# GLOBAL HEALTH PATLIPUTRA PRIVATE LIMITED

April 30, 2024

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long-term bank facilities | 70.00 | CARE A+; Stable | Assigned |
| Long-term bank facilities | 295.00<br>(Reduced from 365.00) | CARE A+; Stable | Reaffirmed |

Details of instruments/facilities in Annexure-1.

## Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed/assigned the rating on long-term bank facilities of Global Health Patliputra Private Limited (GHPPL) at 'CARE A+; Stable'. The rating is largely driven by expected sustenance of the improved credit profile of the parent entity, , Global Health Limited (GHL).

The parent entity has witnessed substantial improvement in its competitive position and operating efficiencies over the past couple of fiscal years from FY23 to 9MFY24, driven by significant addition in the bed capacity and rising average revenue per occupied bed (ARPOB). Going forward, this increase in bed occupancy levels and ARPOB is likely to sustain over the next few years. The additional bed capacity has largely been through greenfield expansion by establishing hospitals in Lucknow (commenced in November 2019) and Patna (commenced in H2FY22), of which the Lucknow hospital's operations has been stabilised. The group's bed capacity (GHL and its subsidiaries) increased from 1,722 beds as on March 31, 2019, to 2,697 beds as on March 31, 2023 and 2,725 beds as on December 31, 2023, while the ARPOB rose from ₹47,731 in FY21 to ₹59,908 in FY23 and further to ₹61,515 in 9MFY24. In its first year of operations, the Patna hospital recorded a modest profit before interest, lease rentals, depreciation and taxes (PBILDT) against the long gestation period usually observed in greenfield hospitals, emulating a quick turnaround in the Lucknow hospital. Having raised around ₹500 crore in fresh issue in November 2022, GHL has utilised 75% of its proceeds towards prepayment of term loan for its subsidiaries, , GHPPL and Medanta Holdings Private Limited (MHPL). Hence, the company has been able to simultaneously strengthen its financial risk profile through initial public offering (IPO) proceeds and continuous operational improvement. GHPPL receives strong managerial and technical support from its parent GHL. Considering significant linkages with the parent entity, GHPPL is expected to continue accruing benefits of strengthened business and financial risk profile of its parent.

The rating further continues to factor in project execution and operational support from its parent and low project risk in enhancing its bed capacity. GHPPL provides geographical diversity to the Medanta group.

These strengths are partly tempered by its nascent stage of operations, leading to challenges in bed occupancy rate and below-average debt coverage metrics at a standalone level. Being in healthcare services, GHPPL, similar to its parent, is exposed to regulatory risks.

## Rating sensitivities: Factors likely to lead to rating actions

**Positive factors**

- Improving credit risk profile of the parent company.
- Maintaining PBILDT margins over 15% on a sustained basis, contributing meaningfully to GHL's overall profitability.
- Substantially reducing debt levels and improving debt coverage indicators.

**Negative factors**

- Deteriorating credit profile of the parent.
- Change in stance on supporting GHPPL by the parent company or reducing shareholding, where GHL losses control over GHPPL.
- Significantly lower than un-envisaged levels of revenues and operating margins (, below 8-10%) over the long term.

## Analytical approach: Standalone

The ratings factor in the parentage of GHL (consolidated) with strong operational, management and financial linkages with it as GHPPL is approximately a 100% subsidiary of GHL with common management, board of directors, brand name, and cash flow fungibility.

Note: For analysing GHL, consolidated financials have been considered, which also incorporates support to be extended to GHPPL. The list of subsidiaries is mentioned in Annexure-6.

## Outlook: Stable

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

The 'stable' outlook reflects CARE Ratings' belief that GHPPL will derive benefit from financial flexibility of its strong parent while improving its business profile over the medium term.

## Detailed description of key rating drivers

### Key strengths

**Strong parentage, experienced and highly qualified ultimate promoter**

GHPPL is a wholly owned subsidiary of GHL, considering shares allotted to Dr Naresh Trehan as a nominee of GHL, which operates the Medanta group of multi-speciality hospitals across Gurugram (Haryana), Lucknow (Uttar Pradesh), Indore (Madhya Pradesh), Ranchi (Jharkhand), and having recently opened a hospital in Patna (Bihar). GHL was incorporated in 2004, by Dr Naresh Trehan, a world-renowned cardiovascular and cardiothoracic surgeon. GHPPL's operations will benefit immensely from the reputation of Dr Trehan, who also has over two decades of experience at the Escorts Heart Institute & Research Centre. His expertise has been instrumental in developing a strong reputation for the Medanta group of hospitals, particularly in NCR.

