Lifeline

September 10, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	45.26 (Reduced from 55.00)	CARE BB+; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	5.00	CARE BB+; Stable / CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Lifeline continues to be constrained by the firm's moderate scale of operation in the highly competitive Kerala healthcare industry, moderate ARPOB (average revenue per operating bed) numbers and concentration of revenue from a single geographical location. The ratings are also constrained by the partnership nature of the business. However, the ratings derive strength from the vast experience of its promoters in the healthcare industry, the established presence of the hospital in Adoor region and the long track record of operations for almost two decades.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in the Total Operating Income to Rs.150 Cr while maintaining PBILDT margin above 15%

Negative factors

- Lower-than-expected accruals resulting in deterioration of Total debt/ PBILDT above 7x on a consistent basis.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited believes that the firm would sustain its operational performance with high occupancy aided by the experience of the partners in the hospital industry and the established name in the region.

Detailed description of key rating drivers

Key weaknesses

Moderate scale of operations; Profitability impacted during FY24

The total operating income of the hospital improved in FY24 by 33% yet stood moderate at Rs. 108.76 crore against Rs. 82.05 crore in FY23. The Average revenue per operating bed (ARPOB) stood satisfactory at Rs.11,380 in FY24. Even though the hospital has received pre-entry level NABH accreditation, it is still in pursuit of receiving final accreditation for NABH. The PBILDT margin stood moderate in FY24 at 5.10% against 15.46% in FY23. The moderation was primarily on account of the increase in count of medical professionals and related salaries and fee. The firm had onboarded medical professionals and doctors for its upcoming Cardiology and Neurology departments which became operational in November 2023. With full year of revenue expected in the current year from newly started cardiology and Neurology departments, the PBILDT margins are expected to improve in the current year.

Location constraints associated with the concentrated nature of operation

The firm's main multispecialty hospital is located in Adoor, and it has two other day care facilities/ Clinics in Kochi and Kollam. However, majority of the revenue is contributed by the Adoor hospital which exposes the firm to geographical concentration risk. Lifeline faces competition from tertiary care centers, private clinics and hospitals in the nearby town of Kollam and other multi-specialty hospitals in Trivandrum and Kochi.

Reliance on scarcely available qualified medical professionals

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. Lifeline is highly dependent on these scarcely available medical professionals. Given the increasing competition and the scarcity of medical specialists, ability of the hospital to retain its current pool of doctors is key for the firm

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

Moderately leveraged capital structure

The hospital completed its capex project to set up the new cardiology and neurology block with 75 beds capacity in November 2023. Total capex addition during FY24 was funded by Rs. 35 crores of Term debt which led to moderation in the overall gearing to 1.40x as on March 31, 2024, from 0.61x as on March 31, 2023. The debt protection marked by Total Debt/GCA also stood moderated to 13.54x as on March 31, 2024 (PY:1.35x) owing to lower than envisaged accruals. With the expected increase in the accruals in the current year, the financial risk profile of the firm is expected to improve in the medium term.

Partnership nature of constitution

Lifeline is constituted as a partnership firm wherein it is constantly exposed to the risk of capital withdrawal and the erosion of net wort. Notably, promoters have infused capital to the tune of Rs 14.79 crore during FY24. The networth of the firm stood at Rs 41.18 crore as on March 31, 2024.

Key strengths

Vast experience of the promoters

Lifeline was established in April 2005 by Dr. S. Pappachan, a renowned obstetrician, gynecologist and infertility specialist. All the partners are actively involved in the day-to-day operations of the firm. The other partners include Dr. Mathew Pappachan, Dr. Cyriac Pappachan, Dr. Kripa Rachel Philip and Mrs. Daisy Pappachan, three of whom are doctors themselves, specialized in the fertility and gynecology domain.

Established hospital in the region

Even though the hospital started off as a fertility and IVF centric facility, Lifeline has grown over the years to a multi- specialty hospital with close to 325 beds. With the established brand name, the firm has been able to maintain healthy occupancy levels of more than 90% over the last few years. Currently, the hospital has other specializations such as cardiology, Neurology, pediatrics, neonatology and general medicine

Liquidity: Stretched

Liquidity is stretched marked by tightly marched accruals vis a vis repayment of debt obligations and moderate cash balance of ₹ 0.16 crore as on March 31, 2024. Since most of the transactions are of cash and carry nature and with healthy accruals, the operating cycle has continued to remain negative over the last 5 years. The hospital maintains inventory of medicines and consumables for a period of 8-12 days. Lifeline enjoys a credit period of about 28 days from its suppliers and the average working capital utilization during the past 12 months stands at 87%. The cash flow from operating activities was positive at Rs. 23.23 crores.

Assumptions/Covenants: Not applicable

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

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Hospital
Service Sector Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Healthcare	Healthcare	Healthcare Services	Hospital

Lifeline, a Super Speciality Hospital and Fertility clinic was established in April 2005 by Dr. S. Pappachan, a renowned obstetrician, gynaecologist, and Infertility specialist. Lifeline is constituted as a partnership firm with Dr. S. Pappachan and is managed by the family of Dr. S. Pappachan. The hospital has received NABH accreditation (pre-entry level) and is pursuing for final accreditation.

The National Board of Examinations (NBE) has recognised the hospital to conduct post graduate courses in Obstetrics and Gynaecology, Paediatrics and Anaesthesiology. Presently the hospital is having 325 bed capacity with 13 operation theatres, 60 ICU beds (Gen Medicine, Surgery and Paed) and 60 beds in specialised Neonatal ICU with 90+ doctors and 170+ Paramedical staff

Brief Financials (₹ crore)	31-03-2022 (A)	31-03-2023 (A)	31-03-2024(Prov.)
Total operating income	65.79	82.05	108.76
PBILDT	15.65	15.46	5.10
PAT	13.81	13.00	-8.23
Overall gearing (times)	0.19	0.61	1.40
Interest coverage (times)	50.30	29.74	4.08

A: Audited Prov.: Provisional; 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

Detailed explanation of 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		-	-	January, 2031	45.26	CARE BB+; Stable
Fund-based - LT/ ST-Bank Overdraft		-	-	-	5.00	CARE BB+; Stable / CARE A4+

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	45.26	CARE BB+; Stable	-	1)CARE BB+; Stable (10-Aug-23)	-	-
2	Fund-based - LT/ ST-Bank Overdraft	LT/ST	5.00	CARE BB+; Stable / CARE A4+	-	1)CARE BB+; Stable / CARE A4+ (10-Aug-23)	-	-

LT: Long term; LT/ST: 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-Term Loan	Simple
2	Fund-based - LT/ ST-Bank Overdraft	Simple

Annexure-5: Lender details

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

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 Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Sandeep P Director **CARE Ratings Limited** Phone: 914428501002 E-mail: sandeep.prem@careedge.in
Relationship Contact Pradeep Kumar V Senior Director **CARE Ratings Limited** Phone: 914428501001 E-mail: pradeep.kumar@careedge.in	Jitendra Singh Assistant Director **CARE Ratings Limited** Phone: 914224502306 E-mail: Jitendra.singh@careedge.in Nimmish Jayaraj Analyst **CARE Ratings Limited** E-mail: Nimmish.jayaraj@careedge.in

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