

Press Release

RHC Holding Private Limited (RHC)

April 13, 2017

Rating Assigned

Total Instruments Rated*	Rs.350.00 Cr
Short Term Rating	SMERA A1 (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned rating of **SMERA A1 (read SMERA A one)** to the Rs. 350.00 crore Proposed Commercial Paper Program by RHC Holding Private Limited (RHC).

RHC Holding Private Limited (RHC) is a NBFC-ND-SI incorporated in 2007 and is the ultimate holding company for the Religare and Fortis group of companies. The company has interests in financial services (held via Religare Enterprises Limited), healthcare (held via Fortis Healthcare Holdings Private Limited), aviation (held via Ligare Aviation Limited), information technology and real estate. RHC was promoted by Mr. Malvinder Mohan Singh and Mr. Shivinder Mohan Singh.

List of key rating drivers and their detailed description

Strengths:

Experienced management and support from promoters: RHC, a Non-Banking Finance Company (NBFC) promoted by Mr. Malvinder Singh and Mr. Shivinder Singh, has substantial holdings and investments in Religare Enterprises, SRL Diagnostics, Fortis Healthcare and other companies.

The promoters of RHC have long standing experience in the healthcare and financial services sector. One of the promoters has provided a Letter of Comfort and undertaken to manage the affairs of the company in such a manner so as to ensure that RHC honours its debt obligation towards the proposed instrument of Rs. 350 cr.

Presence of substantial holdings of key assets: RHC holding is the ultimate holding company for listed entities like Religare Enterprises Limited (REL) and Fortis Healthcare Limited (FHL). As on 31 December, 2016 the company had unencumbered investments in listed group entities of over Rs. 1,000 cr. and additional liquid investments (Fixed Deposits, Mutual Fund units and others) to the tune of Rs. 100 cr.

RHC has mobilised funds from the capital markets and financial institutions. The company has raised commercial paper, issued secured and unsecured debt instruments and availed bank limits from time to time. The company has been reducing the proportion of short term borrowings as a proportion of total debt significantly in the recent past and the same is expected to continue over the near to medium term.

SMERA expects the liquidity profile of RHC to be driven by its ability to monetise its investments.

Weaknesses:

Challenges in monetising key assets: The promoters of RHC have been facing litigation with regard to the proposed sale of their investments in various companies. Presently, the credit profile of RHC is dependent on their investments in listed companies like REL and FHL. The financial flexibility and resource raising ability of the company is likely to be impacted on account of the ongoing litigation.

In the event of any adverse outcome in respect of the ongoing litigation, the ability of the promoters/promoter held companies like RHC to monetise its investments/assets could be impacted and subsequently affect the overall liquidity position of RHC and its group companies.

Notwithstanding the abovementioned litigation, SMERA takes note of the recent sale of stake by REL in Religare Health Insurance to a consortium of private equity funds led by True North. SMERA expects that part of the proceeds of this stake sale (which is expected to fetch approximately Rs. 1,040 cr) will be used to deleverage the group.

Key Credit Monitorables

- Monetising ability of key assets
- Ability to maintain adequate unencumbered liquid assets – both at the standalone and group level
- Impact of the merger of Ranchem Private Limited & RWL Healthworld with RHC – primarily on its liquidity position

Analytical approach: SMERA has taken a standalone view of the rated entity.

Applicable Criteria

- Non-Banking Finance Entities: <https://www.smera.in/criteria-nbfc.htm>
- Commercial Paper: <https://www.smera.in/criteria-cp.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

About the Rated Entity

RHC is a NBFC-ND-SI incorporated in 2007 and is the ultimate holding company for the Religare and Fortis group of companies. The company has interests in financial services (held via Religare Enterprises Limited), healthcare (head via Fortis Healthcare Holdings Private Limited), aviation (Held via Ligare Aviation Limited), information technology and real estate. RHC was promoted by Mr. Malvinder Mohan Singh and Mr. Shivinder Mohan Singh.

In FY2016, RHC reported PAT (profit after tax) of Rs. 40.91 cr. on total income of Rs. 1162.92 cr. against PAT of Rs. 91.09 cr. on total income of Rs.1047.95 cr. in FY2015.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: The International Court of Arbitration, Singapore has recently awarded damages of Rs.3,500 cr. to Daiichi Sankyo in the proceedings over the sale of Ranbaxy Laboratories Limited (RLL) by RHC and others. RHC has contested the award in the Indian Courts and the matter is sub-judice. Any adverse outcome will have a significant impact on the credit profile of RHC.

RHC is in the process of merging its operations with that of RWL Healthcare Limited (RWL) and Ranchem Private Limited (RPL). Following this merger, RHC is expected to exit the NBFC space.

Rating History for the last three years:

Name of Instruments	FY2017 (Current)			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Proposed Commercial Paper Program	ST	350.00	SMERA A1 (Assigned)	-	-	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Proposed Commercial Paper Program	N.A	N.A	N.A	350.00	SMERA A1 (Assigned)

Note on complexity levels of the rated instrument:
<https://www.smera.in/criteria-complexity-levels.htm>
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ABOUT SMERA

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