

August 27, 2010

**CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF
FORTIS HEALTHCARE LTD****Ratings Assigned**

| Facilities | Amount (Rs. cr) | Ratings ¹ | Remarks |
|-------------------------------|-------------------------------------|------------------------------|--|
| Long-term Bank Facilities | 42.30 (enhanced from Rs.27.8 cr) | 'CARE A+' (Single A Plus) | Revised from CARE BBB on credit watch |
| Short-term Bank Facilities | 172.50 (enhanced from Rs.72.50) | 'PR1 Plus' (PR One Plus) | Revised from PR3 on credit watch |
| Total Facilities | 214.80 | | |

Rating Rationale

The revision in ratings takes into account the significant improvement in financial risk profile of FHL (on a consolidated basis) emanating from improvement in operating and profitability parameters for majority of hospitals during FY2009-10 and Q1FY11. The ratings also draw comfort from the capital infusion by way of rights issue during FY10 and warrants issue during FY11, experience & resourcefulness of the promoters and the strategic role of the company in the group's overall business plans. The ratings also take into account the successful completion of acquisition of hospitals from Wockhardt Hospitals Ltd (WHL) giving FHL a sizeable presence on a pan-India basis and profit from sale of stake in Parkway Holdings Ltd (PHL) as well as subsequent improvement in the liquidity position of the company. The long-term rating is however constrained by FHL's exposure and commitments towards its subsidiaries, risks pertaining to the projects under implementation and the increasing competition in the healthcare sector.

Going forward, FHL's ability to sustain growth in operating and financial parameters and generate sufficient cash accruals, and the impact of the growth plans on credit profile of the company shall be the key rating sensitivities. Higher-than-anticipated support towards subsidiaries would also be a rating sensitivity.

Company Profile

Incorporated in 1996, FHL made its foray into the healthcare sector in 2001 with the opening of its first hospital in Mohali (Punjab). Over the years, the company has increased its scale of operations and network of hospitals via organic and inorganic route (through its subsidiaries). As on May 31, 2010, FHL had a network of 45 hospitals (including 12 satellite & heart command centers) with around 6,000 beds of which FHL directly owns two hospitals (including one under implementation) and runs three hospitals under Operation & Maintenance (O&M) arrangement. FHL also raised Rs.997 cr during Q3FY10 through a rights issue and Rs.1342 cr during Q1FY11 through warrants issue.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

On a consolidated basis, FHL reported total operating income of Rs.631 cr (y-o-y growth of 24%) and earned a PAT of Rs.24 cr during FY09. As per audited FY10 results (consolidated), total operating income increased to Rs.938 cr (y-o-y growth of 48.7%) with higher PBILDT and PAT margins of 14.98% and 7.09% respectively as compared to 13.62% and 3.67% respectively during FY09. During Q1FY11, FHL registered total operating income of Rs.338 cr and incurred a net loss of around Rs.14 cr (consolidated).

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CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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