumbai

Agilus Diagnostics Limited

Rating upgraded to 'CRISIL AA/Stable'

Rating Action

Total Bank Loan Facilities Rated	**Rs.54 Crore**
Long Term Rating	**CRISIL AA/Stable (Upgraded from 'CRISIL AA-/Positive')**

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its rating on the long-term bank facilities of Agilus Diagnostics Ltd (Agilus; erstwhile: SRL Limited (SRL)) to '**CRISIL AA/Stable'** from 'CRISIL AA-/Positive'.

The upgrade follows a similar rating action on the long-term rating of the parent, Fortis Healthcare Ltd (FHL) to 'CRISIL AA/Stable'. The rating action in FHL followed sustained improvement in its business risk profile, driven by steady occupancy, better surgical mix, and greater share of international patients leading to higher average revenue per occupied bed (ARPOB). FHL's financial risk profile is also expected to remain comfortable over the medium term on the back of strong capital structure and debt protection metrics, despite growth plans. On a consolidated basis, debt to earnings before interest, tax, depreciation and amortisation (EBITDA) ratio is likely to be below 1 time; the ratio was ~0.8 time as on March 31, 2023, against ~1.2 times as on March 31, 2022.

During fiscal 2023, the reported operating income of Agilus de-grew by 16% to Rs 1,347 crore from Rs 1,605 crore in fiscal 2022 owing to decline in Covid and Covid-related tests, which accounted for just 4% of the topline in fiscal 2023 against 28% earlier. Non-Covid revenue increased 12% year-on-year led by higher collection centres leading to better volumes. After the acquisition of the entire stake in DDRC (major South India diagnostics player) in fiscal 2022, geographical diversity improved with the share of South India at 28% in fiscal 2023 against ~10% in fiscal 2021.

The reported operating EBITDA margin of Agilus normalised to pre-pandemic level of 17.7% in fiscal 2023 from a high of 25.7% in fiscal 2022. Furthermore, the diagnostics segment is facing increased competition from new-age online players, especially in the wellness segment, which can impact margin. However, Agilus has a healthy B2B (business-to-business) share of 46% and greater presence in the complex test segment compared with online players. Hence, margin is expected to remain stable over the medium term.

The strong financial risk profile continues to draw comfort from negligible bank borrowing as on March 31, 2023, in line with March 2022. Networth was also large at over Rs 1,000 crore, while debt protection metrics remained resilient. Agilus acquired the pathology business of RK Diagnostics (effective since July 2022) for Rs 11 crore (goodwill of Rs 10 crore), and Dr Ponkshe Path Lab (including care diagnostics) in Maharashtra (announced in January 2023) for Rs 11 crore (goodwill of Rs 8 crore). Internal accrual is sufficient to fund these small acquisitions as well as moderate organic capital expenditure (capex). Any large, debt-funded capex or acquisition or any adverse ruling in the existing litigations under dispute of the Fortis group, necessitating significant payout, may impact the financial risk profile of Agilus and will remain a key monitorable.

The ratings had earlier been placed on watch due to pending legal issues. The Hon'ble Supreme Court of India had initiated suo moto contempt proceedings against FHL with regard to fund infusion by its promoter, IHH Healthcare Berhard (IHH), in the form of preferential allotment of fresh shares and purchase of assets of RHT Health Trust (RHT). CRISIL Ratings has undertaken a detailed discussion with the management subsequent to the Supreme Court judgement disposing off the suo moto contempt suits against FHL. The management does not anticipate any major implication on the day-to-day operations and future growth plans of the company on account of the remaining litigations. Furthermore, IHH has reiterated in multiple forums that FHL remains strategically important as India, along with Malaysia, Singapore and Turkey, remains its key market. The prospects for the healthcare sector in India remain strong over the medium term, and FHL is expected to be a key growth driver for IHH.

