
Brickwork Ratings assigns “BWR A-(SO)” for ABK Consultants Pvt. Ltd’s secured Non-Convertible Debt Instruments Issue up to INR 600 crores

NCD Issue Rating: BWR A- (SO)

Outlook: Stable

Brickwork Ratings (BWR) has assigned BWR A-(SO) (Pronounced BWR A minus (Structured Obligation)) for ABK Consultants Pvt. Ltd.(ABK) secured Non-Convertible Debt Instruments (NCD) issue up to Rs. 600 crores with a tenor of 60 months .

‘BWR A- (SO)’ rating stands for an instrument that is considered to offer ADEQUATE credit quality in terms of timely servicing of principal and interest obligations.

The rating factored, inter alia, the underlying security, structured payment mechanism, Max India’s performance, as also its negative cash flows from operations and the Net loss in FY09.

ABK Consultants Pvt. Ltd. is a Special Purpose Vehicle (SPV) promoted by the promoters of Max India Ltd. to raise an amount up to Rs. 600 crores by issue of Non-Convertible Debentures against pledge of their unencumbered fully paid shares of Max India Ltd. The amount raised through the NCD issue is proposed to be used to invest in other promoter group companies for repayment of earlier debts and for general corporate purposes.

Max India Limited is a multi-business corporate, incorporated in the year 1982 with Headquarters at New Delhi. It has the following business Divisions:

- Max New York Life Insurance
- Max Healthcare
- Max Neeman Medical International
- Max Specialty Products
- Max Bupa Health Insurance

Max India is focusing on bettering and protecting life through its different enterprises. The business lines of Insurance and Healthcare are on consistent growth trajectory. The market share of Max New York Life Insurance amongst private sector players was 6% in FY 09. Healthcare business has turned cash positive during FY 09.

The NCD issue up to Rs. 600 crores or equivalent value in US dollars, will have a coupon of 10% per annum, and a tenor of 60 months and provides for Call and Put options.

The rating has factored the pledge of fully paid shares of Max India Ltd. by its promoters, as security for the NCD issue. The issuers are obliged to always maintain a minimum security cover of 1.5 times the value of the outstanding amounts towards the NCDs. In case the security cover cannot be maintained by further pledging of shares, then the Debenture Trustee shall be entitled to exercise a senior negative lien in respect of all Unencumbered Assets of the Promoter Group at that point in time. The structure also provides for Trigger points which empower the Debenture Trustee to take immediate appropriate action to protect the interest of the debenture holders.

Brickwork Ratings has also factored the following risk factors: Servicing of the NCDs essentially depends upon the promoter's ability to bring in required funds as the issuing company does not have any cash flow at present. Max India Ltd. shares have not earned any dividend income since the last 7 years and the company had negative cash flow from its operations and made a loss of Rs 333 crores in FY 09. However, keeping in view price movements of shares of Max India Ltd. in the last two years and the company's improving performance, the proposed security cover is just adequate.

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