Jaypee Healthcare Limited

January 28, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term / Short-term bank facilities	40.00	CARE AA-; Stable / CARE A1+	Assigned
Short-term bank facilities	40.00	CARE A1+	Assigned
Long-term bank facilities@	1,000.00	CARE AA+ (CE); Stable	Assigned

Details of instruments/facilities in Annexure-1.

@Long-term rating assigned to the term loan facility is based on credit enhancement (CE) in the form of unconditional and irrevocable corporate guarantee with stipulated payment mechanism from Max Healthcare Institute Limited (MHIL; rated CARE AA+; Stable/ CARE A1+)

Unsupported rating	**CARE AA- [Assigned]**

Note: Unsupported rating does not factor in the explicit credit enhancement.

Rationale and key rating drivers for credit enhanced debt (JHL)

The long- term rating assigned to term loan facility of Jaypee Healthcare Limited (JHL) factors in credit enhancement (CE) in the form of an unconditional and irrevocable corporate guarantee (CG) extended by Max Healthcare Institute Limited (MHIL; rated CARE AA+; Stable/ CARE A1+) enforceable for entire amount and tenor of the rated bank facility.

Rationale and key rating drivers of Credit Enhancement (CE) Provider - Max Healthcare Institute Limited (MHIL)

Ratings assigned to bank facilities of Max Healthcare Institute Limited (MHIL) factor in sustained improvement in operational and financial performance of MHIL (flagship entity) and improvement in all its subsidiaries, silos and Partner Healthcare Facilities (PHF's). Improvement in financial risk profile was driven by healthy cash generation at the Max network level, which was contributed by growth in each entity. On a consolidated basis, the network revenue grew by 16% in FY24 (refers to April 01 to March 31) and ~21% in H1FY25 (refers to April 01 to September 30) driven by higher inpatient volumes, changes in specialty mix towards higher value specialties, leading to better average revenue per occupied bed (ARPOB, reported at ₹75,800 in FY24 against ₹67,400 in FY23). MHIL has industry leading occupancy levels, which stood at 74.5% in fiscal 2024 against 76.4% in FY23 driven by improvement in in-patient volumes. Improvement in revenues and consequent benefits of operating leverage, resulted in healthy operating margin which stood at 26.87% for MHC network FY24 against 27.05% in FY23 (MHIL consolidated stood at 28.23% in FY24 against 27.19% in FY23).

In the first half of fiscal 2025, consolidated revenue improved by ~21% year-on-year (y-o-y) driven by improvement in inpatient volumes owing to bed expansion, improvement in ARPOB, sustenance of occupancy levels on y-o-y basis. Ratings further factor in strong capital structure, healthy debt protection metrics and liquidity of MHIL and its PHF's. Net leverage at H1FY25 end with net adjusted debt (including CG backed debt and leases) to profit before interest, lease rentals, depreciation, and taxation (PBILDT) stood at 1.1x despite acquisitions by MHIL in Lucknow with 550 beds and Nagpur with 200 beds and JHL. Acquisition for Nagpur and Lucknow hospital is done for an aggregate value of ₹1,405 crore funded through internal accruals and partially with long term debt of ₹600 crore. Acquisition of JHL is at enterprise value of ₹1,660 crore, funded through debt of ₹1,000 crore to network level being backed by MHIL's corporate guarantee.

Net leverage is expected to stay below 1.5x going forward despite MHIL's continuous plans to grow organically/inorganically in the medium term. Ramp up from these newly acquired hospitals and newly commissioned beds at Dwarka facility and other beds additions, which are underway will contribute to the company's overall improvement in operational efficiencies going forward, considering increased ARPOBs, occupancy rates and higher proportion of superior surgical mix. At a consolidated and network level, MHIL's revenue is expected to grow by 20-25% in FY25 supported by bed additions, sustenance of occupancy levels at overall level and improvement in ARPOB due to change in case mix. Operating profitability is expected to sustain at 27-28% despite lower profitability initially in newly acquired hospitals, although pre-operative expenses towards bed additions at existing hospitals and commencement of the hospital at Dwarka might partly constrain the profitability. Ratings continue to derive strength from the company's established position in the healthcare sector across key market regions including Delhi-NCR, Mumbai, and Lucknow among others, diversification across specialities, experienced team of doctors, and the significant brand equity of 'Max Healthcare'.

