

Press Release

RHC Holding Private Limited (RHC)

19 July, 2017



Rating Downgraded

Total Instruments Rated*	Rs.350.00 Cr
Short Term Rating	SMERA A4 (Downgraded from SMERA A1)

*Refer Annexure for details

Rating Rationale

SMERA has downgraded the rating assigned to the Rs. 350.00 crore Commercial Paper Program by RHC Holding Private Limited (RHC) **to SMERA A4 (read as SMERA A four)** from SMERA A1 (read as SMERA A one).

RHC Holding Private Limited (RHC) is an 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.

The rating downgrade reflects significant deterioration in the liquidity position of RHC which has impeded its ability to service its debt in a timely manner. RHC had defaulted in servicing its debt obligations on certain debt instruments (not rated by SMERA). RHC and its group companies have been facing significant challenges in monetising their key assets. The financial flexibility of RHC has also been affected by the sharp decline in market capitalisation of the key listed companies of the group, i.e., Religare Enterprises Limited (REL) and Fortis Healthcare Limited (FHL).

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 honors its debt obligation towards the instrument of Rs. 350 crore.

Weaknesses:

Challenges in monetising key assets, weak financial flexibility and stretched liquidity profile: The value of promoters' unencumbered holdings in key listed entities has declined by more than 50 per cent on 30 June, 2017 vis-à-vis 31 December, 2016. Around 85 per cent of the promoter holding in REL and FHL was pledged on 30 June, 2017 as against 77 per cent as on 31 December, 2016. Further, the proceeds from the sale of the controlling stake in Religare Health Insurance is yet to materialise. Since a part of these proceeds were to be used to deleverage the group's debt, it has impacted the pace of debt reduction of RHC.

The group's liquidity concerns coupled with reduced financial flexibility has impacted its ability to raise funds at market-related interest rates. RHC has reported a significant increase in its average cost of funds to ~ 16 per cent in FY2017 (provisional) from 14.11 per cent in FY2016.

The promoters of RHC and their group companies have been facing litigation with regard to the proposed sale of their investments in companies like Fortis Healthcare limited, SRL Diagnostics and Religare Health Insurance. Delay in monetization of key assets coupled with the stretched liquidity position has resulted in delays in debt servicing by the company on certain instruments (not rated by SMERA).

Key Credit Monitorables

- Monetisation of key assets in a timely manner
- Ability to maintain adequate unencumbered liquid assets commensurate with the upcoming debt servicing obligations – both at the standalone and group level

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 FY2017 (Provisional), RHC reported PAT (profit after tax) of Rs. 14.97 crore on total income of Rs. 607.42 crore against PAT of Rs. 40.91 crore on total income of Rs. 642.86 crore 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 crore 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	FY2018 (Current)			FY2018		FY2017		FY2016	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Commercial Paper Program	ST	350.00	SMERA A4 (Downgraded from SMERA A1)	13 Apr, 2017	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
Commercial Paper Program	30-May-2017	13.50%	24-Aug-2017	150.00	SMERA A4 (Downgraded from SMERA A1)
Proposed Commercial Paper Program	N.A	N.A	N.A	200.00	SMERA A4 (Downgraded from SMERA A1)

Note on complexity levels of the rated instrument:

<https://www.smerra.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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