Metro Speciality Hospital Private Limited

September 28, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	80.82 (Reduced from 100.00)	CARE A; Stable	Upgraded from CARE A-; Stable

Details of instruments/facilities in Annexure-1.

The upgrade in rating assigned to bank facilities of Metro Speciality Hospital Private Limited factors in improvement in the group's operational performance (the group refers to eight entities having nine operational hospitals) in FY24 (refers to April 01, 2023 to March 31, 2024) and 5MFY25 (refers to April 01, 2024 to August 31, 2024) and improved business prospects leading to expected growth in revenue and generation of healthy cash flows in near to medium term. Revision in the rating also factors in group's adequate liquidity backed by healthy unencumbered cash and bank balance in the form of fixed deposits. Improvement in operational performance of the group in FY24 and 5MFY24 was supported by better occupancy rate and higher average revenue per occupied bed (ARPOB) resulting in increase in total operating income (TOI) with healthy profitability margins. The rating continues to derive strength from experienced promoters with established brand name, group's long track record of operations, its diversification across specialties and positive long-term outlook for healthcare sector in India. The rating also draws comfort from the group's comfortable financial risk profile marked by healthy debt coverage indicators and low overall gearing which extends high financial flexibility to the group. However, the rating continues to remain constrained by the exposure to other group companies, high level of competition among hospitals, and regulatory risk associated with the industry.

Rating sensitivities: Factors likely to lead to rating actions.

Positive factors

- Sustained improvement in scale of operations of group above ₹1,800 crore and profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin above 26% backed by improvement in operational parameters.
- Sustained reduction in debt leading to total debt/ PBILDT below 0.75x on a sustained basis.

Negative factors

- Deterioration in scale of operations below ₹1,200 crore and PBILDT margins below 20%.
- Deterioration in sales mix of group, adversely leading to higher collection period.
- Debt-funded capex resulting in moderating total debt/ PBILDT of above 1.25x on a sustained basis.

Analytical approach: Combined. CARE Ratings Limited (CARE Ratings) has combined the financials of the following entities, factoring in operational and financial synergies between group entities since these entities are controlled by common promoter with cash flow fungibility among group entities.

Entities combined are as below:

1. Metro Institutes of Medical Sciences Private Limited-(MIMSPL)
2. R.L Khera Charitable Trust
3. Sunhill Hospitals Private Limited (SHPL)
4. Metro Medical Services Limited (MMSL)
5. Metro MAS Hospitals Private Limited (Metro Mas)
6. Metro Speciality Hospital Private Limited (MSHPL)
7. Hilsun Pharma Private Limited
8. Samson Healthcare Private Limited

Outlook: Stable

The rating outlook "Stable" indicates the expected sustenance of Metro Hospital Group's scale of operations, supported by better occupancy and improving ARPOB. CARE Ratings also believes that the group shall sustain its comfortable financial risk profile over the medium term.

Detailed description of key rating drivers:

Key strengths

Sustained improvement in operational performance in FY24 and 5MFY25

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

The group's TOI has grown by a compounded annual growth rate (CAGR) of ~22% over the last three financial years ending FY24. In FY24, the group's TOI increased by approximately 46%, reaching ₹1,375.38 crore and improvement in its PBILDT margin, which increased by 442 basis points to ~26%. The growth in the scale of operations was primarily driven by higher ARPOB across hospitals in the group, which improved by approximately 30% in FY24, and improved occupancy rates in several hospitals operated by the group. Improvement in the group's profitability was also supported by higher number of surgeries performed in FY24. The group has achieved a topline of ~₹700 crore in 5MFY25 (refers to April 01, 2024, to August 31, 2024). CARE Ratings expects the group to maintain its healthy scale of operations with similar levels of profitability in short to medium term.

Experienced promoter with strong brand name and long track record of operations

The founder of the group, Dr. Purshottam Lal, established Metro Hospitals and Heart Institute, Noida, 1997. He is a renowned cardiologist and recipient of prestigious awards (Padma Vibhushan and Dr. BC Roy National Awardee by the President of India) and has contributed to research papers and innovations in the medical field. Over the years, the group has expanded its operations significantly, particularly in the cardiovascular segment. It has established its position with nine hospitals, of which two are in Delhi, three are in Uttar Pradesh (two in Noida and one in Meerut), two in Haryana (Faridabad and Rewari) and one each in Rajasthan (Jaipur), and Uttarakhand (Haridwar). Dr. Lal is supported by other family and a team of professionals for managing the group's operations.

Diversification across specialties

The group provides healthcare services in fields such as cardiology, pulmonary, oncology, nephrology, gastroenterology, and orthopaedic among others. It derives 80% of its revenue from seven specialties thus decreasing its reliance on single specialty. However, the group specialises in cardiology treatment and derives around 40% of income from this segment. Around 20% of the revenue is derived from Pulmonary and sleep medicine department. In terms of the channel mix as well, the group is fairly diversified between cash-payment, TPA/Insurance patients, and Government/ other panel patients. However, around 65-70% of the revenue is generated from Government departments, exposing the group to concentration risk leading to high collection period.

Comfortable financial risk profile

The group's overall gearing improved to 0.46x as on March 31, 2024, as compared to 0.71x as on March 31, 2023. With the improved profitability achieved in FY24, the group reported improvement in debt coverage metrics, with an interest coverage ratio of ~12x and a total debt to gross cash accruals (TD/GCA) ratio of 1.19x as on March 31, 2024, compared to 8.41% and 2.22x, respectively, in the previous year. The debt coverage indicators are expected to improve going forward, as the group has no major debt-funded capital expenditure planned except for regular capex. In absence of large debt-funded capex in short to medium term and healthy cash accruals generation, CARE Ratings expects that the company will continue to maintain its comfortable financial risk profile.

