



Rating Rationale

Hinduja Healthcare Limited

29 December 2020

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 59.00 Crores of Hinduja Healthcare Limited

Particulars

Facility	Previous Limits ₹ Crores	Present Limits ₹ Crores	Tenure	Rating History (December 2019)	Review Ratings*
Fund Based Term Loan	41.00	34.00	Long Term	BWR A (CE)^ Outlook: Stable	BWR A (CE)^ Outlook: Stable
Fund Based Cash Credit	25.00	25.00			
Total	66.00	59.00	₹ Fifty Nine Crore Only		

*Please refer to BWR website www.brickworkratings.com/ for the definition of the ratings

^Credit Enhancement derived from unconditional and irrevocable Corporate Guarantee provided by Hinduja Group Ltd. (HGL – BWR AA- (Stable)) backed by Board Resolution

RATING ACTION / OUTLOOK: Reaffirmation

Brickwork Ratings (BWR) reaffirms the rating of the bank loan facilities of Hinduja Healthcare Limited (HHL or the company). The company's standalone unsupported rating is reaffirmed at BWR BBB- (Stable).

The rating has factored in, *inter alia*, the unconditional and irrevocable corporate guarantee provided by HGL, strength of Hinduja Group Company, professional and experienced management team of HHL, ability of the promoters to infuse funds when required and consistent improvement in revenues.



The rating is, however, constrained by the current operating performance, wherein the company is still incurring losses and has higher gearing levels due to a low net worth.

BWR believes HHL's business risk profile will be maintained over the medium term. The Stable outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to Positive in case revenues show sustained improvement and operations turn profitable. The rating outlook may be revised to Negative if revenues decrease and profit margins show lower-than-expected figures.

Description of Key Rating Drivers

Credit Strengths:

- **Corporate Guarantee of HGL for the bank loans of HHL:** HGL (BWR AA- (Stable)) has provided an unconditional and irrevocable corporate guarantee for the bank loans of HHL.
- **Strong Parentage and Experienced Team:** The Company belongs to the Hinduja group and also shares the common brand name. The promoters have infused capital in the past and are committed to infusing further funds when required. As the company is still incurring losses, it requires such support to meet its debt obligations. The hospital is run by a team of well-qualified and experienced doctors headed by Dr. Vishal Beri.
- **Consistent Growth:** The hospital's revenues have consistently grown over the past years, from Rs. 59.82 Cr in FY14 to Rs. 138 Cr in FY20.

Credit Risks:

- **Losses at Net Level:** Although the company's revenues have registered consistent growth in recent years, it is still incurring losses at the net level on account of rent and high interest costs. The company is dependent on promoters' support for the repayment of debt obligations.
- **Low Occupancy Levels:** HHL is a 120-bed hospital. Although revenues have consistently grown for the past few years, the company continues to incur cash losses mainly due to low occupancy levels. The occupancy levels and revenues need to go up significantly for the company to be able to generate enough surplus to service its debt.



- **Exposure to Regulatory Risks:** The hospital is exposed to inherent risks associated with the healthcare sector, including but not limited to the pricing of services, compliance with the high standards of patient care and ethical practices. The group has the required organisation structure to take care of the same.

RATING SENSITIVITIES:

Positive: An improvement in the rating of HGL will be a credit positive for HHL's CE rating. An improvement in the performance in terms of HHL's revenue and profitability will be credit positive for the company's standalone unsupported rating.

Negative: A downgrade in the rating of HGL and deterioration in the performance of HHL will be credit negative.

LIQUIDITY (WEAK): The company had cash and cash equivalents of Rs. 1.10 Cr as on 31 March 2020. Servicing of the debt is solely dependent on the group's liquidity.

The liquidity of the corporate guarantee provider is adequate. As on date, HGL has investments in the liquid shares of its subsidiaries NXDigital (erstwhile Hinduja Ventures Ltd.) and Hinduja Global Solutions Ltd. with an aggregate market value of Rs. 866 Cr, based on market price as of 8 December 2020. Furthermore, the company holds investments in liquid shares of associate companies IndusInd Bank Ltd. and Ashok Leyland Ltd., with an aggregate market valuation of Rs. 94.8 Cr, based on the market price as of 8 December 2020.

Analytical Approach

BWR has analysed HHL, considering the corporate guarantee provided by HGL and considering it as a part of Hinduja Group. The link of the applicable rating criteria is given at the end of the rating rationale.

About the Company - HHL

Hinduja Healthcare Limited, a Hinduja Group company, is a subsidiary of Hinduja Realty Ventures Limited (HRVL), which has a 69.23% shareholding. HHL started its first multi-speciality boutique hospital called Hinduja Healthcare Surgical (HHS or the hospital) with 110 beds in Khar (W), Mumbai, in August 2011, and the bed strength currently is 120. The hospital caters to various medical specialities and has a number of specialist doctors, including visiting doctors. HHL also has established relations with corporates and the TPAs of insurance companies, which contributes significantly to the company's overall revenues.

Mr. Kailash C Samdani, Mr. Jeet P Chugani, Ms. Ritu Chhabria and Mr. Anand Dikshit are the directors of the company, and Mr. Gautam Khanna is the independent director of the company. Dr. Avinash Supe is executive director of the company. Dr. Vishal Beri is the CEO.



of the company and has an experienced management team in place for running the operations of the hospital.

