



## Press Release

### Max Ventures Investment Holdings Private Limited (MVIHPL)

June 17, 2021

#### Ratings:

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities – Proposed Non-Convertible Debentures *	150.00	IVR BBB (CE) / Stable [IVR Triple B (Credit Enhancement) with Stable Outlook]	Assigned
Long Term Bank Facilities – Term Loan **	210.00	IVR A- (CE) / Stable [IVR A Minus (Credit Enhancement) with Stable Outlook]	Assigned
<b>Total</b>	<b>360.00 (Three Hundred and Sixty Crore)</b>		

\* CE Rating based on the security provided by way of first ranking exclusive pledge over listed equity shares of Max Financial Services Limited (MFSL) held by the Pledgor. The stipulated asset cover for this instrument is INR200.00Crore through unencumbered listed shares of MFSL. If the LTV Shares is above the Max LTV Shares (70%), the Issuer shall within 1 business day (a) deposit additional funds into the DSRA; or (b) grant additional security over MFS Shares such that, if the LTV was recalculated taking into account of such, deposit or additional security, it would be 70% or less.

\*\* CE Rating based on the security provided by way of exclusive pledge over listed equity shares of Max Financial Services Limited (MFSL) held by the Pledgor, amounting to minimum of 2.0x cover on the facility amount.

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating assigned to the Non-Convertible Debentures of Max Ventures Investment Holdings Private Limited (MVIHPL) derives comfort based on the security provided by way of exclusive pledge over listed equity shares of Max Financial Services Limited (MFSL) held by the Pledgor. The stipulated asset cover for this instrument is INR200.00Crore through unencumbered listed shares of MFSL. If the LTV Shares is above the Max LTV Shares (70%),



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the Issuer shall within 1 business day (a) deposit additional funds into the DSRA; or (b) grant additional security over MFS Shares such that, if the LTV was recalculated taking into account of such, deposit or additional security, it would be 70% or less.

This security provided by way of pledge of fully paid-up listed shares of MFSL (associate company) results in credit enhancement in the rating of the said Non-Convertible Debentures to IVR BBB (CE)/ Stable Outlook [IVR Triple B (Credit Enhancement) with Stable Outlook] against the unsupported rating of IVR BB+/ Stable [IVR Double B Plus with Stable Outlook].

The rating assigned to the Bank Facilities of Max Ventures Investment Holdings Private Limited (MVIHPL) derives comfort based on the security provided by way of exclusive pledge over listed equity shares of Max Financial Services Limited (MFSL) held by the Pledgor, amounting to minimum of 2.0x cover on the facility amount.

This security provided by way of pledge of fully paid-up listed shares of MFSL (associate company) results in credit enhancement in the rating of the said Bank Facilities to IVR A- (CE)/ Stable Outlook [IVR A Minus (Credit Enhancement) with Stable Outlook] against the unsupported rating of IVR BB+/ Stable [IVR Double B Plus with Stable Outlook].

Further, the ratings derive strength from Diversified Industry Presence, Credit Enhancement and Established Track Record of Asset Monetisation. However, rating is constrained owing to High Share Pledge in Listed Subsidiary of the Group, Share Price Volatility Risk and High Dependence on Timely and Adequate Asset Monetisation and Refinancing of Existing Debt.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Timely asset monetisation and significant reduction in the Group's debt, along with better visibility of cash flows from the remaining businesses and investments going forward will be the key for a rating upgrade.

#### **Downward Factors**

- The rating may be downgraded in case of prolonged delay in asset monetisation, if the refinancing of the debt is not timely or adequate, or in case of further increase in the Group's leverage. Further, sharp moderation in the value of the stakes/assets held by



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the Group and consequent moderation in the asset cover and financial flexibility would be a credit negative.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### Diversified Industry Presence

MVIHPL is one of the holding company of Max group, promoted by Mr Analjit Singh. MVIHPL derives comfort from Group's experienced promoters and the diversified business interests of the Group, across hospitality, insurance, real estate, senior living, and packaging businesses.

##### Credit Enhancement

The issuer (MVIHPL) has provided credit enhancement in the form of pledge of the listed shares of "Max Financial Services Ltd." to the extent of INR200Crore for the NCD issue of Rs.150.00 Crs, and 2.0x for the BLR of INR210Crore. Further, there is a provision for return linked with the stock price upside movement over and above the minimum guaranteed return.

##### Established Track Record of Asset Monetisation

The rating considers the successful asset monetisation by the promoters in various business segments over the last one year, the proceeds from which have been utilised for substantial reduction of Group debt and for meeting operational and financial requirements. The promoters liquidated around ~6% stake in MFSL and around ~12% stake in Max Healthcare in FY2021.

