

Radiant Life Care, KKR acquires majority stake in Max Healthcare

26 December 2018 | News

Max India to demerge its non-healthcare businesses into a new listed entity



Radiant Life Care Private Limited, a leading Indian hospital management company promoted by Abhay Soi and backed by global investment firm KKR has announced that it has entered into a transaction whereby its shareholders will eventually acquire a majority stake in Max Healthcare Institute Limited from Max India Limited.

The acquisition will be undertaken through a series of transactions, including Radiant's purchase of a 49.7% stake in Max Healthcare from South Africa-based hospital operator Life Healthcare in an all cash deal, followed by demerger of Radiant's healthcare assets into Max Healthcare which will result in KKR and Radiant promoter Abhay Soi together acquiring a majority stake in Max Healthcare.

The combination of Radiant and Max Healthcare will create the largest hospital network in North India, which will become among the top three hospital networks in India by revenue and the fourth largest in India in terms of operating beds. The merged entity will operate over 3,200 beds throughout 16 hospitals across India, including tertiary and quaternary care facilities offering high end critical and super speciality care supported by strong local brands such as BLK Hospital, Max Saket Hospital, Max Smart Hospital, Max Patparganj Hospital, and Nanavati Hospital. The combined business is expected to provide significant growth potential and compelling business synergies. By providing best-in-class patient care, the combined business plans to address India's growing demand for quality medical treatment.

Upon closing, Abhay Soi will lead the combined company as its Chairman, supported by a strong leadership team.

Abhay Soi, Chairman and Managing Director of Radiant, said, "Radiant has achieved significant growth and expansion during a time of rapid industry consolidation, and the proposed acquisition of a majority stake in Max Healthcare marks an exciting step forward in our strategy to increase scale by merging with a leading and complementary hospital network. We are fortunate to have strong support from KKR as we continue our mission of providing superior medical services in India."

Analjit Singh, Founder & Chairman Emeritus of Max Group, said, "Max Healthcare has been an integral part of my entrepreneurial journey and I can't think of better partners than Radiant, backed by KKR, to carry forward this legacy. Over the years, the business has come to be known for its consistently high level of service and clinical excellence across 14 world class facilities, and to this day, it continues to set new benchmarks in clinical quality. The merger offers significant growth

potential with revenue and cost efficiencies to be extracted. Both Max and Radiant possess complementary sets of capabilities in running healthcare establishments and KKR brings with it extensive global experience and expertise in healthcare investments as well as capabilities in prudent financial management and efficient capital allocation.”

Sanjay Nayar, Member & CEO of KKR India, said, “We are excited to back Radiant’s efforts towards consolidation in the healthcare sector by helping them create an effective platform in India for the highest-quality healthcare service providers, best in class infrastructure, practices, doctors and management teams. The country’s private hospital market has grown rapidly in recent years, and we expect demand for quality healthcare to outpace overall economic growth as Indians demand better quality care. The combined business will enjoy a leadership position amongst the attractive metros of Delhi and Mumbai.”

Transaction Details:

As per the Composite Scheme announced by Max India, the transaction will be completed through the following steps:

Prior to the merger transaction involving Radiant and Max Healthcare, Max India will demerge its non- healthcare businesses (comprising of Max Bupa and Antara Senior Living) into a new wholly owned subsidiary of Max India whose shares will be listed separately on both BSE Limited and National Stock Exchange of India Limited.

This new company will be spun off, and shareholders of Max India will receive one share of INR 10/- each of the new company for every five shares of Rs 2/- each that they hold in existing Max India.

Following the demerger and the spin-off, Radiant’s healthcare assets will be demerged into Max Healthcare which will then undertake a reverse merger with Max India to create Merged Max Healthcare (“Combined Entity” or “Merged Entity”). As a result of the reverse merger, shareholders of Max India will receive 99 shares of the Merged Entity of INR 10/- each for every 100 share of INR 2/- each that they hold in Max India.

Post-merger, Max India will get dissolved without being wound up and subsequently the equity shares of the Merged Entity will get listed on both BSE Limited and National Stock Exchange of India Limited.

Based on the share exchange ratio recommended in the valuation report issued by S.R. Batliboi & Co LLP and B.S.R Associates LLP, the resultant shareholding of the Combined Entity will be 51.9%, 23.2% and 7.0% (post sale of 4.99% as mentioned below) held by KKR, Abhay Soi and Max Promoters respectively, with the balance being held by public and other shareholders.

A record date will be fixed in due course by the Board of Max India in conjunction with the Board of Radiant.

The Combined Entity will be promoted by Abhay Soi and co-promoted by KKR. Max India’s current promoters (“Max Promoters”) will subsequently step down through the process of de-promoterisation after completion of the merger. KKR will also acquire an additional stake of 4.99% in the Merged Entity from Max Promoters, funded primarily from KKR Asian Fund III. The transaction is subject to regulatory approvals and other customary closing conditions.

The merged entity will continue to use the current brand name Max Healthcare, with appropriate adjustments to its logo.