In its stock exchange announcement on September 23, 2022, FHL intimated that the Hon'ble Supreme Court, in its final judgement, held inter alia that the suo motu contempt petition and the connected proceedings (Special Leave Petition (Civil) No. 20417 of 2017 and the contempt petition No. 2120 of 2018 in SLP (C) No. 20417 of 2019) have been disposed of. The court has neither found nor indicated any wrongdoing by FHL related to the preferential allotment to Northern TK Ventures Pte Ltd (part of IHH) by FHL. The Hon'ble Supreme Court also observed that acquisition of the business portfolio of RHT by FHL appeared to be prima facie an acquisition of proprietary interest to subserve the business structure of FHL. However, the court has stated that the facts on record are not adequate to definitively evaluate issues concerning the acquisition and has issued certain directions including that the Hon'ble High Court of Delhi may consider issuing appropriate processes and appointing forensic auditor(s) to analyse the transactions entered into by FHL and RHT and other related transactions. The judgement further provides that it will be open to the Hon'ble Delhi High Court to pass such directions as the facts and circumstances presented before it, may justify.

The Securities and Exchange Board of India (SEBI) had, vide orders dated April 19, 2022, and May 5, 2022, imposed a penalty of Rs 1 crore each on Escorts Heart Institute and Research Centre Ltd (EHIRCL: rated 'CRISIL AA/Stable/CRISIL A1+') and FHL, and Rs 50 lakh on Fortis Hospitals Ltd (FHsL; rated 'CRISIL AA/Stable/CRISIL A1+') due to irregularities, inter alia, committed by the erstwhile promoters. FHL and FHsL have filed an appeal against the order of April 19, 2022, before the Securities Appellate Tribunal, Mumbai (SAT), which has directed SEBI to file its response and ordered that on deposit of 50% of the penalty amount, SEBI will not initiate recovery of further amounts. Against the order dated May 18, 2022, EHIRCL has filed an appeal before SAT, which has ordered that on deposit of 50% of penalty amount, SEBI will not initiate recovery of further amounts. The two appeals are sub judice, and a Serious Fraud Investigation Office investigation is underway.

The outcome of these proceedings before the Delhi High Court that may have a bearing on the financial risk profile of FHL, will remain a monitorable. FHL also has to provide exit to PE investors holding ~31% stake in Agilus by February, 2024. Any material impact on the company's credit profile in the process of giving exit to PE investors – through listing or buy-back of shares – by February 2024, shall remain monitorable

The rating reflects the established market position of Agilus, improving operating performance and strong financial risk profile. These strengths are partially offset by exposure to intense competition and inherent regulatory risks. The rating also reflects the strong market position of the Fortis group with pan-India presence through its network of 27 hospitals, sound operational efficiency, and healthy financial risk profile, including adequate liquidity. These strengths are partially offset by pending litigations, the impact of which is not expected to be material; and exposure to regulatory risks associated with the hospital sector.

Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of Agilus and its subsidiaries as they are in the same business, and have strong operational and financial linkages and a common management. Also, CRISIL Ratings has amortised goodwill arising from mergers or consolidation over a period of 10 years, given the strong brand of the acquired entities and expectation of returns in the long term.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

Strong support from the parent: As a subsidiary of FHL, Agilus receives strong operational and managerial support from the parent. Agilus represents the diagnostics arm of the Fortis group and is, therefore, strategically important to it. The parent has management control over its subsidiary. Need-based support is expected to continue.

Established position in the diagnostic services industry in India: Agilus is the second-largest player in the domestic diagnostic services industry in terms of revenue. It has established a strong brand in both the retail (business-to-consumer) and B2B segments and manages over 410 labs (including joint ventures) with over 3,700 customer touch points in India. It also has international presence through subsidiaries in the Middle East, which account for around 2% of the overall revenue. The strong market position will sustain over the medium term on the back of wide geographical footprint and diverse speciality mix. Transitioning to the new brand of Agilus in May 2023 while maintaining market position will be a key monitorable.