However, rating strengths remained partially constrained by the company's exposure to the regulated healthcare industry, concentration risk as 78% bed capacity of Max network is in metro cities and more specifically in Delhi-NCR. However, the company is taking efforts to de-risk this through establishing presence/acquisitions in other locations such as Lucknow, Nagpur, and Mohali among others. Ratings also remained constrained by intense competition from other established hospital brands. CARE

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

Ratings Limited (CARE Ratings) also take note of significant expansion plans to double up the capacity in the next five years through organic and inorganic route, which will be largely funded by its internal accruals. However, the impact of debt-based acquisitions on MHIL's credit profile will remain a key monitorable going forward.

Key rating drivers of Jaypee Healthcare Limited (JHL)

CARE Ratings has assigned ratings at 'CARE AA-; Stable/CARE A1+' for bank facilities of JHL. Ratings derive strength from the entity being a wholly owned subsidiary of Max Healthcare Institute Limited (MHIL; rated 'CARE AA+ Stable/ CARE A1+'), which is recently acquired at an enterprise value of ₹1,660 crore through NCLT (discharged with debt of ₹1,000 crore and remaining from internal accruals). JHL also enjoys strong operational, managerial and financial linkages with MHIL in form of common brand name, loans & advances, and corporate guarantee for majority of its debt. JHL holds strategic importance for MHIL as it expands the group's footprint in Delhi NCR region with its 500 bedded flagship hospital in Noida.

Ratings also take comfort from JHL's above average operational performance marked by already healthy revenue and profitability of ₹421 crore and ₹70 crore in FY24 (refers to April 01 to March 31) and ₹190 crore and ₹~30 crore respectively in 5MFY25 (refers to April 01 till August 30) based on ARPOB of ₹50,000-60,000 and occupancy above 50% owing to reasonable mix of clinical procedures in JHL's Noida hospital, which is expected to improve further with potential rise in patients flow with now "Max" brand equity, upcoming Jewar airport, increasing surgical revenue and higher operational bed capacity to ~430 by March 2025 and ~480 by December 2025.

However, these rating strengths are partially offset by the JHL's weak capital structure and debt protection metrics owing to net losses in the last years and inadequate cash flows. CARE expects shortfall in debt servicing and capex requirements of JHL envisaged in the next 2-3 years shall be funded through support from the parent entity; MHIL. Ratings are also constrained by the exposure towards the regulated nature of healthcare industry and competition intensity in the region in which it operates.

Rating sensitivities: Factors likely to lead to rating actions (CE Provider – MHIL)

Positive factors

- Increased diversification across centres, geographies, or business segments leading to overall growth in topline without impact on its profitability margins and sustenance of net leverage levels.

Negative factors

- Declining PBILDT profitability below 20% on a sustained basis.
- Government regulations adversely impacting the group's operational efficiencies.
- Significant debt-funded capex such that net adjusted debt (including CG backed debt, group exposure and leases) to PBILDT
- increases above 1.8x on a sustained basis.

Rating sensitivities: Factors likely to lead to rating actions (JHL)

Positive factors

- The company's ability to improve operational performance (ARPOB and occupancy), leading to growth in topline and profitability margins and contributing significantly to the parent's credit profile.
- Improvement in credit profile of the parent – MHIL.

Negative factors

- Deterioration in credit profile of Parent; MHIL or decline in shareholding of JHL by MHIL
- Higher-than-envisaged debt funded capex moderating the financial risk profile of the company.
- PBILDT margin lower than 12% on sustained basis

Analytical approach of credit enhanced debt (MHIL): Consolidated

For credit enhanced debt CARE Ratings has analysed MHIL at Consolidated level. CARE Ratings also analyse and factors in linkages and support with/to other partner healthcare facilities (PHFs) as there is strong operational and financial linkages among all entities/societies operating under the network as MHIL and its subsidiaries have given loans and loans and advances and issued unconditional and irrevocable corporate guarantee to these PHFs and subsidiaries. Entities consolidated is listed under Annexure-6.

Factoring in support to and cash flow fungibility with below PHFs:

Sr No	Name of the entity	Relation with MHIL
1	Gujarmal Modi Hospital & Research Centre	Trust- Master Service Agreement

Sr No	Name of the entity	Relation with MHIL
2	Devki Devi Foundation	Trust- Master Service Agreement
3	Balaji Medical & Diagnostics Research Centre	Trust- Master Service Agreement
4	Vikrant Children's Foundation & Research Centre	Trust- Master Service Agreement
5	Nirogi Charitable & Medical Research Trust	Trust- Master Service Agreement

Analytical approach (JHL): Standalone.
Ratings factor in strong financial, operational and management linkages with the holding company MHIL.