Positive long-term outlook for healthcare sector in India

CARE Ratings expects healthcare services in India to grow at healthy rate considering likely rise in per capital income and health insurance markets and favourable demography situation and a transition in disease profile of the country.

Key weaknesses

Exposure to group entities

The group has made investments in related companies, in the form of equity, preference share, and debentures. The group's total exposure to related entities stood at ₹175.74 crore as on March 31, 2024. In FY22, the group has acquired 99.2% stake in PPSL Healthcare Private Limited and after adjusting for Inter Party Investments, the total exposure towards PPSL Healthcare remains at ₹25.47 crore. The group also has exposure to related entities having investments in properties with future plans of hospital construction. The group has invested ~₹10 crore in Metro Super Speciality Hospitals Private Limited, which holds property in Moga (Punjab), where the group planned to open a hospital but was later put on hold. The group has invested ₹18.28 crore in Muscat Premier Medical Centre LLC., which pertains to Investments in Oman for setting up of a medical centre, which will act as a catalyst in attracting international medical tourists to hospitals of Metro group in India. The group has invested approximately ₹121.99 Crores in Sunhill Healthcare Private Limited, which owns property in Greater Noida, Uttar Pradesh. They have initiated plans to establish a university offering non-medical courses within this entity. Additionally, the group plans to invest around ₹130-140 crore over the next 2-3 years to expand the university's operations. These investments will primarily be funded through the group's internal accruals. Any significant increase in investments in group entities beyond the planned amount will remain a key monitorable.

High level of competition among hospitals in Delhi-NCR region

Most of the group's hospitals are situated in the Delhi NCR region, which hosts major private healthcare providers such as Fortis, Apollo, and Max Healthcare. Additionally, as the national capital, Delhi has a significant number of government hospitals such as AIIMS, Safdarjung Hospital, and Ram Manohar Lohia Hospital. This creates competition not only for patients but also for experienced staff. However, due to Dr. Purshottam Lal's esteemed reputation in the medical community, the group successfully attracts both patients and skilled staff to its hospitals.

Regulatory risks

The group operates in a regulated industry that has experienced continuous regulatory interventions in the last few years. Measures such as capping stent and knee implant prices, and stricter compliance norms, have negatively impacted the company's margins in the past. Any future regulations could similarly affect the group's profitability and will therefore remain a key area to monitor.

Liquidity: Adequate

The group's liquidity profile is adequate, as evidenced by the scheduled repayment of a term loan amounting to approximately ₹64.96 crore in FY25, against projected GCA of around ₹272 crore for the same period. Additionally, the group had a free cash and bank balance of ₹94.37 crore as on March 31, 2024. The average utilisation of working capital limits was 70% for the 12 months ending August 31, 2024, providing an extra cushion for the company. The group plans to incur regular capital expenditure of around ₹45-50 crore in FY25, which will be funded entirely through internal accruals. Given that approximately 70% of the group's revenue comes from government departments and panels, its working capital requirements remain high, with a collection period of 122 days as of March 31, 2024. However, these requirements are primarily financed through internal accruals, with limited reliance on external debt.

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
Financial Ratios – Non financial Sector
Consolidation
Factoring Linkages Parent Sub JV Group

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Healthcare	Healthcare	Healthcare Services	Hospital

Metro Group of Hospitals is a group of nine hospitals having more than 1,700 beds and one of the biggest group of hospitals in India. Majority of the hospitals operated are National Accreditation Board for Hospitals & Healthcare Providers (NABH) accredited and four hospitals are National Accreditation Board for Testing and Calibration Laboratories (NABL) accredited. The group is promoted by Dr. Purshottam Lal, a renowned cardiologist and a Padma Vibhushan awardee.

Brief Financials (₹ crore)- Combined	March 31, 2023 (UA)	March 31, 2024 (UA)	5MFY25 (UA)
Total operating income	945.26	1375.38	700.00
PBILDT	203.19	356.46	NA
PAT	127.49	235.16	NA
Overall gearing (times)	0.71	0.46	NA
Interest coverage (times)	8.41	12.09	NA

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

About the company

Metro Speciality Hospital Private Limited was incorporated in January 2003. The company operates a 400-bed hospital based out of Faridabad, Haryana, and specialises in cardiac treatment.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)	Q1FY25 (UA)
Total operating income	353.68	485.08	147.90
PBILDT	86.36	127.61	NA
PAT	54.75	80.39	NA
Overall gearing (times)	0.33	0.19	NA
Interest coverage (times)	10.80	15.12	NA

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

Basis of combination: The numbers have been combined through row-by-row addition of all line items of all the entities mentioned under Analytical approach after adjusting for Inter Party transactions.

Status of non-cooperation with previous CRA: Not Available

Any other information: Not Available

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Term loan-Long term		-	-	30/09/2031	80.82	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	Term loan-Long term	LT	80.82	CARE A; Stable	-	1)CARE A-; Stable (06-Sep-23)	1)CARE BBB+; Stable (07-Dec-22)	1)CARE BBB; Stable (10-Dec-21)

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not available

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Term loan-Long term	Simple

Annexure-5: Lender details

To view 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	Puneet Kansal Director **CARE Ratings Limited** Phone: +91- 120 - 4452000 E-mail: puneet.kansal@careedge.in
Relationship Contact Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: 91 22 6754 3444 E-mail: Ankur.sachdeva@careedge.in	Rajan Sukhija Assistant Director **CARE Ratings Limited** Phone: +91- 120 - 4452000 E-mail: Rajan.Sukhija@careedge.in Abhay Wanchoo Rating Analyst **CARE Ratings Limited** E-mail: Abhay.Wanchoo@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.

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