

GNRC Limited (Revised)

February 28, 2024

Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Non-Convertible Debentures	27.33	CARE BB+; Stable	Assigned

Details of instruments in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the Non-Convertible Debentures issue of GNRC Limited are constrained by its relatively small scale of operations, modest financial performance during FY21-FY23 and modest debt protection indicators in the past. The geographic concentration of the hospitals and competition risk arising from upcoming hospitals also constrain the ratings.

The ratings, however, derive strength from the extensive experience of the promoters in the healthcare industry established operations as a multi-specialty hospital with satisfactory infrastructure, empanelment with government schemes and corporates. Ratings further derives comfort from the significant improvement in financial performance of the Company in 9MFY24 which is likely to sustain in view of improvement in ARPOB (₹20,507 in 9MFY24 from ₹17,340 in FY23)) due to revision in service rates as well as eligibility for higher package rates in Government Schemes.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Strong revenue growth with maintaining PBILDT margin of greater than 20%
- Improvement in debt indicators with overall gearing going below 0.5

Negative factors

- Drastic decline in occupancy rates leading to fall in net cash accruals to less than ₹20 crores
- Deterioration in capital structure and debt indicators due to major debt funded capex plans

Analytical approach: Consolidated. As the subsidiaries are in same line of business under common management having operational and financial linkages. The list of companies being consolidated is mentioned in Annexure 6.

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that GNRC will benefit from its established track record in providing healthcare services and extensive experience of the promoters and management in the industry.

Detailed description of the key rating drivers:

Key weaknesses

Stringent regulatory framework for healthcare sectors in India

Despite the increasing trend of privatization of healthcare sector in India, the sector continues to operate under stringent regulatory control. Accordingly, regulatory challenges continue to pose a significant risk to private healthcare as they are highly susceptible to changes in regulatory framework.

Fragmented nature of healthcare industry and competition from other hospitals in the vicinity

The healthcare sector is highly fragmented with few large players in the organized sector and numerous small players in the unorganized sector leading to high level of competition in the business. GNRC also faces competition with presence of hospitals located in the same locality like the upcoming AIIMS and others. Thus, differentiating factors like range of services offered, quality of service, experience of doctors, success rate in treatment of complex cases, etc. will be crucial in order to attract patients and to maintain healthy occupancy.

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

Geographic concentration and competition from other hospitals

The company established its first hospital in Dispur, Guwahati, in 1986 and commercially opened its second multi-specialty hospital at Six Mile, Guwahati in 2008. GNRC commenced commercial operations of its third multi-specialty hospital in North Guwahati in January 2014. GNRC Community Hospitals Pvt Ltd, a WOS of GNRC is running a 110 bedded hospital in Barasat, West Bengal, which was acquired by the group in 2016.

Good Health Hospitals Pvt Ltd. (GHHPL) incorporated in 1993, operating the OPD and IPD department located at Dispur, Guwahati. GNRC is exposed to geographical concentration risk as 4 out of 5 hospitals are located in Guwahati and one in Barasat, WB. It also faces competition from AIIMs and other hospitals in the city.

Subdued financial performance in FY21-FY23, though improvement witnessed in 9MFY24 and likely to sustain

TOI witnessed CAGR of 7% during FY21-FY23 and has been incurring net loss during the period. The PBILDT margin was modest in the range of 10%-13% during FY21-FY23. This was because the firm used to operate on low pricing model till FY23. The PAT turned negative due to high capital charge. The Company met its debt repayment obligation during FY22 and FY23 out of cash flow from operations, available liquidity and capital subsidy.

GNRC witnessed significant improvement in consolidated financial performance in 9MFY24 which is likely to sustain going ahead. The Company is entitled to higher package rates under Ayushman Bharat PM-JAY (Pradhan Mantri Jan Arogya Yojna) as GNRC has received Gold and Bronze Certification under Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AM PMJAY). This apart, there has been revision in rates of other hospital services in the current fiscal alongwith other cost saving measures. The overall gearing of the company has improved in the past years on the back of loan repayments and stood at 0.96x as on Mar.31, 2023 and 0.7x as on Dec.31, 2023.

The debt protection, however, remained weak over the last three years with substantial improvement in 9MFY24. TDGCA stood at 2.14x as on Dec.31, 2023.

