ASG Hospital Private Limited (Revised)

March 20, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	300.00 (Enhanced from 228.00)	CARE BBB+; Positive	Reaffirmed; Outlook revised from Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to bank facilities of ASG Hospital Private Limited (AHPL) continues to derive strength from its experienced and qualified promoters in ophthalmic healthcare industry, long and established track record of operations in the eye care segment with geographically diversified presence, and experienced team of doctors providing advanced eyecare solutions. Rating further derives strength from significant growth in its scale of operations and profitability in FY24 (refers to period April 01 to March 31) and 9MFY25 supported by its organic and in-organic expansion and positive long-term outlook for the healthcare sector in India. CARE Ratings Limited (CARE Ratings) has also acknowledged the operational turnaround of its subsidiary, Vasan Healthcare Private Limited (Vasan) in 9MFY25. The rating also derives comfort from recent fund infusion by its existing shareholders in the form of compulsory convertible preference share (CCPS) in FY25 to fund ongoing/proposed expansion plans.

However, the rating is constrained by inherent risk associated with AHPL's continuous expansion plans, through organic and inorganic routes, which has resulted into higher leverage and moderate debt coverage indicators and its low fixed asset turnover and return indicators. Rating also considers inherent risk of dependence on scarcely available medical professionals in a competitive healthcare industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in scale of operations and profit before interest, lease rentals, depreciation and tax (PBILDT) margin leading to improvement in return on capital employed (ROCE).
- Total debt/ PBILDT less than 2.5x on a sustained basis.

Negative factors

- Deterioration in the PBILDT margin below 15% on sustained basis.
- Any large size debt funded capex plan or acquisition beyond what is envisaged and its adverse impact on capital structure.

Analytical approach: Consolidated

CARE Ratings has considered the consolidated financials of AHPL and its subsidiaries, as its subsidiaries are engaged in similar line of businesses. Subsidiaries whose financials have been consolidated in AHPL is listed under **Annexure-6**.

Outlook: Positive

Revision in outlook from 'Stable' to 'Positive' reflects CARE Ratings' expectation of healthy growth in the revenue and profitability supported by improvement in performance of Vasan and increasing maturity of its relatively young eye-care centres. This will lead sustained improvement in its debt coverage indicators and return ratio (ROCE). The outlook may be revised to 'Stable' in case of lower-than-envisaged improvement in profitability, debt coverage and return ratio.

Detailed description of key rating drivers:

Key strengths

Experienced and qualified promoters in ophthalmic healthcare industry

Dr Arun Singhvi, Chairman and Managing Director of AHPL, has over 20 years of experience in ophthalmic healthcare industry. They have incorporated AHPL in 2007 with vision to provide best eye care solution to every individual by setting up eye care centres at various cities. Promoters are well-supported by a qualified management team, which looks after AHPL's regular business operations. Equity infusion by Sequoia Capital (exited), Investcorp (exited), General Atlantic, Kedaara Capital and Sky impact holding indicates capability of the management to bring reputed investors to support future growth, while maintaining financial flexibility. As informed by the management and evident from the audit report for the year ended March 31, 2024, there is no obligation on promoters or the company to buy-back the shares held by private equity (PE) investors at the time of exit.

Long and established track record of operation in eye care segment with geographically diversified presence

With over 17 years of operational track record, AHPL has been able to grow its operations on a continuous basis with regular addition of new centres at various cities to aid growth. As on December 31, 2024, AHPL (on a consolidated basis) operated 157 eye care centres in over 20 different states. Apart from this, AHPL operates two eye care centres abroad, one in Kathmandu,

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

Nepal and another one in Kampala, Uganda. AHPL operates majority its centres on leased space limiting its capex requirement. AHPL benefits from its geographically diversified revenue profile as it earned ~64% of its standalone revenue in FY24 from the top five states namely Rajasthan, West Bengal, Bihar, Madhya Pradesh and Maharashtra. With the addition of new centres in different cities and states, the revenue diversification is expected to improve further in the near-to-medium term. AHPL is also empanelled with Ex-servicemen Contributory Health Scheme (ECHS), Employee's State Insurance Corporation (ESIC), Central Government Health Scheme (CGHS), Ayushman Bharat Pradhan Mantri Jan Arogya Yojana and has arrangements with major insurance companies and third-party administrators (TPAs). In FY24, AHPL (on a standalone basis) earned ~62% revenue via cashless mode (from TPAs, Government schemes and corporate clients) and remaining ~38% from private patients.