Strong financial risk profile: CRISIL Ratings-adjusted networth was healthy at over Rs 1,000 crore against negligible debt as on March 31, 2023. Debt protection metrics were comfortable, as reflected in adjusted interest coverage ratio of over 15 times in fiscal 2023. Liquid surplus stood at ~Rs 331 crore in March 2023, supported by high cash accrual. Financial risk profile should remain stable over the medium term, aided by healthy cash accrual and absence of term debt.

Weaknesses:

Exposure to regulatory risks, market fragmentation and modest entry barriers: The cap on prices for diagnostic tests (for instance, testing for Covid-19), introduced by the government, has impacted players adversely. Limited capital requirement for setting a diagnostics laboratory has led to the emergence of several diagnostic centres. Intense competition restricts the market share and pricing power of players such as Agilus.

Continuing litigations involving the Fortis group: While the recent Hon'ble Supreme Court directions have not had any adverse impact on the operations of the Fortis group, the apex court has directed the Hon'ble Delhi High Court to look into matters involving the purchase of RHT assets by FHL, including undertaking a possible forensic audit. While the FHL management does not envisage any significant financial liability that may arise on this account, the timeframe by which the said legal issues may be resolved is uncertain. Furthermore, contingent liabilities of over Rs 2,400 crore as on March 31, 2023, include matters of income tax, medical negligence, among others. Any adverse development related to these will remain a key monitorable.

Liquidity: Strong

Liquidity (cash equivalent of ~Rs 331 crore and undrawn working capital limit of Rs 52 crore) was ~Rs 383 crore as on March 31, 2023, against negligible debt obligation and limited capex requirement of up to ~Rs 100 crore per annum, which is expected to be funded completely through accrual.

Outlook: Stable

The credit risk profile of Agilus will continue to benefit from its established market position, steady growth in revenue, and healthy operating profitability. The company is also expected to sustain its debt metrics and capital structure at comfortable levels, while pursuing organic and inorganic growth.

Rating Sensitivity factors

Upward factors

- Substantial increase in revenue with sustenance of operating margin at ~18-19%, benefitting cash generation
- Sustenance of strong financial risk profile
- Revision in the rating of the parent FHL by 1 or more notches

Downward factors

- Lower utilisation of labs impacting revenue and operating margin sustaining below 15%
- Significant, debt-funded capex or investments or any unfavourable judgement in the ongoing litigations moderating financial risk profile
- Revision in the rating or outlook of the parent FHL by 1 or more notches, or reduction in FHL stake in Agilus

About the Company

Incorporated in 1995, Agilus is a leading diagnostics company in India that offers pathology and imaging services. With the acquisition of Piramal Diagnostics Services Pvt Ltd in August 2010, it expanded its presence in western and eastern India. The company was acquired by FHL in May 2011. Currently, FHL owns ~57.7% stake in Agilus, which has also developed speciality testing for oncology and HIV, diagnostic genetics and clinical trials.

About the Group

Incorporated in February 1996, FHL's first healthcare facility became operational at Mohali in Punjab in 2001. The company is an integrated healthcare services provider, present across hospitals, diagnostics, day care, and specialty facilities. It has both owned and managed hospitals. The diagnostics brand, Agilus, is among the leading chains in the country. FHL has entered the women and child health and well-being segments through the La Femme brand. It has a facility each in Jaipur; Greater Kailash and Shalimar Bagh (both in New Delhi); and in Bengaluru. The company has four hospitals accredited to the Joint Commission International (JCI), 21 accredited to the National Accreditation Board for Hospitals (NABH), 18 with NABH-accredited nursing programmes under its umbrella, and 9 NABH-accredited blood banks.

On February 15, 2018, shareholding of the erstwhile promoters, Mr Malvinder Mohan Singh and Mr Shivinder Mohan Singh, came down to less than 1% after the Hon'ble Supreme Court allowed lenders to invoke the pledge against shares of FHL held as security. Thereafter, the search for a new promoter began and bids were invited from investors. IHH was the winning bidder and became the new promoter, having invested around Rs 4,000 crore against fresh issuance of around 31.1% stake.

