

Rajagiri Healthcare and Education Trust

June 27, 2023

Rating

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE BBB+; Stable and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A2 and Withdrawn

Details of instruments/facilities in Annexure-1.

Detailed Rationale and key rating drivers

CARE Ratings Ltd. has reaffirmed and withdrawn the outstanding ratings of 'CARE BBB+; Stable/CARE A2' [Triple B Plus; Outlook: Stable/ A Two] assigned to the bank facilities of Rajagiri Healthcare and Education Trust with immediate effect. The above action has been taken at the request of Rajagiri Healthcare and Education Trust and 'No Objection Certificates' received from the banks that have extended the facilities rated by CARE Ratings Ltd.

Detailed description of the key rating drivers

Key Rating Strengths

Established parent and experienced management

RHET is managed by Carmelites of Mary Immaculate (CMI), which is the first indigenous religious congregation in the Catholic Church of India, formed in 1855. The CMI group has set up various educational institutions all over India and is successfully running over 480 educational institutions, from Kindergarten to Medical College, including Christ University (Bangalore), Rajagiri Group of Institutions (Kochi), Amala Medical College (Thrissur), and SH College (Kochi). The Executive Director along with the Executive Council leads the Hospital. The Executive Council consists of highly skilled and experienced professionals in healthcare and allied areas.

Comfortable occupancy levels with well-equipped facilities

RHET runs a 650-bed tertiary care multi super speciality hospital located on a 30-acre plot at Chunangamvely, Alwaye (Kerala), and is the closest facility to the Cochin International Airport. The hospital is equipped with latest facilities and has several departments, including neurology, interventional cardiology, cardiothoracic and vascular surgery, nephrology, urology, oncology, gastroenterology, paediatrics, etc., with major contributor being gastro-intestinal and oncology departments. The occupancy level stood comfortable at 80% in FY22 and 82% in H1FY23 (refers to the period April 01 to September 30, 2022). The average revenue per occupied bed (ARPOB) also increased over the years with addition of latest equipment to ₹30,246 in H1FY23 from ₹22,257 in FY20.

Improved profitability margins

The operating income of the trust had grown at the compounded annual growth rate (CAGR) of 34.52% over past three years and stood at ₹21.21crore in FY23 (Provisional). The SBID margin of the hospital had consistently improved over the year with addition of new departments and advanced treatment procedures. The SBID margin improved to 24.08% in FY23 (refers to the period April 01 to March 31, 2023) from 8.68% in FY19.

Key Rating Weaknesses

Geographically concentrated revenue base

The hospital commenced operations during the year 2014 with 500 beds. The hospital completed Phase-II expansion of 150 beds during December 2021. The Trust reported net losses till FY21 due to higher depreciation and the initial stage of operations of the hospital. The revenue is concentrated with a single location hospital at Chunangamvely, Kerala. The hospital faces competition from well-established multi-specialty hospitals in Cochin, providing tertiary health care services.

Moderate capital structure and debt coverage indicators

The capital structure of the hospital is moderate with overall gearing of 3.5x as on March 31,2023 (Provisional) compared with 5.45x as on March 31, 2022. The debt protection metrics also stood moderate with TD/ GCA of 6,32x as on March 31,2023 improved from 8.49x as on March 31, 2022.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Dependence on scarcely available qualified medical professionals

The presence of qualified medical professionals such as doctors, paramedical staff and support staff is one of the important requisites of a hospital to be successful and to get continued patronage from the local population. The doctors per bed for RHET stood relatively low in the range of 0.42x. Given the increasing competition and the scarcity of medical specialists, the ability of the trust to increase the current pool of doctors would be a key differentiator. RHET has a large number of reputed doctors on its rolls who have vast experience in their respective areas. Most of the top doctors in Rajagiri Hospital are associated with the hospital since the commencement of operations.

Liquidity: Adequate

The liquidity is adequate marked by sufficient cushion in accruals of Rs.79.4 crore in FY23 against repayment obligations and moderate cash balance of Rs.28.7 crores as on March 31, 2023. Due to the cash and carry nature of business and the healthy accruals, the liquidity position of the hospital has been healthy and the dependence on the working capital borrowings has been generally low with negative working capital cycle. RHET had been sanctioned working capital limits of Rs.30 crore and the average utilization stood around 50% for 12 months ended January 2023. The hospital maintains inventory of medicines and consumables for a period of 10-15 days. Furthermore, debtors mainly include receivables from insurance companies & other corporate which contribute around 30% of the total income. These receivables are collected within a maximum span of 1 month. The Hospital enjoys a credit period of about 50-60 days from its suppliers for medicine and expenses.

Analytical approach: Standalone

Applicable criteria

[Policy on Withdrawal of ratings](#)

[Criteria on assigning Outlook to Credit Rating](#)

[Criteria for Short Term Instruments](#)

[CARE's default recognition policy](#)

[Financial ratios - Non Financial Sector](#)

[Liquidity Analysis of Non-financial Sector](#)

[Rating Methodology: Hospital Industry](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Healthcare	Healthcare	Healthcare Services	Hospital

Rajagiri Healthcare and Education Trust (RHET) was registered as a Charitable trust on November 2010 in Kerala. The Trust runs a 650 bedded Tertiary Care Multi Super Speciality Hospital located on a 30 Acre plot at Chunangamvely, Alwaye (Kerala). The hospital is accredited by the National Accreditation Board for Hospitals and Healthcare Providers (NABH) and has various departments such as Neurology, Interventional Cardiology, Cardiothoracic & Vascular Surgery, Nephrology, Urology, Oncology, Gastroenterology, Paediatrics etc equipped with latest health care facilities. RHET is promoted by CMI Congregation, a very old and first indigenous religious congregation in the Catholic Church of India setup in 1855.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022(A)	March 31, 2023(P)
Total operating income	265.0	391.1	513.0
PBILD	30.1	59.6	105.4
PAT	-3.8	18.1	41.1
Overall gearing (times)	6.8	5.45	3.50
Interest coverage (times)	1.68	2.63	2.99

A: Audited P: Provisional; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Brickworks has conducted the review on the basis of best available information and has classified the RHET as "Not cooperating" vide its press release dated March 13, 2023

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 instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan		-	-	March 2038	0.00	Withdrawn
Fund-based - ST-Bank Overdraft		-	-	-	0.00	Withdrawn
Non-fund-based - ST-Bank Guarantee		-	-	-	0.00	Withdrawn
Non-fund-based - ST-Forward Contract		-	-	-	0.00	Withdrawn
Non-fund-based - ST-Letter of credit		-	-	-	0.00	Withdrawn

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BBB+; Stable (27-Feb-23)	-	-
2	Fund-based - ST-Bank Overdraft	ST	-	-	-	1)CARE A2 (27-Feb-23)	-	-
3	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BBB+; Stable (27-Feb-23)	-	-
4	Non-fund-based - ST-Letter of credit	ST	-	-	-	1)CARE A2 (27-Feb-23)	-	-
5	Non-fund-based - ST-Bank Guarantee	ST	-	-	-	1)CARE A2 (27-Feb-23)	-	-
6	Non-fund-based - ST-Forward Contract	ST	-	-	-	1)CARE A2 (27-Feb-23)	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities

Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Bank Overdraft	Simple
4	Non-fund-based - ST-Bank Guarantee	Simple
5	Non-fund-based - ST-Forward Contract	Simple
6	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

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

Contact us

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About us:

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