Experienced team of doctors providing advanced eye-care solutions through sophisticated technology

AHPL is managed by a team of eye care specialists, who are professionally qualified from prestigious medical institutes. Majority ophthalmic specialists and surgeons are Ex. senior surgeon of AIIMS, New Delhi having vast clinical experience in their respective specialties. As on December 31, 2024, AHPL (on a consolidated basis) operated 157 eye care centres run by over 800 doctors. AHPL provides comprehensive diagnosis, treatment and surgical services through cutting edge technology. AHPL (on a standalone basis) has treated over 10 million patients till date and is one of the pioneers of the latest technology of Femto lasers in cataract surgery. AHPL also provides specialised treatments such as Advanced Vitreo-Retinal surgery (for treatment of complicated retinal and vitreous disorder), squint surgery, oculoplastic surgery (includes treatment for different types of eye tumours) and cosmetic eye surgery among others. AHPL has state-of-the-art facilities for spectacle removal by one of the fastest available LASIK laser machines. It also provides round-the-clock emergency services for trauma and a 24-hour eye banking facility. AHPL has Human Organ Transplant Act (HOTA) approved eye bank for eye transplantation services at its centres. In FY24, AHPL (on a standalone basis) earned ~₹285 crore revenue from surgeries (~70% of its standalone total operating income [TOI]) of which, majority comes from cataract followed by retina, LASIK, cornea, glaucoma, and squint among others.

Growth in its scale of operations and operating profitability in FY24 and 9MFY25

AHPL's consolidated TOI grew by 81% in FY24 on y-o-y basis and stood at ₹792 crore in FY24 considering revenue contribution from inorganic expansion and organic growth from its existing centres. Organic growth was led by increase in the number of patients treated. AHPL's PBILDT grew by 51% in FY24 on y-o-y basis driven by increase in its scale of operations. The PBILDT margin declined by ~427 bps in FY24 on y-o-y basis to 21.40% considering higher employee and marketing costs and continued operating losses in Vasan.

In 9MFY25, on a consolidated basis, AHPL earned a TOI of ₹776 crore with PBILDT of ₹176 crore. PBILDT margin improved backed by turnaround of Vasan (which achieve operating breakeven from October 2024) and high operating leverage associated with the hospital business. CARE Ratings expects AHPL's consolidated revenue to grow by over 30% per annum in the near term considering favourable industry demand prospects, continuous organic and in-organic expansion and improving maturity profile of its eye-care centres. AHPL's consolidated PBILDT margin is also expected to improve driven by economies of scale, better profitability profile of acquired entities (the acquired entities [subsidiaries except Vasan] are significantly more profitable at operating level than its parent due to their long-standing presence in the respective geographical areas, established customer base and absence of corporate administration cost) and improvement in performance of Vasan. CARE Ratings expects AHPL's PBILDT to grow by over 40% in the near term.

Infusion of funds by existing shareholders to strengthen the company's capital base and liquidity

In FY25, existing shareholders (including promoters) infused sizable funds by subscribing compulsory convertible preference shares (CCPS). equity infusion will be used for organic and inorganic expansion in the near term. The equity infusion has strengthened AHPL's capital base and improved liquidity position in the near term.

Positive long-term outlook for the eye-care industry in India

Indian eye care industry services industry was valued at ~₹38,000 crore in FY24. The industry is projected to grow at a compound annual growth rate (CAGR) of 12%-14% in the medium-to-long-term. According to international association for prevention of blindness, India has the highest number of visually impaired people in the world. Change in the demographic profile, increasing insurance penetration, rising income levels and higher demand for cosmetic surgeries are expected to lead to higher demand for the eye care industry.

