

Paras Healthcare Limited

March 31, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	561.55	CARE BBB; Negative	Downgraded from CARE BBB+; Stable
Long Term / Short Term Bank Facilities	32.64	CARE BBB; Negative / CARE A3+	Downgraded from CARE BBB+; Stable / CARE A2

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The downgrade in the ratings assigned to the bank facilities of Paras Healthcare Limited (PHL) factors in the continued high leverage position of the group coupled with deterioration in the debt coverage indicators on account of debt-funded capex projects along with subdued operational performance which was largely driven by higher than envisaged losses for two newly operational hospitals i.e. Kanpur and Srinagar, which impacted the cash accruals of the group. The ratings also continue to remain constrained by the fragmented nature of the healthcare industry leading to increase in competition from other organized and unorganized regional players in respective regions and challenges pertaining to attracting and retaining quality doctors. The ratings, however, continue to derive strength from its experienced and professional management team with proven track-record of over two decades in the healthcare industry, stable operational performance of its two flagship multi-specialty hospitals i.e. Gurgaon (Haryana) & Patna (Bihar), which have strong brand image, gradual diversification of revenue in terms of therapeutic segment and positive outlook for the healthcare sector in India.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Scaling-up of operations of existing hospitals and/ or stabilization of new/ project-phase hospitals resulting in significant growth in its total operating income (TOI).
- Improvement in the debt coverage metrics of the group as reflected by a Total debt/ PBILDT of less than 4.50x on a sustained basis

Negative factors

- Delay in stabilisation of project-phase/ new hospitals resulting further deterioration of debt coverage indicators from current levels on a sustained basis.
- Continued debt-funded expansion in hospital network leading to further deterioration in financial risk profile of the company.

Analytical approach: Consolidated (list of entities has been mentioned in Annexure 6), audited financials of Paras Healthcare Limited and its wholly owned subsidiary i.e. Paras Healthcare (Ranchi) Private Limited and Plus Medicare Hospitals Private Limited as on March 31, 2024, are considered for analysis owing to strong management, operational and financial linkages.

Outlook: Negative

CARE Ratings believes that the debt coverage Indicators of the company shall be constrained on account of the leveraged capital structure of the company along with the subdued operational performance of the two recently operational hospitals, resulting in continuous requirement of financial support. The outlook may be revised to 'Stable' if the company is able to report faster than envisaged turnaround in the operational performance of Kanpur and Srinagar hospital, coupled with significant improvement in the capital structure of the company on consolidated levels.

Detailed description of key rating drivers:

Key strengths

Diversified network of hospitals

PHL commenced operations of its first hospital in Gurgaon in 2006 and then gradually expanded its hospital network to other regions. Currently, PHL is operating eight multi-super specialty hospitals under the brand name of 'Paras Health', two of which are located in Haryana, two in Bihar, one in Rajasthan, one in Jharkhand, one in Jammu & Kashmir, and one in Uttar Pradesh. Gurgaon and Udaipur hospital (acquired in June 2022 through 100% equity acquisition in Plus Medicare Hospitals Private Limited, PMHPL) are owned by PHL, whereas other hospital operates on lease arrangements basis for a long tenure of around 20-35 years.

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

Established track record of operations of two flagship hospitals with improving operational indicators for some hospitals

Paras Hospital, Gurgaon has operational track record of around 18+ years, Paras HMRI Hospital, Patna is operational for around 11 years, while other hospitals have operational track record of less than 5 years. For the Gurgaon hospital, occupancy levels improved in 9MFY25 (refers to the period April 01 to December 31) and remained healthy at around 76%. Also, ARPOB (average revenue per occupied bed) improved to Rs. 69,253 in 9MFY25 owing to increase in revenue due to focus on tertiary care services like Neurosciences, Cancer Centre, Cardiac Sciences and Joint Replacement whereas at Patna hospital Occupancy levels remained stable at around 62% with an ARPOB of Rs. 43,523 in 9MFY25. Furthermore, the occupancy levels of Panchkula and Udaipur hospitals also stood stable at 70% and 45% respectively with an ARPOB of Rs. 45,424 and Rs. 36,636 respectively.

