

## MGM Healthcare Private Limited

April 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	658.31	CARE BB-; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB and removed from Rating Watch with Developing Implications; Stable outlook assigned and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	60.00	CARE A4; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category; Reaffirmed and removed from Rating Watch with Developing Implications

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

MGM Healthcare Private Limited (MGM) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Ltd.'s rating on MGM's bank facilities will now be denoted as **CARE BB-; Stable/CARE A4; ISSUER NOT COOPERATING\***.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.**

The ratings assigned to the bank facilities of MGM were earlier placed on 'Rating Watch with Developing Implications' following the MGM's announcement of acquisition of "Sevenhills Hospital", a multi-specialty hospital in Vishakapatnam on July 11, 2024. The acquisition was part of the corporate insolvency resolution process of the Vizag unit of the SevenHills Hospital at a total resolution amount of ₹171 crores. The ratings have now been removed from rating watch as the acquisition is completed, and MGM commenced the operation in the newly acquired hospital.

The revision in the rating assigned to the bank facilities of MGM Healthcare Private Limited (MGM) takes into account the increased debt level and moderation in debt coverage indicators with below unity DSCR. The ratings continued to remain constrained by the weak financial risk profile marked by a the highly leveraged capital structure, weak debt coverage indicators and dependence on external fund support for debt servicing. While the promoters have supported by way of fund infusions to support debt servicing and capital expenditure requirements, further expansion plan by the hospital with a new greenfield hospital at Chennai would require continual support. The ratings also take note of the highly competitive nature of the healthcare service providers in the Chennai region and challenges in retaining qualified medical professionals. The ratings, however, derive comfort from company's differentiated strategy focusing on high-end surgeries especially in transplant segment, growing scale of operations and promoter's extensive experience in healthcare sector.

**Analytical approach:** Standalone

**Outlook:** Stable

### Detailed description of key rating drivers:

At the time of last rating on July 19, 2024, the following were the rating strengths and weaknesses (updated for the information from the company).

### Key Rating weaknesses

#### Debt funded capex on highly leveraged capital structure

MGM has been operating with four hospital units, three in Chennai and one at Vizag with overall bed capacity of 975. The company had relied on external debt to fund the projects costs incurred for those units. With debt funded acquisitions of Malar hospital in Chennai, total debt of has increased from Rs 390.46 crores as of March 2023 to Rs 444.43 crores as of March 2024. The overall gearing of the company stood high at 3.13x as on March 31, 2024, against the adjusted net worth base of ₹ 141.79 crore (after factoring in the unsecured loan from promoters/related parties of ₹ ₹320.01 crores as of March 2024 (PY: Rs 221.83 crores) as quasi equity as they are subordinated to bank loans). Greenfield hospital project at alwarpet is expected to be funded with a debt support of Rs 214 crores and as of Dec 31, 2024, MGM has availed Rs 30.00 crores towards this project. Apart from these,

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

MGM has acquired Seven hills hospital in FY25 with debt support of Rs 132 crores. Total Debt as of December 31, 2024, further increased to Rs 524 crores. Further, debt coverage indicators also moderated in FY24 marked by total debt/ gross cash accrual (TD/GCA) of the company stood high at 181.64x (PY: 18.32x) and interest coverage ratio of 0.87x (PY:1.33x).

### **Presence in the highly competitive Chennai market**

MGM faces stiff competition from other established multi-specialty hospitals that provide tertiary health care services, as well as regional government and private hospitals that provide primary and secondary care in Chennai. While the recent acquisition of unit in Vizag is expected to facilitate MGM to create a foothold outside Chennai, its operations expected to be largely concentrated within Chennai City.

### **Retention of qualified health care professionals and growing regulation in the industry**

The healthcare industry is highly dependent on the availability of qualified and experienced medical professionals. With the increasing competition and the scarcity of medical specialists, the ability of the hospital to retain its current pool would be a key differentiator. Furthermore, many regulatory interventions have had an impact on the hospital sector's performance. In addition to licenses and approvals, the government is continually regulating medicine and consumable pricing.

### **Key strengths**

#### **Growing scale of operations aided by acquisition of new hospitals**

TOI has grown to Rs 431 crores in FY24, marking 22% YoY growth. With addition of new hospitals, MGM has already achieved TOI of Rs 438 crores in 9MFY25 with newly acquired Malar hospital and Sevenhills hospital combinedly contributing Rs 105 crores. PBILDT margin moderated to 7.71% in FY24 from 12.55% in FY23 on account of increased employee cost and higher operational overheads in the newly acquired hospitals. However, PBILDT margin improved to 11.11% in 9MFY25.