The board has provided the in-principle approval for change of the names, brands and logos of Fortis and it's diagnostic subsidiary, whose license agreements expired in April and May 2021, respectively. Subsequently, the diagnostics subsidiary has been renamed as Agilus Diagnostics Ltd since May 2023. The proposal to change the name, brand and logo of Fortis remains subject to various deliberations and requisite corporate and regulatory approvals.

For fiscal 2023, FHL had a net profit of Rs 633 crore (including an exceptional gain of Rs 74 crore pertaining to reversal of impairment in an associate company) and reported an operating revenue of around Rs 6,298 crore. This was in comparison to operating revenue of around Rs 5,718 crore and net profit of Rs 790 crore in fiscal 2022 (including exceptional gain of Rs 315 crore, pertaining to remeasurement of the previously held equity interest of Agilus in it's JV with DDRC at its fair value post-acquisition of the balance 50% stake in the said JV in April 2021).

Key Financial Indicators

As on / for the period ended March 31	Unit	2023	2022
Reported operating income	Rs crore	1,347	1,605
Reported profit after tax (PAT)	Rs crore	117	555
Adjusted PAT margin	%	8.7	34.6
Adjusted debt / adjusted networth*	Times	--	--
Interest coverage*	Times	15.43	25.68

**CRISIL Ratings-adjusted numbers; networth has been adjusted for intangible assets such as goodwill*

Any other information: Not applicable

Note on complexity levels of the rated instrument:
CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity levels	Rating assigned with outlook
NA	Working Capital Facility	NA	NA	NA	54	NA	CRISIL AA/Stable

Annexure - List of entities consolidated

Names of entities consolidated	Extent of consolidation	Rationale for consolidation
Agilus Diagnostics Ltd	Full	Consolidated being subsidiary
SRL Diagnostics Pvt Ltd #	Full	Consolidated being subsidiary
Agilus Pathlabs Reach Ltd	Full	Consolidated being subsidiary
Agilus Diagnostics FZ-LLC	Full	Consolidated being subsidiary
DDRC SRL Diagnostics Ltd #	Equity method (till April 4, 2021)	Equity method of consolidation (till April 4, 2021)
	Full (from April 5, 2021)	Consolidated being subsidiary (from April 5, 2021)
SRL Diagnostics (Nepal) Pvt Ltd #	Equity method	Equity method of consolidation

#name change process underway

Annexure - Rating History for last 3 Years

	Current			2023 (History)		2022		2021		2020		Start of 2020
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	54.0	CRISIL AA/Stable	01-02-23	CRISIL AA-/Positive	29-12-22	CRISIL AA-/Watch Developing	30-11-21	CRISIL A+/Watch Developing		--	--
			--		--	03-10-22	CRISIL AA-/Watch Developing	26-07-21	CRISIL A+/Watch Developing		--	--
			--		--	04-08-22	CRISIL AA-/Watch Developing		--		--	--
			--		--	26-05-22	CRISIL AA-/Watch Developing		--		--	--
			--		--	25-02-22	CRISIL AA-/Watch Developing		--		--	--
Non Convertible Debentures	LT		--		--		--	26-07-21	Withdrawn		--	--
			--		--		--	16-04-21	CRISIL A/Watch Developing		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Working Capital Facility	25	DBS Bank India Limited	CRISIL AA/Stable
Working Capital Facility	25	Axis Bank Limited	CRISIL AA/Stable
Working Capital Facility	2	Kotak Mahindra Bank Limited	CRISIL AA/Stable
Working Capital Facility	2	HDFC Bank Limited	CRISIL AA/Stable

Criteria Details

Links to related criteria
The Rating Process
CRISILs Bank Loan Ratings
CRISILs Approach to Financial Ratios
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating criteria for manufaturing and service sector companies
CRISILs Criteria for Consolidation
Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support
CRISILs Criteria for rating short term debt

