Hometrail Buildtech Private Limited

January 30, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	237.06 (Enhanced from 87.06)	CARE AA+; Stable	Reaffirmed
Short-term bank facilities	15.00	CARE A1+	Assigned
Short-term bank facilities	30.00 (Enhanced from 25.00)	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in ratings assigned to bank facilities of Hometrail Buildtech Private Limited (HBPL) factors in robust credit profile of the parent entity MHIL which holds 100% in HBPL and it has strong operational and financial linkages with the same being in similar nature of business and sharing a common brand name. Ratings also duly factors in HBPL's improved operational and financial profile backed by healthy average revenue per occupied bed (ARPOB) growth of 10.81% to ₹61,500 with steady occupancy level of 68% in FY24 (refers to April 01 to March 31) and its strong capital structure. Ratings continue to draw comfort from HBPL's strategic importance to Max Healthcare Institute Limited (MHIL; rated 'CARE AA+; Stable/CARE A1+') with strong operational and financial linkages with MHIL through the demonstrated support in the form of unsecured loans which is expected to continue going forward as well.

MHIL has a strong business and financial risk profile considering sustained improved operational performance with healthy ARPOB growth, industry leading occupancy levels resulting into healthy revenue and operating margin with sustenance in strong capital structure and healthy debt coverage metrics over the years. The growth in HBPL and Max network's revenue was driven by higher inpatient volumes, changes in specialty mix towards higher value specialties leading to better ARPOB while maintaining industry leading occupancy levels.

Ratings also continue to derive strength from the MHIL's established position in the healthcare sector across key market region including Delhi-NCR, Mumbai, and Lucknow among others, diversification across specialities, experienced team of doctors, and the significant brand equity of 'Max Healthcare'.

However, these ratings strengths continue to remain 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

Positive factors

- Increased diversification across centres, geographies, or business segments leading to overall growth in topline without any impact on its profitability margins.
- Improvement in credit profile of parent MHIL.

Negative factors

- Deterioration in credit profile of MHIL.
- Decline in profitability below 18% on a sustained basis.

Analytical approach: Standalone

The ratings however factors in the strong management, operational and financial linkages with parent - Max Healthcare Institute Limited (MHIL).

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believe that HBPL's financial risk profile will continue to benefit over the near-to-medium term from its established presence in the core region it operates and healthy operating efficiencies. The comfortable debt metrics of the entity are likely to sustain over the medium term and will continue to get operational and financial support from MHIL as and when required.

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

Detailed description of key rating drivers:

Key strengths

Strategic importance and strong operational linkages with the parent

HBPL's revenue and earnings before interest, taxation, depreciation, and amortisation (EBITDA) contributed ~6.99% of MHC Network revenue in FY24 (PY: 7.45%) and 8.13% in profit before interest, lease rentals, depreciation, and taxation (PBILDT) (PY: 8.20%), respectively, and 8.81% and 9.75% of MHIL consol. As a subsidiary of MHIL, HBPL has an established market presence and is strategically very important for MHIL to maintain its market presence in the state of Punjab. HBPL, a wholly owned subsidiary of MHIL, is currently running and operating two hospitals (viz. Max Super Speciality Hospital, Bhatinda and Max Super Speciality Hospital, Mohali) that provides high-end medical care to residents of tri-city of Chandigarh, Mohali, Panchkula and in the industrial town of Bathinda, Punjab along with other similar programmes for providing treatment and medical services. Due to increase in the inpatient revenue, HBPL was able to report higher weighted average ARPOB from ₹55,500 in FY23 to ₹61,500 in FY24 on gross revenue basis. Operationally as well, HBPL is well integrated with MHIL, with raw material procurement, and finance functions among others being centrally managed. CARE Ratings believes HBPL would remain strategically and operationally integral to MHIL's growth plans.

Strong financial risk profile of MHIL characterised by sound operational efficiencies, healthy capital structure and debt coverage indicators

At a consolidated level, MHIL has been demonstrating healthy revenue growth over past 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 on the back of steady occupancy rates at ~74.5% in FY24 compared to 76.4% in FY23 and healthy ARPOB growth of over 12% in FY24 to ₹75,800 (PY: ₹67,400) which was mainly driven by price revisions, increased traction from medical tourism, improved share of oncology and increased OPD footfalls among others. In H1FY25 (UA), MHIL reported total operating income (TOI) of ₹3,326 crore registering a growth of 21.61% y-o-y with PBILDT of ₹913 crores.

