

July 08, 2024

Healthcare Global Enterprises Limited - Update on Material Event

Summary of rating(s) outstanding

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Outstanding |
|--------------------------------------|--------------------------------------|-------------------------------------|--------------------|
| Long-term – Fund-based Term Loan | 359.51 | 359.51 | [ICRA]A+(Stable) |
| Long-term – Fund-based – Cash Credit | 155.00 | 155.00 | [ICRA]A+(Stable) |
| Short-term – Non-fund Based | 28.50 | 28.50 | [ICRA]A1 |
| Total | 543.01 | 543.01 | |

*Instrument details are provided in Annexure-1

Rationale

Material event

Vide a release to the stock exchanges dated June 28, 2024, Healthcare Global Enterprises Limited (HCG/the company) has entered into a share purchase agreement (SPA) and shareholders' agreement (SHA) for upfront acquisition of 51% stake, subject to completion of "conditions precedent" as per SPA & SHA, in Mahatma Gandhi Cancer Hospital & Research Institute (MGCHRI/Vizag Hospital), Vizag, Andhra Pradesh while the balance 49% stake planned to be acquired in tranches subject to completion of various conditions set out in the SPA and SHA. The consideration for the acquisition will be in the form of cash. In the first tranche, 51% of the equity share capital of MGCHRI will be acquired by HCG for a consideration of Rs. 207.6 crore by the end of Q2 FY2025 and in the second tranche, 34% of the equity share capital is planned to be acquired for a further consideration of Rs. 155.0 crore within 18 months of the first tranche. The acquisition for the balance 15% stake will depend on the valuation principles in accordance with the terms of SHA. ICRA understands that this investment will aid HCG which already operates a hospital in Vizag to benefit from synergies and economies of scale in the Vizag market. MGCHRI is a 196-bed hospital founded in 1986 and focuses primarily on cancer care. The hospital witnessed revenue of ~Rs. 120 crore in FY2024 with Operating profit margin (OPM) of ~35%.

Impact of material event

With the acquisition of MGCHRI, HCG will be able to improve its market position in the Vizag market. ICRA also expects HCG's consolidated profitability to improve given the margin-accretive nature of the transaction. That said, ICRA expects the first tranche of the transaction to result in an increase in HCG's net debt by ~Rs.207 crore since the same will be funded through its existing free cash and liquid investments. ICRA understands that HCG intends to fund the second tranche of the acquisition through equity raise.

ICRA has noted the said developments, and the ratings remain unchanged at [ICRA]A+(Stable)/ [ICRA]A1. However, timing of the equity raise to fund the second tranche of the acquisition will remain a key monitorable going forward. Going forward, any significant debt-funded acquisition remains an event risk and would be evaluated on a case-by-case basis.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities: [Click here](#)

Analytical approach

| Analytical Approach | Comments |
|---------------------------------|--|
| Applicable rating methodologies | Corporate Credit Rating Methodology ICRA's Rating methodology for Hospitals |
| Parent/Group support | NA |
| Consolidation/Standalone | ICRA has taken a consolidated view on HCG, which includes its subsidiaries and associate companies, while assigning the credit ratings, given the common management and significant operational and financial linkages among them. |

About the company

Established in 1989, Healthcare Global Enterprises Limited is present primarily in the oncology field with the largest cancer care network (23 cancer care centres as of December 31, 2023) and four multi-speciality hospitals. It is promoted by Dr. BS Ajai Kumar, a practising radiation and medical oncologist with over 30 years of experience. It was started by Dr. Kumar and four other oncologists as a single cancer care centre, namely Bangalore Institute of Oncology. Thereafter, the company has rapidly expanded its presence to Ahmedabad, Chennai, Nasik, Ranchi, Rajkot, Cuttack, Hubli, Mumbai, Nagpur, Vizag, and Vijayawada, among others. The company is present across the oncology value chain, offering services from prevention, screening, diagnosis and treatment to rehabilitation, supportive care, and palliative care.

Pursuant to the investment agreement of the company and its promoter with Aceso Company Pte Ltd. (CVC Group) in June 2020 and subsequent equity infusion, a majority stake of 60.4% (on fully diluted basis) of HCG is now held by the CVC Group. Established in 1981, CVC is a private equity and investment advisory firm with ~\$199 billion of assets under management, as of February 2024. It has a global network of 29 offices—with 16 across EMEA and the Americas and 13 in the Asia Pacific. The company has a 100% equity interest in BACC Health Care Private Limited (BACC), which operates fertility centres under the Milann brand. HCG operates six Milann fertility centres, of which five are in Bangalore, and one in Chandigarh.