Outlook (CE Provider – MHIL): Stable
'Stable' Outlook reflects CARE Rating's expectation that the Max group will continue to benefit from its brand equity, improving ARPOBs, steady occupancy levels and ramp up from new hospitals, which will reflect through sustained improvement in operational and financial parameters of the group. CARE Ratings also believes that the group will sustain its debt metrics at comfortable level going forward also, while pursuing organic and inorganic growth.

Outlook (JHL): Stable
'Stable' Outlook reflects CARE Ratings' expectation that JHL's operational performance will continue to improve with increase in operational beds, better geographical coverage through Noida Hospital and operational synergies imparted through association with MHIL leading to improvement in its operating profitability and overall financial risk profile.

Detailed description of key rating drivers (CE Provider – MHIL):

Key strengths

Sound operational efficiencies boosting profitability margins

With MHIL's hospital portfolio being matured in the last few years, the group has been demonstrating sustained improvement in its operational parameters as indicated by growing ARPOBs, sustained healthy occupancy rates, average length of stay (ALOS), and inpatient-outpatient registrations among others. MHIL demonstrated superior execution across its hospitals, Max Lab, and Max Home segments, supported by a growing number of patients and improved realisations. Its presence in premium markets, mainly, Delhi-NCR, Mumbai and now Lucknow and Nagpur, and its superior case mix leads to a higher ARPOB, when compared to its industry peers. Occupancy rates are also industry leading and stood steady ~74.5% in FY24 compared to 76.4% in FY23, while ARPOB reported a significant uptick of over 12% in FY24 to ₹75,800 (PY: ₹67,400), which was mainly driven by price revisions, increased traction from international medical tourism, improved share of oncology, high-end and increased robotic surgeries and increased OPD footfalls among others.

At a consolidated level, MHIL has been demonstrating healthy revenue growth in the last five years continued through FY24 with a strong revenue growth of 19.17% to ₹5,437 crore compared to ₹4,562.60 crore in FY23. Max Healthcare network (MHC Network, MHIL including all its subsidiaries, MHFs and PHFs) recorded total operating income (TOI) and earnings before interest, taxation, depreciation, and amortisation (EBIDTA) of ₹6,849 crore and ₹1,840 crore in FY24 against ₹5,904 crore and ₹1,597 crore in FY23, respectively. TOI at the network level in H1FY24 stood at ₹3,361 crore compared to ₹4,060 crore in H1FY25 registering a growth of ~21% y-o-y with PBILDT of ₹1,025 crore in H1FY25.

MHIL and its network of hospitals are further expected to generate higher ARPOBs and profitability margins considering the substantial market share it has in north India in complex treatments including bone marrow transplant (BTM), and oncology among others ramp up from three new hospitals (Lucknow, Nagpur and Dwarka) and with the management's focus on optimising higher ARPOB generating payor mix, surgical mix and cluster approach to maintain its brand in metro cities.

Strong financial risk profile with healthy capital structure and debt coverage indicators expected to sustain after considering significant capex

MHIL has a strong capital structure with net worth base of ₹5,508 crore against total debt (including CG backed debt and leases) of ₹1,800 crore as on March 31, 2024 (PY: ₹1081 crore). In FY24, the company availed new term loan of ₹600 crore under Starlit Medical Centre Private Limited, which is repayable in 16 structured quarterly instalments starting from June 2025. Though debt coverage indicators also remained healthy with the net adjusted debt to PBILDT of 0.53x as on March 31, 2024, slightly moderated from negative 0.24x as on March 31, 2023, mainly owing to debt addition in Starlit for acquisition of Lucknow hospital. Total debt (excluding leases) at network level as on March 31, 2024, stood at ₹1,832 crore (including lease CG backed debt) (PY: ₹1025 crore), against which, there is ample liquidity available for ₹1,144 crore at network level. In 2025, MHIL has also announced stake acquisition in JHL at enterprise value of ₹1,660 crore, which lead to debt addition of ₹1,000 crore to network level being backed by MHIL's corporate guarantee. At MHC network, three 'PHFs' operate under a long-term master service agreement with MHIL.

In FY24, MHIL up streamed ₹400 crore (PY: ₹289 crore) from these societies for its services and going forward also, these societies are expected to support MHIL and other societies within MHC network for their capex requirements demonstrating strong cash flow fungibility at network level. The group has a planned brownfield expansion capex for addition of close to 2,400 beds in the next three years through FY27 at MHC network level with a total capital outlay of ₹4,600-4,700 crore (excluding JHL and maintenance capex) spanning over three years, these beds addition will happen largely in the newly acquired Lucknow hospital, under development PHFs namely Vikrant Saket and Nirogi Patparganj and other societies Balabhai Nanavati and Gujarmal Modi Society. MHIL's asset light venture in Dwarka also started operations in CY25 while another hospital is being developed in Mohali on an asset light model, which is expected to be completed in the next 2-3 years.

