

May 22, 2020

BACC Healthcare Private Limited: Rating reaffirmed; Outlook changed to Stable from Negative; rating withdrawn

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term – Fund Based	19.50	19.50	[ICRA]A-(CE) reaffirmed; outlook revised to Stable from Negative; rating withdrawn
Total	19.50	19.50	

*Instrument details are provided in Annexure-1

Rationale

ICRA has changed the outlook on the long-term rating to Stable from Negative and withdrawn the rating of [ICRA]A-(CE) (pronounced ICRA A minus credit enhancement) assigned to the Rs. 19.50-crore bank facilities of BACC Healthcare Private Limited (BACC/the company).

The rating was withdrawn in accordance with ICRA's policy on withdrawal and suspension at the request of the company, based on a no-due certificate provided by its banker.

Link to the last press release published on ICRA's website

<https://www.icra.in/Rationale/ShowRationaleReport/?Id=79362>

Key rating drivers and their description

The key rating drivers have not been captured as the rated instrument has been withdrawn.

Liquidity position: Not applicable

Rating sensitivities: Not applicable

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology ICRA Policy on Withdrawal and Suspension of Credit Rating
Parent/Group Support	Parent/Group Company: Healthcare Global Enterprises Limited (HCGE; rated [ICRA]A-(Stable))/[ICRA]A2+ The assigned rating was based on an unconditional, irrevocable corporate guarantee extended by HCGE
Consolidation/Standalone	ICRA had evaluated the standalone operational and financial profile of BACC; the rating was based on the strength of the corporate guarantee provided by HCGE for BACC's borrowings

About the company

BACC operates assisted fertility centres across the country under the brand name Milann. It has eight centres in Bengaluru, Delhi, Ahmedabad and Chandigarh. The company was set up by Dr. Kamini A Rao and has been carrying out the business of medical consultation and treatment in maternity, fertility, cytogenetic, endoscopy and other education services for the last 25 years. In FY2013, Healthcare Global Enterprises Limited (HCGE) acquired a 50.1% stake in the company after Dr. Rao diluted her stake.

Key financial indicators (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	66.9	64.4
PAT (Rs. crore)	4.0	-1.8
OPBDIT/OI (%)	17.0%	6.3%
RoCE (%)	18.5%	-2.5%
Total Outside Liabilities/Tangible Net Worth (times)	0.4	0.4
Total Debt/OPBDIT (times)	0.4	0.4
Interest Coverage (times)	9.1	3.3
DSCR	2.2	1.0

Source: Company and ICRA research; OPBDITA: Operating profit before depreciation, interest and taxes; PAT: Profit after tax; RoCE: Return on capital employed; TNW: Tangible net worth; NWC: Net working capital; DSCR: Debt service coverage ratio

About the guarantor

Established in 1989, Healthcare Global Enterprises Limited, is present primarily in the field of oncology with the largest cancer care network (with 22 cancer care centres as of February 2019) in South Asia. HCGE is promoted by Dr. B.S. Ajai Kumar, a practising radiation and medical oncologist with over 30 years of experience. Originally established by Dr. Kumar and four other oncologists with a single cancer care centre in Bangalore, the Bangalore Institute of Oncology (BIO), the company has rapidly expanded its presence to Ahmedabad, Chennai, Nasik, Ranchi, Rajkot, Cuttack, Hubli, Mumbai, Nagpur, Vizag and Vijayawada, among others. It 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 an equity interest of 50.1% 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. 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 in FY2021. While the promoter group currently holds a 23.9% stake in the company, Aseco is expected to become the majority shareholder following an equity infusion in FY2021.

Key financial indicators - HCGE (audited)

Standalone	FY2018	FY2019
Operating Income (Rs. crore)	830.7	978.7
PAT (Rs. crore)	18.3	-19.9
OPBDIT/OI (%)	14.3%	12.8%
RoCE (%)	9.0%	5.2%
Total Outside Liabilities/Tangible Net Worth (times)	0.8	1.3
Total Debt/OPBDITA (times)	3.9*	5.3*
Interest Coverage (times)	2.8	1.8
DSCR	0.9	0.8

Source: Healthcare Global Enterprises Limited; *Indicates that in addition to the debt specified here, the company had a contingent liability of Rs. 54.4 crore in the form of corporate guarantees given as on March 31, 2019

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2021)				Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated	Amount Outstanding as on March 31, 2020	Date & Rating	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018
						May 22, 2020	April 05, 2019	August 31, 2018
1	Term Loan	Long Term	19.5	0.00	[ICRA]A-(CE) (Stable); Withdrawn	[ICRA]A-(SO) (Negative)	[ICRA]A-(SO) (Stable)	[ICRA]A-(SO) (Stable)

Amount in Rs. crore

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	August 2014	NA	NA	19.5	[ICRA]A-(CE)(Stable); withdrawn

Source: Company

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