

EMRI Green Health Services

December 26, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	24.94 (Reduced from 31.65)	CARE A; Stable	Revised from CARE A-; Stable
Long-term / Short-term bank facilities	13.30 (Reduced from 45.41)	CARE A; Stable / CARE A2+	Revised from CARE A-; Stable / CARE A2

Details of instruments/facilities in Annexure-1

Rationale and key rating drivers

The revision in the ratings assigned to the bank facilities of EMRI Green Health Services (EGHS) is driven by steady improvement in entity's revenue to over ₹1,900 crore in FY23 resulting in healthy cash accruals of ₹240 crore while maintaining a strong financial risk and liquidity profile. The operating income of the society is likely to improve further backed by its established market position in providing emergency ambulance services across India with a fleet of more than 9000 ambulances. Given high operating efficiencies, the society will be able to sustain its profitability margins to upward of 11%. The society has strong financial flexibility with almost negligible debt, an unencumbered cash balance of over ₹350 crore and with prolonged profitability y-o-y the society's net worth base stands above ₹1,000 crore. Over the years, the society has diversified into providing veterinary and police call centre services apart from its flagship 108 ambulance service which is run for state governments in public-private partnership (PPP) model.

The rating strengths are, however, partially offset by significant exposure in term of loans extended to associate societies (especially in Uttar Pradesh), and increasing competition from local hospitals and other private ambulance service providers. The ratings are also constrained by the risk of appointment of new service provider upon expiry of agreement with a state government and regulatory risks associated with the sector.

Rating sensitivities: Factors likely to lead to rating actions.

Positive factors

- ✓ Surplus before interest and depreciation (SBID) margin improving and sustaining at or above 12% while demonstrating growth in total operating income (TOI) above ₹2,000 crore.
- ✓ Sustenance of strong financial risk profile along with improvement in the working capital cycle.

Negative factors

- ✗ Considerable decline in the revenue or profitability falling below 7% on a consistent basis.
- ✗ Significant increase in exposure towards associate entities resulting in moderation in the capital structure.
- ✗ Significant stretch in collection leading to high working capital cycle or write-offs, impacting liquidity.

Analytical approach: Consolidated

CARE Ratings Limited (CARE Ratings) for its analysis has considered consolidated financials of EGHS, which include consolidation of 17 states and 2 union territories (UTs).

Outlook: Stable

CARE Ratings believes that EGHS will continue to benefit from its market position and operational ability in providing emergency ambulance services in the country.

Detailed description of the key rating drivers:

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

Key strengths

Consistent growth in income along-with improved and comfortable profitability during FY23

The income for the society consists of grants received, reimbursement of operational expenses from state governments and other income (primarily donations and income from training to health care personnel). The donations received are considered as revenue receipt as it is a non-profit organisation. The total income of EGHS is consolidation of revenue from 16 states, 3 UTs and service income from corporates for providing ambulance services. The income of society has been growing at a compounded annual growth rate (CAGR) of 13% during FY21-FY23 period, and stood at ₹1,939 crore in FY23 as against ₹1,519 crore in FY21 on account of increase in the emergency services provided by EGHS backed by addition of new project and higher spending by the government for these emergency services. There was also an elevation for the per ambulance per month rate for its MOU and tender-based projects, which also contributed for the growth in income.

The SBID margins improved and stood comfortable at 12.20% in FY23 from 8.83% in FY22, due to decrease in OPEX on account of efficient management of its expenses. The OPEX mainly includes salaries and power fuel expenses. Furthermore, the surplus of the society was in tandem with SBID level and stood at 12.12% in FY23.

During H1FY24, the society reported TOI of ₹1,040 crore with SBID of ₹157 crore and surplus of ₹125 crore.

Healthy financial risk profile:

Overall gearing of the society has remained comfortable and remained at the same level at 0.03x as on March 31, 2023, backed by strong net worth of ₹1,031 crore. Furthermore, considering the exposure towards the group societies, the adjusted gearing would also look comfortable. The total debt to gross cash accruals (GCA) of the society also remained at the same level at 0.13x during FY23 from 0.12x during FY22 on account of moderate utilisation of fund-based working capital limits and healthy GCA levels. SBID interest coverage ratio continues to be healthy at 35.51x during FY23 on account of higher SBID levels and lower interest expenses. The overall financial risk profile is expected to continue at the same level in the absence of any term debt and continuing the WC utilisation at <60%.

Operating efficiencies resulting in lower expenditure per ambulance

EGHS has been able to operate below the state government budgeted cost per ambulance because of detailed study and understanding of location specific requirements, logistics efficiencies resulting in lower fuel cost and lower utilisation of grant. The ability to operate efficiently has helped EGHS in receiving new contracts from various other state governments.

Pioneer in the field of emergency management services with diversified presence across India

As a not-for-profit professional organisation operating in the PPP model, EGHS is one of the largest professional emergency service providers in India. Since inception, the Society has made substantial progress in providing emergency response services across the country.

Established board of governing members and senior management

The governing board of EGHS comprises eminent individuals to provide strong thrust to the initiative. G.V. Krishna Reddy, Founder and Chairman of GVK, a diversified business enterprise with interests in a wide range of businesses, including power generation, airport operations and management, roads, urban infrastructure, bio-science, hospitality services and manufacturing sectors is the Chairman of EGHS.