MHIL at network level including all its subsidiaries and PHFs (Partner Healthcare Facilities) recorded a TOI and EBIDTA of ₹6,849 crore and ₹1,840 crore in FY24 against ₹5,904 crore and ₹1,597 crore in FY23, respectively. TOI at network level in H1FY25 stood at ₹4,060 crore registering a growth of 20.80% year-over-year (y-o-y) with PBILDT of ₹1025 crores. MHIL, and its network of hospitals, is further expected to generate higher ARPOBs and profitability margins considering the substantial market share it has in North India in complex treatments like 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 optimisation of higher ARPOB generating payor mix, surgical mix and the cluster approach to maintaining its brand in metro cities.

MHIL has a robust capital structure and strong debt coverage indicators with net debt to PBILDT sustaining at 0.53x as on March 31, 2024. Net debt to PBILDT is expected to remain below 1.5x at the MHIL level while the management has aggressive plans to pursue organic and in-organic growth over the medium term.

At a standalone level, HBPL reported revenue growth of 10.74% to ₹478.81 crore with PBILDT margin of 31.24% in FY24 (PY: 29.77%). It also has strong leverage position with total debt to PBILDT reported at 0.50x as on March 31, 2024, compared to 0.57x as on March 31, 2023. As on March 31, 2024, total outstanding debt stood at ₹75.15 crore (PY: ₹74.65 crore).

Established 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 20 hospitals and medical centres (PY: 17) as on March 31, 2024. Of this, 13 facilities (hospitals and medical centres) were in Delhi & 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%. HBPL's association with Max as a brand will help the company to command higher ARPOB and increased footfalls, which shall lead to better occupancy levels which shall drive the revenue and margin growth forward.

Diversification across various specialities and improving channel mix

MHIL including all its network hospitals derive the revenues from several specialities, including cardiology, oncology, neurology, and orthopaedic among others thus not depending upon single speciality. Among the specialties, oncology, cardiac, neurology, Gynac, Paediatric, ENT, and Opthal among others have demonstrated healthy growth in the past 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 and all its subsidiaries and PHF's to 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 the contribution from the PSU segment and focusing more on international business going forward. The group (including three trusts) has around 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.

Key weaknesses

Exposure to regulatory risk

MHIL and network entities operate in a regulated industry that has witnessed continuous regulatory intervention in the past couple of years. Regulations such as the capping of 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. The 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 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 recent efforts have been taken by the company to expand the geographically presence in other states as well, and in this direction, MHIL has acquired Starlit and Alexis, which are in Lucknow and Nagpur with 550 and 200 beds, respectively. MHIL expects to refurbish the present infrastructure of Lucknow hospital and further add 140 beds by end of calendar year 2025. The directive by Supreme court for fixation of standardised prices which came in February 2024 for hospitals is not likely to have sustained adverse impact on MHIL's operations, however, remains a key monitorable in case action is taken.

Intense competition from other established players
With the 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's and its network entities prospects will depend on 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: Strong
HBPL's liquidity position is marked by free cash and bank balance of ₹18.00 crore as on December 31, 2024, with expected cash accruals in the range of ₹140 - ₹160 crore in medium term against minimal debt repayments. The liquidity is supported by the company's very minimal utilisation of sanctioned working capital facility of ₹30 crore (utilised ~₹2.51 crore as on June 30, 2024) leaving buffer of over ₹27 crore for exigency. HBPL is also taking up a project of brownfield expansion for 155 beds at Mohali along with demolition and rebuilding of existing bed capacity. Total capex expenditure would be close to ₹320 crore over next three years which will incurred from debt of ₹150 crore, remaining from internal accruals and support from MHIL in form of unsecured loans in case required.
HBPL's liquidity profile is supported with MHIL's strong liquidity position given its healthy gross cash accruals (GCA) of ₹1,339 crore in FY24 and expected to be over ₹1,800 crore over 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). The cash accruals generated by PHFs is close to ₹320 crore in FY24 against which debt repayments are nominal ~₹3 crore to ₹5 crore yearly. Debt repaid at MHIL consol level in Q1FY25 is close to ₹19.78 crore. The liquidity is further aided by free cash and cash equivalents of ₹1,157 crore as on June 30, 2024, in MHIL consol and ₹1,346 crore in MHC network (including all PHF's) with sanctioned WC limit of ₹345.63 crore against which utilisation is nominal of ₹103.74 crore, thus leaving sufficient buffer for exigencies. The cash accruals of the MHC network in coming years will be partially applied towards the capex commitments over 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.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Hospital
Financial Ratios – Non financial Sector
Short Term Instruments
Notching by Factoring Linkages in Ratings