However, the company draws comfort from adequate capital availability through generation of strong accruals, cash lying at network level plus underleveraged balance sheet to further build the portfolio as the management actively looks out for key inorganic routes, including recently acquired JHL and significant debt-funded capex or inorganic growth through more such acquisitions and net debt to PBILDT is expected to remain below 1.5x. Significant debt-funded acquisitions on MHIL's credit profile will remain a key monitorable going forward.

Established market position driven by strong brand equity in premium market regions including Delhi-NCR and Mumbai

MHIL has a strong brand equity in North India, as it operates total 22 hospitals and medical centres (PY: 17) as on September 30, 2024. Of these, 15 facilities (hospitals and medical centres) were in Delhi and NCR and others in Mohali, Punjab (2), Bathinda, Punjab (1), Dehradun, Uttarakhand (1), Lucknow, UP (1), Nagpur (1) and Mumbai (1). Delhi/NCR contributes over 60% revenue for the company and due to being largely operational in metro cities, it is able to earn industry leading ARPOBs. MHIL is also building up more bed capacity and expanding geographical footprint through recently acquired three entities with significant growth potential in revenue and margins with increasing surgical business. All hospitals are National Accreditation Board for Hospitals and Healthcare Providers (NABH) and ISO-accredited and have also received the Joint Commission International (JCI) accreditation for three of its hospitals, which helps MHIL expand its international business further.

Diversification across specialities and improving channel mix

MHIL derives its revenues from several specialities, including cardiology, oncology, neurology, and orthopaedic among others, thus not depending on a single speciality. Among specialties, oncology, cardiac, neurology, Gynac, Paediatric, ENT, and Opthal among others have demonstrated healthy growth in the last year. In FY24, MHIL performed 13,150 oncology surgeries, 46,500 cardiac surgeries and 10,450 cardiac surgeries among other complex procedures, which are expected to surpass in current fiscal 2025. These surgeries enabled MHIL achieve higher profitability as these are high cost and high margin procedures. MHIL also has a well-diversified channel mix, which includes cash, third-party administrators (TPAs) and corporates, institutions, referrals, and international business. MHIL derived 18.06% (PY: 17.27%) of its total FY24 revenue from the institutional/public sector undertaking (PSU) segment, which is a low-margin business, while the international segment was 9.14% (PY: 8.54%). The company plans to optimise its payor mix further by reducing contribution from the PSU segment and focusing more on international business going forward. The group (including three trusts) has ~1,800+ doctors, 6,500+ nurses, and 1,100+ consultant physicians on board, to service its patients, as on March 31, 2024. The group also has capital light adjacencies through Max Home and Max Labs, which provides homecare services and non-captive pathology and have NABL certification. These offers 2,000+ tests through a network of over 525+ partner-run collection centres (PY: 430) and 24 company-owned centres (PY: 22) across 41 cities as on March 31, 2024. Max Home contributed revenue of ₹172 crore in FY24.

Liquidity: Strong

MHIL's liquidity position stands strong given its healthy gross cash accruals (GCAs) of ₹1,339 crore in FY24 and expected to be over ₹1800 crore in the medium term against moderate debt repayment obligations (including lease liabilities) of ₹50 crore in FY24, ₹215 crore in FY25 and ₹419 crore in FY26 (including estimated repayment of JHL debt). Cash accruals generated by PHFs is close to ₹320 crore in FY24 against, which debt repayments are nominal ~₹3-5 crore yearly. Debt repaid at MHIL consol level in Q1FY25 is close to ₹19.78 crore. Liquidity is further aided by free cash and cash equivalents of ₹963.96 crore as on September 30, 2024, in MHIL consol and ₹1,468 crore in MHC network with sanctioned WC limit of ₹345.63 crore, against which, utilisation is nominal of ₹103.74 crore, leaving sufficient buffer for exigencies. Cash accruals of MHC network in coming years will be partially applied towards capex commitments in the next three years through FY27 involving total outlay of close to ₹6,000 crore (including PHFs, potential capex on JHL and maintenance capex) for further addition of 2,400 beds over 2-3 years through brownfield expansion.