Liquidity: Adequate

AHPL's liquidity is supported by growing annual cash accruals and low utilisation of its fund based working capital limits. ASG's term-debt repayment obligation (including lease liability is expected to be ~₹190 crore in FY26 and ~₹230 crore in FY27). Its cash accruals are expected to be adequate to meet its debt repayment obligations. Average maximum monthly working capital utilisation stood at 33% for 12 months ended September 2024. Liquidity indicators marked by current ratio remained below unity at 0.82x as on March 31, 2024, due to high current liability. Equity infusion by existing shareholders has increased the financial flexibility of the company in the near-medium term. The company had cash and liquid investments of ₹138 crore as on March 31, 2024, and expected to have cash equivalents of over ₹250 crore as on March 31, 2025, supported by recent fund infusion. Acquisitions and capex are expected to be partly funded through capital infusion/internal accruals and partially through term debt. AHPL receives ~40% of revenue upfront/in advance from patients. The company receives payment from TPAs within 30 days, while the payment from government schemes is received within 45 days. The company enjoys a credit period of ~40-45 days from its suppliers. Hence, its operating cycle is expected to be lean within 15 days.

Key weaknesses

Low fixed asset turnover ratio and weak return indicator

AHPL has spent over ₹1,200 crore on capex and acquisition in the last five years ended FY24. AHPL's consolidated TOI increased from ₹143 crore in FY21 to ₹792 crore in FY24. Fixed assets turnover ratio remained low over the years and stood low at 0.60x in FY24 (FY23: 0.56x) considering continued addition of centres, which are running at sub-optimal utilisation. AHPL's operating ROCE also remained negative in FY24 considering nascent stage of operation of many of its centres including recent addition of Vasan and higher lease cost from FY24 which is yet to adequately absorbed. The company plans to incur sizable capex in the medium term, which may also restrict ROCE till the time all centres generate adequate profitability. Going forward, ramp up of its newly added centres and growth from mature centres, leading to improvement in its fixed asset turnover and return indicators will remain crucial from a credit perspective.

Inherent risk associated with continuous organic and inorganic expansion

In FY23, the company invested over ₹700 crore towards capital expenditure including acquisition of Vasan. Per the NCLT's approved plan for the acquisition of Vasan, the company has paid ₹400 crore upfront to operational creditors and invested large sum towards augmentation of infrastructure and working capital requirements. In FY24, the company has opened six new centres and acquired seven Hospital chains across cities of India. AHPL spent ~₹360 crore on acquisitions and ~₹150 crore on capex in FY24. AHPL also acquired four new eye-care hospitals and started three greenfield hospitals in FY25. Acquisitions are being funded through mix of internal accruals, equity infusion and term-debt. Going forward, AHPL is planning to add8-10 new centres per year through organic and in-organic route in difference cities to further expand its reach to offer eye care solutions. The company's ability to successfully ramp up the operations of newly set-up or acquired centres and earn envisaged level of revenue and profitability would remain key monitorable for credit perspective. AHPL's has a strategy to acquire only profitable centres (except in case of Vasan), which mitigates risk to certain extent.

High leverage in FY24 resulting into moderate debt coverage indicators

AHPL on a consolidated basis borrowed ~₹340 crore in FY24, to part fund the acquisition of Vasan and expected to borrow another ~₹150 crore in FY25 for capex and acquisitions. Higher borrowing in FY24 led to increase in its total debt to ~₹418 crore (excluding lease liability) as on March 31, 2024. This also resulted in moderation in its capital structure and debt coverage indicators. Its total debt/PBILDT and its interest coverage ratio remained at 4.92x and 2.84x respectively in FY24 against 2.81x and 3.61x in FY23.

In FY25, existing shareholders (including promoters) infused sizable funds which improved its capital structure and liquidity. Part of equity infusion has been used to fund acquisitions made in FY25, and the rest will be used for ongoing/ proposed expansion plans. The company will continue to invest capital on expansion in the medium term. Majority its capex is expected to be funded through internal accruals and fresh equity issue, while fresh drawl of debt is expected to remain below ₹100 crore in the near-to-medium term. As informed by the management, AHPL plans to keep total debt/PBILDT below 4.5x in FY26 and below 3.5x in FY27.