Media Relations	Analytical Contacts	Customer Service Helpdesk
Aveek Datta Media Relations **CRISIL Limited** M: +91 99204 93912 B: +91 22 3342 3000 AVEEK.DATTA@crisil.com **Prakruti Jani** Media Relations **CRISIL Limited** M: +91 98678 68976 B: +91 22 3342 3000 PRAKRUTI.JANI@crisil.com **Rutuja Gaikwad** Media Relations **CRISIL Limited** B: +91 22 3342 3000 **Rutuja.Gaikwad@ext-crisil.com**	Anuj Sethi Senior Director **CRISIL Ratings Limited** B:+91 44 6656 3100 anuj.sethi@crisil.com Poonam Upadhyay Director **CRISIL Ratings Limited** B:+91 22 3342 3000 poonam.upadhyay@crisil.com AKSHAY GOEL Senior Rating Analyst **CRISIL Ratings Limited** B:+91 22 3342 3000 AKSHAY.GOEL1@crisil.com	Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301 For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com For Analytical queries: ratingsinvestordesk@crisil.com

Note for Media:
This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper/magazine/agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL Ratings. However, CRISIL Ratings alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites and portals.

About CRISIL Ratings Limited (A subsidiary of CRISIL Limited, an S&P Global Company)

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings Limited ('CRISIL Ratings') is a wholly-owned subsidiary of CRISIL Limited ('CRISIL'). CRISIL Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit www.crisilratings.com

About CRISIL Limited

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: TWITTER | LINKEDIN | YOUTUBE | FACEBOOK

DISCLAIMER

This disclaimer is part of and applies to each credit rating report and/or credit rating rationale ('report') that is provided by CRISIL Ratings Limited ('CRISIL Ratings'). To avoid doubt, the term 'report' includes the information, ratings and other content forming part of the report. The report is intended for the jurisdiction of India only. This report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the report is to be construed as CRISIL Ratings providing or intending to provide any services in jurisdictions where CRISIL Ratings does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this report does not create a client relationship between CRISIL Ratings and the user.

We are not aware that any user intends to rely on the report or of the manner in which a user intends to use the report. In preparing our report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the report is not intended to and does not constitute an investment advice. The report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind to enter into any deal or transaction with the entity to which the report pertains. The report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in

the US).

Ratings from CRISIL Ratings are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities/instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL Ratings assumes no obligation to update its opinions following publication in any form or format although CRISIL Ratings may disseminate its opinions and analysis. The rating contained in the report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way. CRISIL Ratings or its associates may have other commercial transactions with the entity to which the report pertains.

Neither CRISIL Ratings nor its affiliates, third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively, 'CRISIL Ratings Parties') guarantee the accuracy, completeness or adequacy of the report, and no CRISIL Ratings Party shall have any liability for any errors, omissions or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the report. EACH CRISIL RATINGS PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Ratings Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. Public ratings and analysis by CRISIL Ratings, as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any), are made available on its website, www.crisilratings.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee - more details about ratings by CRISIL Ratings are available here: www.crisilratings.com.

CRISIL Ratings and its affiliates do not act as a fiduciary. While CRISIL Ratings has obtained information from sources it believes to be reliable, CRISIL Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and/or relies on in its reports. CRISIL Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL Ratings has in place a ratings code of conduct and policies for managing conflict of interest. For details please refer to: https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html.

Rating criteria by CRISIL Ratings are generally available without charge to the public on the CRISIL Ratings public website, www.crisilratings.com. For latest rating information on any instrument of any company rated by CRISIL Ratings, you may contact the CRISIL Ratings desk at crisilratingdesk@crisil.com, or at (0091) 1800 267 1301.

CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011, to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: https://www.crisil.com/en/home/our-businesses/ratings/credit-ratings-scale.html