Key weaknesses

Exposure to regulatory and concentration risks

MHIL operates in a regulated industry that witnessed continuous regulatory intervention in the last couple of years. Regulations such as capping stent prices and knee implants and stricter compliance norms have adversely impacted the company's margin in the past. Such future regulations may have an adverse impact on the group's profitability, and thus, will remain an important monitorable. MHIL believes in the cluster approach and has a significant number of beds in metros, as these metros witness a significant footfall of medical tourist, inherent advantages available in metros such as high per capita income, high insurance penetration and propensity to pay for high-end quaternary care facilities, availability of senior and statured clinical talent, leading to metros becoming regional hubs and higher health awareness. MHIL network has a higher proportion of beds in metro cities compared to other top players, which has helped the company clock higher ARPOBs than its peers. The group's concentration in metros including Delhi-NCR and Mumbai is also a significant credit risk, which makes it vulnerable to adverse political, regulatory, or environmental event, which impacts socio-economic situation of a particular geography. However, the company has made recent efforts to expand its geographical presence in other states as well and hence, MHIL acquired Starlit and Alexis in Lucknow and Nagpur with 550 and 200, beds respectively. MHIL expects to refurbish the present infrastructure of the Lucknow hospital and further add 140 beds by end of CY25. The directive by Supreme court for fixing standardised prices, which came in February 2024 for hospitals is not likely to have adverse impact on operations of MHIL, however, it remains a key monitorable in case action is taken.

Intense competition from other established players

With rising preference towards brands, higher quality and organised diagnostics and self-awareness among masses with increasing insurance penetration, there is a high competition in the healthcare sector from other established brands such as Fortis, Apollo, and Medanta among others. However, comfort is drawn from sizeable presence of Max as a brand and footprint with established position of its hospitals. Going forward, MHIL's prospects will depend on its ability to improve profitability, continued scaleup of operations, ramp-up of new and acquired units and manage competitive pressures in the sector by further diversifying to other geographies or expand through asset-light adjacencies such as 'Max Labs', and Muthoot Dwarka among others.

Detailed description of key rating drivers (JHL):

Key strengths

Strategic importance and strong operational & financial linkages with MHIL

MHIL's market position has further strengthened in the Northern region of India (specifically NCR) with addition of JHL. JHL owns three hospitals in Uttar Pradesh: Noida, Bulandshahr and Anoopshahar, of which, Noida and Bulandshahr are presently operational. JHL's acquisition is at an enterprise value of ₹1,660 crore, which was discharged through term loan of ₹1000 crore and rest through internal accruals of Max group. Term loan amounting to ₹1,000 crore of JHL is backed by unconditional and irrevocable corporate guarantee of MHIL. The corporate guarantee also has payment mechanism structure as specified in RBI's guidance note and FAQs.

JHL primarily operates a 504-bed hospital in Noida, commissioned in 2013 and situated on 18 acres of land with built up area of ~9 lakh sft. Noida is an attractive location due to its growing population, high population density and strong per capita income. In FY24, JHL reported ₹421 crore in Revenue and ₹70 crore in earnings before interest, taxation, depreciation, and amortisation (EBITDA), with the Noida hospital contributing 95% and 100% of these figures respectively. The Noida hospital currently has 376 operational beds, with FY24 occupancy of ~57% and ARPOB of ~ ₹52k. MHIL's plan to expand operational bed capacity of Jaypee Hospital, Noida to ~430 beds by March 2025 and to ~480 by end of Q3 FY26 would require an aggregate capex of ₹100-150 crore in the next 2-3 fiscal years, which will be largely funded by the MHIL group. CARE Ratings expects JHL being strategically important to the Max group will continue to receive need-based funding, management, and other support from the Max group. Since Anoopshahar unit lacks necessary ecosystem in the town for a private hospital to grow, MHIL plans to not pursue it further, while Bulandshahar will continue to operate at break-even.

Established and leading market position, driven by strong brand equity

MHIL including its subsidiaries and societies commands a leading market position particularly in the north India region, as it operates total 22 hospitals and medical centres (PY: 17) as on September 30, 2024. Of this, 15 facilities (hospitals and medical centres) were in Delhi and NCR and the others in Mohali, Punjab (2), Bathinda, Punjab (1), Dehradun, Uttarakhand (1), Lucknow, UP (1), Nagpur (1) and Mumbai (1). Delhi alone contributes over 60% of the group's revenue. MHIL being the ultimate parent and listed entity, holds strong market valuation of over ₹1 lakh crore.

JHL plays pivotal role, as it is in Noida, which strengthens group's footprint in Delhi-NCR region. The association with Max as a brand will help the company command higher ARPOB and increased footfalls, which shall lead to better occupancy levels, which shall drive revenue and margin growth forward for JHL.

