

GPT Healthcare Limited (erstwhile GPT Healthcare Private Limited)

October 07, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	96.54 (Reduced from 107.67)	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Revised from CARE BBB; Stable (Triple B; Outlook: Stable)
Total Bank Facilities	96.54 (Rs. Ninety-Six Crore and Fifty-Four Lakhs Only)		

Details of facilities in Annexure-1
Detailed Rationale & Key Rating Drivers

The revision in the rating assigned to the Bank Facilities of GPT Healthcare Limited (GPTHPL) takes into account improvement in financial performance in FY21 (refers to the period from April 01 to March 31) and Q1FY22 supported by stabilisation of operations at newly commissioned hospital (ILS-Howrah). The revision also takes into account improved liquidity and capital structure with recovery of loans and advances extended to one of the group entities. The rating further derives strength from the long experience of the promoters, multi-specialty hospitals with established position in Kolkata and improvement in Average revenue per occupied bed (ARPOB) in the hospitals operated by the company.

The rating, however, continues to be constrained by capital intensive nature of business, high vulnerability to treatment related and operating risks and fragmented industry.

Key rating sensitivities
Positive rating sensitivities

- Ability to increase the scale of operation and operating margin (PBILDT) beyond 20% on sustained basis
- Improvement in overall gearing ratio below 0.5x and TD/GCA below 2.5x on a sustained basis

Negative rating sensitivities

- Deterioration in overall occupancy levels below 50% on sustained basis
- Deterioration in TDGCA beyond 6.0x

Detailed description of the key rating drivers
Key Rating Strengths
Experienced promoters

Dr. Om Tantia, Managing Director of GPTHPL, is a qualified and renowned surgeon in the field of bariatric & laparoscopic surgery in Eastern India. He has about three decades of experience in the healthcare sector. He looks after the day-to-day affairs of the company along with the support of experienced professionals. GPTHPL belongs to GPT group of Kolkata which has business interest in construction, healthcare and steel castings. Major companies belonging to the promoters are GPT Infraprojects Ltd, and GPT Castings Ltd.

Multi-specialty hospitals with established position

GPTHPL provides healthcare services in various fields (Emergency and Critical Care, Gynae Endoscopic Surgery, Nephrology, Neuro and Spine Surgery, Neurology, Obstetrics and Gynaecology, Pediatrics etc.). It has established position with three hospitals in Kolkata and one in Agartala.

Moderation in occupancy rate albeit improved ARPOB

GPTHPL's overall occupancy rate was moderate and stood at 48% in FY21 from 58% in FY20, due to sudden outbreak of Corona Virus impacting the operation in Q1FY21. However, the company has witnessed higher ARPOB in FY21 over FY20. GPTHPL continues the focus to provide service to the corporate customers through Third Party Administrators (TPA), which is expected to improve the occupancy rate of all the hospitals further.

Improvement in financial performance in FY21 and Q1FY22

GPTHPL's total operating income grew by 15% y-o-y in FY21 mainly driven by higher revenue of ILS-Howrah (FY21 being the first full year of operation) and higher ARPOB in FY21.

PBILDT level and margin improved in FY21 on account of stabilisation of ILS-Howrah and saving in operating cost (employee cost, selling expense etc.) in other hospitals. PAT margin also improved from 5.16% in FY20 to 8.64% in FY21 along with improvement in interest coverage ratio from 2.58x in FY20 to 3.73x in FY21 on the back of decrease in interest cost. GCA stood at Rs.36.4 crore as against a debt repayment obligation of Rs.11.47 crore for FY21.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Further, the financial performance in Q1FY22 has witnessed significant improvement over Q1FY21, as Q1FY21 performance was subdued due to outbreak of COVID-19. In Q1FY22, the Company earned PBILDT and PAT of Rs.26.90 crore and Rs.20.72 crore respectively (Rs.9.29 crore and Rs.3.04 crore in Q1FY21) on TOI of Rs.91.56 crore (Rs.41.74 crore in Q1FY21). The improved performance is expected to sustain in the near term in view of presence of the hospital in strategically beneficial locations to attract and cater patients in its present catchment.

Elimination of group exposure

GPTHL's exposures to group entities in the form of loan to mainly its holding company (GPT Sons Pvt Ltd) increased to Rs.48.64 crore as on March 31, 2021 from Rs.30.80 crore as on March 31, 2020. However, the loan to GPT Sons Pvt Ltd has been recovered in full as on September 01, 2021. Consequently, the Company has prepaid/closed few high interest loans in H1FY22 and has adequate surplus fund in the form of investment in mutual fund and deposits etc. to the tune of Rs.40.00 crore as on September 01, 2021.

