

**Press Release**

**Radiant Life Care Pvt. Ltd**

**July 15, 2019**

**Ratings**

<b>Instrument/Facility</b>	<b>Amount (Rs. Crores)</b>	<b>Rating</b>	<b>Rating Action</b>
Non-Convertible Debentures	55.00*	IVR A-/Stable Outlook (IVR Single A Minus with Stable Outlook)	Reaffirmed
Long Term Loans	65.00		
<b>Total</b>	<b>120.00</b>		

\*Part prepayment made in FY19 for NCD, reduced from Rs. 147.50 Cr to Rs. 55.00 Cr.

**Details of Facilities are in Annexure 1**

**Detailed Rationale**

The affirmation of ratings to the facilities of Radiant Life Care Pvt. Ltd. continue to derive strength from strong brand reputation of the two hospitals they are running, Experienced management team, support from reputed private equity player Kohlberg Kravis Roberts (KKR) and substantial debt reduction, state of the art medical care at competitive pricing, hospital on the cusp of a financial turnaround, improving profitability and leverage position, and healthy growth prospects for Indian healthcare industry. The rating however is constrained by concentration risk, however mitigated by the recent acquisition of Max Hospital chain, fiercely competitive healthcare industry and capital intensive nature of industry. Business Growth, Profitability and Gearing levels are the key rating sensitivities.

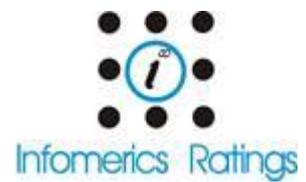
**List of key rating drivers with detailed description**

**Key Rating Strengths**

**Strong brand reputation of the hospitals**

Both the hospitals managed and operated by Radiant Life Care Pvt. Ltd. (Radiant) enjoy considerable brand reputation in their respective location. Dr. Balabhai Nanavati Hospital (Nanavati), located in suburban Mumbai is one of the leading hospitals of the city. It has long legacy with 350 beds and is conveniently located near to the Airport. It

## **Infomerics Valuation And Rating Pvt. Ltd.**



has a large employee pool comprising of 300 specialists and super specialists. The hospital also runs Diplomate of the National Board (DNB) course with over 50 residents providing a pool of in house trained specialists. The hospital uses latest generation technology in OTs, Radiology, Imaging, Laboratories, etc. The hospital has revamped its existing infrastructure and has developed an international tourism business with tie ups in the Middle East.

Dr. B. L. Kapur Memorial Hospital (BLK), located in central New Delhi is also conveniently located with a long legacy. The hospital has 650 beds, 350 doctors, 800 nurses and undertakes 50 clinical programmes. The hospital has achieved some notable successes including separation of conjoined twins and kidney transplant of a HIV+ patient. It has a large medical tourism business contributing 30% of revenue. The hospital runs the DNB programme across 11 departments.

Both the hospitals are going through refurbishment of their properties which will add incremental value to their operations and is attracting patients.

### **Experienced management team**

Radiant is managed by a team of highly qualified & experienced professionals under the guidance of a five member Board of Directors led by Mr. Abhay Soi. Mr. Soi is well supported by other Directors including Mr. Sanjay Nayar having significant experience of more than two decades and serving on the Board of many listed and well-known Companies. Prior to Radiant, Mr. Abhay Soi co-founded a USD 300 million Special Situations Fund, where he made investments across sectors such as Mining, Financial Services, Agri-processing, Retail, Paper & Paperboards manufacturing, Textiles and Specialty Chemicals. Mr. Abhay Soi started his career with Andersen Consulting where he helped in setting up their financial restructuring business and subsequently led the restructuring services team of E&Y. Further, the board is well supported by a team of experienced professionals.

### **Support from reputed private equity player (KKR) and substantial debt reduction**

Radiant in August 2017 received substantial equity support from a reputed private equity player, KKR, who infused equity of Rs. 685 crore. The funds have been used in prepayment of debt and buyout of 49% stake in Radiant Life Care Mumbai Pvt Ltd. KKR infused incremental equity of Rs. 315 crores into the company in January 2019. Further, it infused additional equity of Rs. 1990 crore in June 2019 to complete the buyout of Max Hospitals.

### **Hospitals on the cusp of a financial turnaround**

Both the hospitals, Nanavati and BLK, are currently characterised by high leverage and thin to negative PAT margin. However, there is a perceptible change since the Radiant group took over BLK from 2010 and Nanavati in 2014. In addition, with the repayment of debt post fund infusion from KKR, their financials are likely to improve. Further with the ongoing refurbishment plan, the future revenue generation is expected to be better. In the short run, it is expected that the hospitals will post a significant turnaround with improvement in margins and capital structure.