High minority interest acquisition liability

In the last three years, AHPL has acquired controlling stake in entities operating eye care centre to expand its presence. In most cases, AHPL acquires majority stake in the entity, while existing owners retains remaining stake. As per the shareholder agreement, AHPL agreed to acquire remaining stake in future as per the terms of agreements and at a valuation decided based on various parameters mentioned in the agreement. AHPL has recognised liability of ~₹323 crore till FY24 for acquisition of the minority interest. As informed by the management, acquisition liability will be due from FY28 in a phased manner. Although the current value of the liability considers adequate assumption for the performance of its subsidiary, future movement in the value of liability depends on performance of the subsidiary and other discounting assumptions. This may result in higher-than-expected cash-outflow. If the company is not able to raise sufficient equity capital to settle this liability, it may adversely impact its capital structure.

Dependence on scarcely available medical professionals and competition from other hospitals and clinics

AHPL highly depends on scarcely available ophthalmologists. Given the constraints of individual practice and associated costs, doctors are incentivised to be associated with the brand and work with latest technology. However, given the increasing competition, greater penetration of single doctor clinics in tier-3 towns and semi urban areas, the company's ability to retain its current pool would be a key differentiator. AHPL faces competition from other large multi-specialty hospitals, and individual eye clinics. Despite wide-spread geographical presence, AHPL continues to face competition from individual eye clinics for smaller procedures and for complex procedures it faces competition from multi-specialty hospitals.

Applicable criteria

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

About the company and industry
Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Healthcare	Healthcare	Healthcare services	Hospital

AHPL was promoted by Dr Arun Singhvi and Dr Shilpi Gang in 2007 to offer eye care solution. AHPL provides eye care solution through its well-established network of 157 eye care centres as on December 31, 2024, spread across India apart from presence in Uganda and Nepal. In FY23, two new private equity investors namely General Atlantic and Kedaara Capital have infused fresh capital of ₹827 crore in three tranches by subscribing fresh CCPS. In FY25, existing shareholders further infused sizable capital.

Brief Consolidated Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	437	792	776
PBILDT	112	170	176
PAT	11	-75	NA
Overall gearing (times)*	0.32	0.91	NA
Interest coverage (times)	3.61	2.84	NA

A: Audited UA: Unaudited; NA; Not available; Note: these are latest available financial results; *Goodwill and intangible assets have been considered as part of tangible net worth.

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-Bank Overdraft	-	-	-	-	36.00	CARE BBB+; Positive
Fund-based - LT-Term Loan	-	-	-	28/02/2031	264.00	CARE BBB+; Positive

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	264.00	CARE BBB+; Positive	-	1)CARE BBB+; Stable (05-Jan-24)	1)CARE BBB+; Stable (03-Mar-23) 2)CARE BBB+; Stable (06-Oct-22)	1)CARE BBB; Stable (07-Jul-21)
2	Fund-based - LT-Bank Overdraft	LT	36.00	CARE BBB+; Positive	-	1)CARE BBB+; Stable (05-Jan-24)	1)CARE BBB+; Stable (03-Mar-23) 2)CARE BBB+; Stable (06-Oct-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	ASG Eye Hospital Private Limited, Uganda	Full	Subsidiary
2	ASG Eye Care & Health Services Private Limited, Nepal	Full	Subsidiary
3	Mas Sueno Optica Private Limited	Full	Subsidiary
4	Prakash Netra Kendra Private Limited	Full	Subsidiary
5	Kamla Eye Foundation Private Limited	Full	Subsidiary
6	Vasan Healthcare Private Limited (VHPL)	Full	Subsidiary
7	Kapil Eye Hospital Private Limited	Full	Subsidiary
8	Garg Ophthalmic Centre Private Limited	Full	Subsidiary
9	Insight Eye Clinic Private Limited	Full	Subsidiary
10	Bombay City Eye Institute and Research Centre Private Limited	Full	Subsidiary
11	Jethawa Hospital Private Limited	Full	Subsidiary
12	Envision Eye Hospital Private Limited	Full	Subsidiary
13	Krishna Eye Centre Private Limited	Full	Subsidiary
14	Satyabhama Netralay Private Limited	Full	Subsidiary

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
15	Saatvik Eye Hospital Private Limited	Full	Subsidiary
16	Sunetra Eye Centre Private Limited	Full	Subsidiary
17	Mumbai Eye Care Cornea and Lasik Cantre Private Limited	Full	Subsidiary
18	Prism Eye Institute Private Limited	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.

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About us:

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