Key Rating Weaknesses

Moderate capital structure

The capital structure of the company remained moderate with debt-to-equity ratio and overall gearing at 0.92x and 0.94x as on March 31, 2021 vis-à-vis 0.87x and 0.92x as on March 31, 2020 due to increase in term loan for capex requirement for the new hospital and restructuring of old hospital. Hence, Total debt/GCA has improved to 3.45x as on March 31, 2021 as compared to 4.83x as on March 31, 2020. Capital structure is expected to improve going forward with repayment/prepayment of debt and accretion of profit to reserves.

Capital intensive nature of business

Hospital industry is a capital-intensive industry with relatively long gestation period. Generally, new hospital takes around 2-3 years' time frame to breakeven at operational level due to low occupancy rate in the initial period of operation. Thus, the promoter is required to support the operation until the mentioned parameters reach the minimum desired level. Further, the maintenance capex required for the hospital industry also remains high owing to regular replacement of equipment's, non-reusable pharmaceutical and surgical products and to update the latest technology.

Fragmented industry

The healthcare sector is highly fragmented with few large players in the organised sector and numerous small players in the unorganised sector leading to high level of competition in the business. Thus, differentiating factors like range of services offered, quality of service, distinction of doctors, success rate in treatment of complex cases, etc. will be crucial in order to attract patients and increase occupancy.

High vulnerability to treatment-related risks and operation risks

Healthcare is a highly sensitive sector where any mistake on a critical case or negligence on part of any doctor and/or staff of the unit can lead to distrust among the masses. Thus, all the healthcare providers need to monitor each case diligently and meticulously to avoid the occurrence of any unforeseen incident which can damage the reputation of a hospital to a large extent.

Liquidity: Adequate

The liquidity of the company is adequate marked by sufficient gross cash accruals of Rs.36.40 crore vis-à-vis debt repayment of Rs.11.47 crore in FY21. GCA for Q1FY22 also stood high at Rs.23.58 crore. Further, the company has not utilised its working capital limit during last 12 months ended August 31, 2021. The operating cycle remain steady in FY21. With robust GCA in Q1FY22 and recovery of loans given to group Company, the Company has prepaid/closed few loans in H1FY22 and built investment in mutual fund and deposits etc. to the tune of Rs.40.00 crore as on September 01, 2021 signifying adequate and improved liquidity position.

The company had availed moratorium for the repayment of the term loan for 6 months from March 2020 to August 2020 as confirmed by the financier and the banker.

Analytical approach: Standalone

Applicable criteria:

[Criteria on assigning outlook and credit watch to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[CARE's methodology for Hospital Industry](#)

About the Company

GPTHL was incorporated in 1989 as Jibansatya Printing House Pvt Ltd by Kolkata-based GPT Group. Later it was rechristened as GPT Healthcare Pvt Ltd which was converted into a Public Ltd Company on September 15, 2021. GPTHL is engaged in healthcare business since 2005 and operates three multi-specialty hospitals in Kolkata (84-bed hospital in Salt Lake, 150-bed multi-specialty hospital in Dumdum and 116-bed hospital in Howrah) and one in Agartala, Tripura (204-bed multi-specialty hospital & nursing school) under the brand ILS hospitals. ILS Hospitals Salt Lake Department of Minimal Access Surgery has also been accredited by National Board of Examinations for Fellowship in Minimal Access Surgery.

The company is managed by six-member board, headed by Mr. D. P. Tantia, Chairman and Dr. Om Tantia, MD of the company.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)
Total operating income	212.18	244.08
PBILDT	36.35	51.26
PAT	10.96	21.09
Overall gearing (times)	0.92	0.94
Interest coverage (times)	2.58	3.73

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft	-	-	-	-	5.00	CARE BBB+; Stable
Fund-based - LT-Term Loan	-	-	-	August,2032	91.54	CARE BBB+; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Bank Overdraft	LT	5.00	CARE BBB+; Stable	-	1)CARE BBB; Stable (07-Oct-20)	1)CARE BBB; Stable (09-Oct-19)	1)CARE BBB-; Stable (08-Oct-18)
2	Debentures-Non-Convertible Debentures	LT	-	-	-	-	1)Withdrawn (09-Oct-19)	1)CARE BBB-; Stable (08-Oct-18)
3	Fund-based - LT-Term Loan	LT	91.54	CARE BBB+; Stable	-	1)CARE BBB; Stable (07-Oct-20)	1)CARE BBB; Stable (09-Oct-19)	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Bank Overdraft	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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