### **Improving profitability and leverage position, however lower than expectations**

EBITDA margin increased from 7.56% in FY18 to 9.21% in FY19 (Consolidated) with improving capital structure in FY19. Nanavati was projected to achieve total income of Rs. 331.0 Cr and EBIDTA Margin of 8.18% in FY18, however, it achieved total income of Rs.316.69 Cr and EBIDTA Margin of 3.31%. BLK was expected to achieve total income of Rs. 582.5 Cr and EBIDTA Margin of 22.32% in FY18; however, it achieved total income of Rs.520.82 Cr and EBIDTA Margin of 12.01%.

### **Healthy growth prospects for Indian healthcare industry**

Healthcare has become one of India's largest sectors both in terms of revenue & employment. The industry is growing at a tremendous pace owing to its strengthening coverage, services and increasing expenditure by public as well private players. During 2018-20, the market is expected to record a CAGR of 16.5 per cent. The total industry size is expected to touch USD160 billion by 2017 & USD280 billion by 2020. This will support the future growth plans of the hospitals under the Radiant group.

## Key Rating Weaknesses

### **Concentration risk; however mitigated to a large extent by the acquisition of Max Hospitals**

The Company's managed and operated two hospitals until March, 2019 which are in the process of a financial turnaround. The portfolio was thus, limited in size as compared to large hospital groups like Fortis, Apollo, Manipal group and Narayana Healthcare. However, this risk will be mitigated due to synergies of combined resources and talents, post combining the health care assets of Max Healthcare Institute Limited, Max India Limited and Radiant to create the largest Hospital network in North India and among the top 3 Hospital operators in India.

### **Fiercely competitive healthcare industry**

The healthcare industry is very competitive with a large number of established organized players and their growing network of hospitals. The healthcare and specialty hospitals sector mainly comprises of large national level players, organized regional players, government hospitals, charitable trusts and a large number of nursing home and multi-specialty clinics making it highly competitive. The competition is expected to intensify with the expected entry of Public Private Partnerships in this segment.

### **Capital intensive nature of industry**

The hospital segment is a capital intensive with a long gestation period. Generally, the payback period (PBP) for a new hospital is about 5-6 years due to lower occupancy rate in the initial phase of operation. Further, the maintenance capex required for the hospital segment also remains high owing to regular replacement of equipment to remain updated with the latest technology. Hence, going forward, any debt funded capex plans for expansion purpose at a larger scale is critical from credit perspective.

### **Analytical Approach & Applicable Criteria:**

Standalone and Consolidated

Rating Methodology for trading companies

Financial Ratios & Interpretation (Non-Financial Sector)

## Liquidity

The company is earning a moderate level GCA and the same is expected to increase gradually with increase in scale of operation and level of margin. This couple with the presence of KKR which has demonstrated its support to the company through capital infusion at times provides fair degree of liquidity support.

## About the Company

Radiant Life Care Pvt Ltd (Radiant) (erstwhile, Halcyon Finance & Capital Advisors Pvt. Ltd. (Halcyon)) was incorporated in 2010 as a private limited company. Its registered office is located in Vile Parle (West), Mumbai. The Company is in the business of developing, redeveloping, managing and operating health care facilities. The Company currently operates two hospitals, Nanavati in Mumbai and BLK in New Delhi. The Company recently completed acquisition of 49.7% of Max Healthcare Institute Limited and Mr. Abhay Soi will now lead Max Healthcare Institute Limited as Chairman of its Board and Executive Council.

Radiant's stake acquisition is one of several steps that will eventually result in Mr. Abhay Soi and KKR together acquiring a controlling stake in Max Healthcare Institute Limited by combining the health care assets of Max Healthcare Institute Limited, Max India Limited (Max India), and Radiant to create the largest hospital network in North India and among the top 3 hospital operators in India.

## **Financials**

**(Rs. in crores)**

<b>For the year ended* / As On</b>	<b>31-03-2018 Consolidated</b>	<b>31-03-2019 Consolidated</b>
Total Operating Income	823.87	965.29
EBITDA	62.28	88.86
PAT	-150.33	18.82
Total Debt	341.16	281.36
Tangible Net worth	201.60	524.92
EBITDA Margin (%)	7.56%	9.21%
PAT Margin (%)	-18.25%	1.95%
Overall Gearing Ratio (x)	1.69	0.54

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA: Not Applicable**

**Any other information: Not Applicable**

**Rating History for last three years:**

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Non-Convertible Debentures	Long Term	55.00	IVR A-/Stable Outlook	--	IVR A-/Stable Outlook	--
2.	Long Term Loans	Long Term	65.00		(February 22, 2018)		

**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).

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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. 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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**Annexure 1: Details of Facilities**

<b>Name of Facility</b>	<b>Date of Issuance</b>	<b>Coupon Rate/ IRR</b>	<b>Maturity Date</b>	<b>Size of Facility (Rs. Crore)</b>	<b>Rating Assigned/ Outlook</b>
Non-Convertible Debentures	--	--	November 2021	55.00*	IVR A-/Stable Outlook
Long Term Loans	--	--	November 2021	65.00	