Stable long-term outlook for the healthcare sector in India

The Indian healthcare industry stands on the cusp of a profound transformation, driven by key factors that underpin its fundamental growth. These include an ageing demographic, increased public health spending, expanding insurance coverage, and rising per-capita income. Moreover, the industry is witnessing structural shifts, particularly in the wake of the COVID-19 pandemic, manifesting in a surge in communicable diseases and a notable uptick in medical tourism. This trajectory is projected to sustain a robust CAGR of 12% over the upcoming three fiscal years, spanning from FY23 to FY26.

The government spending has also increased, with the Government of India approving budget of ₹36,785 crore in the union budget 2023-24 under National Health Mission', which indicates continuous investment in the healthcare sector for improving health care system. Prudent expansion plans of the hospitals, better health insurance penetration, increasing investments in the healthcare industry and increasing public and private health spend are expected to aid the healthcare industry to surpass USD 130 billion by FY24.

Liquidity: Strong

The liquidity is marked by strong accruals against zero repayment obligations as against expected GCA of ₹275 crore in FY24. Free cash and liquid funds to the tune of around ₹368 crore as on March 31, 2023 (PY: ₹210 crore) and unutilised working capital bank lines provide adequate financial flexibility to the entity. The liquidity is also supported by adequate current and quick ratios of 3.20x and 3.18x, respectively, along with healthy cash flows from operations of ₹191 crore as on March 31, 2023.

Key weaknesses

Significant investment in group companies outside consolidation

The society has given advances to its group societies (registered in Uttar Pradesh) outside consolidation, namely, Emergency Dhatri Shishu Care Foundation (Formerly Known as GVK Janani Shishu Suraksha (UP), 108 Emergency Medical Transport (East), 108 Emergency Medical Transport (West) and 102 Mother Child Services amounting to ₹250.35 crore in FY23 (PY: ₹257.45 crore). This amount is advanced as unsecured loans and shall be recovered once the group societies obtains the same from respective state government.

Risk of appointment of new service provider upon expiry of agreement

As per MOUs/ tender signed with state governments, the agreements are valid for a set period unless extended further by mutual agreement for MoUs and extendable maximum up to two years in case of tenders, thereby exposing the society to the replacement risk.

Risk of penalty being imposed on EGHS in tender-based projects

The tender-based projects require the company to achieve at a certain number of trips/ambulance/months, failing which the company faces risk of penalty being imposed by respective state governments.

Competition from local hospitals and other private ambulance service providers

Currently, there is no clear law in India which clearly defines 'ambulance service'. As a result, any company/individual can register a vehicle as ambulance if there is a stretcher and oxygen cylinder available on board. Hence, there are numerous local / private service providers. Also, major healthcare companies are providing similar services, such as Apollo Emergency Care. However, competition intensity is expected to be low as the group provides this service free of cost to the public through the support of state government which other private operates may not be able to match.

Assumptions/Covenants: NA

Environment, social, and governance (ESG) risks: Nil

Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Hospital](#)

[Service Sector Companies](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Utilities	Utilities	Other utilities	Emergency services

EGHS (previously known as GVK Emergency Management and Research Institute [GVK EMRI]) was established in the year 2005 as a charitable institution /non-profit society registered in Andhra Pradesh in the name of Emergency Management and Research

Institute (EMRI), with a vision to provide free emergency response services to citizens under the PPP model. In 2009, the GVK group took over the management responsibility of EMRI. As a not-for-profit professional organisation operating in the PPP model, EGHS is the largest professional emergency service provider in India presently. The entity handles medical, police, fire emergencies through the "108 Emergency services", which is a free service delivered through state-of-the-art emergency call response centres. It also manages various helpline numbers, sponsored by the government and acts as a first responders in case of any emergencies. EGHS has a fleet of over 9,800 ambulances across 17 states and 2 UTs.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24 (UA)
Total operating income	1,814.03	1,938.86	1,039.71
PBILDT	160.21	236.54	157.31
PAT	148.30	235.06	125.00
Overall gearing (times)	0.03	0.03	0.02
Interest coverage (times)	18.80	35.51	83.23

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

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 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-Bank overdraft		-	-	-	24.94	CARE A; Stable
Non-fund-based - LT/ ST-Bank guarantee		-	-	-	13.30	CARE A; Stable / CARE A2+

Annexure-2: Rating history of 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-Bank overdraft	LT	24.94	CARE A; Stable	-	1)CARE A-; Stable (28-Dec-22)	1)CARE A-; Stable (25-Mar-22)	1)CARE BBB+; Stable (19-Feb-21) 2)CARE BBB+; Stable (17-Jul-20)
2	Non-fund-based - LT/ ST-Bank guarantee	LT/ST*	13.30	CARE A; Stable / CARE A2+	-	1)CARE A-; Stable / CARE A2 (28-Dec-22)	1)CARE A-; Stable / CARE A2 (25-Mar-22)	1)CARE BBB+; Stable / CARE A3+ (19-Feb-21) 2)CARE BBB+; Stable / CARE A3+ (17-Jul-20)

*Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA**Annexure 4: Complexity level of various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Bank overdraft	Simple
2	Non-fund-based - LT/ ST-Bank guarantee	Simple

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. 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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