The company has two wholly owned subsidiaries, Medanta Holdings Private Limited (MHPL) and GHPPL. MHPL and GHPPL house the Medanta group's Lucknow and Patna hospitals, respectively. As on December 31, 2023, the group's cumulative bed capacity stood at around 2,725 beds and it is expected to increase its bed capacity to 3,500-4,000 beds by FY25 through greenfield and brownfield expansions, leading to improvement in scale of operations.

**Project execution and operational support by the parent**

GHPPL is expected to draw synergies from the existing chain of hospitals of the parent. The reputation of the Medanta group of hospitals and Dr Naresh Tehran, and referrals from GHL's diagnostic centres, are expected to help the company quickly ramp up its bed occupancy. GHL also has an existing supply chain, which may aid Patna operations. The establishment of the Patna hospital has been largely supported by GHL having infused ₹304.41 crore of equity as on March 31, 2023. In April 2023, it also provided unsecured loans of ₹125 crore for prepayment of external borrowings. The banker has waived off the corporate guarantee (CG) and shortfall undertaking for bank loan facilities advanced to GHPPL owing to partial prepayment of external borrowings in line with IPO objective and robust performance of GHPPL. CARE Ratings expects GHPPL to receive operational and financial support from GHL as required.

**Moderately low project risk**

GHPPL commenced operations in H2FY22 with 100 beds and ramped up to 358 beds as on December 31, 2023. The management is expected to install a total bed capacity up to 650 in the medium term, which is expected to come up in phases. Considering the hospital has been operational, there is limited project risk emanating from expansion of hospital beds. The project risk is further limited considering the support from its parent.

### Key weaknesses

**Nascent stage of operations, leading to challenges in bed occupancy rate**

GHPPL started its commercial operations in H2FY22 and has a relatively short track record of operations. The company's scale of operations has remained small, marked by net sales of ₹169.68 crore in FY23 and ₹210.55 crore in 9MFY24. Furthermore, the post project implementation risk through stabilisation of facilities to achieve the envisaged scale of business remains crucial for GHPPL. Notably, 25% of the capacity is to be reserved for government schemes, hence, going forward, the ARPOB can be lower compared to other GHL's hospitals in Gurugram and Lucknow. With inching up of occupancy rate every quarter, the company is expected to book healthy growth in revenue in FY24 and continue its growth trajectory in line with the expected enhancement of installed beds. The company's ability to scale up will also reflect in its profitability, and hence, both are key monitorable.

**Below-average debt coverage metrics at a standalone level**

Subdued profitability in the initial years of operations is expected to keep debt coverage metrics below average since the gestation period in hospitals is relatively long as observed in FY23 and 9MFY24 with an interest coverage at 1.4x, while the total debt (TD) to PBILDT at 7.74x as on December 31, 2023 as compared to interest coverage of 0.8x and TD/PBILTD of 21x as on March 31, 2023. Although these ratios are expected to improve over the medium term, it may continue to remain below average. However, the company has financial flexibility derived by the healthy cash and cash equivalents with the parent company, GHL.

**Exposure to regulatory risk**

GHPPL operates in a regulated industry that has witnessed continuous regulatory intervention in the last couple of years. There have been regulations such as capping of stent prices and knee implants and stricter compliance norms. Such future regulations may have an adverse impact on the company's and parent's profitability, and will remain an important monitorable.

### **Liquidity**: Adequate

The adequate liquidity is driven by the continuous equity infusion from the parent, which has a strong liquidity. In April 2023, GHL provided unsecured loans of ₹125 crore to GHPPL for prepayment of its external borrowings. Its repayment will resume from April 2024 onwards. The company's term loan repayments, including unsecured loans, are ballooning in nature (in the range of ₹18-25 crore in FY24, FY25 and FY26). It also has an unencumbered cash balance of around ₹32 crore as on December 31, 2023. The parent, GHL, is likely to provide adequate funding support to ensure timely debt servicing, until operations and cash generation stabilise.

The parent company's gross cash accruals (GCA) are expected at ₹500-600 crore per annum over FY24 to FY26 and will adequately cover debt obligations of around ₹70-80 crore until fiscal 2026 and part-funding of a sizeable capex. Liquidity is supported by healthy cash surplus of ₹973 crore as on September 30, 2023.