Experienced and professional management team with proven track record of operations in healthcare industry:

Dr. Dharminder Nagar, managing director, has an experience of over more than two decades in the healthcare industry. He graduated as a doctor from Mysore University in 1995 and possesses M. Phil in Hospital and Health System Management from Birla Institute of Technology and Science, Pilani. He has also undertaken an Executive Management Program in healthcare delivery from Harvard Business School and holds an Advanced Diploma in Healthcare Management and Health Systems Administration from Imperial College, London. He is ably supported by a team of experienced medical/ financial professions for day-to-day operations and strategic decisions making.

PHL has an experienced team of more than 3500 employees including doctors, nursing and other support staff. The promoters have ensured availability of renowned medical practitioners across multiple therapeutic segments which have resulted in gradual increase in occupancy as well as built-up their reputation in the respective segments. Reputed doctors like Padmashree Dr. V.S. Mehta, has been associated with PHL for more than a decade and is serving as the director of Paras Institute of Neurosciences. Padmashree Dr. Alka Kriplani, (a Dr. B.C. Roy National awardee) is also associated with PHL for more than five years and heads the Gynaecology, Obstetrics and Antiretroviral therapy (ART) department. Padmashree Dr. M.V. Padma Shrivastava has more than 30 years of experience of stroke management, dementia due to Alzheimer, multiple sclerosis, management of cerebrovascular disease, seizures in Epilepsy etc. has joined the Paras group as a chairperson in Neurology. Furthermore, PHL has invested consistently in up-gradation and renewal of medical equipment to support smooth functioning. Thus, all the PHL's hospitals are well equipped with state of-the-art and high-end medical machinery/ equipment.

Key weaknesses

Subdued Operational Performance during 9MFY25:

PHL's consolidated TOI stood at Rs.962.68 crores in 9MFY25 primarily because of lower than envisaged growth from two of its recently commissioned hospitals, Kanpur and Srinagar. With gradual scaling-up of operations of existing hospitals at Patna, Panchkula, Ranchi and Udaipur, improvement in the recently envisaged hospitals, Kanpur and Srinagar, would remain a key monitorable. Despite improvement in operational performance of existing hospitals at Patna, Ranchi, Udaipur etc, group's PBILDT margin stood moderate at 11.44% in 9MFY25 on account of increased costs associated with the Srinagar and Kanpur hospital. Further, owing to high interest and depreciation cost in absolute terms, the company reported losses on net level during 9MFY25. While PHL's established hospitals are envisaged to report improvement in profitability which is also evident from improvement in operational performance of these hospitals during 9MFY25, CARE Ratings expects overall profitability to remain rangebound in the near term due to losses from newly commissioned hospitals.

Leveraged capital structure and weak debt coverage indicators:

The capital structure of the group continued to be highly leveraged as reflected by an overall gearing of 4.06x as on December 31, 2024. Further, subdued operational performance of the group during 9MFY25 coupled with additional debt taken to meet the capex requirements of the new hospitals along with funding group's working capital requirements, resulted in deterioration of the debt coverage indicators as indicated by PBILDT interest coverage ratio of 1.48x as against 1.80x during FY24. The total debt to Gross Cash Accruals (GCA) also remained high at ~28x as on December 31, 2024. However, company plans to raise up to Rs. 400 crores of fresh issue via Initial public offer (IPO), proceeds of which will largely be utilised for reduction in the total debt of the company. The company has already received an approval from Securities Exchange Board of India (SEBI) for raising funds through IPO during October 2024. Improvement in capital structure of the group with envisaged reduction in debt coupled with improvement in net worth base driven by IPO, will remain a key monitorable from credit perspective.

