Early Warning System

IFC-37903

HCG

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Quick Facts

Countries	India
Financial Institutions	International Finance Corporation (IFC)
Status	Active
Bank Risk Rating	B
Voting Date	2016-02-08
Borrower	HEALTHCARE GLOBAL ENTERPRISES LIMITED
Sectors	Education and Health
Investment Type(s)	Equity
Investment Amount (USD)	$ 19.90 million

Project Description

PROJECT DESCRIPTION

The proposed IFC equity investment in Healthcare Global Enterprises Ltd ("HCG" or the "Company") is a part of the equity issuance of the HCG initial public offering ("IPO"). The HCG network of cancer centers is the largest provider of cancer care in India as measured by the number of cancer treatment centers licensed by the Atomic Energy Regulatory Board (AERB), treating approximately 37,500 new patients per year (as of March 31, 2015) in India with 14 existing comprehensive cancer centers (CCCs), 3 diagnostics centers and 1 day care chemotherapy center.The company's cancer care network currently has 1,100 beds in operation (including 181 self-care beds) and spans 13 cities and towns across eight states in India.The company broadly establishes its CCC's under two constructs:Free standing/stand-alone CCCs : [ten out of the 14 of the existing HCG CCCs and 10 out of the 12 of the proposed CCCs]; andCCCs within the premises of another tertiary care hospital, wherein HCG establishes and has exclusive rights to operate the cancer center in said hospital [four out of the 14 and two out of the 12].Of the Free Standing CCC's, except for its Bangalore center of excellence (CoE) (for which the land is part owned and part leased), the CCCs at Double Road, Vijayawada and Ongole, Ahmedabad and the upcoming CCC at Kanpur, the company does not typically own the land and building for its CCCs. Typically the company enters into long term lease agreements with third party owners. In all such cases the lease is usually a fixed monthly rental and in a few cases the lease rental includes a variable component. For the CCCs housed within another hospital, HCG typically pays a share of revenue earned by the center to the partner hospital.In addition to the cancer care network, the company has two multispecialty hospitals in Ahmedabad and Bhavnagar (110 and 92 beds (of which 35 are operational currently), respectively). In 2013, HCG acquired a 50.1% stake in BACC healthcare, allowing it to operate four fertility centers in Bengaluru under the brand Milann. Also, the company has entered into a definitive agreement with a developmental finance institution to invest in HCG Africa, which has been formed to establish a network of CCCs in Africa.The company is planning an IPO, proceeds of which would help finance; (a) capital expenditures for 12 new CCCs in India which are in various stages of development; (b) purchasing of medical equipment at the existing 14 CCCs; (c) a major upgrade to the information technology (IT) systems, and (d) repayment of debt ("the Project").IFC would potentially be an "anchor" investor in the IPO with a straight equity investment of US$15 million equivalent [Indian Rupees (INR) 1,000 million].

OVERVIEW OF IFC'S SCOPE OF REVIEW

IFC's review of the proposed investment consisted of appraising technical, environmental, health and safety (EHS) and social information submitted by HCG including on Human Resource (HR) (HR) policies, EHS policy, quality management system documentation including various policies, manuals and procedures, and information related to life and fire safety. In addition, discussions with held with the company's corporate management from quality, legal, projects and HR departments as well as facility level quality and safety staff.The appraisal also included site visits in December 2015 and January 2016 to HCG's:CoE in Bengaluru (five towers, two of them owned by HCG and remaining on lease);CCC in New Delhi (part of a multi-specialty hospital);Multi-specialty hospital (independent building owned by HCG); andCCC in Ahmedabad (independent building leased by HCG);

IDENTIFIED APPLICABLE PERFORMANCE STANDARDS**

While all Performance Standards are applicable to this investment, IFC's environmental and social due diligence indicates that the investment will have impacts which must be managed in a manner consistent with the following Performance Standards.PS 1 - Assessment and Management of Environmental and Social Risks and ImpactsPS 2 - Labor and working

Investment Description

- International Finance Corporation (IFC)

An oncologist and entrepreneur, Dr. B. S Ajai Kumar owns approximately 24.3% of HCG, and he has also been Non- Executive Director of the Company since the year 2000 the Chairman and Chief Executive Officer of the Company since the year 2006. The Sponsor group owns 29% of the pre-IPO shareholding and includes 4 other sponsors including Dr. Ganesh Nayak who owns 0.4%, Dr. BS Ramesh who owns 0.4%, Dr. KS Gopinath who owns 0.6% and Dr. M Gopichand who owns 1.2% of the Company (together the “Sponsors”). Apart from the above mentioned Sponsors, private equity investors, Premji Invest, Temasek and Milestone Private Equity currently hold approximately 20.9%, 16.02% and 17.5% stakes respectively in the Company.

The Company plans to add 12 new CCCs which will add 915 beds to its existing portfolio of 14 centers. The Company also plans to invest in medical equipment as well as invest in IT over the next few years. In addition, the Company plans to pre-pay some of its existing debt to manage leverage on its balance sheet. The proposed IFC investment will part fund the above plans of the Company. The proposed IFC equity investment is for up to US$15 million equivalent (INR 1,000 million) in HCG’s planned IPO.

Contact Information

ACCOUNTABILITY MECHANISM OF IFC

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org. You can learn more about the CAO and how to file a complaint at http://www.cao-ombudsman.org/

CONTACTS

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