## Applicable criteria

Policy on default recognition
Factoring Linkages Parent Sub JV Group
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Hospital
Service Sector Companies
Consolidation

## About the company and industry

## Industry classification

| Macro-economic indicator | Sector | Industry | Basic industry |
|---|---|---|---|
| Healthcare | Healthcare | Healthcare services | Hospital |

GHPPL is part of the Medanta group and a wholly owned subsidiary of GHL, the group's flagship company. GHPPL owns and operates the group's newly launched Jay Prabha Medanta Super Speciality Hospital in Patna, Bihar. The hospital's OPD facility was launched in 2020, whereas its IPD facility was inaugurated in H2FY22. As on December 31, 2023, the installed beds were 358 and is expected to scale up to 650 beds in the medium-to-long term.

| Brief Financials (₹ crore) | March 31, 2022 (A) | March 31, 2023 (A) | 9MFY2024 (UA) |
|---|---|---|---|
| Total operating income | 25.28 | 169.68 | 210.55 |
| PBILDT | -25.97 | 18.33 | 48.00 |
| PAT | -45.81 | -29.43 | -14.66 |
| Overall gearing (times) | 1.62 | 1.89 | 2.31 |
| Interest coverage (times) | -2.20 | 0.80 | 1.37 |

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

**About the parent company**

GHL was incorporated as Global Health Private Limited on August 13, 2004, by Dr Naresh Trehan, a world-renowned cardiovascular and cardiothoracic surgeon. A world-class, super-specialty, tertiary-care hospital in Gurugram, Medanta commenced operations in November 2009 and currently has a cumulative bed count of over 2,697 as on March 31, 2023. The company has two wholly owned subsidiaries, MHPL and GHPPL. MHPL and GHPPL house the Medanta group's Lucknow and Patna hospitals, which commenced operations in H2FY20 and H2FY22, respectively.

| Brief Financials (₹ crore) | March 31, 2022 (A) | March 31, 2023 (A) | 9MFY24 (UA) |
|---|---|---|---|
| Total operating income | 2161.54 | 2694.25 | 2449.58 |
| PBILDT | 457.94 | 619.83 | 666.96 |
| PAT | 196.20 | 326.08 | 350.71 |
| Overall gearing (times) | 0.69 | 0.46 | NA |
| Interest coverage (times) | 5.30 | 7.95 | 11.98 |

A: Audited; UA: Unaudited; NA: Not Available. Note: these are latest available financial results'.

**Status of non-cooperation with previous CRA:**
Not applicable

**Any other information:**
Not applicable

**Rating history for last three years:** Annexure-2

**Covenants of rated instrument / facility:** 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 (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook |
|---|---|---|---|---|---|---|
| Fund-based - LT-Term Loan | | - | - | 12-07-2031 | 295.00 | CARE A+; Stable |
| Fund-based - LT-Working Capital Limits | | - | - | - | 20.00 | CARE A+; Stable |
| Non-fund-based - LT-BG/LC | | - | - | - | 50.00 | CARE A+; Stable |

## Annexure-2: Rating history for 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 2024-2025 | 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 |
| 1 | Fund-based - LT-Term Loan | LT | 295.00 | CARE A+; Stable | - | 1)CARE A+; Stable (26-Jul-23) | 1)CARE A; Positive (23-Jan-23) | - |
| 2 | Fund-based - LT-Working Capital Limits | LT | 20.00 | CARE A+; Stable | | | | |
| 3 | Non-fund-based - LT-BG/LC | LT | 50.00 | CARE A+; Stable | | | | |

LT: Long 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-Term Loan | Simple |
| 2 | Fund-based - LT-Working Capital Limits | Simple |
| 3 | Non-fund-based - LT-BG/LC | Simple |

## Annexure-5: Lender details

| |
|---|
| To view lender-wise details of bank facilities please click here |

## Annexure-6: List of all the entities consolidated (GHL)

| Sr No | Name of the entity | Extent of consolidation | Rationale for consolidation |
|---|---|---|---|
| 1 | Global Health Patliputra Pvt Ltd | Full | Wholly owned subsidiary |
| 2 | Medanta Holdings Pvt Ltd | Full | Wholly owned subsidiary |
| 3 | GHL Pharma and Diagnostic Pvt Ltd. | Full | Wholly owned subsidiary |

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

**Contact Us**


| Media Contact | Analytical Contacts |
|---|---|
| Mradul Mishra<br>Director<br>**CARE Ratings Limited**<br>Phone: +91-22-6754 3596<br>E-mail: mradul.mishra@careedge.in | Pulkit Agarwal<br>Director<br>**CARE Ratings Limited**<br>Phone: 91-226-7543505<br>E-mail: pulkit.agarwal@careedge.in |
| **Relationship Contact**<br><br>Saikat Roy<br>Senior Director<br>**CARE Ratings Limited**<br>Phone: 91 22 6754 3404<br>E-mail: saikat.roy@careedge.in | Ravleen Sethi<br>Associate Director<br>**CARE Ratings Limited**<br>Phone: 91-120-4452016<br>E-mail: ravleen.sethi@careedge.in<br><br>Akanksha Bansal<br>Lead Analyst<br>**CARE Ratings Limited**<br>E-mail: akanksha.bansal@careedge.in |


**About us:**
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.



**For the detailed Rationale Report and subscription information,**
**please visit www.careedge.in**