Challenges of attracting and retaining quality medical professionals:

Undertaking new hospital projects and expanding its existing facilities requires adequate availability of trained doctors and medical personnel. However, given the increasing competition and scarcity of quality medical specialists, the ability of the company to retain its current medical fraternity would be a key differentiator. Furthermore, probable loss of the services of any senior medical personnel may seriously impair the company's ability to continue to manage and expand its operations due to highly skill driven

nature of medical services. The Paras group has a dedicated team of full-time consultant doctors who practice in various therapeutic areas. Also, PHL strategically selects the location of its hospitals in the regions which has medical colleges so as to attract doctors and medical professionals from the same region.

Fragmented nature of healthcare industry leading to increasing competition:

The healthcare sector is highly fragmented with few large players in the organised sector and numerous small players in the unorganised sector leading to high level of competition in the business. Thus, differentiating factors like range of services offered, quality of service, pedigree of doctors, success rate in treatment of complex/critical diseases, etc. will be crucial in order to attract patients and increase occupancy.

Liquidity: Adequate

The company is generating close to Rs. 100 crores of collections per month, along with the support of Rs. 55.61 crores in the form of free cash and unencumbered Fixed Deposits as on February 28, 2025. Further, the average working capital utilization for the trailing 5 months ending February 2025 stood at 68%, thus providing sufficient buffer to the company. However, owing to subdued profitability, the company's envisaged cash accruals are tightly matched against its debt obligations.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Hospital](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Consolidation](#)

[Factoring Linkages Parent Sub JV Group](#)

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Healthcare	Healthcare	Healthcare Services	Hospital

PHL was promoted by Dr. Dharminder Nagar in 2006 having successful operational track record of more than a decade in the Healthcare Industry. Presently, PHL operates seven multi-super specialty hospitals in North and East India with a total census inventory of 1,700 beds. In July 2017, Creador, a Southeast-Asia based, and India focused private equity (PE) firm had invested Rs.260.03 crore (through Commelina Ltd., its investment vehicle) by subscribing 62,245 equity share along with 10,22,182, 0.01% Series A, CCPS. These CCPS were converted into ordinary equity shares in September 2018. Post this conversion, Commelina Ltd. held 24.68% equity stake in PHL.

Brief Financials (₹ crore)- Consolidated	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	917.92	1132.63	962.68
PBILDT	124.59	125.03	110.17
PAT	-42.79	-15.33	-48.96
Overall gearing (times)	48.06	2.79	4.06
Interest coverage (times)	2.44	1.80	1.48

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

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: Detailed explanation of covenants of the rated instruments/facilities is given in 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-Long Term	-	-	-	-	113.80	CARE BBB; Negative
Non-fund-based-LT/ST	-	-	-	-	32.64	CARE BBB; Negative / CARE A3+
Term Loan-Long Term	-	-	-	March, 2034	447.75	CARE BBB; Negative

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Term Loan-Long Term	LT	447.75	CARE BBB; Negative	1)CARE BBB+; Stable (04-Jul-24)	1)CARE BBB+ (RWD) (22-Dec-23)	1)CARE BBB+; Stable (02-Dec-22)	1)CARE BBB+; Stable (03-Dec-21)
2	Fund-based-Long Term	LT	113.80	CARE BBB; Negative	1)CARE BBB+; Stable (04-Jul-24)	1)CARE BBB+ (RWD) (22-Dec-23)	1)CARE BBB+; Stable (02-Dec-22)	1)CARE BBB+; Stable (03-Dec-21)
3	Non-fund-based-LT/ST	LT/ST	32.64	CARE BBB; Negative / CARE A3+	1)CARE BBB+; Stable / CARE A2 (04-Jul-24)	1)CARE BBB+ / CARE A2 (RWD) (22-Dec-23)	1)CARE BBB+; Stable / CARE A2 (02-Dec-22)	1)CARE BBB+; Stable / CARE A2 (03-Dec-21)

LT: Long 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-Long Term	Simple
2	Non-fund-based-LT/ST	Simple
3	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view the 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	Paras Healthcare (Ranchi) Private Limited	Full Consolidation	Subsidiary
2	Plus Medicare Hospitals Private Limited (PMHPL)	Full Consolidation	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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