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Healthcare	Healthcare	Healthcare services	Hospital

HBPL was incorporated on April 21, 2008, and is a 100% subsidiary of MHIL. HBPL is running a hospital with the installed capacity of 200 beds in the town of Bathinda, Punjab. The hospital has been set up as Public Private Partnership with Government of Punjab and was commissioned in September 2011. Hometrail Estate Private Limited (HEPL) another group company also set up as Public Private Partnership with Government of Punjab was running a hospital in Mohali with the installed capacity of 224 beds that provided medical care to the residents of tri-city of Chandigarh, Mohali and Panchkula. HEPL was merged with HBPL effective from October 2018 as per NCLT order.

Brief Financials - Standalone (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	439.61	478.81
PBILDT	130.88	149.59
PAT	87.63	111.03
Overall gearing (times)	0.30	0.23
Interest coverage (times)	15.08	20.03

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

About MHIL

Max Healthcare Institute Limited (MHIL) incorporated in year 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 partner healthcare facilities (PHFs) viz, Max Saket East (Devki Devi Society), Max Smart Saket (Gujarmal Modi Society) and Max Patparganj (Balaji Society), two Radiant hospitals being operated on an O&M basis, viz, BL Kapur (Lahore Hospital Society) and Nanavati and Dwarka Hospital which is an asset light venture. Of this, 13 facilities (hospitals and medical centres) were located 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 the 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	3,325.93
PBILDT	1,240.46	1,534.95	913.47
PAT	1,103.51	1057.64	518.08
Overall gearing (times)	0.20	0.29	NA
Interest coverage (times)	14.80	21.44	15.91

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

Brief Financials – MHC Network-Consol (₹ crore)*	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	5,904	6,849	4,060
PBILDT	1,597	1,840	1,025
PAT	1,588	1,278	644

*Including 3 PHFs (Devki Devi Foundation, Gujarmal Modi Hospital & Research Centre and Balaji Medical & Diagnostics Research Centre) UA: Unaudited; 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-Cash Credit		-	-	-	15.00	CARE AA+; Stable
Fund-based - LT-Term Loan		-	-	March 31 2028	222.06	CARE AA+; Stable
Fund-based - ST-Bank Overdraft		-	-	-	15.00	CARE A1+
Non-fund-based - ST-BG/LC		-	-	-	10.00	CARE A1+
Non-fund-based - ST-BG/LC		-	-	-	20.00	CARE A1+

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	222.06	CARE AA+; Stable	1)CARE AA+; Stable (08-Oct-24)	1)CARE AA; Positive (09-Oct-23)	1)CARE AA; Stable (05-Sep-22) 2)CARE AA; Stable (23-Aug-22)	1)CARE AA-; Stable (07-Jul-21)
2	Fund-based - LT-Cash Credit	LT	15.00	CARE AA+; Stable	1)CARE AA+; Stable (08-Oct-24)	1)CARE AA; Positive (09-Oct-23)	1)CARE AA; Stable (05-Sep-22) 2)CARE AA; Stable (23-Aug-22)	1)CARE AA-; Stable (07-Jul-21)
3	Non-fund-based - ST-BG/LC	ST	10.00	CARE A1+	1)CARE A1+ (08-Oct-24)	1)CARE A1+ (09-Oct-23)	1)CARE A1+ (05-Sep-22) 2)CARE A1+ (23-Aug-22)	1)CARE A1+ (07-Jul-21)
4	Non-fund-based - ST-BG/LC	ST	20.00	CARE A1+	1)CARE A1+ (08-Oct-24)	1)CARE A1+ (09-Oct-23)	1)CARE A1+ (05-Sep-22)	-
5	Fund-based - ST-Bank Overdraft	ST	15.00	CARE A1+				

LT: Long term; ST: Short 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Bank Overdraft	Simple
4	Non-fund-based - ST-BG/LC	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.

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About us:
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