#### **Focus on high end surgeries, especially in the transplant segment**

MGM is a quaternary care multi-specialty hospital catering to patients in Chennai and also one hospital recently acquired in vizag. Combinedly, the group has around 975 beds, over 760 of which are operational as on December 2024 end after accounting for beds for ICU care, dialysis etc. The hospitals have 25 operational theatres and had 236 consultant doctors and 320 in house doctors as on December 2024 end. The hospital has more than 30 specialities including Cardiology, Orthopaedics, Neurosurgery, Nephrology, ENT, Paediatrics etc.

Hospital has also started multi-visceral transplantation and IVF procedures in FY24. Though some of the specialities are in initial stage of operation, the company's presence in various speciality divisions is expected to bring in diverse revenue during the forthcoming years.

### **Experienced promoters**

The Chairman and Managing Director of MGM, MK Rajagopalan has extensive experience in the healthcare and hospital sector. He is the also chairman of 'Sri Balaji Educational & Charitable Public Trust' and 'Sri Balaji Vidyapeeth Trust' which runs the Mahatma Gandhi Medical College & Research Centre (MGMCRI) established in 2001 in Pondicherry and Shri Sathya Sai Medical College and Research Institute (SSSMCRI) in Kanchipuram district, Tamil Nadu which was established in 2007.

MGMCRI is equipped with 1380 beds in the college premises and SSMCRI is operational with 1140 beds. This provides promoters considerable experience in the hospital sector. The promoters as of December 2024 had infused unsecured loan of ~Rs 424.50 crore through entities controlled by promoters.

### **Liquidity: Stretched**

Liquidity of MGM is stretched marked by accruals falling short of repayment obligation for the projected years. MGM is expected to repay its obligation out of the operating cashflows and incremental support from promoters. Since commencement, the promoters have infused funds as unsecured loans, and the promoter are expected to continue to support the entity to manage its debt repayments. The company had maintained unencumbered cash and bank balance stood at ₹6.15 crore as on March 31, 2024. The average fund based working capital utilization for 12 months ended December 2024 was at 93%.

### **Applicable criteria**

[Definition of Default](#)

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

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Hospital](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)  
[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Healthcare	Healthcare	Healthcare Services	Hospital

MGM Healthcare Private Limited (MGM) is a Chennai-based multi-speciality hospital providing advanced healthcare services. MGM was incorporated in September 2016 by Mr. M K Rajagopalan (Chairman & Managing Director) and his son Dr. Prashant Rajagopalan. The hospital as of Dec 2024 end is operational with 3 hospital units in Chennai and 1 hospital in Vizag with overall bed capacity of 975.

Particulars	Focus	Location	Bed capacity
MGM Healthcare (HC)	Multi-specialty	NM Road, Chennai	400
MGM Cancer Institute (Cancer unit/CI)	Oncology	NM Road, Chennai	150
New unit from Fortis (Malar unit)	Multi-specialty	Adyar, Chennai	150
Seven hills	Multi-specialty	Visakhapatnam	275

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total operating income	352.49	431.17	454.41
PBILDT	44.23	33.24	50.48
PAT	-5.72	8.29	1.79
Overall gearing (times)	9.68	3.13	1.68
Interest coverage (times)	1.33	0.87	1.31

A: Audited 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-Term Loan		-	-	31-12-2029	658.31	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - ST-Bank Overdraft		-	-	-	20.00	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	40.00	CARE A4; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

## 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	658.31	CARE BB-; Stable; ISSUER NOT COOPERATING*	1)CARE BB (RWD) (19-Jul-24) 2)CARE BB; Stable (03-Apr-24)	1)CARE BB (RWD) (01-Dec-23)	1)CARE BB; Stable (28-Mar-23) 2)CARE BB-; Stable (17-May-22) 3)CARE BB-; Stable (06-Apr-22)	-
2	Fund-based - ST-Bank Overdraft	ST	20.00	CARE A4; ISSUER NOT COOPERATING*	1)CARE A4 (RWD) (19-Jul-24) 2)CARE A4 (03-Apr-24)	1)CARE A4 (RWD) (01-Dec-23)	1)CARE A4 (28-Mar-23) 2)CARE A4 (17-May-22) 3)CARE A4 (06-Apr-22)	-
3	Non-fund-based - ST-Bank Guarantee	ST	40.00	CARE A4; ISSUER NOT COOPERATING*	1)CARE A4 (RWD) (19-Jul-24) 2)CARE A4 (03-Apr-24)	1)CARE A4 (RWD) (01-Dec-23)	1)CARE A4 (28-Mar-23) 2)CARE A4 (17-May-22) 3)CARE A4 (06-Apr-22)	-

\*Issuer did not cooperate; based on best available information.

LT: Long term; ST: 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-Term Loan	Simple
2	Fund-based - ST-Bank Overdraft	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple

**Annexure-5: Lender details**

To view the 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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