

August 07, 2020

Healthcare Global Enterprises Limited: Update on Material event

Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Outstanding |
|--|--------------------------------------|-------------------------------------|--------------------|
| Term loans | 531.31 | 531.31 | [ICRA]A- (Stable) |
| Long-term Fund Based – CC | 100.00 | 100.00 | [ICRA]A- (Stable) |
| Long-term Non-fund based (sub-limits) | (356.11) | (356.11) | [ICRA]A- (Stable) |
| Short-term-Non-fund based | 28.50 | 28.50 | [ICRA]A2+ |
| Short-term Non-fund based (sub-limits) | (48.50) | (48.50) | [ICRA]A2+ |
| Total | 659.81 | 659.81 | |

Material Event

Healthcare Global Enterprises Limited (HCG / the company) had notified the stock exchanges on July 28, 2020 that its board has approved the following:

- Allotment 2,95,16,260 equity shares in the company for cash, at a price per share of Rs. 130 (including share premium of INR 120 per share) on preferential basis to CVC Capital Partners (CVC) through Aceso Company Pte. Ltd (Investor).
- Allotment of 1,85,60,663 warrants to the Investor, at a subscription price per warrant of Rs. 130 on preferential basis, with a right to the Warrant Holder on exercise to apply for and be allotted Equity Share of the face value of Rs. 10 each of the company at a premium of Rs. 120 per share for each warrant, in one or more tranches, within a period of 18 months from the date of allotment of the Series A Warrants.
- Allotment of 70,57,195 equity shares of Rs. 10 each of the company, for cash, at a price per share of Rs. 130 (including share premium of Rs. 120 per share) upon exercise of 70,57,195 Series A Warrants by the Investor at a price of Rs. 130 (Indian Rupees One Hundred Thirty) per warrant at a premium of INR 120 (Indian Rupees One Hundred and Twenty) per share for each warrant.

Impact of the Material Event

- Upon allotment of the 2,95,16,260 equity shares and conversion of exercise of 70,57,195 Series A Warrants by the Investor at a price of Rs. 130 and allotment of 11,503,468 series A warrants, the cash inflows into the company in the form of equity are Rs. 512.9 crore (Rs. 475.5 crore from equity shares and Rs. 37.4 crore from warrants, as 25% of the price has to be paid on subscription and the balance on exercising the warrant) into the company.
- The total shareholding of the investor in the company post allocation of the aforementioned shares and conversion of 70,57,195 warrants stands at 29.20%.
- As per SEBI (SAST) Regulations, the Investor would be making a mandatory open offer for up to 32,613,192 shares at the price of Rs. 130 per share. If the open offer is fully subscribed to, the Investor will hold 58.92% stake in HCG post the transaction.

- HCG would be able to utilize raised funds once the SEBI's approval for open offer is there, which is expected to be received by end of August 2020.
- HCG is expected to use majority of the equity proceeds (Rs. 512.9 crore) to reduce its long-term debt resulting in a marked improvement in the company's debt indicators by end of FY2021. HCG also proposes to utilize up to ~Rs. 75 crore of the equity proceeds to acquire additional 49.9% stake in its subsidiary, BACC Healthcare Private Limited (BACC).

The previous rating rationale on the company is available at the following link:

<https://www.icra.in/Rationale/ShowRationaleReport?Id=95116>

About the company:

Established in 1989, Healthcare Global Enterprises Limited, is present primarily in the oncology field with the largest cancer care network (with 22 cancer care centres as on February 2019) in South Asia. HCG is 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, the Bangalore Institute of Oncology (BIO), at Bangalore by Dr. B.S. Ajai Kumar and four other oncologists, 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 currently present across the oncology value chain, offering services from prevention, screening, diagnosis and treatment to rehabilitation, supportive care and palliative care.

The company had acquired 50.1% equity interest in BACC in 2013, which operates fertility centres under the Milann brand. Pursuant to this acquisition, it now operates eight Milann fertility centres in Bengaluru, Delhi, Ahmedabad and Chandigarh. In accordance with the terms of the shareholders' agreement dated March 22, 2013 between the company, Dr. Kamini A. Rao and BACC, the company has announced that it shall acquire the remaining 46,695 equity shares, constituting 49.9% of the share capital of BACC from Dr. Rao. The same is expected to happen during FY2021. The Investor is expected to become the majority shareholder post equity infusion and the open offer during FY2021.

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