Key weaknesses

Sub-par financial risk profile

JHL has negative net worth base due to continued losses for the last five fiscal years ending FY24. The company was undergoing Corporate Insolvency Resolution Process under provisions of Insolvency and Bankruptcy Code, 2016 since order dated August 09, 2017, passed by NCLT, Allahabad. The capital structure is expected to improve gradually with the improvement in operations. JHL's acquisition is at an enterprise value of ₹1,660 crore, which was discharged through term loan of ₹1000 crore and rest through internal accruals of Max group. Term loan amounting to ₹1,000 crore of JHL is backed by unconditional and irrevocable corporate guarantee of MHIL. The corporate guarantee also has payment mechanism structure as specified in RBI's guidance note and FAQs. MHIL has infused unsecured loans amounting to ₹135 crore in JHL as on December 31, 2024, which will be converted to equity in FY26. Gradually, with improvement in cash flows, the company shall become self-sustainable, and the credit parameters shall also improve, which shall remain monitorable. Though the total debt to PBILDT at standalone level will remain high in the medium term, however, comfort is being drawn from CG by MHIL in case of shortfalls. Overall capital structure at the parent level is envisaged to remain comfortable in the medium term.

Exposure to regulatory risk

MHIL and network entities operate in a regulated industry that witnessed continuous regulatory intervention in the last couple of years. Regulations such as capping stent prices and knee implants and stricter compliance norms have adversely impacted the company's margin in the past. Such future regulations may have an adverse impact on the group's profitability and will remain an important monitorable. MHIL believes in the cluster approach and has a significant number of beds in metros, as these metros witness a significant footfall of medical tourist, inherent advantages available in metros such as high per capita income, high insurance penetration and propensity to pay for high-end quaternary care facilities, availability of senior and statured clinical talent, leading to metros becoming regional hubs and higher health awareness. MHIL network has a higher proportion of beds in metro cities compared to other top players, which has helped clock higher ARPOBs than its peers. The Supreme Court's directive from February 2024 for fixing standardised prices for hospitals, is not likely to have sustained adverse impact on MHIL's operations, though it remains a key monitorable in case an action is taken.

The group's concentration in metros such as Delhi-NCR and Mumbai is also a significant credit risk, making it vulnerable to adverse political, regulatory, or environmental event, which impacts the socio-economic situation of a particular geography. However, the company has made recent efforts to expand its geographical presence in other states as well. JHL's revenue is majorly contributed by a single hospital in Noida, and therefore, cash flows of the entity remain exposed to adverse events or challenges related to that location, which may have an impact on the company's overall financial position.

Intense competition from other established players

With rising preference towards brands, higher quality and organised diagnostics and self-awareness among masses with increasing insurance penetration, there is a high competition in the healthcare sector from other established brands such as Fortis, Apollo, and Medanta among others. However, comfort is drawn from the sizeable presence of Max as a brand and footprint with established position of its hospitals. Going forward, MHIL and its network entities' prospects will depend upon its ability to improve its profitability, continued scale-up of operations, ramp-up of new and acquired units and to manage the competitive pressures in the sector by further diversifying into other geographies or expand through asset-light adjacencies such as 'Max Labs', and Muthoot Dwarka among others.

Liquidity: Adequate

Liquidity profile of JHL is supported with strong financial risk profile of parent; MHIL and strong liquidity available in the form of healthy cash accruals of ₹1,339 crore in FY24 and expected ₹1,351 crore in FY25, ₹1,859 crore in FY26 against moderate debt repayment obligations of ₹50 crore in FY24, ₹105 crore in FY25 and ₹209 crore in FY26 and free cash and cash equivalents of ₹963.96 crore as on September 30, 2024 in MHIL consol and ₹1,468 crore in MHC network. MHIL has given unconditional and irrevocable corporate guarantee towards the term loan of JHL amounting to ₹1000 crore. The repayment of the term loan will start from the quarter ending December 31, 2025. Repayment obligations are ~₹50 crore for FY26 and ₹112.50 crore for FY27, which will be funded partly through internal accruals and balance shortfall by the parent MHIL.

Environment, social, and governance (ESG) risks (CE Provider - MHIL):

MHIL's ESG profile supports its already strong credit risk profile. The hospital sector has a low impact on the environment owing to its comparatively lesser water consumption and lower emission due to low energy intensive operations of hospitals. Social impact is moderate because of its large workforce across hospitals and value chain partners. MHIL has continuously focused on mitigating environmental and social risks.

