HealthCare Global Enterprises Limited

Instruments	Amounts	Ratings outstanding
	Rs. crore	**December 2016**
Term loan facilities	92.62 (revised from 323.80)	[ICRA]BBB+ (Positive) / rating outstanding
Long-term fund based facilities	55.00	[ICRA]BBB+ (Positive) / rating outstanding
Long-term non-fund based facilities	84.38 (revised from 12.00)	[ICRA]BBB+ (Positive) / rating outstanding

ICRA has long-term rating of [ICRA]BBB+ (pronounced ICRA triple B plus) outstanding on the Rs.92.62 crore (revised from 323.80 crore) term loan facilities, the Rs.55.00 crore fund based facilities and the Rs.84.38 crore (revised from 12.00 crore) non-fund based facilities of HealthCare Global Enterprises Limited ("HCG" / "the company")[1]. The outlook on the long-term rating is Positive.

In arriving at the ratings, ICRA has taken a consolidated view of the HealthCare Global Group (comprising of HCG and its subsidiaries) considering the common management team and the presence of strong operational and financial linkages among the entities.

The rating takes into account HCG's long standing presence, niche focus on cancer therapy, high brand equity of the hospital chain and strong reputation of the promoters in the field of oncology. High quality of infrastructure with advanced medical equipment and clinical research facilities has helped the company in attracting reputed consultants in turn aiding healthy patient inflow. With increasing penetration across India through its hub and spoke model, the company has strengthened its competitive position in the industry which is likely to support its operational parameters going forward. Cancer being a lifestyle disease, the treatment is spread over a longer duration with relatively higher realizations, which in turn is expected to support HCG's revenue growth over the longer term.

During March 2016, the company witnessed equity infusion to the tune of Rs.252.3 crore by way of fresh issue of shares through IPO during March 2016. Of the said amount, Rs.147.0 crore was utilized towards debt repayment. The total IPO size stood at Rs.649.6 crore. As on March 31, 2016, the company's gearing and Total Debt / OPBDITA stood at 0.5x and 3.4x (down from 1.1x and 4.3x as on March 31, 2015). ICRA however notes that sizeable debt-funded capital expenditure plans towards geographical expansion is likely to maintain pressure on HCG's debt protection metrics and cash flows going forward.

The rating, however, remains constrained on account of aggressive capital expenditure plans to set up new units over the next three years. Further, commercialization of new units over the next three years is expected to strain the cash flows and profitability of the company while the capital-intensive nature of operations and relatively longer gestation periods of its new units are likely to maintain pressure on its accruals over the near-to-medium term.

The company's ability to improve its operating performance, ease the pressure on profitability as well as coverage metrics and sustain its capital structure in the face of its future investment plans will remain key rating sensitivities going forward.

Company Profile

Established in 1989, HCG Group ("The Group") is present primarily in the oncology field with largest cancer care network in South Asia. The Group has been promoted by Dr. B.S. Ajai Kumar, a practicing radiation and medical oncologist with over 30 years of experience. Originally established with a single cancer care centre named Bangalore Institute of Oncology (BIO) at Bangalore by Dr. Kumar and four other oncologists, the Group has rapidly expanded its presence to Delhi, Ahmedabad, Chennai, Nasik, Ranchi, Cuttack, Hubli, Trichy and Vijayawada among others. The Group is currently present across the oncology value chain, offering services from prevention, screening, diagnosis and treatment to rehabilitation, supportive care and palliative care. The

[1] For complete rating scale and definitions, please refer ICRA's website (www.icra.in) or other ICRA Rating Publications

Group also has India’s largest network of cancer care facilities with over 30,000 patients visiting the Group’s hospitals every year.

Healthcare Global Enterprises Limited is the holding company of the Group. Acquired in the year 2000, as Curie Centre of Oncology Private Limited, Bangalore, the company was renamed HealthCare Global Enterprises Private Limited in 2005. Thereafter, in the following year, the company was converted to a public limited company. In 2010-11, Banashankari Medical and Oncology Research Centre Limited (BMORCL), HCG Group’s oldest entity was merged with HCG forming a single large holding company. HCGEL presently has centres across Ahmedabad, Bangalore, Delhi, Chennai, Nasik, Ranchi, Cuttack, Hubli, Shimoga, Vijayawada and Trichy through subsidiaries and direct ownership.

Recent results (consolidated)
For FY2016, HCG reported net profit of Rs.5.4 crore on operating income of Rs.582.0 crore as against net profit of Rs.4.7 crore on operating income of Rs.519.6 crore during FY2015.

December 2016

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