Liquidity: Stretched

The company had GCA of nearly ₹12 crore in FY23 against total debt obligations of nearly ₹17.76 crore. Debt repayment was met out of higher cashflow from operations. The company utilizes no Fund based or non-fund based facilities, and working capital is funded from internal accruals. The cash and bank balances stood at ₹3.43 crore as on March 31, 2023. The current ratio stood very low at 0.25 due to high current portion of loans/NCDs which are repaid out of GCA.

However, in 9MFY24, the company has generated cash accruals of ₹41.87 crore vis-à-vis debt repayment of ₹22 crore for FY24.

Key strengths**Established operations as multi-speciality hospital with satisfactory infrastructure**

Concentrated in Guwahati (and a hospital near Kolkata), with 720 bed capacity, it is a super speciality hospital well equipped with modern hospital infrastructures like Cardiology lab, Neurology lab, Pathology lab, X-ray and others with a team of 50 qualified doctors and consultants from medical background.

They have developed experience and excellence in multi and super speciality viz. Neurology, Cardiology, Ophthalmology, Pathology, Orthopaedics, Gynaecology, Radiology, Pediatrics and others. Further it offers also offers general hospital services namely Critical Care, Emergency & Trauma Care, General Medicine, Ambulance services, Blood bank services and Operation Theatres.

Empanelment with Government Schemes/Corporates

The company is empaneled with renowned Corporate and Government organizations. The revenue from third party administrator is low since insurance penetration in the region is relatively less. However, government schemes provide almost 30% of the revenue. GNRC, North Guwahati has received Gold Certification with Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AM PMJAY) and GNRC Dispur and GNRC Sixmile have received Bronze Certification under PM-JAY. Such certification entitles GNRC to higher package rates.

Experienced promoters supported by reputed professionals in the industry

The hospital was founded by Dr. N.C. Borah, a renowned neurologist, together with support from Prof. K. V. Mathai, the first formally trained neurosurgeon of India and the former head of Department of neurology in CMC Vellore. Now with over 35 years of experience, the promoter has expanded from one clinic to 5 hospitals in the north and eastern region. The hospital is managed by Dr. Borah and his family being completely involved in the operations.

Applicable criteria

[Consolidation](#)
[Definition of Default](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Hospital](#)
[Financial Ratios – Non financial Sector](#)
[Service Sector Companies](#)

About the company and industry

Industry classification

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

GNRC Ltd, incorporated in 1985, is engaged in healthcare business and operates super speciality hospitals in Assam and West Bengal. The hospital specializes in neurology, neurosurgery, cardiology and various other treatments. The Company is promoted by Dr. Nomal Chandra Borah. GNRC operates four hospitals in Guwahati, Assam (GNRC Dispur, GNRC Sixmile, GNRC Good Health and GNRC North Guwahati) and one hospital (GNRC Community Hospital) in Barasat near Kolkata. GNRC North Guwahati hospital is NABH certified and GNRC Dispur has entry level NABH certification.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	248.61	267.46	258.71
PBILDT	32.43	29.51	72.60
PAT	-11.25	-12.06	33.40
Overall gearing (times)	1.09	0.96	0.73
Interest coverage (times)	1.41	1.38	4.61

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

Status of non-cooperation with previous CRA: Brickworks Ratings migrated GNRC Limited to Issuer Not Co-operating category vide press release dated May 18, 2023, as the company did not share requisite information for conducting review or withdrawal of ratings.

Any other information: Not Applicable

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

Covenants of rated instrument: Detailed explanation of covenants of the rated instruments is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Non Convertible Debentures	INE653Z07012	21-Apr-2021	14	31-Mar-2026	27.33	CARE BB+; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument	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	Debentures-Non Convertible Debentures	LT*	27.33	CARE BB+; Stable				

*Long term.

Annexure-3: Detailed explanation of covenants of the rated instruments: Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non-Convertible Debentures	Simple

Annexure-5: Lender details: Not Applicable**Annexure-6: List of all the entities consolidated**

Sr No	Name of the entity	% of holding (as on Mar. 31,2023)
1	GNRC Community Hospitals Pvt. Ltd.	100.00
2	GNRC Good Health Hospitals Pvt. Ltd.	100.00

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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