Environmental:

- The company follows sustainable water management practices and follow the reduce, reuse, and recycle (3R) principle and aims to curtail freshwater consumption by 45% by 2025.
- Established membrane bioreactor (MBR) based sewage treatment plants (STPs) at Max Vaishali, Max Shalimar Bagh and Max Mohali. Ultrafiltration (UF) and other advanced tertiary treatment techniques have been implemented within Sewage Treatment Plants (STPs) to render water suitable for non-potable reuse Integrated measures to enhance energy efficiency across facilities, including implementing LED lighting, HVAC temperature control systems, day-night sensors, and optimal utilisation of natural daylight.

Social:

- The company organises regular screening programmes for cervical, breast, and oral cancers within and outside its premises to promote early detection and prevention. Outreach programmes are also organised to provide free examinations to those with limited healthcare access.
- Enables high-quality healthcare services to deprived and tribal communities, and to pilgrims in need. It supports to charitable hospitals and contributes towards extension of Swami Vivekanand Charitable hospital at Dharmawala, Dehradun, ensuring the local community has access to necessary healthcare services.
- It is also involved in the 'Nikshay Mitra' scheme of the Government of India and has extended nutritional support to 2,300 individuals undergoing treatment for tuberculosis (TB) in the public healthcare system. Max Healthcare executed over 6,000 diverse community engagement activities.

Governance:

- A comprehensive set of policies have been implemented to guide employees, stakeholders, and subsidiaries in their conduct. These policies cover a wide range of critical areas, including ethical practices, anti-corruption measures, prevention of insider trading, workplace safety, and more. As on March 31, 2024, the company's board had eight Directors comprising one Executive Director, two Non-Executive Directors and five Independent Directors, including one Independent Woman Director.

Applicable criteria

Consolidation
Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Credit Enhanced Debt
Rating Outlook and Rating Watch
Hospital
Financial Ratios – Non financial Sector
Short Term Instruments

Adequacy of credit enhancement structure: Guarantee provided by MHIL is unconditional, irrevocable and legally enforceable and binding on guarantor covering the entire tenor of the bank facility.

About the Credit Enhancement Provider – MHIL

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Healthcare	Healthcare	Healthcare services	Hospital

MHIL was incorporated in 2001 and is primarily engaged in providing healthcare services. Max hospital network consists of 20 multi-specialty hospitals/medical centres, super-specialty hospitals, and primary care clinics as on June 30, 2024 (PY: 17 hospitals), including three PHFs, Max Saket East (Devki Devi Society), Max Smart Saket (Gujarmal Modi Society), and Max Patparganj (Balaji Society), two Radiant hospitals being operated on O&M basis, BL Kapur (Lahore Hospital Society) and Nanavati and Dwarka Hospital, which is an asset light venture. Of these, 13 facilities (hospitals and medical centres) were in Delhi and NCR and the others in Mohali, Punjab (2), Bathinda, Punjab (1), Dehradun, Uttarakhand (1), Lucknow, UP (1), Nagpur (1) and Mumbai

(1). MHIL network has ~4,300 operational beds capacity as on June 30, 2024 (including Muthoot Dwarka) predominantly operating in Delhi-NCR and Mumbai regions.

Brief Financials-MHIL Consol (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	4,562.60	5,437.14	3325.93
PBILDT	1,240.46	1,534.95	913.47
PAT	1,103.51	1,057.64	518.08
Overall gearing (times)	0.20	0.29	0.33
Interest coverage (times)	14.80	21.44	15.91

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

Brief Financials-MHC Network (₹ crore) *	March 31, 2023 (UA)	March 31, 2024 (UA)	H1FY25 (UA)
Total operating income	5,904	6,849	4060
PBILDT	1,597	1,840	1025
PAT	1,588	1,278	644

*Including three PHFs (Devki Devi Foundation, Gujarmal Modi Hospital & Research Centre and Balaji Medical & Diagnostics Research Centre)
A: Audited UA: Unaudited; Note: these are latest available financial results

About the company and industry (JHL)

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Healthcare	Healthcare	Healthcare services	Hospital

JHL was incorporated on October 30, 2012, as a wholly owned subsidiary of Jaypee Infratech Limited to establish Jaypee Hospitals. JHL has been recently acquired by MHIL for a 100% equity stake in the company, and thus JHL is now a wholly owned subsidiary of MHIL effective from November 11, 2024. The acquisition is based on an enterprise value of ₹1,660 crore, reflecting JHL's strong market position. JHL presently owns three hospitals in Uttar Pradesh, including Noida, Bulandshahr and Anoopshahar of which, Noida and Bulandshahr are presently operational.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	5MFY25 (UA)
Total operating income	351.02	420.14	190.56
PBILDT	51.40	70.16	29.77
PAT	-86.40	-94.84	NA
Overall gearing (times)	-1.74	-1.35	NA
Interest coverage (times)	0.46	0.52	NA

