RHEA Healthcare Private Limited

January 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	-	-	Reaffirmed at CARE BBB+; Positive and Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has withdrawn the outstanding ratings of 'CARE BBB+; Positive' (pronounced as 'Triple B Plus; Outlook: Positive') assigned to bank facilities of RHEA Healthcare Private Limited (Rhea) with immediate effect. The above action has been taken at the request of Rhea and 'No Objection Certificate' received from the lenders that have extended the facilities rated by CARE Ratings.

The rating assigned to bank facilities of Rhea factors in consistent improvement in scale of operations and profitability of the consolidated entity aided by addition of new centres, increasing occupancy level and increasing share of matured centres in portfolio. Sustained improvement in scale and operating margins has translated into improvement in debt coverage indicators.

These rating strengths of the company are partially offset by leveraged yet improving capital structure. However, CARE Ratings notes that the majority of the debt in the consolidated entity would be in the form of lease liabilities. The rating is constrained by the intense competition and exposure to regulatory risk for woman and children healthcare and IVF business.

Analytical approach: Consolidated

Consolidated financial and operational performance of Rhea and its subsidiaries are considered to arrive at the rating due to strong operational, financial and managerial linkages between them. List of entities consolidated are mentioned in Annexure-6.

Outlook: Positive

Positive outlook reflects the expectation of CARE Ratings that the entity will continue to exhibit sustained improvement in scale and profitability aided by consistent addition of beds either by organic or inorganic route and its ability to turnaround the operations in shorter time period with increasing brand presence of 'Motherhood' and 'Nova IVF' in the region it operates.

Detailed description of key rating drivers:

Key strengths

Improvement in scale of operations and improving PBILDT margins

The scale of operations of the consolidated entity grew significantly by 23% to ₹1,205.91 crore in FY24 from ₹979.39 crore in FY23. The PBIDT margin improved to 15.24% in FY24 from 14.84% in FY23.

Experienced and resourceful promoters with strong management team and demonstrated support from AHH

The company was established in 2008 and has track record of operations for over a decade. In 2016, AHH (backed by PE firm TPG growth) acquired RHEA from its erstwhile promoters. Rhea is headed by Vishal Bali, CEO at AHH, nominee director in TPG and chairman of Rhea, is a qualified postgraduate having 32 years of experience, and has worked for Wockhardt (Fortis Healthcare) for 18 years. The company has over 500 doctors with supporting staff of 1,150+ employees.

Key weaknesses

Improved yet leveraged capital structure and debt coverage

The capital structure of Rhea has improved and is marked by overall gearing of 20.30x as on March 31, 2024, against 98.95x as of March 31, 2023. Total outside liabilities to tangible net worth (TOL/TNW) improved to 27.21x as on March 31, 2024, against 136.31x as on March 31, 2023.

Intense competition and exposure to regulatory risk for woman and children healthcare and IVF business

The medical sector in India is extremely competitive and Rhea faces stiff competition from other dedicated units of the established multi-specialty hospital chains, specialised mother and child hospital chains, and specialised IVF players. The industry is highly regulated, with continuous regulatory intervention in the past couple of years. Regulations such as that of restrictive pricing instated by the central and state governments and stricter compliance norms can have an adverse impact on the company's margin.

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

Liquidity: Adequate
GCA improved significantly in FY24 to ₹156.44 crore from ₹88.76 crore in FY23, which would be sufficient to cover its yearly debt repayment. Cash and cash equivalent stood at ₹159 crore as on March 31, 2024.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Hospital
Financial Ratios – Non financial Sector
Withdrawal Policy
Consolidation

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Healthcare	Healthcare	Healthcare services	Hospital

Rhea was incorporated in 2008 (acquired by AHH in 2016) and is engaged in providing healthcare services for women and child. The company operates its hospitals under the name, "Motherhood". The specialties of the hospital chain include maternity care, gynaecology, paediatrics, laparoscopic surgery, and fertility among others. Nova Medical Centres Private Limited (NOVA IVF) was incorporated in 2009 (acquired by AHH in 2019). The company is engaged into business of In vitro fertilization (IVF). In FY24, Nova IVF was merged into Rhea on April 1, 2021, after obtaining regulatory approvals.

Brief Financials – Consolidated (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	September 30, 2024 (UA)
Total operating income	979.39	1205.91	692.9
PBILDT	145.37	183.79	NA
PAT	-31.57	33.16	NA
Overall gearing (times)	98.95	20.30	NA
Interest coverage (times)	2.22	2.38	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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Bank overdraft		-	-	-	0.00	Withdrawn
Fund-based - LT-Term loan		-	-	August 2029	0.00	Withdrawn

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-Bank overdraft	LT	-	-	1)CARE BBB+; Positive (02-Jan-25)	1)CARE BBB+; Positive (18-Oct-23)	1)CARE BBB; Stable (18-Aug-22) 2)CARE BBB; Stable (04-Aug-22)	1)CARE BBB; Stable (03-Sep-21)
2	Fund-based - LT-Term loan	LT	-	-	1)CARE BBB+; Positive (02-Jan-25)	1)CARE BBB+; Positive (18-Oct-23)	1)CARE BBB; Stable (18-Aug-22) 2)CARE BBB; Stable (04-Aug-22)	-

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-Bank overdraft	Simple
2	Fund-based - LT-Term loan	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Meskhenet Healthcare Private Limited	Full	Subsidiary
2	Chaithanya Integrated Healthcare India Private Limited	Full	Subsidiary
3	Nova Fertility East Private Limited	Full	Subsidiary
4	Nova Pulse IVF Clinic Ahmedabad Private Limited	Full	Subsidiary
5	Origin International Fertility Centre Private Limited	Full	Subsidiary
6	Revaba Infertility Centre Private Limited	Full	Subsidiary
7	Svas Med Private Limited	Full	Subsidiary
8	Asia Pacific Fertility Centre LLP	Full	Subsidiary
9	Nova Fertility Bangladesh Private Limited	Full	Subsidiary
10	Dr. Amin's Medivision LLP	Full	Subsidiary
11	Revaba IVF LLP	Full	Subsidiary
12	Fetomat Foundation Care Services LLP	Proportionate	Associate
13	Shashthi True Value Healthcare Services LLP	Full	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

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About us:
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