

Healthcare Global Enterprises Limited

July 09, 2024

Credit update

CARE Ratings Limited (CARE Ratings) has taken on record the Healthcare Global Enterprises Limited's (HCGEL) announcement on BSE dated June 28, 2024, and Board approval dated July 02, 2024 regarding the acquisition of Vizag Hospital And Cancer Research Centre Private Limited (Rated CARE BBB+; Stable/CARE A2).

Per the intimation on stock exchange HCGEL has entered a share purchase agreement and shareholders agreement dated June 28, 2024, with Vizag Hospital for an upfront acquisition of 51% its equity share capital, subject to fulfilment of terms and condition of the SPA and balance 49% to be done in tranches. The cost of acquisition of 51% stake in Vizag Hospital will be ₹207.6 crore to be completed by Q2FY25. Additional 34% stake will be acquired at ₹155 crore within 18 months from the date of completion of 51% stake and balance 15% will be based on the valuation principle and subject to terms of Shareholding Agreement. The consideration for the first tranche acquisition of ₹207 crore will be paid out of existing cash balance of the company at ₹272 crore as of March 31, 2024. As articulated by the management, HCGEL is unlikely to avail debt and might opt for raising equity for balance tranches.

HCGEL presently operates three hospitals in Andhra Pradesh with a total operating bed capacity of 195 beds. Vizag Hospital being one of the largest cancer care facilities in Andhra Pradesh with total operating bed capacity of 196, is expected to enhance HCGEL's market presence in this geography. This acquisition is expected to be margin accretive given Vizag Hospital's earnings before interest, taxation, depreciation, and amortisation (EBIDTA) at 35%. HCGEL's debt metrics is also expected to remain satisfactory with the first 51% stake being funded from free cash and investments, while the balance would be through equity raise or internal accruals and that Vizag Hospital is debt free.

CARE Ratings would continue to monitor the developments and other factors driving the company's credit assessment of its rated facilities and instruments.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and rating sensitivities of following companies:

Sno	Entity name	Link to Press release
1	Healthcare Global Enterprises Limited	Click here
2	Vizag Hospital and Cancer Research Centre Private Limited	Click here
3	HCG Medi-Surge Hospitals Private Limited	Click here
4	Suchirayu Health Care Solutions Limited	Click here
5	HCG Oncology Hospitals LLP (Formerly Known as APEX HCG Oncology Hospitals LLP)	Click here
6	HCG NCHRI Oncology LLP	Click here
7	Nagpur Cancer Hospital and Research Institute Private Limited	Click here
8	HCG Oncology LLP	Click here
9	HCG EKO Oncology LLP	Click here
10	HCG Manavata Oncology LLP	Click here

Sno	Entity name	Link to Press release
11	HCG SUN Hospitals LLP	Click here

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About us:

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