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

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		-	-	30-09-2031	1000.00	CARE AA+ (CE); Stable
Fund-based - ST-Bank Overdraft		-	-	-	40.00	CARE A1+
Non-fund-based - LT/ ST-BG/LC		-	-	-	40.00	CARE AA-; Stable / CARE A1+
Un Supported Rating-Un Supported Rating (Long Term)		-	-	-	0.00	CARE AA-

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	-	-	1)Withdrawn (20-Jan-25)	1)CARE D; ISSUER NOT COOPERATING* (27-Mar-24) 2)CARE D (05-Apr-23)	1)CARE D; ISSUER NOT COOPERATING* (28-Mar-23) 2)CARE D (01-Apr-22)	-
2	Fund-based - LT-Cash Credit	LT	-	-	1)Withdrawn (20-Jan-25)	1)CARE D; ISSUER NOT COOPERATING* (27-Mar-24) 2)CARE D (05-Apr-23)	1)CARE D; ISSUER NOT COOPERATING* (28-Mar-23) 2)CARE D (01-Apr-22)	-
3	Fund-based - LT-Term Loan	LT	1000.00	CARE AA+ (CE); Stable				
4	Fund-based - ST-Bank Overdraft	ST	40.00	CARE A1+				
5	Non-fund-based - LT/ ST-BG/LC	LT/ST	40.00	CARE AA-; Stable				

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
				/ CARE A1+				
6	Un Supported Rating-Un Supported Rating (Long Term)	LT	0.00	CARE AA-				

*Issuer did not cooperate; based on best available information.
LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Name of the Instrument@	Detailed Explanation
A. Financial covenants	
I FACR (Security cover)	>1.00x. Should the coverage be less than 1.00x, provisions in security clause (Collateral coverage) will be applicable
Financial covenants for MHIL Consol.	
I Net debt/ EBITDA	<=3x
II DSCR	>=1.25x
B. Non-financial covenants	Borrower to route cashflows through the operative account maintained with Axis Bank.

@The covenants pertains to the term loan facility that is backed by credit enhancement (CE) in the form of unconditional and irrevocable corporate guarantee with stipulated payment mechanism from Max Healthcare Institute Limited.

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Complex
2	Fund-based - ST-Bank Overdraft	Simple
3	Non-fund-based - LT/ ST-BG/LC	Simple
4	Un Supported Rating-Un Supported Rating (Long Term)	Complex

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated in MHIL

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Hometrail Buildtech Private Limited	Full	Subsidiary of MHIL
2	Crosslay Remedies Limited	Full	Subsidiary of MHIL
3	Alps Hospital Limited	Full	Subsidiary of MHIL
4	Max Hospitals and Allied Services Limited	Full	Subsidiary of MHIL
5	Max Lab Limited	Full	Subsidiary of MHIL
6	Eqova Healthcare Private Limited	Full	Subsidiary of MHIL
7	Max Healthcare FZ - LLC, Dubai	Full	Subsidiary of MHIL
8	ET Planners Private Limited	Full	Step down subsidiary of MHIL
9	MHC Global Healthcare (Nigeria) Limited	Full	Subsidiary of MHIL
10	Alexis Multi-Speciality Hospital Pvt Ltd	Full	Subsidiary of MHIL
11	Starlit Medical Centre Private Limited	Full	Step down subsidiary of MHIL
12	Dr. B.L. Kapur Memorial Hospital (Lahore Hospital Society)	Full	Trust- Operation and management agreement
13	Dr. Balabhai Nanavati	Full	Trust- Operation and management agreement
14	Jaypee Healthcare Limited@	Full	Subsidiary of MHIL
15	Muthoot Max Hospital Dwarka**	Proportionate	Trust- Operation and management agreement

@Acruired in November 2024

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 **Relationship Contact** Saikat Roy Senior Director **CARE Ratings Limited** Phone: 912267543404 E-mail: saikat.roy@careedge.in	Sabyasachi Majumdar Senior Director **CARE Ratings Limited** Phone: 91-120-4452006 E-mail: sabyasachi.majumdar@careedge.in Ravleen Sethi Director **CARE Ratings Limited** Phone: 91-120-4452016 E-mail: ravleen.sethi@careedge.in Bhawna Rustagi Assistant Director **CARE Ratings Limited** Phone: 91-120-4452045 E-mail: Bhawna.Rustagi@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 detailed Rationale Report and subscription information, please visit www.careedge.in