COMPANY PROFILE – Hinduja Group Ltd. (HGL):

Hinduja Group is a diversified conglomerate established in 1914 by Late Mr. Parmanand Deepchand Hinduja. Hinduja Group has a footprint in 37 countries. In India, the group has a presence in various sectors, namely automotive, oil and lubricants, power, finance, information technology and business process outsourcing, media, foundry, real estate, and hospitals and healthcare. Hinduja Group Limited is the group’s holding company in India. Hinduja Realty Ventures Limited, Hinduja Global Solutions Limited and Hinduja Healthcare, among others, along with a number of partnership firms, are a part of HGL.

Company Financial Performance

Key Financial Indicators

Key Financials of HHL (₹ Cr)	FY19 (A)	FY20 (A)
Operating Income	127.7	137.7
EBITDA	6.5	10.4
PAT	-12.2	-19.5
Net Worth	37.1	17.9
Debt	100.8	99.3
Current Ratio	0.1	0.1

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2020)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	December 2019	Apr 2018	April 2017
1	Fund Based – Term Loan	Long Term	34.00	BWR A (CE) (Stable)	BWR A (CE) (Stable)	BWR A-(CE) (Stable)	BWR A-(SO) (Stable)
2	Fund Based – Cash Credit		25.00	BWR A (CE) (Stable)	BWR A (CE) (Stable)	BWR A-(CE) (Stable)	BWR A-(SO) (Stable)
	Total		59.00	₹ Fifty Nine Crore Only			

Hyperlink/Reference to applicable Criteria
Credit Enhancement derived from Corporate Guarantee

Service Sector

Approach to Financial Ratios

General Criteria

Rating based on Group Support

For any other criteria obtain hyperlinks from website

Analytical Contacts	
Forum Parekh Asst. Manager - Ratings [Board: 022 6745 6666 Ext: 621] Forum.rp@brickworkratings.com	Balkrishna Piparaiya [Sr. Director – Ratings] Board:022 6745 6666 Piparaiya.bk@brickworkratings.com
1-860-425-2742	I media@brickworkratings.com

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term {(₹ Cr)}	Short Term (₹ Cr)	Total (₹ Cr)
1.	Axis Bank	Overdraft	25.00	-	25.00
2.	Axis Bank	Term Loan	34.00	-	34.00
TOTAL					59.00

For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings : Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non-convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.



DISCLAIMER : Brickwork Ratings India Pvt. Ltd. (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by the Reserve Bank of India [RBI], offers credit ratings of Bank Loan facilities, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. [hereafter referred to as “Instruments”]. BWR also rates NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations.

BWR wishes to inform all persons who may come across Rating Rationales and Rating Reports provided by BWR that the ratings assigned by BWR are based on information obtained from the issuer of the instrument and other reliable sources, which in BWR’s best judgement are considered reliable. The Rating Rationale / Rating Report & other rating communications are intended for the jurisdiction of India only. The reports should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in Europe and also the USA).

BWR also wishes to inform that access or use of the said documents does not create a client relationship between the user and BWR.

The ratings assigned by BWR are only an expression of BWR’s opinion on the entity / instrument and should not in any manner be construed as being a recommendation to either, purchase, hold or sell the instrument.

BWR also wishes to abundantly clarify that these ratings are not to be considered as an investment advice in any jurisdiction nor are they to be used as a basis for or as an alternative to independent financial advice and judgement obtained from the user’s financial advisors. BWR shall not be liable to any losses incurred by the users of these Rating Rationales, Rating Reports or its contents. BWR reserves the right to vary, modify, suspend or withdraw the ratings at any time without assigning reasons for the same.

BWR’s ratings reflect BWR’s opinion on the day the ratings are published and are not reflective of factual circumstances that may have arisen on a later date. BWR is not obliged to update its opinion based on any public notification, in any form or format although BWR may disseminate its opinion and analysis when deemed fit.

Neither BWR nor its affiliates, third party providers, as well as the directors, officers, shareholders, employees or agents (collectively, “BWR Party”) guarantee the accuracy, completeness or adequacy of the Ratings, and no BWR Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Rating Rationales or Rating Reports. Each BWR Party disclaims all express or implied warranties, including, but not limited to, any warranties of merchantability, suitability or fitness for a particular purpose or use. In no event shall any BWR Party be liable to any one for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Rating Rationales and/or Rating Reports even if advised of the possibility of such damages. However, BWR or its associates may have other commercial transactions with the company/entity. BWR and its affiliates do not act as a fiduciary.

BWR keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of BWR may have information that is not available to other BWR business units. BWR has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

BWR clarifies that it may have been paid a fee by the issuers or underwriters of the instruments, facilities, securities etc., or from obligors. BWR’s public ratings and analysis are made available on its web site, www.brickworkratings.com. More detailed information may be provided for a fee. BWR’s rating criteria are also generally made available without charge on BWR’s website.

This disclaimer forms an integral part of the Ratings Rationales / Rating Reports or other press releases, advisories, communications issued by BWR and circulation of the ratings without this disclaimer is prohibited.



BWR is bound by the Code of Conduct for Credit Rating Agencies issued by the Securities and Exchange Board of India and is governed by the applicable regulations issued by the Securities and Exchange Board of India as amended from time to time.