Key financial indicators

| HCG Consolidated | FY2022 | FY2023 | 9M FY2024* |
|--|---------|---------|------------|
| Operating income | 1,397.8 | 1,694.4 | 1,417.5 |
| PAT | 40.3 | 17.6 | 27.1 |
| OPBDIT/OI | 17.1% | 17.7% | 16.8% |
| PAT/OI | 2.9% | 1.0% | 1.9% |
| Total outside liabilities/Tangible net worth (times) | 1.5 | 1.7 | -- |
| Total debt/OPBDIT (times) | 3.8 | 3.0 | 3.4 |
| Interest coverage (times) | 2.4 | 2.9 | 2.9 |

PAT: Profit after Tax; OPBDITA: Operating Profit before Depreciation, Interest, Taxes and Amortisation; *Unaudited Financials

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| Instrument | Type | Current Rating (FY2025) | | Chronology of Rating History for the past 3 years | | |
|----------------------------|------------|--------------------------|-------------------------|---|-------------------------|-------------------------|
| | | Amount Rated (Rs. crore) | Date & Rating in FY2025 | Date & Rating in FY2024 | Date & Rating in FY2023 | Date & Rating in FY2022 |
| | | | Jul 08, 2024 | Mar 28, 2024 | Dec 16, 2022 | Sep 27, 2021 |
| 1 Fund Based Term loan | Long-term | 359.51 | [ICRA]A+ (Stable) | [ICRA]A+ (Stable) | [ICRA]A+ (Stable) | [ICRA]A+(Stable) |
| 2 Fund based - Cash credit | Long-term | 155.00 | [ICRA]A+ (Stable) | [ICRA]A+ (Stable) | [ICRA]A+ (Stable) | [ICRA]A+(Stable) |
| 3 Interchangeable | Long term | -- | - | - | - | - |
| 4 Non-fund based | Short-term | 28.50 | [ICRA]A1 | [ICRA]A1 | [ICRA]A1 | [ICRA]A1 |
| 5 Interchangeable | Short term | -- | - | - | - | - |

Complexity level of the rated instrument

| Instrument | Complexity Indicator |
|--------------------------------------|----------------------|
| Long term - Fund Based Term loan | Simple |
| Long term - Fund based - Cash credit | Simple |
| Short term - non-fund based | Very Simple |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [Click Here](#)

Annexure-I: Instrument details

| ISIN | Instrument Name | Date of Issuance / Sanction | Coupon Rate | Maturity Date | Amount Rated (RS Crore) | Current Rating and Outlook |
|------|--------------------------|-----------------------------|-------------|---------------|-------------------------|----------------------------|
| NA | Fund Based Term loan | FY2019/FY2023 | NA | FY2029/FY2031 | 359.51 | [ICRA]A+ (Stable) |
| NA | Fund based - Cash credit | NA | NA | NA | 155.00 | [ICRA]A+ (Stable) |
| NA | Non-fund-based limits | NA | NA | NA | 28.50 | [ICRA]A1 |

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-II: List of entities considered for consolidated analysis

| Company Name | HCG Ownership | Consolidation Approach |
|--|---------------|------------------------|
| HCG Medi-Surge Hospitals Private Limited | 74.00% | Full Consolidation |
| Malnad Hospital & Institute of Oncology Private Limited | 70.25% | Full Consolidation |
| Healthcare Global Senthil Multi Specialty Hospital Private Limited | 100.00% | Full Consolidation |
| Niruja Product Development and Research Private Limited | 100.00% | Full Consolidation |
| BACC Healthcare Private Limited | 100.00% | Full Consolidation |
| Healthcare Diwan Chand Imaging LLP | 75.00% | Full Consolidation |
| HCG Oncology Hospitals LLP | 100.00% | Full Consolidation |
| HCG Oncology LLP | 74.00% | Full Consolidation |
| HCG NCHRI Oncology LLP | 100% | Full Consolidation |
| NCHRI Private Limited | 100% | Full Consolidation |
| HCG Manavata Oncology LLP | 51.00% | Full Consolidation |
| HCG EKO Oncology LLP | 50.50% | Full Consolidation |
| HCG (Mauritius) Private Limited | 100.00% | Full Consolidation |
| HCG Sun Hospitals LLP | 100.00% | Full Consolidation |
| Healthcare Global (Africa) Private Limited | 100.00% | Full Consolidation |
| HealthCare Global (Uganda) Private Limited | 100.00% | Full Consolidation |
| HealthCare Global (Kenya) Private Limited | 100.00% | Full Consolidation |
| HealthCare Global (Tanzania) Private Limited | 100.00% | Full Consolidation |
| Cancer Care Kenya Limited | 81.63% | Full Consolidation |
| Suchirayu Health Care Solutions Limited | 78.60% | Full Consolidation |
| Advanced Molecular Imaging Limited – Joint venture | 50.00% | Limited Consolidation |

Source: Company annual report FY2023

ANALYST CONTACTS

Shamsher Dewan

+91 124 4545 5328

shamsherd@icraindia.com

Kinjal Shah

+91 22 6114 3442

kinjal.shah@icraindia.com

Mythri Macherla

+91 22 6114 3435

mythri.macherla@icraindia.com

Kritika Jain

+91 80 4332 6404

akshit.goel@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.