#### Key Rating Weaknesses

##### High Share Pledge in Listed Subsidiary of the Group

The pledge of the promoters' shareholding in MFSL, the listed subsidiary of the Group, remains elevated at ~77% as on June 14, 2021, which constraints the financial flexibility of the Group to some extent. However, the pledge has reduced in the last one year and is expected



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to reduce further with release of shares on account of substantial increase in share price of the pledged shares.

### **Share Price Volatility Risk**

The debt raised is backed by the pledge of the shares of listed entity – Max Financial Services Ltd. with varying security cover. The debt backed by share pledge is always exposed to the downside risk in volatile equity markets wherein the value of pledged securities declines as a result of the falling share price bringing down the value of the collateral affecting the required minimum security cover requirements.

### **High Dependence on Timely and Adequate Asset Monetisation and Refinancing of Existing Debt**

Although the Group's debt reduced significantly due to timely and adequate asset monetisation during FY18-FY21, the debt levels of the Max Group remain elevated relative to the cash flows generated from investee companies. Further, the Group remains exposed to refinancing risks and stake/asset sale on account of substantial repayments in the near term.

**Analytical Approach:** Consolidated

### **Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Rating Methodology for Structure Debt Transaction (Non Securitisation Transaction)

Financial Ratios & Interpretation (Non- Financial Sector)

### **Liquidity – Stretched**

The Company is a Group Holding Company and depends on interest income and asset monetisation of subsidiaries for source of income. The Management expects to generate positive cash flows on the back of asset monetisation and sale of further shareholding in MFSL. This coupled with debt restructuring is expected to take care of significant debt servicing obligations getting due in the near future. High reliance on debt refinancing, remains a key credit monitorable.

### **About the Company**



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Max Ventures Investment Holdings Private Limited (MVIHPL) was incorporated in 1988 and is one of the promoters holding companies (Holdco) of Mr Analjit Singh, promoter of Max Group. MVIHPL holds stake in several group companies with 16.99% stake in Max Financial Services Ltd (MFSL) (listed entity with market cap. of ~Rs. 35,000 Crore). Max Financial Services Limited (MFSL) is the holding company for Max Life, India's largest non-bank, private life insurance company. MFSL owns majority stake in Max Life Insurance Company Limited (MLI), making it India's first listed company focused exclusively on life insurance.

### Financials (Consolidated)\*:

(In Crore)

For the year ended / As on	31-03-2018 (Audited)	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	149.58	222.03	233.69
EBITDA	137.59	211.71	221.24
PAT	9.00	-77.98	185.05
Total Debt	2560.62	2817.87	2303.23
Adjusted Tangible Net-Worth	3275.39	3411.43	3288.56
<b>Ratios</b>			
EBITDA Margin (%)	91.98	95.35	94.67
PAT Margin (%)	5.85	-29.37	78.35
Adjusted Overall Gearing Ratio (x)	0.78	0.83	0.70

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** None

**Rating History for last three years:**



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Bank Facilities – Proposed Non-Convertible Debentures	Long Term	150.00	IVR BBB / Stable	--	--	--
2.	Long Term Bank Facilities – Term Loan	Long Term	210.00	IVR A- / Stable	--	--	--

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

### Name and Contact Details of the Rating Analyst:

Name: Ruchi Shah Tel: (022) 62396023 Email: <a href="mailto:ruchi.shah@infomerics.com">ruchi.shah@infomerics.com</a>	Name: Prakash Kabra Tel: (022) 62396023 Email: <a href="mailto:Prakash.kabra@infomerics.com">Prakash.kabra@infomerics.com</a>
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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are 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 us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Size of Facility (Rs. Crore)	Maturity Date	Rating Assigned/ Outlook
Long Term Facility – Fund Based – Proposed Non-Convertible Debentures	150.00	48 months after the date of allotment of the Debentures (The redemption of NCDs shall be done at the end of the tenor subject to credit conditions on Mandatory Prepayment)	IVR BBB / Stable
Long Term Facility – Fund Based – Term Loan	210.00	24 months from first disbursement	IVR A- / Stable

### Annexure 2: Key Covenants

#### Key Covenants for Non-Convertible Debentures:

1. The total shares of MFS pledged by the Group shall not exceed 90% of the overall shareholding held by the Group in MFS;
2. Gross Debt in MVIHPL on a standalone basis, not to exceed INR 12bn after March 2022;
3. Gross Debt in MVIHPL not to exceed 22bn on a standalone basis from the date of drawdown to March 2022;
4. At MVIHPL, value of listed entities shares held by MVHIPL less debt, to be at least INR 15bn. The value is to be tested on weekly basis.