

Lakeshore Hospital and Research Centre Limited

February 22, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	20.00	CARE A; Stable	Reaffirmed
Short-term bank facilities	10.00	CARE A1	Reaffirmed
Long-term bank facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Lakeshore Hospital and Research Centre Limited (LHRC) continue to derive strength from vast experience of promoters in healthcare, long-standing presence of the hospital in Kochi, experienced and qualified team of doctors, diversified revenue streams across specialisations, healthy financial risk profile, and debt protection metrics. However, ratings are constrained by geographically concentrated revenue stream from a single location hospital, scarcely available medical professionals, moderate occupancy levels and growing competition in the industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Scaling up operations to above ₹750 crore with healthy occupancy levels above 70% while maintaining PBILDT margin above 25% on a sustained basis.
- Geographically diversifying revenue stream and reducing single hospital dependency.

Negative factors

- Large debt-funded capital expenditure, leading to moderate capital structure with gearing ratio above unity.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook reflects that LHRC is expected to maintain healthy profitability, strong regional presence, comfortable capital structure, and no major debt-funded capital expenditure in the medium term.

Detailed description of the key rating drivers:

Key strengths

Well-established and experienced promoter group

Dr VP Shamsheer, Chairman, LHRC, is the main shareholder with 42.62% stake. He worked with the radiology department at Sheikh Khalifa Medical City, Abu Dhabi before promoting the VPS group in 2007. VPS Healthcare is an integrated healthcare service provider with 23 operational hospitals, over 125 medical centers, 13,000 employees (includes around 1,700 doctors) and medical support services spread across the Middle East, Europe, and India.

Reputed and experienced team of doctors

LHRC has employed several reputed doctors with vast experience in their respective specialties. The hospital had 279 doctors, around 814 nurses, over 340 medical support staff and around 526 support staff as on March 31, 2023. Doctor's profiles include some major renowned names associated with the hospital for over 15 years. The hospital has 207 specialist doctors on their payroll, working as full-time consultants.

Consistent financial and operational performance

Total operating income has improved to ₹ 358.47 crore in FY23 by 17% in FY22. Increasing income is majorly attributed to rising surgeries, transplants, and advanced treatment procedures in FY23. The PBILDT margin also increased significantly to 24.43% (PY: 22.88%). Average revenue per occupied bed (ARPOB) also improved to ₹ 39,714 in FY23 from ₹ 33,457 in FY22.

Diversified revenue stream across specialisations

The hospital's total income is spread across specialities with medical oncology and nephrology accounting for a major source of revenue of 27.7% (PY:30%) in FY23 (refers to April 1 to March 31). Each speciality contributes less than 20% of total revenue and top five departments contributed only 42% of the total revenue in FY23.

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

Healthy capital structure and debt protection metrics

The company's capital structure continued to be healthy with overall gearing ratio of 0.05x as on March 31, 2023 (PY: 0.07x). The company had prepaid entire term loans as on April 2023 and working capital is hardly utilised. The interest coverage ratio also has improved to 38.34x as on March 31, 2023, due to minimal working capital utilisation. Debt coverage indicators also stood comfortable with total debt to gross cash accruals of 0.23x as of March 31, 2023 (PY: 0.36x).

Key weaknesses

Moderate occupancy in FY23

Due to competition from nearby hospitals offering relatively low-cost services, occupancy levels remained moderate in the range of 55-60% in the past three years ended FY23. In FY23, occupancy moderated from 60% in FY22 to 57%. Average length of stay (ALOS) stood at 4.8 days in FY23 as against 5.2 days in FY22 from the introduction of robotic surgery.

Depending on scarcely available qualified medical professionals

Qualified medical professionals such as doctors, paramedical staff and support staff is an important requisite for a hospital's success and get continued patronage from the local population. Hospitals are highly dependent on these scarcely available qualified medical professionals. Given the increasing competition and scarcity of medical specialists, hospital's ability to retain its current pool would be important.

Geographical revenue concentration and growing industry competition

Despite a long track record and continued patronage of the local population, Lakeshore operates mainly through one hospital. The management has slightly diversified its operations with a medical centre in Kozhikode. However, more than 95% revenue comes from the hospital at Cochin. LHRC faces competition from existing players in the region providing tertiary care services, regional private hospitals giving primary care and secondary care services, and many private clinics.

Liquidity: Strong

Liquidity is strong marked by sufficient cushion in accruals of ₹78.33 crore in FY23 with prepayment of entire term loans in the current year. The company also had free cash balance and liquid investments of ₹98.63 crores as on March 31, 2023. Being a cash-and-carry business and given its healthy accruals, LHRC's liquidity position has been healthy and dependence on working capital borrowings has been generally low. LHRC had been sanctioned working capital limits of ₹20 crore and average utilisation stood nil for the past 12 months ended January 2024. The hospital maintains inventory of medicines and consumables for a period of 10-15 days. Debtors mainly include receivables from insurance companies and other corporates, contributing 18-21% of the total income. These receivables are collected within a maximum one-month span. The remaining 80% of total income is on cash basis. The hospital enjoys a credit period of about 45-60 days from its suppliers for medicine and expenses. The company also has bank guarantee (BG) limits of ₹10 crore which is barely used.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Hospital](#)

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Healthcare	Healthcare	Healthcare services	Hospital

LHRC was incorporated as a public limited company in 1996 by Dr Philip Augustine, a specialist in gastrointestinal endoscopy and Dr Peter John, a senior physician. In 1999, Yusuff Ali, Promoter of the Lulu Group of Companies acquired a major stake in the hospital and became its chairman. In 2016, company's major stake was acquired by Dr VP Shamsheer, promoter of the VPS Healthcare group, Dubai, and his son-in-law of Yusuff Ali. LHRC is a multi-specialty hospital consisting of 582 beds providing services such as wireless capsule endoscopy, endoscopic ultrasonography, and double balloon enteroscopy, among others. It also handles liver, kidney, pancreas, intestine, heart, and bone marrow transplantations under one roof.

Brief Financials (₹ crore)	31-03-2022 (A)	31-03-2023 (A)	9mFY24 (UA)
Total operating income	358.47	419.04	306.37
PBILDT	82.05	102.37	71.28
PAT	42.92	57.52	33.58
Overall gearing (times)	0.07	0.07	NA
Interest coverage (times)	27.80	38.34	111.38

A: Audited UA: Unaudited; NA- Not Available; 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 to Annexure-2

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

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	20.00	CARE A; Stable
Fund-based - LT-Term Loan		-	-	July 2026	0.00	Withdrawn
Non-fund-based - ST-Bank Guarantee		-	-	-	10.00	CARE A1

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-Term Loan	LT	-	-	-	1)CARE A; Stable (07-Dec-22)	1)CARE A-; Positive (22-Dec-21)	1)CARE A-; Stable (17-Dec-20)
2	Non-fund-based - ST-Bank Guarantee	ST	10.00	CARE A1	-	1)CARE A1 (07-Dec-22)	1)CARE A2+ (22-Dec-21)	1)CARE A2+ (17-Dec-20)
3	Fund-based - LT-Cash Credit	LT	20.00	CARE A; Stable	-	1)CARE A; Stable (07-Dec-22)	1)CARE A-; Positive (22-Dec-21)	1)CARE A-; Stable (17-Dec-20)

*Long term / Short term

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

Not applicable

Annexure-4: Complexity level of 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	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated

Not applicable

Note on 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.

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